CONTEMPORARY MANAGEMENT IN THEORY AND PRACTICE

Proceedings of the 26th Annual SAIMS Conference

Editors: GA Goldman
CF de Meyer
C Kruger


14 – 17 September 2014
Riverside Resort, Vanberbijlpark.
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PREFACE

The 26th Chapter of the SAIMS conference is devoted to the theme “Contemporary Management in Theory and Practice”. At first glance, this theme might seem mundane and vague, but upon closer inspection it raises a whole host of issues concerning our discipline. Firstly, let’s consider the term Contemporary Management. Contemporary refers to ‘belonging to or occurring in the present’. Thus, Contemporary Management refers to management that occurs in the present. If we employ a term such as Contemporary Management, it implies that we are cognisant of an evolution in management, and that management today cannot be viewed the same as in the past. Indeed, the issues that occupy organisational, managerial and societal agendas today are vastly different from those of previous generations. This, no doubt, necessitates a re-examination of what constitutes truthful knowledge and scientific process within the realm of management.

Furthermore, ‘Theory and Practice’ implies that management is not theorised and practiced congruently. Stated differently, there is a disjoint between academia and industry. This debate is not a new one and is most certainly not unique to South Africa. The central tenet of this debate states that academia should be concerned with research that is timely and useful to industry, and adversely, that industry should partner with academia to pursue issues of common interest. Yet, these opinions seem not to be reciprocal and therefore one has to examine whether alternative conceptions might not suit this relationship between academia and practice better.

The issues raised above will most certainly not be solved during the three days of the SAIMS 2014 Conference, but will ultimately stimulate debate and suggest new alternatives about these issues. As scholars of management, we are in a rather fortunate position. As opposed to the natural sciences, where the observed world is the ideal state of things, in management the observed world does not represent the ideal state of things. This provides us with opportunities to interpret what we observe in the real world, through scholarly endeavor and to present a synthesis of what the ideal state of things should, or could, be.

These proceedings comprise 82 papers that have been subjected to a double-blind peer review process of the full paper. All papers will also be presented at the SAIMS 2014 Conference held at the Riverside Resort in Vanderbijlpark, Gauteng, from 14 – 17 September 2014. On behalf of the Organising Committee, I would like to thank SAIMS for entrusting the 2014 Conference to the University of Johannesburg. Furthermore I would like to thank Prof Christine de Meyer and Ms Chrizanne Kruger for their assistance with the review process and proceedings. Thank you, also, to all our reviewers for your time and help with the review process. And lastly, thank you to the authors for availing your work to these proceedings.

Sincerely

Prof Geoff A Goldman
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The following people contributed to the review process. The organising committee wishes to thank everyone for their commitment in ensuring a smooth and professional review process.

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EVALUATING THE INFLUENCE OF HIGH VALUE, LOW IMPACT TOURISM STRATEGIES ON THE BEHAVIOUR OF INTERNATIONAL TRAVELLERS TO BHUTAN

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ABSTRACT
Despite the significance of the tourism industry to Bhutan, there is a paucity of work that has been conducted on the country’s tourism. This study reviews international tourist perceptions experienced as Bhutan’s high value, low impact tourism strategy by exploring the impact of destination perception on post-visit tourist satisfaction and behaviour. Bhutan’s sound environmental management policies and the consideration of sustainable tourism development at all costs have ensured that the country maintained itself to-date as an exclusive, unique and un-spoilt destination referred to as the Land of the Thunder Dragon. The findings indicate that the customer expectation of a destination is high when the destination is positioned as ‘unique’ in marketing product positioning policy and this in turn raises the customer’s expectation of what satisfaction is. The findings also show that an enhanced perception of a destination does influence future travel intention positively. In the case of Bhutan it could be argued that the perception created by the concepts of a unique destination tied to environmental long term sustainability at all costs as a marketing focus, has not discouraged this respondent group of visitors from both recommending the destination and thinking about return trips.

Key words: tourist satisfaction, destination perception, high value, low impact, Bhutan

INTRODUCTION
Tourism is a very important and a dynamic sector in the world economy (UNWTO, 2012). Travel and tourism is considered as an important source for generating employment and a key driver for promoting economic growth particularly for developing countries (Chen & Tsai, 2006:1115). This research appraises the influence of destination perceptions and satisfaction on the behaviour of international travellers to Bhutan.

LITERATURE REVIEW
Introduction
Tourism has generated more than 255 million jobs worldwide contributing 9% of world Gross Domestic Product (GDP) (UNWTO, 2013). Today, there is global consensus on the significance of tourism in its ability to widen the opportunities available for economic growth and to help ease inequalities in income distribution by providing employment to people. Thus, many countries and destinations have made substantial efforts to tap this new-found wealth generated from tourism activities (Mbaiwa, 2005:158). Although, extraordinary growth in the tourism industry has provided economic gain, Echtner and Ritchie (2007:37) believe that as more areas are developed for tourism attraction, major challenges have arisen. These challenges include building a positive image for a destination and its related tourism products. Some authors suggest that there is a lack of a deeper understanding of tourist behaviour which is as a result of pre-emptively preparing a solid framework of development as a tourism management concept for a destination. In the past ten years the growing interest in the evaluation and understanding of destination perception (Gallarza, Saura & Garcia, 2002:56; Mossberg & Kleppe, 2005:493; Kim, McKercher & Lee, 2009:715; Byron & Zhang, 2010:508) has contributed to a better understanding of tourists’ behaviour and travel pattern (Beerli, Asunción & Martín, 2004:630-631). Destination image has become a contemporary issue in destination marketing. How a destination is showcased continues to serve as an important yardstick for marketing tourist attractions. Um and Compton suggest that the final destination choice depends on how tourists perceive a destination against other destinations. They note that recognising the precise tourist perception of a destination is the first step to building a destination image or maintaining the status as a preferred travel destination. Thus, the success or failure of a destination in attracting tourists will depend on how well the image of the destination is exhibited to and enjoyed by the traveller (Um & Crompton, 1990). Several researchers have indicated that the degree to which a tourist indicates ‘satisfaction’ is an important indicator in understanding the performance of a destination and ultimately how this performance could be improved (Alegre & Garau, 2010:1352; Cronin Jr, Brady & Hult, 2000:193; Sancho Esper & Álvarez Rateike, 2010:349). Destination satisfaction can help in predicting future travel behaviour to a certain extent, and the ability to possibly manage or influence travel behaviour would prove to be very important in managing the destination in the
competitive international market. However, there is a paucity of research on the significance of destination image and satisfaction analysis in relation to travel behaviour (Aktaş, Aksu & Çizel, 2007:271). The primary concern of a destination should then be not just on marketing the destination as a product, but also on how a destination can meet the expectation of the visitor. There needs to be an understanding as to how the visitor develops an insight of the destination from such aspects such as perceptions based on images portrayed through various media - the internet, world-wide-web, television, news articles, brochures, travel fairs, word-of-mouth. The success of a destination and hence the guarantee of repeat visitation therefore depends on how far the visitors’ expectations are realised (Cronin Jr, Brady & Hult, 2000:216). This can be argued as particularly relevant for less developed countries such as Bhutan as these countries including Bhutan have often not yet fully designed conceptual frameworks that position them as unique destinations showcased as delivering high levels of satisfaction for tourists. Understanding these variables has relevance in destination image and satisfaction management for Bhutanese tourism management.

Bhutanese tourism-research context
The perception of Bhutan engendered a mystical bias of literature such as the last Shangri-La’ (Marshall, 1997). This semi-fictional place popularised by English novelist James Hilton in his novel Lost Horizon (1933) and refers to a peaceful community secluded in the Himalayas where people enjoyed happiness, health and long life. It has been long suggested that this was modelled on Bhutan. Similarly, Das (2007) describes Bhutan as ‘a magical paradise at the end of the world’ (Das, 2007:314). Bhutan has also adopted a unique approach to developing tourism and its current associated conceptual framework to tourism development may have the potential to hinder the growth of the tourism industry in the country unless managed correctly (Nyaupane & Timothy, 2010:981). As a small landlocked country with a small population, but with a pristine natural environment, and untainted rich culture and tradition Bhutanese tourism efforts have been focused on ensuring that the country is not overwhelmed by the flow of mass tourism so a unique tourism development policy meant to control mass tourism was introduced, and in doing so, created certain barriers. While the policy serves its purpose for Bhutan, some authors such as Nyaupane and Timothy (2010:970-980) compare the current tourism objectives with those of the former communist countries of Eastern Europe and North Korea, which employ strict and totalitarian authority to influence their tourism activities. Their study offers a negative argument for the current tourism policies of Bhutan and suggests that the current policy can actually hinder the tourism of Bhutan. Nevertheless, Bhutan wishes to engage in tourism and cannot ignore the opportunities presented by tourism development. It would therefore, be sensible for Bhutan to attract culturally aware and responsible visitors through its marketing efforts. This study seeks to gather perceptions of Bhutan as a travel destination through the eyes of past international tourists.

Bhutan
Bhutan is a small, landlocked Himalayan Buddhist kingdom with a total land area of 38,394 sq. km (National Statistics Bureau of Bhutan, 2011) wedged between two giants and populous nations, China in the North and India in the South. With a population of just 708,265 (National Statistics Bureau of Bhutan, 2011) Bhutan is considered one of the more exclusive travel destinations in the world as tourism did not exist in Bhutan until the country opened its doors in 1974 for the coronation of the fourth King of Bhutan. In general, internal developmental activities started only in 1960 after construction of the first driveable road. Thereafter, Bhutan experienced the introduction of tourism with 287 tourists visiting Bhutan in 1974 (Department of Tourism, 2005). In 1983 the existing only international airport opened (Wodziczko, 2008). Bhutanese call themselves the Drupkas and refer to the nation as Druk-Yul, the Land of the Thunder Dragon. This was derived from the Drukpa Kagye (Vajrayana) a sect of Mahayana Buddhism, which was practised in Bhutan (Collister, 1988:298). This religious orientation and spiritual faith have played an important role in shaping the socio-culture and traditional panorama of the country and also have an influence in current development of tourism policy (Tourism Council of Bhutan, 2011). Because of Bhutan’s unique culture and pristine environment and the uncertainty of maintaining it from the undesirable impacts of tourism, the country’s leaders have been wary to become too dependent on tourism. Thus, the Royal Government of Bhutan’s (RGOB) policies and guidelines currently implemented to prevent mass tourism in the country has received some disapproval from tourism researchers (Nyaupane & Timothy, 2010:969). Bhutan has chosen not to harness the tourism income and benefits to the same extent as its neighbouring countries wanting to avoid negative tourism impacts to its people and country-side (Sachs, 2012).Bhutan has gained a tremendous amount of publicity in international markets as the happiest nation in the world (Boseley, 2012; Johanson, 2012; Wayne, 2009). This is because Bhutan follows the unique development philosophy known as Gross National Happiness (GNH) instead of only Gross Domestic Product (GDP) but with this comes for tourists who have heard of GDP - a great sense of expectation for their visit. In addition to closely guarding the sanctity of deities, every governmental developmental strategy also integrates the philosophy of GNH. The concept of GNH is founded on four pillars that exclusively place a higher priority on the happiness of the individual citizens than the material wealth of the country. The Tourism Council of Bhutan is currently capitalising on GNH in their
marketing strategy having developed a destination branding slogan around the GNH philosophy featuring - “happiness is a place” to raise awareness of a distinctive quality and to create a specific mental image of the country as a unique tourist destination (Tourism Council of Bhutan, 2011). With this the government has attempted to abate the perception that Bhutan is expensive to reach and entry is only by authorised visa so is tightly controlled as a tourism destination. The government wishes to promote the country as an extraordinarily rare destination and worth the cost of a visit. Rosentraub and Joo (2009:764-766) suggest that tourism, if promoted, supported and functioning well, can help eradicate numerous socio-economic problems and provide livelihoods to many under-privileged sections of the population. Bhutan seeks these benefits from its tourism efforts. Bhutan's approach to development has traditionally been anchored strongly in the Buddhist beliefs and values (Planning Commission of Bhutan, 1999). Bhutanese not only respect nature and culture, but they also confer it as a living mysticism. Under the Buddhist philosophy, it is believed that mystical beings and deities reside everywhere and should not be disturbed. In 1985 a British climber attempted to climb a mountain (not considering the cultural or spiritual implications) and the following season had hailstorms and untimely rain destroying a year's harvest. The guardian deity of the sacred mountain was believed to have been disturbed by earthly activities (Castella & Heyden, 2012). Since then, more than twenty mountain peaks in Bhutan have been closed to tourism for this reason. However, Bhutan also believes that the opportunities presented by tourism growth must be seized but that this sector does not develop in an uncontrolled manner threatening the natural environment and the social and cultural life of the country, thereby risking GNH sustainability. Tourism development in Bhutan was initially guided by a policy of “high value, low volume” with the overall objective of maximising hard currency and minimising negative impact on the environment, culture and tradition a view held since tourism inception in 1974 (Department of Tourism, 2005). The number of tourists visiting Bhutan has gradually increased (Figure 1). In 2010 the policy was replaced by “high value, low impact” when Bhutan embarked on setting targets of bringing in 100,000 high-end international tourists by 2013. This change in focus on tourism development is due to a new tourism policy pursued by RGOB to generate employment opportunities and more equitable socio-economic development (Tourism Council of Bhutan, 2011). According to the Tourism Council of Bhutan in 2011 there were 741 registered tour operators in the tourism business with a strategy to ensure government's target of achieving an annual tourist arrival of 100,000 by the end of the 10th Plan, July 2013. This was planned to convert tourism to a key driver of socio-economic progress (Tourism Council of Bhutan, 2011).

Figure 1: International tourist arrival to Bhutan (2001-2011)

![Figure 1: International tourist arrival to Bhutan (2001-2011)](source: Tourism Council of Bhutan, 2012)

It is important therefore to understand why people decide to travel to Bhutan and what influences their perception of Bhutan and thereby understand what future influences can be exerted on their decision making process. This information can be used advantageously in marketing strategies by developing positive image and other promotional messages.

Evaluation of Bhutan as a tourist destination

Destination perception and satisfaction have become a very important topic in the tourism discourse in the recent times. For the purpose of this study, a destination is defined as incorporating national parks, historical sites, cultural resources, shopping areas, natural scenery, lodging facilities and restaurants (Heung, Qu & Chu, 2001:260). Bhutan offers a novel approach to tourism that warrants exploration into how destination perception and visitor satisfaction impact future travel behaviour to the country.
**Destination perception**

When people make decisions to travel, many destination alternatives are weighed before making the final decision. However, the most important influence will be based on the image of the destination that has the potential to best satisfy the travellers’ needs (Mayo & Jarvis, 1981). There are a number of needs a destination might fill at one time for the individual. For example, some might want to escape from work or poor weather, while others might want to escape from the hustle and bustle of city life (Hsieh, O’Leary, Morrison & Chiang, 1997:288-290; Murphy, Benckendorff & Moscardo, 2007:53). As the traveller considers options, the individual has a preconceived image of what the likely destination will offer to satisfy their needs (Dann, 1977:186). The destination image is not just what they see with the naked eye, it is the sum total of their tangible products and intangible beliefs about the destination. Crompton (1979) defined destination image as “an attitudinal concept consisting of the sum of the beliefs, ideas, and impressions that tourists hold of a destination” (Compton, 1979:18). This definition was supported by Blain, Levy and Ritchie (2005:328) who noted that the general image a destination conveys is the expected overall experience that a tourist can have at the destination. Therefore, any external stimuli received about the destination are important in forming the perception of a destination. According to Castro, Martín-Armario and Martín-Ruíz (2007:178-182), image is a difficult concept that is hard to define and differs with every individual. Images can be processed on the bases of various attributes of a destination, such as beautiful scenery, friendly people, spirituality, and exotic food, which governs the desirability and the appeal of a destination to the potential travellers (Gartner, 1994). Fakeye and Crompton (1991:10) stated that, “images are of paramount importance because they transpose a representation of an area into the potential tourist’s mind and give him or her pre-taste of the destination”. Therefore, how this interaction and experience plays out determines the perception of the destination in the mind of individual travellers. It can be argued then that how the traveller perceives these attributes regarding a destination’s image is a very important factor in determining traveller’s future behaviour to visit the destination (Chi & Qu, 2008:624; Lee, Lee & Lee, 2005:851-853). Destination perception also plays a major role in a tourist’s decision-making process and it is important to evaluate this in terms of marketing and product positioning since it may well influence the level of satisfaction the tourists have when they experience the destination (Huang & Hsu, 2009:29). As a consequence of a positive image, there could be recommendations and positive word-of-mouth endorsements, referrals, and persuasions to friends and relatives with outcomes leading to repeat travel and new visitors. Similarly, with a negative image could potentially deter travel to the destination.

Different factors such as age, gender, income, occupation, price/cost and safety influence the destination choice (Kozak, 2002:222-227; Jönsson & Devonish, 2008:398). However, in all destination selection studies (Gartner, 1994:191; Baloglu & McCleary, 1999:869; Gallarza, Saura & Garcia, 2002:57-59), Dann’s model of push and pull attributes in destination choice have been recognised and discussed at length in tourism literature (Dann, 1977:184). Gnoth (1997:290) described the push factors as “internally generated drives, causing the tourist to search for signs in objects, situations and events that contain the promise of reducing prevalent drives”. The push factors cause people to travel, such as escape from the usual environment for self-evaluation, relaxation, and exploration of other cultures and traditions. The pull factors are those that attract tourists to certain destinations with built attractions (e.g., towns and cities, local culture, accommodations, political condition and prices) or natural attractions (e.g., mountains, rivers, valleys, flora and fauna). Host destinations are unable to directly influence push factors (Kau & Lim, 2005:242). However, these have the greatest ability to create images in the mind of tourist which will help pull them to the destination (Kau & Lim, 2005:242). Safety is also considered very important and can significantly influence destination choice (Lepp & Gibson, 2008; Seabra, Dolnicar, Abrantes, & Kastenholz, 2012; Sönmez & Graefe 1998). If the chosen destination is perceived to be of high security risk to the traveller such as political instability, war, high crime zone, and/or spread of diseases, then it can be one of the dominant factors in the travel decision making process (Azim, 2010:31). For instance, Green, Bartholomew and Murrmann (2004) found that there has been a sharp decrease in visitors to New York in particular and the USA in general after the September 11, 2001 terrorist attack. Thus it can be argued that once the destination is negatively perceived then the possibility of future visitation could be reduced significantly at least until the image is positively restored (Hui, Wan & Ho, 2007:965). This infers a strong reason to maintain a positive image and not let the intangible value of this perception become eroded. This speaks directly to maintaining a tourism objective such as “high value, low impact”. Perceived image also has a strong reference to perceived value, as travellers’ evaluate their input (i.e. monetary and non-monetary sacrifices) against deserved output (i.e., satisfaction and value for money). For example, if a tourist buys a trip to an exotic destination to see wildlife and birds, the input would be the price paid for the trip and time taken to reach a destination. The deserved output, then, is the level of satisfaction in seeing the wildlife and the overall experience of the travel. The traveller could potentially be very dissatisfied if they do not see wild animals, the sole purpose of the trip. Bolton and Lemon (1999:171) suggested that the perceived image is also evaluated on the rewards that are derived from the sacrifices associated with the travel. If the
destination matches the perceived image in the mind of tourist and then it will lead to more satisfaction (Leisen, 2001:60; Oliver, 1980:463). However, Leisen (2001:60) argues that this change in perception will only occur after the visit to the destination. Therefore, the influence of the perception of the image of a destination is not just limited in the decision-making stage, but also in the experience and satisfaction level of tourist after travel purchase.

**Satisfaction**

According to Campo, Nez and Garau-Vadell (2010:469-470), destination perception and image are considered to be the antecedents of traveller’s satisfaction. Presenting the best destination image and complementing it with the highest quality of service and ability to provide memorable travel experiences ensure customer satisfaction. Thus, visitor satisfaction has been widely recognized as an important factor leading to the success of the service industries (Stevens, Knutson & Patton, 1995:56). Traveller satisfaction has been the subject of much attention in academic literature (Churchill Jr & Surprenant, 1982:491; Cronin Jr, Brady & Hult, 2000:193; Olshavsky & Miller, 1972:281; Žabkar, Brenčič & Dmitrović, 2010:537) and is considered a valuable component of marketing strategy for destinations (Yang & Peterson, 2004:799). Although, the importance of satisfaction is recognised, Giese and Cote (2000:20-22) argued that it is difficult to define satisfaction and moreover it varies from author to author due to the fact that tourism is considered an amalgam of various attributes such as attractions, accessibility, amenities, available packages, activities and ancillary services (Buhalis, 2000:97). Hence, the overall visitor satisfaction depends on how these attributes favour their individual experience. For example, at one moment visitor satisfaction level could increase because of excellent guide services, but then decline due to poor transport facilities or food. Hunt (1977:459–460) described satisfaction as ‘an elevated stage of an emotion’ signifying that satisfaction is the highest stage of emotion. The definition presented by Woodruff (1997) encapsulates the core of satisfaction as a net value of services received from a supplier which can be either positive or negative. Woodruff (1997) echoed Bolton and Lemon (1999) idea of the relation between perceived value and satisfaction. O’Leary and Deegan (2005:248-249) suggest that the destination perception attributes not only influence satisfaction but also influence future behaviour intention of visitors. Basically, if visitors are satisfied with quality of services, a long-term relationship with tourists develops and, in turn, ensures destination loyalty (O’Leary & Deegan 2005:249-249). Therefore, an ability to provide the best services thereby guaranteeing tourist satisfaction has been extensively documented as an important factor leading to the success of the tourism industries (Ajzen & Fishbein, 1980; Yang & Peterson, 2004:799; Alegre & Garau, 2010:65-68). Further, Aktaş, Aksu and Çizel (2007:270) claim that value for money, choices of attractions, transportation facilities, and cleanliness are ranked at the top of satisfaction ratings by visitors. Therefore, the intention for tourists to revisit and spread positive word-of-mouth solely lies with the overall tourist satisfaction and their assessments of the destination performance (Alegre & Garau, 2010:52; Kozak, 2002:226-228). Tourists visit a destination with certain expectations based on the perception and image of a destination gathered through word-of-mouth, news articles, TV advertisements, and the internet. The levels to which these expectations are met can be argued to determine tourists’ satisfaction with the tour as a whole and are more likely to remain loyal and further, satisfied visitors are more likely to revisit and are willing to share their memorable travel experience with their friends and relatives (Chi & Qu, 2008:629). A positive experience is especially important when considering the negative experiences can have on the destination. Moreover, disappointed tourists may express unfavourable comments about a destination and spoil its marketing image. It follows that if there is a huge difference between the image projected by the destination and the visitor’s experiences then the likelihood of the visitor getting dissatisfied is greater. According to Chi and Qu (2008:625) measuring customer satisfaction was considered as the ultimate goal in marketing strategies in the early 1970s and 1980s. but today managing and controlling the behavioural intention of consumers is a specific objective of a marketing strategy. The following section explores how intention can impact the destination.

**Behaviour intention**

Ajzen and Fishbein (1980) noted that the behavioural intention was the personal belief and attitude during certain situations and is very much linked to repurchase decisions. Thus, Ajzen and Fishbein (1980:42) defined behaviour intention as “a measure of the likelihood that person will engage in a given behaviour”. In keeping with this definition, it can be assumed that travel behaviour is driven by a number of variables that include age, gender differences and also on the experience of previous visits (Solomon, 2010:Aktaş, Aksu & Çizel, 2007:287; Hui, Wan & Ho, 2007:969). The authors Alegre and Pou (2006:52) and Meng and Uysal (2008:461) suggest that individual and family characteristics such as visitor’s age, level of education and profession influence the length of stay. Satisfied visitors exhibit positive behaviour intentions as regards their perception of the destination which creates loyalty to the destination (Zeithaml, Berry & Parasuraman, 1996:31).

It has been argued that there is a direct link between destination image and behaviour intention (Baloglu & McCleary, 1999:891-892; Sancho Esper & Alvarez Rateiike, 2010:349). For example, a study conducted by
Tasci, Meydan and Cavusgil (2006:88) determined that one factor for inbound travellers to Turkey in comparison to other Mediterranean destinations, was due to a relatively negative image of Turkey due to a lack of Turkish image projected by their tourism authorities. Due to this negative perception, the behavioural intention of travellers changed and they looked for alternative destinations with similar products to Turkey. As with any other product the long term survival of a destination also depends on customer loyalty and is considered as an important goal in the consumer marketing community (Chen & Chen, 2010:30). This concept of behaviour intention, according to Baker and Crompton (2000:786) is very much linked with satisfaction and states that, "higher quality of performance and levels of satisfaction are perceived to result in increased loyalty and future visitation, greater tolerance of price increases, and an enhanced reputation". The latter is critical both for attracting new tourists through positive word-of-mouth and media acclaim and, in the case of publicly owned amenities, for enhancing or retaining level of public tax investment in the amenity. The literature has noted increased interest in relation to past travel experience and future travel behaviour (Sönmez & Graefe, 1998:172). However, there is reason to believe that past travel experience does influence the behaviour intention of a visitor. Information gathered from past travel experience based on perception, quality of service and satisfaction not only affects their own travel behaviour but also of other visitors. For example, some potential visitors might already have a basic perception or idea of the destination. However, some of them might seek further information regarding the destination so that some of the perception can either be conformed or be eliminated (Mazursky, 1989:334). There is a scarcity of research conducted as to how it influences travel behaviour some time following a destination visit. Most studies have been conducted by distributing survey questionnaires to collect feedback at exit points of the destination (Beerli, Asunciòn & Martín, 2004:628; McKercher & Wong, 2004:171; Castro, Martin-Armario & Martín-Ruiz 2007:175; Hui, Wan & Ho, 2007:965) or at key destination venues (Chen & Tsai 2007:1115; Hosany, Ekinici & Uysal 2007:62; Sancho Esper & Álvarez Rateike, 2010:349). However this study examines the lasting impression a trip to Bhutan can make.

**PROBLEM INVESTIGATED**

To carry out a study of Bhutanese tourism from the perspective of what influences traveller behaviour with respect to customer satisfaction and related destination perception.

**RESEARCH OBJECTIVES**

The objectives of this research are to:

- Investigate how destination image/perception and satisfaction with their Bhutanese trip influence the future behaviour of international travellers;
- Contribute knowledge about these perceptions to tourism marketing to help further develop the high value, low impact marketing strategies for Bhutan.

To achieve these objectives the following research questions needed to be answered:

Research question 1: If the expectation of a destination is as unique does this raise the level of expectation for satisfaction?

Research question 2: Does an enhanced perception of the destination influence future travel intention positively?

**RESEARCH METHODOLOGY**

The survey was electronically disseminated through the Tour Operator Association of Bhutan to their network of members via email representing the entire population of travel agents in Bhutan. The survey was set up on Survey Monkey from September 2012 to December, 2012. The operators were asked to forward the email message to all past visitors that they had handled over the previous 2 years. The email itself described the research purpose and the importance of their contribution by participating in the survey to contribute knowledge about the Bhutanese tourism strategy and gave the research purpose and the importance of their contribution by participating in the survey to contribute knowledge about the Bhutanese tourism strategy and gave.

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following their visit to Bhutan. Each of the Section A items was based on a 6-point Likert Scale (ranging from 1 being ‘not very important’ to 6 being ‘very important’). As Tapachai and Waryszak (2000) argued, structured questions limit the participants to a specific set of responses that might not necessarily represent what they really think of a destination. In order to obtain answers that are not forced by structured responses, an open ended question was included to capture some of the positive and negative perceptions of destination (Echtner & Ritchie, 2003). Section B incorporated questions to develop a socio-demographic profile of participant in order to investigate relationships between the variables of the socio-demographic profile and travel pattern (Gitelson & Kerstetter, 1990:24; Heung, Qu & Chu, 2001:259). It included questions relating to gender, age, and nationality, level of educational qualification, marital status, current position, occupational group and annual gross income group. Two thousand (2000) tourism operator clients were solicited in order to maximise the response (Kaplowitz, Lupi, Couper & Thorp, 2012). Follow-up reminders and notifications were sent at week one and week two in order to encourage participation (Archer, 2007; Solomon, 2010). Three hundred thirty-three participants (333) responded to the survey (16.7% response rate) but only three hundred and three (303- 15.2%) were fully completed and useful. Couper, Blair and Triplett (1999) note that response rates for internet surveys are lower than the face to face survey. However, it has been argued elsewhere (Crawford, Couper & Lamias, 2001; Schaeffer & Dykema, 2011) that it could be because there is a paucity of research conducted to explore response rates with electronic surveys.

RESULTS

Socio-demographic profile - of the 303 respondents 60.1% (n=182) were males and 39.9% (n=121) were females with average age category of 30-39 years. In terms of visitor’s education qualification level, approximately 63% of the respondent acquired a master’s or doctoral degree, indicating a very well educated tourism contingency visiting Bhutan. This result is also confirmed by the employment status, with nearly 85% employed full time (50%) or by self employ (34.4%) in highly professional and/or managerial roles. The majority of respondents were earning gross annual household incomes of $80,000.00 USD or more (62.4%). This traveller profile aligns with Bhutan’s tourism policy of a “High Value, Low Impact” tourist (Tourism Council of Bhutan, 2011).

Trip characteristics- the majority of respondents indicated culture (60.4%) as the primary reason for their travel to Bhutan. The next most popular reasons for travel to Bhutan were for trekking (15%), business purposes (11.1%), and to see the flora and fauna (10%). Finally, bird watching, textile art, cycling, and pilgrimage accounted for 1.8% each. The flora and fauna and especially in the context of trekking is very unique with many species of animals found in the 10 national parks to be hard-to-see animals such as tigers and snow tigers.

Duration of stay -the duration of stay per visit is consistent with the annual report published by Tourism Council of Bhutan. The duration of stay per visit is 10 days which accounted for nearly 34% of total respondents. A significant number of respondents travelled to Bhutan with their families (46.4%), with friends (27.1%) and as couples (16.3%).

Information source - almost half of the total respondents (43.6%) indicated that the primary source of information for and recommendation to travel to Bhutan were received from their friends and relatives through word-of-mouth. In addition, other sources of information on Bhutan included: the Internet (16.2%), work (11.9%), trade fairs (9.5%), magazines (7.3%), television (10.9%) and travel guide books (7.2%).

The results indicate that currently most of the visitors to Bhutan are likely to be male rather than female. Bhutan was generally perceived as a cultural destination by the majority of respondents indicating culture (60.4%) as the primary reason for their travel to Bhutan. “Culture” was represented here by travel to see traditional festivals, which are performed both by monks and laymen annually in the Dzongs (fortresses) and monasteries in different regions around the country. Almost half of the total respondents (43.6%) indicated that the primary source of information for and recommendation to travel to Bhutan had been received from friends and relatives through word-of-mouth. This indicates that Bhutan should provide experiential trip experiences inline with its unique marketing strategy so that it meets thee destination perceptions set before arrival as they lead to excellent word of mouth when customer’s pre arrival expectations have been satisfied.

Factor analysis 1: An Exploratory Factor Analysis (EFA) was performed to establish the relationship that exists between variables and how these relationships might influence each one another (Zikmund, Carr & Griffin, 2012). Factor analysis takes large amounts of data and reduces redundant and duplicated interrelated data to a more manageable and representative level (Pallant, 2010). The Principal Axis factors analysis method is used for factor extraction of key constructs of perception, satisfaction and behavior intention. In order to prove dependence and existence of correlation between variables, the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was applied. If the value of KMO is more then 0.5 and close to 1.0 then a relationship exists between variables and it indicates that patterns of correlations are comparatively strong and so factor analysis will yield distinct and reliable factors (Field, 2009). The KMO results indicated the sample sizes for the variables were found suitable based on a suggested index of 0.5 to
The resulting Cronbach’s Alpha for three variables - destination perception, perception of service quality, and satisfaction - were more than 0.7 indicating a very good internal consistency for the scale (Table 1). In order to test the significance of the results Barlett’s test of sphericity was applied. If the test value is less than 0.05 (< .05) then the data can be used for further analysis. Bartlett’s was 0.000 so acceptable to carry out a factor analysis.

Table 1: Reliability statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination perception</td>
<td>.906</td>
<td>3</td>
</tr>
</tbody>
</table>

Using Principal Axis Factoring to analyse the variables destination perception, perception of service quality and satisfaction produced only one latent factor for all three variables (de Winter & Dodou, 2011) explaining were 65.356% of total variance (Table 2). This factor was named high value, low impact strategy.

Table 2: Total variance explained for destination perception, service quality and satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
</tbody>
</table>

Subsequent to factor analysis and reliability test, each component was put through a series of multiple regression analyses to explore and examine relationships between one continuous dependent variable (satisfaction) and a number of independent variables or predictors (i.e., perception of culture and nature, and service quality). Results presented in Table 3 show a positive correlation amongst customer satisfaction and perceptions of Bhutanese culture and nature, and service quality.

Table 3: Correlations for satisfaction, perception of destination and perception of service quality

<table>
<thead>
<tr>
<th></th>
<th>Satisfaction (n=272)</th>
<th>Perception: culture &amp; nature (n=272)</th>
<th>Perception: service quality (n=272)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>1.00</td>
<td>.591</td>
<td>.82</td>
</tr>
<tr>
<td>Perception of culture &amp; nature</td>
<td>.591</td>
<td>1.00</td>
<td>.62</td>
</tr>
<tr>
<td>Perception of service quality</td>
<td>.82</td>
<td>.62</td>
<td>1.00</td>
</tr>
</tbody>
</table>

All results significant at p<0.001.

Multiple regression analysis (Table 4) was employed to explore the relationships between the independent variable current satisfaction and dependent variables future visit intention and recommendation to others. Pearson correlation coefficients reveal positive correlations between satisfaction with past visits and recommendation to others; satisfaction and future visit intention as shown in Table 4.

Table 4: Correlations of future visit intention, recommendation to others and satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Satisfaction (n=293)</th>
<th>Visit intention (n=293)</th>
<th>Recommendation (n=293)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>1.00</td>
<td>.48</td>
<td>.72</td>
</tr>
<tr>
<td>Visit intention</td>
<td>.48</td>
<td>1.00</td>
<td>--</td>
</tr>
<tr>
<td>Recommendation</td>
<td>.72</td>
<td>--</td>
<td>1.00</td>
</tr>
</tbody>
</table>

All results significant at the 0.05 level (2-tailed).

This suggests that visitors who satisfied with their trip to Bhutan are more likely to recommend Bhutan as a travel destination to others and may visit again themselves. Additionally, the ANOVA was conducted to test the significance of the model. ANOVA results illustrate that the model is significant for both visit intention (F [2, 279]=82.26, p<.001), and recommendation to others (F [2, 292]=311.35, p<.001), indicating that satisfaction does influence future visit intention and recommendation to others. Further, results indicate that (as determined by standardized β) satisfaction has an even greater impact on recommending Bhutan to others than personal repeat visit intentions (Table 6). The results of the t-tests suggest whether the predictors (perception) are making a significant contribution to the model. Results show that visit intention (t(279) = 9.07, p <0.001) and recommendation to others (t(292) = 19.65, p <0.001) are revealed as significant.
Table 5: Multiple regression (visit intention/ recommendation and satisfaction)

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE B</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visit Intention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.47</td>
<td>.39</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.63</td>
<td>.07</td>
<td>.48</td>
</tr>
<tr>
<td>Recommendation to others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.88</td>
<td>.22</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.69</td>
<td>.04</td>
<td>.72</td>
</tr>
</tbody>
</table>

Dependent Variables: Visit Intention and Recommendation

CONCLUSIONS

These findings suggest that the answer to research question 1 is yes – if the expectation of a destination is high as established by presenting the destination as ‘unique’ in marketing product positioning policy it does raise the customer expectation of what satisfaction is. This agrees with Um and Compton (1990) and Cronin Jr, Brady and Hult (2000) that the destination has to reach the expectations the visitor has of it. Research question 2 is also shown by these findings to be yes – an enhanced perception of a destination does influence future travel intention positively. In the case of Bhutan it could be argued that the perception created by the GNH and sustainability at all costs as a marketing focus has not discouraged this group of visitors from both recommending the destination and thinking about return trips contrary to Nyaupane and Timothy’s findings (2010) for North Korea and Eastern Europe. It seems that currently the marketing for Bhutan is regarded as relevant by these respondents as it aligns to their actual experience of the destination as suggested by Huang and Hsu (2009). This suggests that the concept of exclusivity (high value) and uniqueness (low impact) created by Bhutanese current tourism policy is acceptable to these visitors with the destinations trekking, flora and fauna and culture creating a strong pull to the destination (Kau & Lim, 2005:242). With regards to contributing variables to overall satisfaction such as service quality the findings show these respondents as satisfied and support O’Leary and Deegan (2005) that destination attributes can result in future positive behaviour about the destination from these customers (recommendations to friends (Chi & Qu, 2008:627) and return visits (Yang & Peterson, 2004:817). The high levels of annual income of these visitors suggest that these visitors can afford to be in Bhutan again possible support for the current high value positioning in the tourism policy (Alegre & Pou, 2006:68-70; Meng & Uysal, 2008:459). Certain limitations of this study should be outlined: firstly the study did not specifically focus on the people of Bhutan and their happiness (GNH) from the perspective of the visitors. This would be an important aspect for research but it has to be borne in mind that the GNH is designed for the happiness of Bhutanese not tourists; secondly the study focused only on international tourists not domestic/regional suggesting the need for a comparative study between regional tourists of Southern Asian Association for Regional Cooperation (SAARC) countries and international tourists (rest of the world) could be conducted to better understand how destination perception impacts future behaviour.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The managerial implications that destination image/perception and hence customer satisfaction with their Bhutanese trip do influence the future behaviour of international traveller suggests that at this moment in time Bhutanese tourism marketing strategy matches their customer needs. It does however imply that the tourism strategy has to continue to reach a very specific segment of tourists that accept and embrace high value, low impact tourism if tourism is to continue to grow and help in providing livelihoods and careers (Planning Commission of Bhutan, 1999).

REFERENCE LIST


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AN EXPLORATORY INVESTIGATION INTO THE EFFECT OF A UNIVERSITY ON ADJACENT PROPERTY PRICES

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Nelson Mandela Metropolitan University

ABSTRACT
Universities are often the source of many positive amenities such as open space, recreational facilities, culture and high technology. These amenities have the potential to exert a positive effect on surrounding property prices. However, there are also potential disamenities associated with universities. These include negative lifestyle choices made by students and increased traffic congestion at peak times. This study investigates this issue by considering the assessed property values of 38 single-family homes as a function of their proximity to the Nelson Mandela Metropolitan University (South and North Campuses). The results of this study indicate that in the case of the Nelson Mandela Metropolitan University (South and North Campuses) a slight negative impact is exerted on surrounding property values. To mitigate the negative effects of the university, appropriate management strategies are essential. Specific recommendations include adopting a more proactive approach to managing off-campus student behaviour and implementing strategies to reduce traffic congestion around university campuses.

Key words: universities, hedonic pricing, property values.

INTRODUCTION
Universities and university towns are often the source of many amenities such as advanced technology, culture, open space, and recreational and sports facilities. In many cases, these facilities are available to the public. This, in turn, has the potential to attract significant development, including private research and technology firms (Vandegrift, Lockshiss and Lahr, 2009). In addition to this, universities often claim that they are partly responsible for job creation, boosting tax revenues and stimulating the local economy (Siegfried, Sanderson and McHenry, 2006). Universities are also fairly immune to fluctuations in the business cycle, thus ensuring a consistent presence in the surrounding community (Steinacker, 2005). It is, thus, not surprising that properties situated adjacent to universities may have appreciated significantly (Gopal, 2008).

However, there are also potential disamenities associated with universities, namely lifestyle choices made by university students and increased traffic congestion attributed to university campuses (Kaplan and Clapper, 2007; Vandegrift et al., 2009). It is well-known that university students have a reputation for loud parties and, at times, drunk and disorderly behaviour. This behaviour may result in increased vandalism and crime in surrounding neighbourhoods (Vandegrift et al., 2009). Increased traffic congestion at peak times may also negatively affect residents in close proximity to universities. This congestion is a result of an overload of traffic on available infrastructure. This problem is exacerbated when capacity is unable to keep up with demand and is a common affliction affecting university towns (Gaskins, 1989; Kaplan and Clapper, 2007; Vandegrift et al., 2009).

The question thus arises: does the amenity value of a university outweigh the disamenity value? In other words, do universities exert a positive influence on surrounding property prices? This is an important policy question since individual house ownership, coupled with retirement savings, make up the bulk of wealth most employed persons in South Africa have accumulated over their working lives (Luus, 2003; Fife, 2005). Although there are no formal data, the value of the South African residential property market, which consists of about seven million formal dwellings, was estimated at approximately R750 billion in 2002 (Luus, 2003; Luiz & Stobie, 2010). However, a more recent study of the South African property market estimated this value to be closer to R4.9 trillion in 2010, with the bulk of this value (R3 trillion) originating from residential property (New research values South Africa’s property sector at R4.9 trillion, 2012). The economic significance of homeownership among the employed South African population means that changes in residential house values, potentially due to the presence of a university, could be of great concern due to the wealth effects that may occur as a result of these house value changes.

In what follows, section 2 presents the literature review. Section 3 describes the problem investigated in this paper. Section 4 defines the specific research objectives. Section 5 presents the research methodology and provides information on the study site. The results of the study are presented in Section 6. Section 7 concludes the paper and Section 8 presents the managerial recommendations.
LITERATURE REVIEW

A number of international studies have been conducted on the economic effect that universities have on their surrounding communities (Siegfried et al., 2006; Steinaker, 2005; Kaplan and Clapper, 2007). The majority of these studies focused on the direct financial impacts. However, there are also potential indirect impacts, such as changes in nearby property values. Only one study could be found in the international literature analysing the proximity effect of a university on surrounding house prices – the study by Vandergrift et al. (2012). The study sought to determine the net effect of a college on house prices in the state of New Jersey, USA. Using the hedonic pricing model, the study found that residential properties situated in close proximity to a college were valued approximately 2.7% higher than those situated further away (Vandergrift et al., 2012). Other researchers have sought to determine the effect of primary and secondary schools on adjacent property prices. Jud (1985) examined the relationship between public school quality and housing values. The study analysed school quality and house price data in Los Angeles and San Francisco, USA. The study found that a statistically significant relationship exists between public school quality and adjacent property values (Jud, 1985). This finding was corroborated in a study by Des Rosiers, Lagana and Theriault (2001). More specifically, Des Rosiers et al. (2001) investigated the size and proximity effects of primary schools on adjacent property prices, using the hedonic pricing model. The researchers analysed 116 primary schools in Quebec Province, Canada. The schools ranged in size from 52 to 840 learners. The study concluded that the value maximising school size was 365 learners and the value maximising distance was approximately 400 metres from a school (Des Rosiers et al., 2001). Moreover, Brasington (1999) found that school quality measures, such as learner-teacher ratios and expenditure per learner, are often capitalised into surrounding house prices (Brasington, 1999). However, the relationship between school quality and house prices is likely to be dissimilar to that of universities and house prices. This is due to the fact that many schools have established “feeder zones”. This essentially means that enrolment preference is given to those learners residing in the “feeder zone” of the specific school.\(^1\) It is thus plausible to hypothesise that quality schools will have a positive effect on surrounding property prices.

PROBLEM INVESTIGATED

There is a paucity of international and South African studies that examine the impact of universities on nearby property prices. The aim of this paper is to fill this gap. More specifically, the paper seeks to determine the effect, if any, of the Nelson Mandela Metropolitan University (North and South Campuses), hereafter referred to as NMMU on property prices in an adjacent residential area, by applying the hedonic pricing model.

RESEARCH OBJECTIVES

The specific objectives of this paper are to:

1. Determine the effect of the NMMU on adjacent property prices in the suburb of Summerstrand, Nelson Mandela Bay.
2. Provide managerial recommendations in light of the results obtained in this paper.

RESEARCH METHODOLOGY AND STUDY SITE INFORMATION

Houses are differentiated goods which are made up of bundles of attributes (Epple, 1987). Most of the attributes that make up a house are market-induced (i.e. erf size\(^2\), number of rooms, etc.) (Haab and McConnell, 2002). A few attributes such as air pollution or proximity to a university are non-market induced (Haab and McConnell, 2002). Many studies have used the hedonic pricing method to estimate the effect of air pollution on house prices (Kiel and McClain, 1995; Chattopadyay, 1999; Beron, Murdoch and Thayer, 2001). Other non-market applications of this method include estimating the relationship between house prices and hazardous waste sites (Kohlhase, 1991; Hite, Chern, Hitzhusen and Randall, 2001; Nelson, Generoux and Generoux, 1992), and water pollution (Hoehn, Berger and Blomquist, 1987). The theory and application of hedonic models were first rationalised by Rosen (1974). The HPM relies on the systematic variation in house prices due to differing attribute combinations to impute the willingness to pay for the attributes (Epple, 1987; Haab and McConnell, 2002; Sirmans, Macpherson and Zietz, 2005). Typically, the estimation of a HPM entails two distinct stages. During the first stage, a hedonic pricing function is estimated by means of regression analysis. The hedonic pricing function can be specified as:

\[
P = f(S,L,M) \tag{1}
\]

where: \(P\) represents the sales price of a property, \(S\) represents the on-site characteristics of the property, \(L\) represents the location and surrounding neighbourhood characteristics, and \(M\) represents the market characteristics. The first-stage HPM estimates can be used to calculate the implicit prices of housing

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\(^1\) In contrast, purchasing a house in close proximity to a university does not result in preferential enrolment treatment.

\(^2\) Erf size can be defined as the size a plot of land, marked off for building purposes.
attributes. For example, the implicit price of attribute \( L \) in Equation (1) can be estimated by the following equation:

\[
\frac{\partial P}{\partial L} = \frac{\partial P(S,L,M)}{\partial L} \quad (2)
\]

During the second stage of analysis, the implicit prices calculated during the first stage are used to estimate a demand function for the attribute of interest (Rosen, 1974). Consumer surplus estimates can then be derived from this function.

One of the main shortcomings of the hedonic pricing model is the estimation of the demand function. This is because the second stage may not reveal any new information and, thus, the estimated demand equation simply mirrors the results of the first-stage regression (Brown and Rosen, 1982). This is often referred to as the identification problem (Brasington and Hite, 2005). Chattopadhyay (1999) overcomes this obstacle by applying the hedonic two-stage estimation technique on household level data. The literature, however, reveals that the most widely accepted solution is the use of segmented markets (Brown and Rosen, 1982; Palmquist, 1984; Brasington, 2000; Zabel and Kiel, 2000). In this case, a separate hedonic function is estimated for each metropolitan area assumed to be affected by the environmental disamenity. This will (theoretically) generate a number of different parameter estimates for the relationship between house prices and the environmental quality, thus revealing different implicit prices, from which the demand function can be estimated. From this, total welfare effects can be estimated (Brasington and Hite, 2005).

It is generally accepted that market segmentation occurs between metropolitan areas, but one cannot segment areas within the same metropolitan region (Palmquist, 1984). One possible reason for this segmentation between different metropolitan areas, and not within the same metropolitan area, is due to potentially different construction costs and job opportunities (Brasington and Hite, 2005). Of course, in order to estimate implicit prices for environmental quality in segmented markets, the environmental quality in question would have to extend to all of these markets. However, when one is dealing with a localised amenity/disamenity (for example, a university) one may encounter difficulties when segmenting the market (as different metropolitan areas are not likely to be affected by the amenity/disamenity in question). Due to these difficulties, most studies only estimate the first-stage hedonic model (Haab and McConnell, 2002).

The suburb of Summerstrand, Nelson Mandela Bay was the residential area considered for this study. As an upmarket, beachfront suburb, Summerstrand is considered to be one of the most popular areas in Nelson Mandela Bay, partly due to its central location and close proximity to some of Port Elizabeth’s finest beaches. Various amenities are situated in close proximity. These include the Summerstrand Village shopping centre, a variety of restaurants and hotels, and various primary and high schools. The area is well catered for in terms of residential property with a diverse selection of residential options. These include free-standing homes, townhouse complexes and beachfront flats. The NMMU (the university considered for this study) is situated within the suburb of Summerstrand.

The NMMU is the result of the merger between the University of Port Elizabeth, the Port Elizabeth Technikon and Vista University. The official merging of the three institutions took place on 2 January 2005 (NMMU, 2014). Today, NMMU has over 30 000 students and over 2 500 academic and administrative staff members. The NMMU has a total of six campuses, with five located in Nelson Mandela Bay and one located in George, Western Cape. Two campuses are located within Summerstrand, namely the South and the North Campuses. These two campuses have approximately 16 900 students, with on-campus accommodation catering for 1 758 students (NMMU, 2014; Voges, 2014). The remaining students are accommodated off-campus with a large percentage of these students residing in Summerstrand. Various entrance criteria have been established by the NMMU in order to ensure safe and secure on-campus accommodation for students. These criteria include “account in good standing, distance from Port Elizabeth, academic performance, disciplinary record, and previous participation record” (NMMU, 2014). In order to satisfy excess demand for student housing, the NMMU has also accredited a number of off-campus establishments, which are required to conform to the NMMU’s accommodation criteria (NMMU, 2014). Data on the 2007/2008\(^3\) assessed values and select structural characteristics of properties in Summerstrand were purchased from the Nelson Mandela Bay Municipality. Of these assessed properties, a simple random sample of 38 houses was drawn.

Previous research conducted by Sirmans \textit{et al.} (2005) guided the selection of appropriate structural and neighbourhood characteristics for the purposes of this study. Information on the following characteristics was gathered: erf size, number of stories, presence of a boundary wall, presence of a swimming pool, presence of an electric fence, presence of a garage, presence of a security system, distance of the property from the nearest beach and distance of the property from the NMMU. The distance from the subject property to the

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\(^{3}\) The valuations applicable in this study became effective (for property rates purposes) on 1 July 2008.
nearest beach and distance to the NMMU (to the nearest metre) was measured using Google Maps. The closest house in the sample was located 5m to the nearest beach and the furthest house 3200m. The closest and furthest distance to the Nelson Mandela Metropolitan University was 500m and 3200m, respectively.

RESULTS
All models in this study were estimated using Stata Version 11.0. A complete model was estimated first, which included all variables thought to have an influence on the assessed value of a property. Following this, a reduced model, including only the coefficients of variables that were significant at the 10% level, was estimated. Table 1 provides a description of the variables used to estimate the complete model, along with the hypothesised signs.

Table 1: Variable mnemonics and definitions of the variables used in the regression analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Unit of measurement</th>
<th>Expected sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessed_value</td>
<td>Municipal valuation</td>
<td>2008 rands</td>
<td></td>
</tr>
<tr>
<td>Independent variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erf_Size</td>
<td>Size of the erf</td>
<td>Square metres</td>
<td>+</td>
</tr>
<tr>
<td>DUni</td>
<td>Distance of house to the university</td>
<td>Metres</td>
<td>+/-</td>
</tr>
<tr>
<td>DBch</td>
<td>Distance of house to the nearest beach</td>
<td>Metres</td>
<td>-</td>
</tr>
<tr>
<td>Stories</td>
<td>Number of stories</td>
<td>Number of</td>
<td>+</td>
</tr>
<tr>
<td>Wall</td>
<td>Presence of a boundary wall</td>
<td>Yes = 1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No = 0</td>
<td></td>
</tr>
<tr>
<td>Swim</td>
<td>Presence of a swimming pool</td>
<td>Yes = 1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No = 0</td>
<td></td>
</tr>
<tr>
<td>Elec_fence</td>
<td>Presence of an electric fence</td>
<td>Yes = 1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No = 0</td>
<td></td>
</tr>
<tr>
<td>Garage</td>
<td>Presence of a garage</td>
<td>Yes = 1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No = 0</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Presence of a security system</td>
<td>Yes = 1</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No = 0</td>
<td></td>
</tr>
</tbody>
</table>

In terms of structural characteristics, erf size, the number of stories, the presence of a boundary wall, the presence of a swimming pool, the presence of an electric fence, the presence of a garage and the presence of a security system were all expected to have positive impacts on assessed values. With regard to the neighbourhood characteristics (distance to the nearest beach and distance to NMMU), proximity to the nearest beach was expected to have a positive impact on assessed values and proximity to the NMMU was indeterminate. As these proximity effects were measured in metres, the hypothesised sign for distance to the nearest beach was negative (i.e. the further away a house is situated from the nearest beach, the lower its assessed value is expected to be, *ceteris paribus*). Table 2 provides a summary of the descriptive statistics of the variables used to estimate the complete model.

Table 2: Summary statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed_value</td>
<td>1120000</td>
<td>3260000</td>
<td>2185000</td>
<td>488857</td>
</tr>
<tr>
<td>Erf_Size</td>
<td>552</td>
<td>2191</td>
<td>1336</td>
<td>332</td>
</tr>
<tr>
<td>DUni</td>
<td>800</td>
<td>3200</td>
<td>1919</td>
<td>595</td>
</tr>
<tr>
<td>DBch</td>
<td>5</td>
<td>3200</td>
<td>1534</td>
<td>836</td>
</tr>
<tr>
<td>Stories</td>
<td>1</td>
<td>2</td>
<td>1.23</td>
<td>0.43</td>
</tr>
<tr>
<td>Wall</td>
<td>0</td>
<td>1</td>
<td>0.89</td>
<td>0.311</td>
</tr>
<tr>
<td>Swim</td>
<td>0</td>
<td>1</td>
<td>0.6</td>
<td>0.49</td>
</tr>
<tr>
<td>Elec_fence</td>
<td>0</td>
<td>1</td>
<td>0.28</td>
<td>0.46</td>
</tr>
<tr>
<td>Garage</td>
<td>0</td>
<td>1</td>
<td>0.78</td>
<td>0.41</td>
</tr>
<tr>
<td>Security</td>
<td>0</td>
<td>1</td>
<td>0.86</td>
<td>0.34</td>
</tr>
</tbody>
</table>

The average house in the sample has 1.23 stories, an erf size of 1 336 square metres, is located 1 534 metres from the nearest beach and 1 919 metres from the NMMU. The majority of houses in the sample have a boundary wall, a swimming pool, a garage and a security system. Less than half the houses in the sample have an electric fence. The average assessed value is R2 185 000.
Three functional forms were employed for the estimation of the full hedonic model – linear, semi-log and double-log. The results of these models are presented in Table 3.

Table 3: Regression results – complete model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Linear Coefficient</th>
<th>P-value</th>
<th>Semi-log Coefficient</th>
<th>P-value</th>
<th>Double-log Coefficient</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erf_size</td>
<td>-319.04</td>
<td>0.299</td>
<td>-0.000126</td>
<td>0.390</td>
<td>0.921437</td>
<td>0.578</td>
</tr>
<tr>
<td>DUni</td>
<td>280.74</td>
<td>0.060</td>
<td>0.0001445</td>
<td>0.045</td>
<td>0.2135102</td>
<td>0.091</td>
</tr>
<tr>
<td>DBch</td>
<td>-422.14</td>
<td>0.002</td>
<td>-0.0001977</td>
<td>0.002</td>
<td>-0.1174301</td>
<td>0.008</td>
</tr>
<tr>
<td>Stories</td>
<td>86703.75</td>
<td>0.642</td>
<td>0.0453696</td>
<td>0.612</td>
<td>0.0133978</td>
<td>0.886</td>
</tr>
<tr>
<td>Wall</td>
<td>103503.1</td>
<td>0.709</td>
<td>0.0729735</td>
<td>0.853</td>
<td>0.1512875</td>
<td>0.285</td>
</tr>
<tr>
<td>Swim</td>
<td>-123860.3</td>
<td>0.460</td>
<td>-0.0606448</td>
<td>0.450</td>
<td>0.0105658</td>
<td>0.894</td>
</tr>
<tr>
<td>Elec_fence</td>
<td>23878.26</td>
<td>0.914</td>
<td>0.0068608</td>
<td>0.975</td>
<td>0.0665943</td>
<td>0.541</td>
</tr>
<tr>
<td>Garage</td>
<td>-45263.71</td>
<td>0.857</td>
<td>-0.0344711</td>
<td>0.775</td>
<td>0.0420109</td>
<td>0.724</td>
</tr>
<tr>
<td>Security</td>
<td>-255388.2</td>
<td>0.336</td>
<td>-0.1378469</td>
<td>0.279</td>
<td>-0.0568605</td>
<td>0.647</td>
</tr>
</tbody>
</table>

Notes: * Significant at the 5% level  ** Significant at the 10% level

The results from the hedonic regressions generally conform to a priori expectations. More specifically, the number of stories, the presence of a boundary wall and the presence of an electric fence all contribute positively to assessed values in the sample. The sign of the distance to the nearest beach variable is also predictably negative. This means that as a property’s distance to the nearest beach increases, the value of the property declines ceteris paribus. The sign of the coefficient on the distance to the university variable is positive, meaning that as distance to the university increases, property values increase. This implies that the NMMU exerts a slight negative impact on surrounding house prices.

The following variables display signs that are contradictory to a priori expectations: Erf_size, Swim, Garage and Security. However, the international literature reveals that it is possible for hedonic price regressions to reveal counterintuitive signs on the coefficients of structural house characteristics (Sirmans et al., 2005). More specifically, a review of 78 hedonic price studies by Sirmans et al. (2005) revealed that the coefficient on the age variable was positive seven times. The same review found that the number of bedrooms coefficient was negative in nine out of 40 cases (Sirmans et al., 2005). The counterintuitive sign on the Erf_size variable could also be due to this structural characteristic acting as a proxy for cost of maintenance. As is evident from Table 3, two independent variables have a statistically significant effect on surrounding house prices (at the 10% level or better), namely distance to the university and distance to the nearest beach. These variables were used to estimate a reduced form of the hedonic price model. Table 4 displays the results of the reduced form of the hedonic price model.

Table 4: Regression results – reduced model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Linear Coefficient</th>
<th>P-value</th>
<th>Semi-log Coefficient</th>
<th>P-value</th>
<th>Double-log Coefficient</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erf_size</td>
<td>-319.04</td>
<td>0.299</td>
<td>-0.000126</td>
<td>0.390</td>
<td>0.921437</td>
<td>0.578</td>
</tr>
<tr>
<td>DUni</td>
<td>226.67</td>
<td>0.077</td>
<td>0.0001164</td>
<td>0.059</td>
<td>0.159</td>
<td>0.145</td>
</tr>
<tr>
<td>DBch</td>
<td>-325</td>
<td>0.001</td>
<td>-0.0001559</td>
<td>0.001</td>
<td>-0.106</td>
<td>0.002</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.28</td>
<td>0.29</td>
<td>0.29</td>
<td>0.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>6.94</td>
<td>7.03</td>
<td>5.77</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: * Significant at the 5% level  ** Significant at the 10% level

4 Diagnostic tests were conducted in order to test for the presence of multicollinearity and heteroskedasticity. The computed variance inflation factors (VIFs) – a test for multicollinearity – did not exceed the threshold value of 5 indicating that there was no severe multicollinearity (for all three models). The Breusch-Pagen test for heteroskedasticity was also conducted for all three models. The Chi-squared test statistics were 0.01, 0.92 and 0.47 for the linear, semi-log and double-log models, respectively. These values did not exceed the critical value of 2.71, indicating that heteroskedasticity was not present in either of the models.
Using the nested $F$-test$^5$, the complete (linear, semi-log and double-log) and reduced models were compared for goodness of fit. The $F$-test statistics for the linear, semi-log and double-log models were 0.43, 0.45 and 0.53, respectively. These values were all smaller than the critical value of 1.88 (at the 90% confidence level), and for this reason the null hypothesis (all the coefficients of variables excluded in the reduced model equal zero) could not be rejected. In all three cases, it was deduced that the reduced model was preferable to the complete model.

The hedonic price function used in this study can thus be represented by the following equation:

$$ Y = \alpha + \sum_{i=1}^{k} \beta_i x_i + \epsilon $$  \hspace{1cm} (4)

Equation 3 can be used to calculate the implicit price of distance to the NMMU. This calculation entails estimating the partial derivative of the price, $Y$, with respect to the relevant distance, $X$. More formally,

$$ \frac{\partial Y}{\partial X} = \beta X \alpha^{-1} e - 1 $$  \hspace{1cm} (5)

Using Equation 5, the mean implicit prices calculated for the linear, semi-log and double-log models were calculated. These values are displayed in Table 5.

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficient, $\beta$</th>
<th>Implicit price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear ($\lambda = 0$, $\theta = 0$)</td>
<td>226.67</td>
<td>226.67</td>
</tr>
<tr>
<td>Semi-log ($\lambda = 0$, $\theta = 1$)</td>
<td>0.0001164</td>
<td>254.33</td>
</tr>
<tr>
<td>Double-log ($\lambda = 0$, $\theta = 1$)</td>
<td>0.159</td>
<td>181.04</td>
</tr>
</tbody>
</table>

As is evident from Table 5, distance away from the NMMU is valued at between R181.04/metre and R254.33/metre.$^6$

CONCLUSIONS

This paper finds that the NMMU has a statistically significant negative impact on adjacent assessed property prices. The amenities associated with the NMMU, such as advanced technology, culture, open space, and recreational and sports facilities are outweighed by the disamenities of rowdy student behaviour and increased traffic congestion. This finding, however, is subject to three important qualifications. Firstly, assessed values were used as the dependent variable in order to estimate the hedonic price function. Actual sales prices may provide a more accurate measure of the implicit price of distance to the university. Secondly, only two campuses of the NMMU were considered for the study. Future research should consider the effects of the remaining four NMMU campuses on surrounding house prices. Finally, a fairly small dataset was used in the study.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Although the results of this study reveal that the NMMU exerts a statistically significant negative impact on adjacent property prices, international studies have shown that universities can be beneficial to the surrounding area. More specifically, Vandergrift et al. (2012) concluded that that residential properties situated in close proximity to a college were valued approximately 2.7% higher than those situated further away.

$^5$ The test statistic used for this purpose is defined as follows:

$$ F = \frac{(R_{\text{complete}} - R_{\text{reduced}})(n-k-1)}{(1-R_{\text{complete}})(k-g)} $$  \hspace{1cm} (3)

where:

- $n$ = number of observations
- $k$ = number of variables included in the complete model
- $g$ = number of variables included in the reduced model

$^6$ In the case of NMMU, this negative effect is most likely due to rowdy student behaviour and increased traffic congestion. With specific reference to the first issue, a ward report for the suburb of Summerstrand (where NMMU is located) revealed that a number of student accommodation addresses were problematic in terms of “loud parties and drunken behaviour” (Slabbert, 2009). Moreover, a proposed development of a multipurpose academic node (which included accommodation for visiting lecturers and doctoral students) at the NMMU Second Avenue Campus was met with resistance by the surrounding community (Goedhals, 2013). More specifically, over 1 700 signed objections to the development were received (Goedhals, 2013). Among the reasons cited for the objections were “devaluation of property and an increase in crime” (Goedhals, 2013).
Of critical importance is the correct management of the potential disamenities that may emanate from the presence of a university, such as increased traffic congestion and rowdy student behaviour. The international literature reveals that a number of options are available to universities in order to mitigate these disamenities. Although universities are not homogenous, these recommendations could be used as a basis for South African universities to formulate policies that enhance the surrounding environment in terms of property values. More specifically, in order to alleviate the nuisances that students create, municipalities are encouraged to pass ordinances that regulate student rental housing and noise (Vandergrift et al., 2012). For example, the town council in Ewing, New Jersey (the location of The College of New Jersey) approved amended regulations of student rental units. These amendments included mandatory annual inspections of units and off-street parking spaces for students with vehicles. In addition, fines of up to $3000 may be imposed on those found to be in violation of regulations7 (Vandergrift et al. 2012). Another example of a university adopting a more proactive approach to monitoring student behaviour can be found at the University of Washington, who have instituted a policy stating the students in contravention of noise regulations will appear before the University’s disciplinary committee (Warren, 2014). Due to the fact that many students live off campus, it is also recommended that universities extend their student codes of conduct beyond the university campus.

With regard to the issue of increased traffic congestion, two methods of alleviation have been proposed, namely increasing roadway capacity and reducing demand (Kaplan & Clapper, 2007). Increasing roadway capacity can be achieved in several ways, with the most common approach being to widen existing roads (Cervero, 1998). However, this is often a costly approach and may also be fraught with political contention (Wachs, 1995). Reducing demand is another approach that can be taken to alleviate traffic congestion at universities (Gaskins, 1989; Kaplan & Clapper, 2007). This is the preferred approach in a university setting (Giuliano, 1998). The majority of demand reduction strategies involve “getting people out of their cars” (Kaplan & Clapper, 2007). Since most of the demand at universities is student derived, policies that disincentivise student driving may be appropriate. These policies include parking restrictions and parking fees (Kaplan & Clapper, 2007). For example, a strict “no parking” policy is in force at Miami University in Oxford, Ohio. This results in students choosing to adopt alternative modes of transport, or choosing to reside on campus (Kaplan & Clapper, 2007).

**REFERENCE LIST**


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7 These include noise violations. This section of the regulation requires that “self-contained, portable, hand-held music or sound amplification or reproduction equipment shall not be operated on a public space or public right-of-way in such a manner as to be plainly audible at a distance of 50 feet in any direction from the operator between the hours of 8:00 a.m and 10:00 p.m. Between the hours of 10:00 p.m and 8:00 a.m., sound from such equipment may not be plainly audible by any person other than the operator” (Vandergrift et al., 2012).


A COMPARATIVE MARKET BASKET ANALYSIS FOR CENTRALIZED RETAIL ENTERPRISES USING THE ANN AND AR MODELS

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University of South Africa
I.O. Osunmakinde
University of South Africa.

ABSTRACT
Organizations, such as retail enterprises, generate large quantities of data as customers perform their transactions. This data can be processed to give meaningful information benefiting the organization and attracting numerous customers. It is difficult for retail enterprises to convince customers to buy more than expected in view of current sales optimization models, which require improvement. The research was conducted to compare market basket analysis for centralized retail enterprises using the Artificial Neural Networks (ANN) and Association Rules (AR) models. The proposed intelligent analytic model builds on ANN and AR to complement each other in decision-making process. We compared results using both approaches and evaluated the performance to provide useful qualitative and quantitative decisions. Different transactional datasets from real-life enterprises and publicly available data from a machine learning repository are examined. The results showed the accuracy rate of the proposed model was more reliable than the individual AR and ANN models.

Key words: Marketing, Management, Business, Analytics, Model

INTRODUCTION
A retail enterprise is a business organization that sells goods or services directly to consumers for personal and non-business use. A retailer collects goods in large quantities from various producers and sells the goods to consumers in small quantities. Retailers’ survival depends on good sales optimization models.

It is difficult for retail enterprises to convince customers to buy more in view of current challenging sales optimization models. These challenging sales optimization models have led to product sales-related losses such as decline in market share, investing in unprofitable products or services, a poor product target market, high cost of research and development and marketing strategies (Haug, Zachariassen and van Liempd, 2011:168). Data quality related problems at transactional and strategic levels have also affected the operations of sales organizations, leading to quantified sales losses. Poor data quality affects the typical enterprise in many ways at different levels (Berry and Linoff, 2004). At operational level, it might lead to lowered customer satisfaction, increased costs and lowered employee satisfaction (Berry and Linoff, 2004). Berry and Linoff also highlighted the impact of poor data quality at tactical level, such as poor decision-making, increased organizational mistrust and difficulty in implementation of data warehouses. At strategic level, they highlighted difficulty to set and execute strategy, compromising the ability to align organizations and possible diversion of management attention.

Figure 1 (Gap costs key categories billions, 2001; Data Quality, 2001) shows the impact of sales optimization models on a United States retail enterprise. The figure indicates sales losses due to product sales optimization models, classifies the causes of the sales losses and highlights problems caused by poor data quality. Figure 1a shows a highest sales loss of $2.4 billion and a lowest one of $0.1 billion in 2000. Figure 1b shows the reasons for sales losses in retail enterprises. The highest scoring reason (49%) was caused by products being expensive and the lowest (20%) lack of functionality. Figure 1c shows problems caused by poor data quality in traditional and e-business companies. The figure reveals extra costs as the most serious problem caused by poor data quality. It shows extra costs of 58% in traditional and 57% in e-business companies, while failure to meet significant contractual requirement scored lowest, at 24% for traditional and 17% for e-business companies. However, there are fears that the current models may not address the societal and economic impact of consumers (Maxwell and Van der Vorst, 2003:883).
Altron, based in South Africa, implemented ‘what-if’ scenarios to make predictive decisions (Briggs, 2012). Stoodley (2012) implemented easy-to-use desktop and server analytics software for development of several business units. Research was conducted to assess the requirements for a company to move from a mature business intelligence (BI) environment to a predictive analytics environment (Experts’ Perspective, 2012). These approaches had the following weaknesses: failure to leverage BI to become ‘matchmakers’, lack of analytics-based marketing programs and failure get data from more enterprise resource planning systems into a single environment so that users could see appropriate transactional data as well as strategic level data.

The proposed intelligent analytic model builds on Artificial Neural Networks (ANN) and Association Rules (AR) to complement each other to improve on the weakness indicated in figure 1. Data from different branches of a retail enterprise is integrated. The model uses integrated data to generate product placement patterns. When AR generates product placement results, the proposed model compares the results with the ANN method and declares results where they agree.

The major contributions in this paper are the following:
- Development of a newly proposed intelligent analytic-based model that could assist centralized retail enterprise management to arrange products on the shelves of shops so that customers will purchase more products than expected so as to achieve an optimal profit level.
- Knowledge generation for professional managers as a reference guide to understand product sales optimization models and their application in centralized retail enterprises.
- Systematic presentation of working scenarios and experiments of the proposed cooperative model for management practices for centralized retail branches.
- To our knowledge, not enough research has presented working examples of proposed models that are user-friendly for professional managers.

This paper is structured as follows: Section 2 previews work done, Section 3 proposes the intelligent system model for centralized retail enterprises, Section 4 focuses on experimental evaluations, and Section 5 concludes the paper.

LITERATURE REVIEW
Related Work
Valenzuela et al (2013:881) argue that it is important to understand the way consumers perceive and interpret information carried by shelf space layout, since shelf space placement influences customers’ judgments and decisions. Two experiments were carried out at Dominick’s Finer Foods to investigate the effects of sales and profit in reaction to better shelf management. They implemented space-to-motion and product reorganization tests. They increased the proximity of natural complementary products on shelves and experienced significant sales and profit increases as a result of the new arrangements (Drèze, 1994:301). Cil (2012:8611) proposed a novel supermarket layout based on association among categories and highlighted the importance of extracting the knowledge hidden in the transactional data in order to gain competitive advantage and improve sales in retail enterprise. Transactional data generated in retail enterprises reveals which products customers tend to purchase together, thus improving stocking, store layout strategies and promotions (Rygielski, 2002:483). The discovery of associations between different items that customers purchase helps retailers develop marketing strategies by gaining insight into which items are frequently purchased by customers and this can lead to increased sales by helping retailers plan their shelf space (Han, 2012:243).
The current sales optimization models have the following challenges: failure to leverage BI to become ‘matchmakers’, lack of analytics-based marketing programs and failure in organizations to get data from more enterprise resource planning systems into a single environment so that users can see appropriate transactional data as well as strategic level data.

The approaches above primarily require technical/expert users, but most seasoned business entrepreneurs could be non-expert users, which should be considered by new developments. In our research we want to use cooperative AR and ANN for generating product placement results that can be used in a centralized retail enterprise. To our knowledge, not enough research has presented working examples and considered non-expert users in proposed models that are user-friendly to professional managers. The following section presents the background of the pre-processing methods to the proposed intelligent analytic model.

Data Integration Techniques and Research Objectives
Data integration refers to the process of providing seamless access to multiple sources of data that appear to the system’s users as a single resource (Nadkarni and Marenco, 2014:15). It reduces the size of data to obtain a smaller number of attributes and records those that are informative. Common data integration techniques are discussed below.

Data Consolidation: Data consolidation captures data from more than one data source, A and B, and integrates it into a single persistent data store, C. The data store can then be used as an operational data store or data warehouse (Varga and Curko, 2012:1583). Data is extracted from different sources, transformed into the designed form and loaded into a target for analysis purposes. The main disadvantage is that the process may cause a delay between the time of data update in the source system and the time of data update in the target system (Varga and Curko, 2012:1583).

Data Propagation: This technique is applied to support the redistribution and sharing of master data back to the participating applications (Loshin, 2009:177). Data propagation copies data from one location to another on real-time or near real-time synchronization of target and source sources (Varga and Curko, 2012:1583).

Data Federation: Data federation integrates data from different sources into a virtual database for analysis purposes. It uses a virtual database (virtual view) with a mediated schema and wrapper, i.e. adapter, which translates incoming queries and outgoing answers (Varga and Curko, 2012:1583). The integrated data is separated from the details of data sources. The integrated data goes into the building blocks of the analytic model in discussed in the following two sections.

Artificial Neural Networks
An ANN is a mathematical or computational model based on biological neural networks, consisting of an interconnected group of artificial neurons and processing information using a connectionist approach to computation (Li and Ma, 2010:211). Neural networks can be used to discover patterns and complex relationships between variables in a system. The neuron computes the weighted sum $\sum$ of the input signals $x_i$, $w_i$ and compares the result to the threshold value, $\Theta$. Let $X$ be the net weighted input of the neuron as shown in equation (1).

$$X = \sum_{i=1}^{n} x_i w_i$$  \hspace{1cm} (1)

$x_i$ is the value of input $i$, $w_i$ is the weight of input $i$ and $n$ is the number of neurons input.

For binary outputs, if the net outcome is less than the threshold, the neuron output is -1, if the net outcome is greater than or equal to the threshold, then the neuron is activated and the output attains a value +1. Let $Y$ be the output of the neuron.

$$Y = \begin{cases} +1 & \text{if } X \geq \Theta \\ -1 & \text{if } X < \Theta \end{cases}$$

For continuous outputs, the sigmoid activation function is used and expressed as shown in equation (2):

$$Y = \frac{1}{1 + e^{-X}}.$$  \hspace{1cm} (2)

Association Rule
AR mining is an unsupervised data mining method for finding interesting associations in large sets of data items (Cios, 2007). It is an important task for knowledge discovery in data and has been used for marketing, crime analysis, intrusion detection and fraud detection (Rodríguez-González et al, 2013:6823). AR is one of the most common and widely used techniques in data mining, aiming at finding interesting relations, which may be related or relevant, between large data items (Liu et al, 2007:2514). These rules present association
or correlation between item sets (Yangchang, 2013:89) and were derived from transactional data for finding interesting associations in customers’ baskets. These associations can be used as the basis for decision-making, such as promotional pricing or product placement. On the other hand, there is a risk of finding many spurious associations, which might lead to poor decisions.

Two measures are used to quantify the interestingness of a rule: support and confidence.

**Support (Sup) value:** If the transaction database D, contains z \((A \Rightarrow B)\), we call D support z. The frequency support count of z can be expressed as the percentage of transactions in D that contain z, as shown in equation (3), i.e. ‘B’ and ‘A’ are dependent and independent variables of items respectively.

\[
\text{Support}(A \Rightarrow B) = P(A \cup B) = \frac{n(A \cup B)}{N}
\]

If support (z) satisfies a minimum support threshold \((\text{min}\_\text{sup})\) then z is a frequent item set i.e. Frequent if support \((A \Rightarrow B) \geq \text{min}\_\text{sup}\).

**Confidence (Con) value:** Confidence is the ratio of the number of transactions containing A and B to the number of transactions containing A. Confidence \((A \Rightarrow B)\) can be further expressed as shown in equation (4):

\[
\text{Confidence}(A \Rightarrow B) = P(B / A) = \frac{n(A \cup B)}{n(A)}
\]

Rules that satisfy both the minimum support threshold \((\text{min}\_\text{sup})\) and the minimum confidence threshold \((\text{min}\_\text{con})\) are called strong association rules. This implies:

**Strong** If support \((A \Rightarrow B) \geq \text{min}\_\text{sup}\) \& confidence \((A \Rightarrow B) \geq \text{min}\_\text{con}\). In view of the theories above, the main research objective is re-iterated.

**MAIN RESEARCH OBJECTIVE**

This research aims to develop an intelligent analytic-based model that can assist retail enterprises on how products can best be arranged on shops’ shelves so that customers will purchase more products than expected to achieve an optimal profit level.

**RESEARCH METHODOLOGY AND PROPOSED SYSTEM MODEL**

This section explores the proposed intelligent analytics-based framework, which has three main components: data integration, data preparation and development of the model for product placement on shelves in centralized retail enterprises.

**Proposed System Model**

The proposed model can integrate data from different sources using data integration techniques discussed in the literature review. The integrated data could be stored in the data warehouse. This data is cleaned and formatted into the appropriate format on which the model can operate. Complete data is fed into the model and the model compares the results generated by AR and ANN and declares where they agree. See Figure 2 for the proposed intelligent analytics-based framework.

The proposed framework’s benefits are:

- Development of an intelligent analytics-based cooperative model for centralized retail enterprise management.
- Development of a data integration model for giving a single view to enterprise data.
- Development of a data preparatory model.
- Improvement of the basis for decision-making and confidence of professional managers in centralized retail enterprise.
- Reduction in poor data quality problems and losses.
- Improvement in the effectiveness of current product sales optimization models.
Artificial Neural Network Approach to Market Basket Analysis

The model works with a retail enterprise that has several branches. The data from different branches is collected in different formats and integrated. The data is cleaned before it is fed into the model in order to produce accurate results. The complete data is used to generate product placement results. The model is built on ANN, as shown in Figure 3. It accepts the results above the minimum set threshold.

**Data Integration Stage:** At this stage, data generated at each branch is integrated into a data warehouse. This data might be in different formats depending on the structure of tables and data items. Different tables are joined to form a single table. This integrated data can contain duplicate columns, missing values and unnecessary data values.

**Data Preparation Stage:** This involves all activities involved in cleaning data in order to have a complete dataset that is fed into the developed model. This stage involves activities such as removing unnecessary columns or rows, removing out-of-range values, dealing with missing values and changing the dataset format into the most appropriate format accepted by the model, such as .arff, csv. The data preparation continues...
until it is clean and does not take a defined order of activities. This stage determines the quality of data that builds the model.

**Modelling and Deployment Stage:** The cleaned data is loaded into the developed ANN model. This stage involves the selection and modelling of the appropriate ANN model, such as two-layer ANN for the prototype used in this research, as shown in Figure 3. Table 1 describes the pseudocode for the ANN model.

<table>
<thead>
<tr>
<th>Table 1: Pseudocode for ANN Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUT:</strong> Transactional Database (D) = {t₁, t₂, t₃, ..., tₙ}, Weights</td>
</tr>
<tr>
<td><strong>OUTPUT:</strong> Sets &gt; Threshold value</td>
</tr>
<tr>
<td>1 {</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9 }</td>
</tr>
</tbody>
</table>

**Association Rule Approach to Market Basket Analysis**

Data is collected from different branches of a retail enterprise. It is integrated into a single view using the data integration techniques described above. After integration, the data has to be pre-processed before being fed into the model. The cleaned data feeds into the AR model as shown in Figure 4. The model displays the results where support(()) ≥ min_sup and confidence(()) ≥ min_con.

**Figure 4: Block Diagram of the AR Approach**

![Block Diagram of the AR Approach](image)

**AR model** = \[
\text{Strong & accepted, if } \quad \text{Sup}(A \Rightarrow B) \geq \text{Min}_\text{Sup}() \quad \& \quad \text{Conf}(A \Rightarrow B) \geq \text{Min}_\text{Conf}() \\
\text{Rejected, if otherwise}
\]

**Data Integration Stage:** At this stage, data that has been generated in different branches is integrated into a data warehouse. This dataset may contain different formats, depending on the structure of tables and items specified by each branch. Also, different tables are joined together at this stage to form one table.

**Data Preparation Stage:** Data preparation involves all stages that are involved in cleaning the data. The goal for this stage is to have a correct dataset to be fed into the model by removing unnecessary columns or rows, removing out-of-range values, dealing with missing values and changing the dataset format into the most appropriate format accepted by the model, such as .arff, csv.

**Modelling and Deployment Stage:** The cleaned data is loaded into the AR model. This stage involves selection of the appropriate AR algorithm such as Apriori algorithm. Also, setting of parameters is done at this stage, such as setting the minimum confidence and minimum support to be accepted.
Table 2: Pseudocode for AR Model

**INPUT:** Transactional Database \(D = \{t_1, t_2, t_3, \ldots, t_n\}\), Itemset \(I = \{l_1, l_2, l_3, \ldots, l_n\}\), Support, Confidence

**OUTPUT:** Association Rules where Support ≥ \(\text{min}_{\text{sup}}\) AND Confidence ≥ \(\text{min}_{\text{con}}\)

1 {  
2   Input database \(D = \{t_1, t_2, t_3, \ldots, t_n\}\)  
3   Count the frequency of each product  
4   Group frequent item sets  
5   Check the support and confidence of each product  
6   **Strong** if support \((z) \geq \text{min}_{\text{sup}}\)∧ confidence \(\geq \text{min}_{\text{con}}\)  
7   Do until  
8   {  
9     \(!\text{Strong} = \text{‘Not Strong’}\)  
10   }  
11   Display product with **Strong** sets

**Scenario – Arrangement of Products on Shelves for Centralized Retail Branches**

Figure 5 shows a scenario of how the cooperative model displays product placement results in centralized retail branches. Data is integrated from different branches of a retail enterprise. Data preparation follows data integration. The model runs on complete data to generate different patterns of arrangement.

**Figure 5: Intelligent analytics-based model for centralized retail branches**

Figure 6 shows the worked examples for Figure 5. The model accepts the arrangement sets if the result is above the threshold. We have applied even weights to each corresponding input to avoid bias on products. To come up with the weights \(w_1-w_4\), we divided the number of weights by 1 and to come up with weights for \(w_5\) and \(w_6\), we divided the number of weights by 1.

**Example of AR**

**Market-basket transaction data - Data for all Branches**

<table>
<thead>
<tr>
<th>TID</th>
<th>ITEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>T500</td>
<td>Bread, Milk, Beef, Chicken</td>
</tr>
<tr>
<td>T501</td>
<td>Bread, Diaper, Cheese, Beer, Eggs</td>
</tr>
<tr>
<td>T502</td>
<td>Beef, Chicken, Milk, Clothes, Cheese, Diaper, Beer, Coke</td>
</tr>
<tr>
<td>T503</td>
<td>Bread, Milk, Chicken, Clothes, Diaper, Beer</td>
</tr>
<tr>
<td>T504</td>
<td>Bread, Milk, Diaper, Coke, Clothes, Chicken, Beef</td>
</tr>
</tbody>
</table>

**Parameters**

\(
\text{Min}_{\text{sup}} = 75\% \\
\text{Min}_{\text{con}} = 70\%
\)

**Example of ANN**

**Inputs from the market basket transaction data**

\[
\begin{align*}
\text{Bread} &= 0.8, \quad \text{Milk} = 0.8, \quad \text{Beef} = 0.6, \quad \text{Chicken} = 0.8, \\
\text{Diaper} &= 0.6, \quad \text{Cheese} = 0.4, \quad \text{Beer} = 0.4, \quad \text{Eggs} = 0.2 \\
\text{Clothes} &= 0.6, \quad \text{Coke} = 0.4
\end{align*}
\]

**Parameters**

\[
\text{Min}_{\text{threshold:}} 50\%
\]
Optimal Patterns for all Branches: According to the above sets, the model will reject set 1 and set 2, since the support() < min_sup() of 75%. The model will accept set 3 since support() > min_sup, confidence() > min_con() and ANN value > threshold. This implies that the following products are placed together on the shelves in all the branches {Milk, Chicken}.

Evaluation Mechanism

\( a \) is the number of correct negative predictions,

\( b \) is the number of incorrect positive predictions,

\( c \) is the number of incorrect negative predictions,

\( d \) is the number of correct positive predictions.

True positives (TP) are the number of patterns correctly detected, which is calculated using the following formula:

\[
TP = \frac{d}{c+d}.
\]  

(5)

True negatives (TN) are the non-matching patterns that were correctly rejected and are expressed as follows:

\[
TN = \frac{a}{a+b}.
\]  

(6)

False positives (FP) are the proposed pattern matches that are incorrect and are expressed as follows:

\[
FP = \frac{b}{a+b}.
\]  

(7)
False negatives (FN) are the proposed patterns that were not detected correctly and are expressed as follows:

$$FP = \frac{c}{c+d}$$

Thus, the accuracy (Acc %) is given as:

$$Acc = \frac{TP + TN}{TP + TN + FP + FN} \times 100\%$$

These formulas will be used in section 4.2.

**EXPERIMENTAL EVALUATIONS AND RESULTS**

Real life data was collected from a retail enterprise in South Africa from three different branch locations. The data was collected solely for research purposes and the retail enterprise is kept confidential. Each branch contains 85 records and 24 products. The data shows the transactions performed by different customers. Each row represents a customer transaction. Items purchased by a customer form a record or a row. We identified items that are often purchased by customers and used them to form the columns of our dataset. The datasets are stored in different folders. To integrate this data from different folders, a script was used and it took four seconds to complete. After integrating the data, processes such as removing additional columns, rows and all unnecessary data items were performed. Table 3 shows a sample of real-life sample data. “Yes” indicates that an item was purchased and “No” indicates that the customer did not include the item in the basket.

The public data was downloaded from Informatics (2010). The dataset was designed for academic purposes. The data was modeled to work with Weka software. Table 4 shows the sample of public sample data. The data contains 1000 records and has 11 products. In this research study, the dataset was randomly chunked into five branches assumed to be folders, with about 200 records in each branch. This was integrated into a centralized database to observe the impact of the data integration process before generating optimal product placement on shelves. The integration time was nine seconds.

Weka is a collection of machine learning algorithms for data mining tasks and the algorithms can either be applied directly to a dataset or called from one's own Java code (Aher and Lobo, 2013:1). It was developed at the University of Waikato in New Zealand and the name stands for Waikato Environment for Knowledge Analysis. It provides implementations of learning algorithms that can easily be applied to datasets (Witten, Frank, & Hall, 2011: 403). Weka contains tools for data preprocessing, classification, regression, clustering, association rules and visualization. Figure 7 shows AR combination sets of items frequently purchased together, including the confidence of each set. Figure 8 shows results generated from the ANN algorithm, including the confusion matrix table.

**Table 3: Sample Code of Real-life Sample Data**

<table>
<thead>
<tr>
<th>Body location</th>
<th>Colgate</th>
<th>Rice</th>
<th>Bread</th>
<th>Salt</th>
<th>Beans</th>
<th>Beef</th>
<th>Chicken</th>
<th>Sugar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

**Table 4: Sample Code of Public Sample Data**

<table>
<thead>
<tr>
<th>Cookies</th>
<th>Fish</th>
<th>Orange juice</th>
<th>Lemon tea</th>
<th>Red wine</th>
<th>Peanuts</th>
<th>Canned Soup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: (Informatics, 2010)
Comparative Results of ANN and AR on Retail Datasets

The data is loaded into Weka software to get association rules containing only “yes”, for example (rice=yes sugar=yes ==> salt=yes). This result shows that the customers who bought rice and sugar also bought salt. After generating the results using AR, the model also generated the results using ANN. ANN used JRip rules to generate the results with "yes", for example (tomatoes = yes) and (sugar = yes) => tea bags=yes. Table 5 shows the pattern generated by ANN and AR techniques alongside the degree of belief (DOB) and the managerial decision. The confidence values were derived from equation (4) and support from equation (3). We adjusted our parameters (support, confidence and DOB) gradually in correlation with the result outcome until we were able to observe improved results. Finally, min_sup () was set to 50%, min_conf () was set to 80% and threshold was set 50%. Equation (2) was used to calculate the DOB of ANN. Our AR rule is strong if support()>=min_sup() and Confidence()>=min_con. ANN accepts DOB>=threshold. The managerial decision accepts sets where support()>=min_sup(), confidence()>=min_con() and DOB>=threshold.

Table 5: Qualitative comparison of ANN and AR on Retail Datasets

<table>
<thead>
<tr>
<th>Datasets</th>
<th>AR Patterns generated</th>
<th>Conf</th>
<th>Sup</th>
<th>Rule</th>
<th>DOB</th>
<th>MANAGERIAL Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real life (85 records)</td>
<td>(Rice, Maize meal, Milk, Drink)</td>
<td>98%</td>
<td>52%</td>
<td>Strong</td>
<td>56%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Cooking oil, Drink, Maize meal, Vegetables)</td>
<td>97%</td>
<td>47%</td>
<td>Strong</td>
<td>48%</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>(Rice, Milk, Vegetables, Drink)</td>
<td>97%</td>
<td>51%</td>
<td>Strong</td>
<td>60%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Maize meal, Drink, Vegetables)</td>
<td>94%</td>
<td>58%</td>
<td>Strong</td>
<td>51%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Maize meal, Milk, Drink)</td>
<td>94%</td>
<td>54%</td>
<td>Strong</td>
<td>67%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Oil, Drink, Vegetables)</td>
<td>94%</td>
<td>58%</td>
<td>Strong</td>
<td>43%</td>
<td>Rejected</td>
</tr>
<tr>
<td>Public (1000 records)</td>
<td>(Bread, CannedSoup)</td>
<td>100%</td>
<td>82%</td>
<td>Strong</td>
<td>59%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Orange Juice, Bread, CannedSoup)</td>
<td>100%</td>
<td>67%</td>
<td>Strong</td>
<td>70%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Fish, Milk, Soup)</td>
<td>100%</td>
<td>59%</td>
<td>Strong</td>
<td>53%</td>
<td>Accepted</td>
</tr>
<tr>
<td></td>
<td>(Chocolate, Bread, CannedSoup)</td>
<td>100%</td>
<td>67%</td>
<td>Strong</td>
<td>45%</td>
<td>Rejected</td>
</tr>
</tbody>
</table>
Optimal patterns for all branches: As indicated in table 5, the model accepts \{Rice, Maize meal, Milk, Drink\}, \{Rice, Milk, Vegetables, Drink\}, \{Maize meal, Drink, Vegetables\}, \{Maize meal, Milk, Drink\}, \{Bread, Canned Soup\}, \{Orange Juice, Bread, Canned Soup\}, \{Fish, Milk, Soup\} since \text{support}()>=\text{min\_sup}() of 50\%, \text{confidence}()>\text{min\_con}() of 80\% and \text{DOB}>=\text{threshold} of 50\%. The model rejects \{Cooking oil, Drink, Maize meal, Vegetables\} since \text{support}()<\text{min\_sup}() and \text{DOB}<\text{threshold}. Set \{Oil, Drink, Vegetables\}, and \{Chocolate, Bread, Canned Soup\} are rejected since \text{DOB}<\text{threshold}. This implies that products are arranged according to the accepted sets in all branches of the retail enterprise.

Performance Comparison of ANN and AR on Retail Datasets
Table 6 shows the number of patterns generated by each algorithm, correctly detected patterns, incorrectly detected patterns and the accuracy of detection under different transactional datasets. The table indicates the accuracy of an algorithm in generating patterns. To calculate correctly detected patterns, equation 5 and equation 6 were added together. Equations (7) and (8) were added together to calculate incorrectly detected patterns. Equation (9) was used to calculate the accuracy. The confusion matrix is used to calculate the accuracy rate.

Table 6: Quantitative Comparison of ANN and AR on Retail Datasets

<table>
<thead>
<tr>
<th>Dataset</th>
<th>Algorithms</th>
<th>No. of Patterns</th>
<th>Correctly Detected</th>
<th>Incorrectly detected</th>
<th>Accuracy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AR</td>
<td>6</td>
<td>83%</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>Real life</td>
<td>ANN</td>
<td>6</td>
<td>67%</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Public</td>
<td>AR</td>
<td>4</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>ANN</td>
<td>4</td>
<td>75%</td>
<td>25%</td>
<td>75%</td>
</tr>
</tbody>
</table>

CONCLUSIONS AND MANAGERIAL IMPLICATIONS
Data is one of the useful resources in a retail enterprise organization. The aim of the research is to develop and propose an intelligent analytic-based model that could assist centralized retail enterprises in using their data to make managerial decisions such as the arrangement of products on shelves to attract customers. In this paper, a system model was proposed to build on AR and ANN techniques to complement each other. The data has to be integrated from different branches of a retail enterprise and cleaned before it is fed into the model. This improves the accuracy of the results. Some experiments were performed on Weka to determine some product combinations generated by each technique on different datasets. Results generated by the two techniques on real-life and public datasets were compared and they agreed on some product combinations.

A scenario was presented of how the model displays product placement results in centralized retail enterprises. The scenario was derived from sample data, sets with support, and confidence above the \text{min\_con} and \text{min\_sup}. The experiments indicated that the intelligent analytic model was more reliable than the individual AR and ANN. Observations of our centralized business analytics model to be considered by the managers are:
This model exercises full control of product pattern generation.
The same cooperative model based on AR and ANN is used for all branches.
The implementation/software of this model runs in a single process.
There is a single point of control of product placement patterns for all branches.
However, a single point of failure to generate correct patterns could mislead all branches.
In future, (i) we wish to run other techniques to complement AR in retail enterprises; (ii) a standard method of selecting threshold will be investigated; and (iii) richer transactional datasets will be used.

ACKNOWLEDGEMENTS
The authors gratefully acknowledge the resources made available by the University of South Africa.

REFERENCE LIST


WEBSITE LAYOUT AND FUNCTIONALITY AND WEBSITE TRUST IN THE SOUTH AFRICAN DOMESTIC AIRLINE INDUSTRY

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ABSTRACT
In turbulent economic times, South African domestic airlines focus on growing alternative profit streams using their own websites to sell airline tickets. Customers often opt against e-commerce, naming a lack of website trust. Website layout and functionality have been identified as important factors influencing website trust, but this has not been explored within this particular industry and context. This study investigates whether the dimensions of website layout and functionality (usability, relevance of information, customisation or personalisation and interactivity) predict website trust in the South African domestic airline industry. A descriptive research design was followed to collect data through self-administered questionnaires from 300 respondents. The results indicate that the usability dimension is the best predictor of website trust, followed by the relevance of information, interactivity and customisation dimensions respectively. The paper also provides recommendations to promote website trust through website layout and functionality to assist domestic airlines to be resilient in an ever-changing environment.

Key words: Website, layout and functionality, website trust, South African domestic airline industry

INTRODUCTION
In response to increased costs and competition, South African domestic airlines are using their own websites for e-commerce, selling airline tickets to end customers as a way to increase profits (Harrison & Boonstra, 2008:92; Shon, Chen & Chang, 2003:326). However, e-commerce uptake has been relatively slow, with most customers indicating a lack of website trust as a main deterrent (Palvia, 2009:213; Kim, Ferrin & Rao, 2008:546). Understandably, customers perceive increased risk and uncertainty in e-commerce, which is rooted in the faceless and intangible nature thereof (Beldad, de Jong & Steehouder, 2010:857). Beldad et al. (2010:860) and Kim et al. (2008:546) explain that unlike visiting a physical outlet, which provides a sense of security and certainty, customers who engage in e-commerce are expected to provide extensive personal information (such as personal contact and banking details) and pay for goods and services in full before the transaction is processed and delivery occurs.

Since a website serves as the platform for e-commerce, it is important that the website instils a sense of trust in the organisation’s ability and integrity, which is critical to the success of e-commerce (Chen, Hsu & Lin, 2010:1007; Kim et al., 2008:545). One way in which an organisation can reinforce customers’ trust in their websites, is by focusing on its layout and functionality (Cebi, 2013; Kassim & Abdullah, 2010; Flavián, Guinaliu & Gurrea, 2006), which forms part of a website’s online servicescape (Harris & Goode, 2010). An organisation has direct control over its website’s layout and functionality, but often requires more insight into the improvement of website trust through comprehensive empirical research.

Although layout and functionality have been found to affect website trust (Harris & Goode, 2010:230) this link have not been investigated empirically in the airline industry within a South African context. This study therefore provides a comprehensive examination of the ability of layout and functionality to predict website trust. More specifically, the study considers the extent to which its underlying dimensions, namely usability, relevance of information, customisation or personalisation and interactivity, as proposed by Harris and Goode (2010:238) predict website trust.

This paper presents the objectives of the study, followed by an overview of the domestic airline industry, insights into their e-commerce practices, and a literature background. The literature background introduces the online servicescape, and examines the factors to consider when designing an online servicescape, more specifically layout and functionality. The literature background also addresses website trust. Based upon the set objectives and literature review, a number of hypotheses are formulated for the study. This is followed by the research methodology of the study, the empirical findings and a discussion of results. The paper concludes with the limitations of the study, and directions for future research.
OBJECTIVES OF THE STUDY

The primary objective of this study is to determine the extent to which website layout and functionality dimensions of domestic airline websites predict the trust domestic passengers have in these websites. Several secondary objectives support the primary objective:

- Present a demographic profile of respondents.
- Determine the extent to which respondents patronise the websites of domestic airlines.
- Measure the perceptions of respondents regarding the layout and functionality dimensions of domestic airline websites.
- Determine the levels of trust that respondents exhibit towards domestic airline websites.
- Measure the extent to which respondents’ perceptions of the layout and functionality dimensions of domestic airline websites predict their website trust.

THE SOUTH AFRICAN DOMESTIC AIRLINE INDUSTRY AND E-COMMERCE PRACTICES

The deregulation of the airline industry in South Africa in 1991 intensified competition in this industry, since a number of low cost carriers (LCCs) entered the market to respond to customer demand for lower air fares (Campbell & Vigar-Ellis, 2012:99; Irwin, 2007). LCCs that have managed to survive the demanding industry include Kulula.com (owned by Comair Limited) and Mango (which is state owned) (SA Flights, 2013: Townsend & Bick, 2011:2). Other airlines that offer a more full line of services (including business class, complimentary meals and drinks) include British Airways (operated by Comair Limited), South African Airways and South African Express (all of which are state owned) (Luke & Walters, 2013:9; SA Flights, 2013; Oosthuizen, 2012).

Despite an increase of new entrants (for example FlySafair) (News24, 2013), many fail to continue operations as is evident in the case of Intensive Air, Nationwide Airlines and 1Time (Wiseman, 2012; Flight Global, 2002). This in part results from escalating costs (such as airport charges and fuel costs) which place pressure on already thin-spread profit margins (Gordon, 2011). Perhaps the greatest challenge for domestic airlines is the management of volatile fuel costs which not only constitute a significant part of airlines’ cost structures (Transport World Africa, 2012), but also depend on external economic factors beyond their control, such as the oil price and ZAR-USD currency exchange rate (Mantshantsha, 2013).

In light of the above-mentioned challenges, resilient management in an ever-changing environment is paramount to the survival of domestic airlines (Brits, 2010:22). Specifically, more domestic airlines have decided to take advantage of the increased uptake of e-commerce (Goldstruck, 2012) and sell airline tickets directly to customers via their websites (Harison & Boonstra, 2008:92; Shon et al., 2003:326). E-commerce reduces costs and generates new streams of profit for domestic airlines in a number of ways. Firstly, through e-commerce, domestic airlines have the potential to reach a greater number of end customers (Harison & Boonstra, 2008:92; Lubbe, 2007:75). Secondly, e-commerce reduces commission fees payable to travel agents as airline tickets are sold directly to customers (Yoon, Yoon & Yang, 2006:2530; Alamdari, 2002:339). Thirdly, domestic airlines save on issue and distribution costs as end customers receive airline tickets electronically (Harison & Boonstra, 2008:92). Lastly, because online reservations are fully automated, domestic airlines save on accounting costs (Harison & Boonstra, 2008:92; Yoon et al., 2006:2530). Since domestic airlines use their websites to interact with customers and sell airline tickets, the physical distribution centre is replaced, implying that domestic airlines should pay attention to the online servicescape related to their websites (Harris & Goode, 2010:230).

LITERATURE REVIEW

Online servicescapes

A number of studies have focused on the ability of physical service environments to stimulate favourable customer behaviour across different settings, including the retail, leisure, financial services and restaurants industries (Brüggen, Foubert & Gremler, 2011:82; Wakefield & Blogett, 1994:66). In response, the servicescape concept proposed by Bitner (1992) provides a comprehensive framework to examine physical service environments and customer behaviour. However, service encounters increasingly occur on the internet via e-commerce (Williams & Dargel, 2004). With more organisations using e-commerce as a complementary distribution channel (thereby replacing physical service settings in some instances), recent studies have focused on extending the servicescape concept to online service environments (Ezeh & Harris, 2007:59; Koernig, 2003).

Consequently, online service environments (also known as online servicescapes, e-servicescapes, virtual servicescapes or cyberscapes) (Vilnai-yavetz & Rafaeli, 2006:245; Williams & Dargel, 2004:311) refer to all
elements present in online environments during service delivery (Harris & Goode, 2010:231; Hopkins, Grove, Raymond & LaForge, 2009:25). These elements are usually present on organisations' websites and include visual appeal, design, entertainment value, usability, relevance of information, customisation, interactivity, perceived security and ease of payment (Harris & Goode, 2010:231).

Factors to consider when designing online servicescapes
According to Harris and Goode (2010:231), three factors should be considered when designing online servicescapes:

**Aesthetic appeal.** This dimension refers to the visual attractiveness or overall impressiveness of a website (Harris & Goode, 2010:231, 232; Wang Minor & Wei, 2010:47). Aesthetic appeal is reinforced by a website's visual appeal, originality of design and entertainment value (Harris & Goode, 2010:232). Customers perceive a website as visually appealing when they find the use of graphics, colours and product display pleasing and stimulating, thus encouraging them to explore the website further (Harris & Goode, 2010:241; Van der Heijden, 2002:544). Lindgaard, Dudek, Sen, Sumegi and Noonan (2011:20) and Van der Heijden, (2002:544) postulate that visual appeal has the ability to affect both customers' enjoyment and usage of the website. Visual appeal is influenced by both originality of design and the entertainment value of a website. Koo and Ju (2009:387) and Fink and Laupse (2000:52) explain that perceived originality of design occurs through the use of creative logos, distinctive colours and suitable backgrounds in the website's design. On the other hand, customers perceive websites as entertaining when they find them amusing, exciting and fun (Eroglu, Machleit & Davis, 2001:180).

**Financial security.** Harris and Goode (2010:233) explain that financial security is related to a customer's perception of safety in terms of the payment methods offered by the website as well as general website policies. Customers are more likely to engage in e-commerce if they perceive the information they have to provide during the transaction (personal details, credit card information) as secure (Ganguly, Dash, Cyr & Head, 2010:302). Therefore, the presence of rigorous security systems as well payment ease (properly designed with fast order processing) contributes towards customers' perceived financial security (Harris & Goode, 2010:242; Casalò, Flavián & Guinaliu, 2007:597; Ramayah & Ignatius, 2005:40).

**Layout and functionality.** Layout refers to a website's arrangement, organisation and structure, whereas functionality refers to the degree to which customer service goals are facilitated by the website's layout (Harris & Goode: 2010:232; Koo & Ju, 2009:379). Layout and functionality are important, because a website is often the customer's only point of contact with an organisation. Therefore the website should be appropriately laid out and function properly to influence customers' selection, use and purchase behaviour online (Richard, 2005:1638, 1639; Eroglu, Machleit & Davis, 2003:148).

Although aesthetic appeal and financial security form part of the servicescape and could possibly exert a significant effect on website trust within the context and industry on which the study focuses, this study specifically considers website layout and functionality.

Website layout and functionality dimensions
Several dimensions underpin website layout and functionality (Harris & Goode, 2010:232):

**Usability.** Usability refers to the perceived ease with which customers can navigate a website, understand its interface, functions and conduct purchases (Flavián et al., 2006:2). Usability implies that customers perceive the website's design as efficient, effective and easy to learn (Osterbauer, Köhle, Grechenig & Tscheleligi, 1999) or in other words, it refers to the simplicity and speed with which customers can find what they are looking for on a website, and obtain the desired result (Flavián et al., 2006:2).

**Relevance of information.** Information, within the context of the study, refers to the communicated material present on an organisation's website, including details pertaining to the product or service offering, order or tracking status as well as corporate policies and public relations (Montoya-Weiss, Voss & Grewal, 2003:450; Zeithaml, Parasuraman & Malhotra, 2002:450). While the Internet offers a wealth of information, an organisation needs to ensure that information present on their website is relevant to customer needs (Bauer, Grether & Leach, 2002:159; Srinivasan, Anderson & Ponnavolu, 2002:41). Customers should therefore perceive the information as useful, accurate and timely (Montoya-Weiss et al., 2003:450; Waite & Harrison, 2002:310). Perceived relevance of information affects customers' evaluation of websites as well as the likelihood of customers to engage in e-commerce (Zeithaml et al., 2002:450; Swaminathan, Lopkowska-White & Rao, 1999). Montoya-Weiss et al. (2003:450) explain that the presence of relevant information can provide customers with confidence, thereby reducing uncertainty and perceived risk associated with e-commerce.

**Customisation/personalisation.** Customisation refers to features present on a website that enable customers to tailor a website to their own needs, including changing colours, layout, fonts and information displayed on the website (Harris & Goode, 2010:242; Grewal, Mullikin & Munger, 2003:37). Ansari and Mela (2003) and Flavián et al. (2006:9) explain that customisation enables customers to obtain relevant information with more ease, thereby reducing the time required to search for information enabling decision-making and stimulating customers' interest to browse the website. Customers experience greater satisfaction.
from websites that provide personalised service and product information (Thongpapanl & Ashraf, 2011:3; Frutos & Borestein, 2004:115). Moreover, customers prefer customised (or personal) informational responses to their problems or questions (Yoo et al., 2010:89; Bauer et al., 2002:160).

**Interactivity.** Interactivity is the extent to which dialogue can be created between an organisation and its customers via the organisation’s website (Sullivan, 1999). Yoo et al. (2010:89) and Bauer et al. (2002:157) posit that interactivity is an important factor contributing towards effective two-way communication with customers, which is central to an organisation’s success. Since e-commerce lacks face-to-face interaction between employees and customers, organisations attempt to enhance interactivity through their websites with features such as bulletin boards, real-time chats and search engines (Yoo et al., 2010:89). Fiore, Kim and Lee (2005:38) suggest that increased interactivity offers customers numerous benefits, including facilitated communications, customised information according to customers’ needs and image manipulation. This in turn increases customers’ perceived consumption value leading to customer satisfaction and retention (Yoo et al., 2010:89).

**Website trust**

Trust, in a marketing context, refers to a customer’s beliefs about an organisation based upon the positive perceptions he or she holds about the organisation itself or its products and services (Ganesan, 1994:1). This positive perception causes a customer to have confidence in the reliability and integrity of an organisation and the fact that the organisation will refrain from engaging in opportunistic behaviour (Ranaweera & Prabhu, 2003:82; Morgan & Hunt, 1994:20). Customers who trust an organisation perceive benevolence (the organisation is not only profit-driven but genuinely interested in customers’ well-being) and honesty (the organisation will act sincere and keep its promises) in an organisation’s behaviour (Ranaweera & Prabhu, 2003:82; Belanger, Hiller & Smith, 2002:251; Gundlach & Murphy, 1993:35). Consequently, customers who trust an organisation are more susceptible to the marketing actions of the organisation (Rousseau, Sitkin, Burt & Camerer, 1998:395; Morgan & Hunt, 1994:20).

In e-commerce, which is intangible in nature and lacks physical interaction, customers have to accept greater risk and vulnerability, making trust even more important for successful exchanges to take place (Beldad et al., 2010:857; 295; Flavián et al., 2006; Kolsaker, Lee-Kelley & Choy, 2004). Organisations therefore need to ensure that customers have confidence in its reliability and integrity to fulfil its transactional obligation as interpreted by the customer (Kim et al., 2008:545; Belanger et al., 2002:252). Since an organisation’s website is used as the exchange platform with customers during e-commerce, the organisation must lessen perceived risk by cultivating website trust (Beldad et al., 2010:857; Harris & Goode, 2010:231; Hoffman, Novak & Peralta, 1999). This can be accomplished through the creation of a positive impression of the organisation during customers’ interaction with the organisation’s website (Bart, Shankar, Sultan, & Urban, 2005:134). This positive impression can be reinforced by a website’s layout and functionality (Cebi, 2013; Roy, Dewit & Aubert, 2001:388; Kim & Moon, 1998:1) as the subsequent section explains.

**The relationship between website layout and functionality and website trust**

Table 1 highlights a number of recent studies that focused on the relationship between website layout and functionality and website trust in different industries. The aim of this table is to explore the relationships between the key constructs of the study in literature and provides a foundation for formulating the hypotheses of this particular study.

**Table 1: Studies highlighting the relationship between website layout and functionality and website trust**

<table>
<thead>
<tr>
<th>Scholar, Industry or context</th>
<th>Key finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyr (2013), Mobile phones</td>
<td>Depending on culture, information content, information design, navigation design, and visual design impact on trust</td>
</tr>
<tr>
<td>Pi, Liao and Chen (2012), Financial services</td>
<td>Navigation functionality leads to website trust</td>
</tr>
<tr>
<td>Kim, Chung and Lee (2011), Tourism</td>
<td>Navigation functionality leads to website trust</td>
</tr>
<tr>
<td>Casaló, et al. (2010), Online book retailing</td>
<td>Usability leads to website trust</td>
</tr>
<tr>
<td>Chen et al. (2010), Electronics, cosmetics, furniture, books, DVD’s, and airline tickets</td>
<td>Usability leads to website trust</td>
</tr>
<tr>
<td>Featherman, Miyazaki and Banking</td>
<td>Perceived ease of use, corporate credibility reduce perceived risk increase e-service adoption</td>
</tr>
</tbody>
</table>
From the studies presented in Table 1, it can be seen that a number of studies across different industries and contexts have been conducted on the dimensions of website layout and functionality and the relationship thereof with website trust. Specifically, the key findings for the studies listed in Table 1 provide literature support for the hypotheses formulated and depicted in Figure 1.

The studies investigated the relationship of website layout and functionality dimensions with website trust in websites that market books, audio/visual products, flights, holidays, and cosmetics. The particular studies highlighted in Table 1, however, examined the relationship of only one or two dimensions of layout and functionality with website trust. In order to provide more comprehensive insights into the relationship of website layout and functionality dimensions with website trust, this paper considers the relationship of all the dimensions of layout and functionality as proposed by Harris and Goode (2010), namely usability, relevance of information, customisation or personalisation and interactivity with website trust. Based upon the literature review provided in this section, Figure 1 provides a graphical depiction of hypothesised relationships between the dimensions of website layout and functionality and website trust. This is followed by the hypotheses formulated for the study.

**Figure 1: The relationship between website layout and functionality dimensions and website trust**
Subsequently, the following alternative hypotheses have been formulated for the study:
H1: The perceptions domestic airline passengers hold regarding the usability of a domestic airline’s website predict their trust in the website.
H2: The perceptions domestic airline passengers hold regarding the relevance of information on a domestic airline’s website predict their trust in the website.
H3: The perceptions domestic airline passengers hold regarding the degree of customisation or personalisation of a domestic airline’s website predict their trust in the website.
H4: The perceptions domestic airline passengers hold regarding the interactivity of a domestic airline’s website predict their trust in the website.

RESEARCH METHODOLOGY
The study is quantitative in nature and the researchers opted for a descriptive research design for the study. The population of the study included all those customers who reside in South Africa’s North West Province and who have purchased an airline ticket from a domestic airline website during a six-month period prior to the study being undertaken. For the purposes of selecting a sample from the population of the study, convenience sampling was used. This sampling technique is a non-probability technique usually used when a sampling frame of the population of study is not available. The researchers aimed at collecting 300 responses for analyses. The sample size of the study compares favourably with similar studies using a similar methodology and measuring similar constructs such as the study of Harris and Goode (2010).

A self-administered questionnaire was designed to collect the data from respondents. The questionnaire contains several sections. The first section focuses on the preamble and screening questions. Subsequent sections address the demographic profile of the respondent, the extent to which the respondent patronises domestic airline websites, and the key constructs of the study are measured using items developed by Harris and Goode (2010). All questions included in the questionnaire are structured and the key constructs of the study were measured on an unlabelled Likert-type seven-point scale measuring respondents’ level of agreement with a number of items. Tables 2, 3, 4 and 5 present the results for all the variables measured in the questionnaire and thus also provide insights into the content of the questionnaire. The researchers utilised six trained fieldworkers to collect 50 completed questionnaires each amongst the population under study. Fieldworkers were responsible for selecting and approaching respondents as the sampling plan dictates. Once it was established that respondents are eligible and willing to take part in the study, fieldworkers required of respondents to self-complete and return the completed questionnaires. The fieldworkers ensured full completion of the questionnaire while the researchers subsequently checked the questionnaire for any missing values and respondent errors.

For the purposes of analysing the data, SPSS version 21 was used. The data was first entered, cleaned and edited before the analysis of the data was undertaken. In order to describe the demographic profile of respondents as well as the extent to which respondents patronise domestic airline websites, frequencies are reported. In order to describe the items measured in relation to online servicescape of domestic airline websites, means and standard deviations were calculated. Furthermore, before composite means could be calculated for the dimensions of website layout and functionality of an online servicescape and website trust, the validity and reliability of the scales measuring these were assessed. The researchers furthermore ensured that the various assumptions that underlie standard multiple regression analysis were met before a standard multiple regression analysis was performed to test the hypotheses formulated for the study.

RESULTS
Demographic profile
Table 2 provides an exposition of the demographic profile of those respondents taking part in the study with respect to their highest level of education, gender, home language, population group, employment status and personal gross income per month.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary school completed</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Some high school</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>Matric / Grade 12</td>
<td>72</td>
<td>24.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>43</td>
<td>14.3</td>
</tr>
<tr>
<td>Degree</td>
<td>105</td>
<td>35.0</td>
</tr>
<tr>
<td>Postgraduate degree</td>
<td>75</td>
<td>25.0</td>
</tr>
</tbody>
</table>

Table 2: Demographic profile
Table 2 indicates that the majority of respondents hold a degree (35.0%). Just over half of the respondents are female (54.3%) and most respondents indicated Afrikaans (88.0%) as their home language and classified themselves as being Caucasian (94.3%). The majority of respondents hold full-time employment (48.7%) or are still studying (32.0%). The personal gross income of the majority of respondents is less than R22 000 per month (56.7%).

### The extent to which respondents patronise domestic airline websites

The extent to which respondents patronise domestic airline websites is reported with respect to identifying the airline from which website an airline ticket was most recently purchased by respondents, uncovering the time period the airline’s website has been used by respondents to buy airline tickets, and determining the regularity with which respondents buy airline tickets on an airline’s website. The results are presented in Table 3.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline from which website an airline ticket was most recently purchased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kulula.com</td>
<td>137</td>
<td>45.7</td>
</tr>
<tr>
<td>Mango</td>
<td>52</td>
<td>17.3</td>
</tr>
<tr>
<td>British Airways</td>
<td>35</td>
<td>11.7</td>
</tr>
<tr>
<td>South African Airways</td>
<td>58</td>
<td>19.3</td>
</tr>
<tr>
<td>SA Express</td>
<td>18</td>
<td>6.0</td>
</tr>
<tr>
<td>Time period the airline’s website has been used to buy airline tickets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 6 months</td>
<td>72</td>
<td>24.0</td>
</tr>
<tr>
<td>6 months or longer, but less than 1 year</td>
<td>33</td>
<td>11.0</td>
</tr>
<tr>
<td>1 year or longer, but less than 3 years</td>
<td>65</td>
<td>21.7</td>
</tr>
<tr>
<td>3 years or longer, but less than 5 years</td>
<td>61</td>
<td>20.3</td>
</tr>
<tr>
<td>5 years or longer, but less than 10 years</td>
<td>54</td>
<td>18.0</td>
</tr>
<tr>
<td>10 years or longer</td>
<td>15</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Regularity of buying airline tickets on airline’s website

<table>
<thead>
<tr>
<th>Frequency</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a week or more</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td>Once every two weeks</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Once a month</td>
<td>6</td>
<td>2.0</td>
</tr>
<tr>
<td>Once every second month</td>
<td>13</td>
<td>4.3</td>
</tr>
<tr>
<td>Once every three months</td>
<td>32</td>
<td>10.7</td>
</tr>
<tr>
<td>Once every six months</td>
<td>64</td>
<td>21.3</td>
</tr>
<tr>
<td>Once a year</td>
<td>107</td>
<td>35.7</td>
</tr>
<tr>
<td>It was a once-off purchase</td>
<td>75</td>
<td>25.0</td>
</tr>
</tbody>
</table>

With respect to the patronage of domestic airline websites, Table 3 reports that most respondents most recently bought an airline ticket from the Kulula.com website (45.7%). The majority of respondents have also been buying airline tickets from a particular airline website for less than six months (24%), and most respondents buy an airline ticket online once a year (35.7%).

Perceptions of the layout and functionality of domestic airline websites

Table 4 provides the standard deviations (SD) and means for each of the items measuring the underlying dimensions of website layout and functionality.

Table 4: Perceptions of website layout and functionality dimensions

<table>
<thead>
<tr>
<th>Dimension and items</th>
<th>SD</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The airline’s website has useful navigational aids</td>
<td>1.476</td>
<td>4.61</td>
</tr>
<tr>
<td>The links on the airline’s website are obvious in their intent and destination</td>
<td>1.243</td>
<td>5.18</td>
</tr>
<tr>
<td>It’s easy to navigate through the airline’s website</td>
<td>1.137</td>
<td>5.47</td>
</tr>
<tr>
<td>There are convenient ways to manoeuvre among related pages and between different sections on the airline’s website</td>
<td>1.109</td>
<td>5.19</td>
</tr>
<tr>
<td>Navigation through the airline’s website is intuitively logical</td>
<td>1.142</td>
<td>5.21</td>
</tr>
<tr>
<td>A first-time buyer can make a purchase from the airline’s website without much help</td>
<td>1.333</td>
<td>5.30</td>
</tr>
<tr>
<td>I use the airline’s website because it has a good keyword search facility</td>
<td>1.645</td>
<td>4.29</td>
</tr>
<tr>
<td>In general, the airline’s website is easy to use</td>
<td>1.165</td>
<td>5.49</td>
</tr>
<tr>
<td>The functions on the airline’s website are easy to operate</td>
<td>1.191</td>
<td>5.45</td>
</tr>
<tr>
<td>The airline’s website is not difficult to use</td>
<td>1.441</td>
<td>5.82</td>
</tr>
<tr>
<td>The airline’s website is user-friendly</td>
<td>1.116</td>
<td>5.45</td>
</tr>
<tr>
<td>Relevance of information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Each page on the airline’s website clearly indicates what one can expect to find or do</td>
<td>1.080</td>
<td>5.22</td>
</tr>
<tr>
<td>Visual information about airline tickets on the airline’s website are easily accessed</td>
<td>1.047</td>
<td>5.32</td>
</tr>
<tr>
<td>All relevant information on the airline’s website is easily available</td>
<td>1.046</td>
<td>5.38</td>
</tr>
<tr>
<td>The airline’s website contains relevant information</td>
<td>1.029</td>
<td>5.48</td>
</tr>
<tr>
<td>Technical details about the airline’s tickets (flight time, cost, etc.) can easily be accessed</td>
<td>1.088</td>
<td>5.63</td>
</tr>
<tr>
<td>Customisation or personalisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The airline’s website is tailored towards my individual needs</td>
<td>1.434</td>
<td>4.66</td>
</tr>
<tr>
<td>If I wanted to, I could customise the airline’s website to what I like (e.g. changing colours, layout, fonts, etc.)</td>
<td>1.621</td>
<td>2.44</td>
</tr>
<tr>
<td>I feel that the airline’s website is designed for me</td>
<td>1.465</td>
<td>3.64</td>
</tr>
<tr>
<td>The services of the airline’s website are often personalised to my needs</td>
<td>1.447</td>
<td>3.60</td>
</tr>
<tr>
<td>This airline’s website treats me as an individual</td>
<td>1.446</td>
<td>4.08</td>
</tr>
<tr>
<td>When communicating with the airline’s website I am often addressed using my correct name</td>
<td>1.782</td>
<td>3.36</td>
</tr>
<tr>
<td>The airline’s website makes purchase recommendations that match my needs</td>
<td>1.502</td>
<td>4.73</td>
</tr>
<tr>
<td>Interactivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The airline’s website enables me to view the airline tickets in different ways</td>
<td>1.515</td>
<td>4.33</td>
</tr>
<tr>
<td>The airline’s website has a search tool which helps me find what I want</td>
<td>1.539</td>
<td>4.89</td>
</tr>
<tr>
<td>The airline’s website helps me to compare airline tickets and prices</td>
<td>1.759</td>
<td>4.62</td>
</tr>
<tr>
<td>I feel that the airline’s website is very engaging</td>
<td>1.403</td>
<td>4.55</td>
</tr>
<tr>
<td>I believe that the airline’s website is dynamic</td>
<td>1.310</td>
<td>4.64</td>
</tr>
</tbody>
</table>

It is evident from Table 4 that the means for all items measuring the usability dimension range between 4.29 and 5.82 on a seven-point scale with the item ‘I use the airline’s website because it has a good keyword search facility’ obtaining the lowest mean (4.29), and ‘The airline’s website is not difficult to use’ obtaining the highest mean (5.82).
With respect to the relevance of information dimension, it is evident that the means for all items range between 5.22 and 5.63 on a seven-point scale with the item ‘Each page on the airline’s website clearly indicates what one can expect to find or do’ obtaining the lowest mean (5.22), and ‘Technical details about the airline’s tickets (flight time, cost, etc.) can easily be accessed’ obtaining the highest mean (5.63). With respect to the customisation or personalisation dimension, it is evident that the means for all items range between 2.44 and 4.73 on a seven-point scale with the item ‘If I wanted to, I could customise the airline’s website to what I like’ obtaining the lowest mean (2.44), and ‘The airline’s website makes purchase recommendations that match my needs’ obtaining the highest mean (4.73). With respect to the interactivity dimension, it is evident that the means for all items range between 4.33 and 4.89 on a seven-point scale with the item ‘The airline’s website enables me to view the airline tickets in different ways’ obtaining the lowest mean (4.33), and ‘The airline’s website has a search tool which helps me find what I want’ obtaining the highest mean (4.89).

**Perceptions of website trust in domestic airline websites**

Table 5 provides the standard deviations (SD) and means for each of the items measuring the website trust construct.

<table>
<thead>
<tr>
<th>Items</th>
<th>SD</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>The airline’s website is interested in more than just selling me airline tickets and making a profit</td>
<td>1.587</td>
<td>4.25</td>
</tr>
<tr>
<td>There are no limits as to how far the airline’s website will go to solve a service problem I may have</td>
<td>1.377</td>
<td>4.01</td>
</tr>
<tr>
<td>The airline’s website is genuinely committed to satisfying my needs</td>
<td>1.264</td>
<td>4.60</td>
</tr>
<tr>
<td>Most of what the airline’s website says about its airline tickets is true</td>
<td>1.620</td>
<td>5.58</td>
</tr>
<tr>
<td>I think the claims the airline’s website makes about its service are a true reflection of what it offers</td>
<td>1.235</td>
<td>5.18</td>
</tr>
<tr>
<td>If the airline’s website makes a claim or promise about its airline tickets, it is probably true</td>
<td>1.232</td>
<td>5.26</td>
</tr>
<tr>
<td>I feel I know what to expect from the airline’s website</td>
<td>1.110</td>
<td>5.46</td>
</tr>
<tr>
<td>Overall, I feel that I can trust the airline’s website</td>
<td>1.169</td>
<td>5.52</td>
</tr>
</tbody>
</table>

With respect to website trust, it is evident that the means for all items range between 4.01 and 5.58 on a seven-point scale with the item ‘There are no limits as to how far the airline’s website will go to solve a service problem I may have’ obtaining the lowest mean (4.01), and ‘Most of what the airline’s website says about its airline tickets is true’ obtaining the highest mean (5.58).

**Construct validity**

Harris and Goode (2010:235) confirmed the underlying structure of the dimensions of website layout and functionality of an online servicescape and the website trust construct with the aid of confirmatory factor analysis using LISREL version 8.0. The loadings of the items on the dimensions of website layout and functionality and the website trust construct proved to be both positive and significant (Harris & Goode, 2010:235). The scales measuring the constructs concerned were therefore considered valid by the researchers.

**Internal consistency reliability**

In order to assess the internal consistency reliability of the dimensions of website layout and functionality of an online servicescape and the website trust construct, the researchers calculated Cronbach’s alpha coefficients (Pallant, 2013:6). If a Cronbach’s alpha coefficient of at least 0.7 is realised the scale measuring the dimensions or construct can be considered reliable (Pallant, 2013:6).

<table>
<thead>
<tr>
<th>Construct or dimension</th>
<th>No of items</th>
<th>Cronbach’s alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layout and functionality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usability</td>
<td>11</td>
<td>0.878</td>
</tr>
<tr>
<td>Relevance of information</td>
<td>5</td>
<td>0.875</td>
</tr>
<tr>
<td>Customisation or personalisation</td>
<td>7</td>
<td>0.723</td>
</tr>
<tr>
<td>Interactivity</td>
<td>5</td>
<td>0.768</td>
</tr>
<tr>
<td>Website trust</td>
<td>8</td>
<td>0.798</td>
</tr>
</tbody>
</table>
The Cronbach's alpha coefficients for the four dimensions of website layout and functionality of an online servicescape and the website trust construct are all above 0.7 and are therefore deemed reliable measures of the core attributes underlying the dimensions and construct.

### Composite means

The aforementioned results enable the researchers to calculate composite means for each of the four dimensions of website layout and functionality of an online servicescape as well as the website trust construct. Table 7 reflects the standard deviations (SD) and composite means.

**Table 7: Composite means**

<table>
<thead>
<tr>
<th>Item</th>
<th>SD</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layout and functionality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usability</td>
<td>0.860</td>
<td>5.23</td>
</tr>
<tr>
<td>Relevance of information</td>
<td>0.864</td>
<td>5.41</td>
</tr>
<tr>
<td>Customisation or personalisation</td>
<td>0.940</td>
<td>3.79</td>
</tr>
<tr>
<td>Interactivity</td>
<td>1.090</td>
<td>4.60</td>
</tr>
<tr>
<td>Website trust</td>
<td>0.861</td>
<td>4.98</td>
</tr>
</tbody>
</table>

It is evident from Table 7 that the means for the four dimensions of website layout and functionality of an online servicescape range between 3.79 for the customisation or personalisation dimensions, and 5.41 for the usability dimension with the composite mean for website trust being 4.59 on a seven-point scale.

### Hypothesis testing

The four alternative hypotheses presented earlier on in the paper were subsequently tested with the aid of a standard multiple regression analysis. The researchers ensured that the various assumptions that underlie the use of this particular technique were met before the results were interpreted and reported. More specifically, assumptions related to sample size, the extent to which independent variables correlate with one another, the extent to which outliers are present in the data, the normality of the distribution of data, the linearity of the relationships between pairs of variables, and the equality of variances between groups were addressed (Pallant, 2013:156-157).

It is evident from Table 8 that the model as a whole, presented in Figure 1, explains 47.5% or nearly half of the variance in website trust.

**Table 8: Model summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standard error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.689</td>
<td>0.475</td>
<td>0.467</td>
<td>0.616</td>
</tr>
</tbody>
</table>

The ANOVA table (Table 9) subsequently indicates that the model (presented in Figure 1) that hypothesises that the four dimensions of website layout and functionality namely (usability, relevance of information, customisation or personalisation and interactivity) predict website trust are significant (p < 0.0005).

**Table 9: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>98.104</td>
<td>4</td>
<td>24.526</td>
<td>64.646</td>
<td>0.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>108.506</td>
<td>286</td>
<td>0.379</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>206.610</td>
<td>290</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p-value < 0.05 is statistically significant

From the coefficients table (Table 10) it is evident all four dimensions of website and functionality predict website trust with β-values ranging between 0.122 and 0.386 and p-values < 0.05. The usability dimension is the best predictor of website trust followed by relevance of information, interactivity and the customisation or personalisation dimensions respectively.

**Table 10: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Standardised coefficient β-value</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Constant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usability</td>
<td>0.386</td>
<td>5.703</td>
<td>0.000*</td>
</tr>
<tr>
<td>Relevance of information</td>
<td>0.156</td>
<td>2.239</td>
<td>0.026*</td>
</tr>
<tr>
<td>Customisation/personalisation</td>
<td>0.122</td>
<td>2.352</td>
<td>0.001*</td>
</tr>
<tr>
<td>Interactivity</td>
<td>0.152</td>
<td>2.445</td>
<td>0.001*</td>
</tr>
</tbody>
</table>

* p-value < 0.05 is statistically significant
Subsequently, the results for the four alternative hypotheses formulated for the study are as follows:

H1 that the perceptions domestic airline passengers hold regarding the usability of a domestic airline’s website predict their trust in the website can be supported (β-value = 0.386; p-value < 0.0005).

H2 that the perceptions domestic airline passengers hold regarding the relevance of information on a domestic airline’s website predict their trust in the website can be supported (β-value = 0.156; p-value = 0.026).

H3 that the perceptions domestic airline passengers hold regarding the degree of customisation or personalisation of a domestic airline’s website predict their trust in the website can be supported (β-value = 0.122; p-value < 0.0005).

H4 that the perceptions domestic airline passengers hold regarding the interactivity of a domestic airline’s website predict their trust in the website can be supported (β-value = 0.152; p-value < 0.0005).

DISCUSSION AND MANAGERIAL IMPLICATIONS

The majority of respondents who participated in this study are employed full-time, earn middle to high incomes and are well educated. This demographic profile is similar to previous studies which examined e-commerce in a South African setting (Boshoff, Schlechter & Ward, 2011:47; Bouagui & Nel, 2009:19). It can be reasoned that these customers have the purchasing power to make use of air transportation and the ability to interact with a domestic airline’s website to purchase airline tickets online. Therefore, domestic airlines should profile those who purchase airline tickets on their websites and consider their needs in the design of their websites.

Pertaining to patronage habits, the results indicate that the majority of respondents purchase airline tickets from the website of Kulula.com. This makes sense, since Kulula.com was one of the first LCCs to enter the South African domestic airline industry and therefore enjoys substantial brand recognition and market share (Townsend & Bick, 2011:1). Additionally, Kulula.com was amongst the first airlines to offer customers easy online booking and affordable fares, thereby proving the return on investment for developing an e-commerce website (Townsend & Bick, 2011:3). The results also indicate that customers do not purchase airline tickets from airlines’ websites regularly and have been using airlines websites to buy airline tickets for a short period of time. This is indicative of customers’ sluggish e-commerce uptake which could be related to the current economic climate decreasing consumer demand for air travel (African Economic Outlook, 2013; allAfrica.com, 2009) as well as customers’ perceived risk and distrust of e-commerce (Boshoff, Schlechter & Ward, 2009:18; Ruiz-Mafé, Sanz-Blas & Aldás-Manzano, 2009:294). Therefore, it is imperative that domestic airlines ensure that their websites instil trust amongst customers (Beldad et al., 2010:857).

The composite mean scores calculated reveal that respondents’ perception of website trust is fairly positive, but room for improvement definitely exists. With respect to the dimensions of layout and functionality, respondents hold particularly favourable perceptions towards the usability dimensions as well as the relevance of information dimension. However, respondents’ perceptions of the customisation or personalisation and interactivity dimensions are less positive and can be improved.

This study also reveals that the dimensions of layout and functionality predict website trust in the domestic airline industry within a South African context. The usability dimension in particular best predicts website trust, followed by the relevance of information, interactivity and customisation or personalisation dimensions respectively.

The fact that the usability dimension of website layout and functionality predict website trust in this study (H1) aligns with the findings of Flavián et al. (2006:3-4). Flavián et al. (2006:3-4) explain that greater usability results in greater customer self-confidence and understanding of content and tasks that must be completed on the website. This reduces the possibility for errors, leading to increased website trust. Domestic airlines can improve perceived usability of their websites by ensuring the website is user-friendly. This is reinforced by making it easy for customers to manoeuvre among the different website pages by offering logical and easy navigation, easy to operate functions, and links that open in their intended destination. Usability can also be improved by offering a good keyword search facility.

It was also found that relevance of information predicts trust in domestic airline websites (H2). A number of studies highlight the importance of providing accurate and transparent information as this leads to greater perceived transparency and honesty, which in turn affects customers’ website trust positively (Thongpapanl & Ashraf, 2011:10; Flavián et al., 2006:4; Yoon, 2002:50). Customers’ perceived relevance of information can be improved by ensuring that visual and technical details about airline tickets (flight times, exact breakdown of costs) are easily accessible, correct and regularly updated so that it is available to customers in real time.
The results of the study also indicate that the perceptions domestic airline passengers hold regarding the degree of customisation or personalisation of a domestic airline’s website predicts their trust in the website (H3). Similarly, Li and Yeh (2010:677) and Siau, Sheng and Nah (2003) found that customisation enhances customers’ trust. Website customisation makes the e-commerce experience easier by providing guidance to individual customers during the purchasing process, thereby increasing customers’ feelings of trust (Kim et al., 2008:544; Chang et al., 2005:543). Although domestic airlines need to adhere to strict corporate branding policies, customers' perceived customisation or personalisation can still be enhanced by using customers’ correct name during communication and making appropriate purchase recommendations about flight destinations based on past selections. In this way, customers will perceive the airlines’ website design as tailored towards their individual needs.

Lastly, this study found that customers’ perception of interactivity of domestic airlines’ websites predicts website trust (H4). Accordingly, Yoo et al. (2010:89) and Merrilees and Fry (2003:123) propose that website trust is greater when customers perceive a high level of interactivity. Domestic airlines can improve perceived interactivity on their websites by providing a search tool to enable customers to compare selected tickets and prices in different ways.

LIMITATIONS AND FUTURE RESEARCH
Since a non-probability convenience sample was used to select respondents in the North-West Province of South Africa, the results of the study cannot be inferred to all South Africans who purchase airline tickets via domestic airlines’ websites. The study only focuses on one service setting and one service construct, namely trust, which limits the contribution of the study. A web-based approach could have also been more suitable to target those who are using the Internet more effectively.

Future research studies could include comparing customers’ perception of layout and functionality and website trust amongst various demographic groupings in South Africa. Additionally, the study can be replicated in different service settings, including online hotel and holiday reservations, or e-retailers marketing music, books or electronic products. Lastly, a wider range of constructs (such as website satisfaction, commitment and purchase intention) can be measured, thereby enlarging the potential contribution of similar studies.

CONCLUSION
E-commerce uptake in South Africa has been relatively slow, with customers citing a lack of website trust as one of the key deterrents. Website trust can be instilled by improving customers’ perception of a website’s layout and functionality. This study concludes that domestic airlines can improve website trust by focusing on their website’s perceived usability, relevance of information, customisation or personalisation and interactivity. In this way suitable website design can be utilised by airline management as a strategy to improve the trust customers have in the airline’s website in order to assist an airline to remain resilient in difficult economic times.

REFERENCES


EVALUATING IT MODELS AND PERFORMANCE: CASE OF SMES

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ABSTRACT
Building on prior research related to the impact of Information Technology (IT) and Operational Risk Management (ORM) in the context of Small and Medium Enterprises (SMEs), the object of this research was to answer the following questions: (1) How well do the measures of IT evaluation models predict ORM operations in SMEs? (2) Which measure is the best predictor of evaluation models and IT in SMEs? In order to understand the degree of association between the performance of SMEs and the independent variables, multiple regressions, repeated-measures analysis of variance (RM-ANOVA) and repeated-measures multivariate analysis of variance (RM-MANOVA) were performed. The study was based on a survey design in terms of primary data collected from 107 respondents using a simple random sampling technique. Subsequently, a one-stage normative model, associative in nature, was developed. The findings of the distribution revealed that only one variable made a significant contribution to the level of IT operations in SMEs, that is, the payback method ($\beta = 0.410, p < .000$). It may thus be inferred that the payback method is the prominent variable, explaining the variation in level of evaluation models affecting IT operations in SMEs. In addition, the payback method contributed approximately 88.4% of the variations in evaluation models affecting IT operations in SMEs.

Key words: IT Models, SMEs, Operational Risk

INTRODUCTION
This research presents the findings of an empirical investigation carried out in Small to Medium Enterprises (SMEs). In consequence, it addresses findings related to the evaluation models impacting on IT and operational risk management in SMEs.

LITERATURE REVIEW
Evaluation Models for Understanding the Value of Information Technology and Risk Management in SMEs
An information system can provide business value for an organisation in many different ways, including increased profitability and productivity. Some, but not all, of these benefits can be quantified and measured (Froot and Stein, 1998; Balbas, 2007). Moreover, research argues that “modelling for management and control over IT processes is based on a method of evaluating the organisation, so it can be rated from a maturity level of non-existent (0) to optimised (5)” (ITGI, 2007: 7). Additionally, portfolio analysis and scoring models can be used to evaluate alternative information system projects. Real option pricing models, which apply the same techniques for valuing financial options to system investments, can also be useful when considering highly uncertain IT investments.

In general though, such models are used for the effective evaluation of Information Technology (IT), and include Internal Rate of Return (IRR), Portfolio Analysis and Scoring models, Val IT framework, COBIT framework and Net Present Value (NPV). Accordingly, the models are used to evaluate and align the objectives of executive management and information systems projects. However, research has found that, in reviewing the progress of the SME industry in the measurement of IT operational risk, “causal measurement and modelling of operational risk remains at the earliest stages” (Basel Committee on Banking Supervision, 2004: 2).

Thus, these evaluating models (capital budgeting models) are applicable in large organisations (Froot and Stein, 1998). Although IT has increased productivity in manufacturing, especially the manufacturing of technology products, the extent to which computers have enhanced the productivity of SMEs remains debatable (Froot and Stein, 1998; Balbas, 2007). In addition to reducing costs, evaluation models may increase the quality of products and services for the consumer or may even create an entirely new product and revenue streams. However, these intangible benefits are difficult to measure and consequently are not addressed by conventional productivity measures (Froot and Stein, 1998).
As expected, the literature shows that there is a relationship between risk management practices and evaluation models. Hence, it is expected that good risk management involves good IT operational risk management.

One of the most important aspects of the work of the Basel Committee on Banking Supervision (2004) is that it has successfully linked the dimension of operational risk management (ORM) to management practice. Other studies support this by arguing that performance measurement is essential for IT governance (Basel Committee on Banking Supervision, 2004; Froot and Stein, 1998). This is also supported by COBIT, which includes setting and monitoring measurable objectives of what the IT processes need to deliver (process outcome) and how to deliver it (process capability and performance).

A survey by IT governance identified that the lack of transparency related to the cost, value and risk of IT is one of the most important drivers for IT governance (ITGI, 2007: 6). Inferring from ITGI (2007), there is an indication that the IT Governance Institute (ITGI) describes the central concept of IT as having a coherent set of activities with a set of shared core values. The ITGI also argues that “modelling for management and control over IT processes is based on a method of evaluating the organisation, so it can be rated from a maturity level of non-existent (0) to optimised (5)” (ITGI, 2007: 7).

However, Liebenberg and Hoyt’s (2003) study on the effect of evaluation models (see Table 1), which are used to evaluate and align objectives of executive management and information systems projects, while looking at the attitudes of end-users, failed to find any correlation between evaluation models and the attitudes of end-users. This suggests that the use of this variable in earlier work on SMEs did not receive the support of evaluation models impacting on ORM.

<table>
<thead>
<tr>
<th>Table 1: Evaluation models and IT operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The Net Present Value (NPV) method is used to evaluate and align the objectives of executive management and information systems projects.</td>
</tr>
<tr>
<td>B. The Internal Rate of Return (IRR) method is used to evaluate and align the objectives of executive management and information systems projects.</td>
</tr>
<tr>
<td>C. Portfolio Analysis and Scoring models are used to evaluate and align the objectives of executive management and information systems projects.</td>
</tr>
<tr>
<td>D. The Val IT framework is used to evaluate and align the objectives of executive management and information systems projects.</td>
</tr>
<tr>
<td>E. The COBIT framework is used to evaluate and align the objectives of executive management and information systems projects (IT Governance Institute (ITGI) 2007).</td>
</tr>
</tbody>
</table>

**Concept of SMEs**

The definition of SMEs varies from country to country and is ideally defined specifically according to sector. This study deals with businesses that aim to generate sustainable income streams (Meyers, Gamst and Guarino, 2006; Stoney, 2007; Balbas, 2007). In the information society environment, successful enterprises produce high technology goods and services and transform human effort and other economic resources into products and services that meet customer needs (Stoney, 2007). In such a society, in order to be successful, SMEs need high quality information and must always provide superior value, better than that of competitors, when it comes to quality, price and services (Meyers et al., 2006).

**Concept of IT**

For the last two hundred years, economics has recognised only two factors of production: labour and capital (Raykov and Marcoulides, 2008). Information and knowledge are replacing capital and energy as primary wealth-creating assets (Raykov and Marcoulides, 2008). Information has become a critical resource, a priceless product and a basic input to progress and development. Therefore, accurate, rapid and relevant information is considered essential for SMEs (Raykov and Marcoulides, 2008). SMEs need effective information systems in order to support and deliver information to different users. Such information systems would include technology that supports decision making, provides an effective interface between users and computer technology and provides information for managers on the day-to-day operations of the enterprise. Information is needed for various purposes and serves as an invaluable commodity or product and is, moreover, a highly important aspect of decision making in all levels of management in an organisation (DTI, 2006; Stoney, 2007). The ability of SMEs to realise their goals therefore depends on how well the

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8 In this study the terms ‘business’, ‘firm’, ‘organisation’ and ‘institution’ are used interchangeably.
organisation acquires, interprets, synthesises, evaluates and understands information and how well its information channels support organisational processes.

**PROBLEM INVESTIGATED**
Following the review of the literature, the research questions that emerged are the following:
How well do the measures of evaluation models of IT predict ORM operations within SMEs?
Which evaluation model is the best predictor of evaluation models and IT in SMEs?
On the basis of the research questions, the followed research hypotheses emerged:

**RESEARCH HYPOTHESES**
Following the research objectives and the reviewed literature, the hypotheses that emerged included:

H1 there is a significant relationship between evaluation models and the likelihood of IT ORM operations within SMEs.

H0 there is no significant relationship between evaluation models and the likelihood of IT ORM operations within SMEs.

**RESEARCH METHODOLOGY**
**Research Design**
The study surveyed 107 respondents from one South African based microfinance company. A one-stage normative model, which was associative in nature, was developed based on a review of previous research and in line with the research objectives. The model elicited five factors.

**Sampling: Sample Size and Sampling Technique**
In terms of sample size calculation, Tabachnick and Fidell (2007: 117) recommend a formula for calculating sample size requirements, taking into account the number of independent variables that a researchers wishes to use: N ≥ 50 + 8m (m = number of independent variables which are five ). On the basis of the hypotheses posed, questionnaires were sent to N ≥ 90 respondents as the minimum. However, the target sample size was 107 of respondents from the SME according to simple random sampling plan which was achieved.

**Data Collection**
The study was conducted at a South African based microfinance company with a population of about 1 100 members and 90 branches nationally. The company’s product range includes unsecured loans, secured loans, insurance, and cellular and educational products. The products are sold through its various channels: branches, telesales call centres and agents. From the review of the literature, an instrument was developed with the aim of covering the research problems which included how measures of evaluation models of IT predict ORM operations within SMEs and the best predictor of evaluation models in SMEs.

**Data analysis**
To analyse the hypotheses, various statistical techniques were deemed appropriate. Simple descriptive and inferential statistical methods were incorporated into the Statistical Package for the Social Sciences (SPSS) program for analysing the data. The variables were pre-coded in preparation for entry into the program (Tabachnick, 2008). Despite the fact that the variables were descriptive in nature, they were assigned numeric codes to facilitate different statistical analysis (Meyers et al., 2006). Some of the measurement levels (scale of measurement) were nominal and others ordinal. After the data had been checked, the codes were entered into the program and the process of data cleaning ensued. Appropriate statistical procedures were then performed. Frequency counts and percentages were applied to the data relating to the demographic details of the respondents in order to determine the distribution of gender, age group, position, department and level of education. A bivariate analysis between the respondents’ demographic characteristics and the relationship between IT operational risk management and the performances of SMEs was performed.

**RESULTS**
In order to understand the degree of association between the performances of SMEs and the independent variables, multiple regression, repeated-measures analysis of variance (RM-ANOVA) and repeated-

---

9 N > 50 + 8m (m = 5 number of independent variables) = 90: Note that it was anticipated that more cases would be used to cater for any possible skewness of the dependent variable, such that the distribution of data satisfies the assumptions of multiple regression related to the sample size.

10 A four-point Likert scale.
measures multivariate analysis of variance (RM-MANOVA) were performed (Cody and Smith, 2005). Where a significant value was observed, either betas of multiple regression or significant levels of RM-ANOVA or RM-MANOVA ascertained these differences (Tabachnick, 2008). The outcomes of these analyses are described in subsequent sections.

Multivariate Regression

Generally, multivariate regression explains the relationship between multiple independent or multiple predictor variables and one dependent or criterion variable (hypotheses). In multiple regressions, a dependent variable is modelled as a function of several independent variables with corresponding multiple regression coefficients, along with the constant term (Tabachnick, 2008). Multiple regression requires two or more predictor variables, which explains the term multiple regression (Tabachnick, 2008). The multiple regression equation explained above takes the following form:

\[ Y = b_1X_1 + b_2X_2 + \ldots + b_nX_n + c. \]

In the multivariate case, when there is more than one independent variable, the regression line cannot be visualised in two-dimensional space, but can be easily computed and can be used to construct a linear equation containing all those variables. In general then, multiple regression procedures will estimate a linear equation of the form:

\[ Y = a + b_1X_1 + b_2X_2 + \ldots + b_pX_p, \]

Here, \( b_i \)’s (\( i = 1, 2 \ldots n \)) are the regression coefficients, which in multiple regression represent the value at which the criterion variable changes when the predictor variable changes (Tabachnick, 2008). For the purpose of the current paper, there are certain terminologies that help in understanding multiple regression (Tabachnick, 2008). These terminologies are as follows: The beta value in multiple regression (presentation of data) was used to measure how effectively the predictor variable influences the criterion variable (Tabachnick, 2008) and is measured in terms of standard deviation (Tabachnick, 2008). \( R \), in multiple regression, is the measure of association between the observed value and the predicted value of the criterion variable (Tabachnick, 2008). In multiple regression \( R^2 \) square, or \( R^2 \), is the square of the measure of association which indicates the percentage of overlap between the predictor variables and the criterion variable (Tabachnick and Fidell, 2007). Also in multiple regression, adjusted \( R^2 \) is an estimate of the \( R^2 \) when this model is used with a new data set (Tabachnick, 2008).

Table 2: Analysis of hypotheses

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised coefficients</th>
<th>Standardised coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Correlations</th>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
<td>Partial</td>
</tr>
<tr>
<td>1</td>
<td>(Const)</td>
<td>1.651</td>
<td>.345</td>
<td>4.780</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>.430</td>
<td>.164</td>
<td>.410</td>
<td>2.618</td>
<td>.010</td>
<td>.258</td>
</tr>
<tr>
<td>B</td>
<td>-.164</td>
<td>.136</td>
<td>-.180</td>
<td>-1.205</td>
<td>.231</td>
<td>.143</td>
</tr>
<tr>
<td>C</td>
<td>.187</td>
<td>.103</td>
<td>.190</td>
<td>1.813</td>
<td>.073</td>
<td>.207</td>
</tr>
<tr>
<td>D</td>
<td>-.114</td>
<td>.110</td>
<td>-.142</td>
<td>-1.034</td>
<td>.304</td>
<td>.113</td>
</tr>
<tr>
<td>E</td>
<td>.055</td>
<td>.113</td>
<td>.065</td>
<td>.487</td>
<td>.627</td>
<td>.132</td>
</tr>
</tbody>
</table>

A – the NPV method is used to evaluate and align the objectives of executive management and information systems projects.
B – the IRR method is used to evaluate and align the objectives of executive management and information systems projects.
C – Portfolio Analysis and Scoring models are used to evaluate and align objectives of executive management and information systems projects.
D – the Val IT framework is used to evaluate and align the objectives of executive management and information systems projects.
E – the COBIT framework is used to evaluate and align the objectives of executive management and information systems projects.

Reliability and Validity

The researchers used the Cronbach’s alpha technique to assess the reliability coefficient. In order to ascertain face validity, an initial questionnaire (research instrument) was passed through routine editing and was also given to experts (academics, practitioners and business managers). They were asked to respond to the questionnaire and, based on their comments, the questionnaire was reworded to enhance clarity. Convergent validity was measured by the average variance extracted for each construct during the reliability
analysis – 0.5 or 50% or better. To further analyse for convergent and discriminating validity of any constructs of ORM used, the principal component method with varimax rotation was used to assess the variance explained. This was to ensure that, in general, the results demonstrated that both validities were satisfied.

Research Findings
This study sought to determine the significant relationship between evaluation models and IT operations in SMEs. The object of this research question was to answer the questions: (1) How well do the measures of evaluation models and IT predict ORM operations within SMEs? (2) Which measure is the best predictor of significant percentage contribution to the level of IT operations in SMEs; that is, A significant effect was consequently found for evaluation models (Wilks’ lambda). It may thus be inferred that A is the variable that is prominent in explaining the SMEs. In answering the two questions, (1) – (2) multiple regression analysis was used to determine the percentage contribution of some of the identified significant predictors of evaluation models affecting IT operations in SMEs. The distribution revealed that only one variable made a significant percentage contribution to the level of IT operations in SMEs; that is, A (β = 0.410, p < .000). It may thus be inferred that A is the variable that is prominent in explaining the variation in level of evaluation models affecting IT operations in SMEs. In answering the two questions, (1) degree of variability explained and (2) predictors, the results revealed that the variable contributed approximately 88,4% of the variations in evaluation models affecting IT operations in SMEs. The analysis of variance also revealed that the regression coefficients were real and did not occur by chance. It may therefore be inferred that, relatively, A impacts on the evaluation models which, in turn, affect IT operations in SMEs.

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Table 3: Analysis of evaluation models

<table>
<thead>
<tr>
<th>Effect</th>
<th>Value</th>
<th>F</th>
<th>Hypothesis df</th>
<th>Error df</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intert</td>
<td>Pilla's trace</td>
<td>980</td>
<td>967.9</td>
<td>5.000</td>
<td>98.0</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Wilks’ lambda</td>
<td>.020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hotelling's trace</td>
<td>49.38</td>
<td>967.9</td>
<td>5.000</td>
<td>98.0</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Roy's largest root</td>
<td>49.38</td>
<td>967.9</td>
<td>5.000</td>
<td>98.0</td>
<td>.000</td>
</tr>
<tr>
<td>Dep't</td>
<td>Pilla's trace</td>
<td>.184</td>
<td>1.306</td>
<td>15.000</td>
<td>300.0</td>
<td>.197</td>
</tr>
<tr>
<td></td>
<td>Wilks' lambda</td>
<td>.825</td>
<td>1.302</td>
<td>15.000</td>
<td>270.9</td>
<td>.020</td>
</tr>
<tr>
<td></td>
<td>Hotelling's trace</td>
<td>.201</td>
<td>1.295</td>
<td>15.000</td>
<td>290.0</td>
<td>.204</td>
</tr>
<tr>
<td></td>
<td>Roy's largest root</td>
<td>.124</td>
<td>2,474b</td>
<td>5.000</td>
<td>100.0</td>
<td>.037</td>
</tr>
</tbody>
</table>

By implication, there seems to be enough evidence to suggest that evaluation models in IT operations would become more effective if efforts were targeted at A. Thus, the hypothesis was accepted. For further analysis using Wilks’ statistics, there was no significant effect of department Λ = .825, (5, 15) = 1.30, p < .05. Additionally, a one-way repeated measure, namely ANOVA, was conducted to compare scores on the various departments. A significant effect was consequently found for evaluation models (Wilks’ lambda = 0.25, F (2, 28) = 41.17, p > .000, multivariate partial eta squared = 0.75), noting that this result suggests a small effect size. This in turn suggests that there is a significant relationship between departments and evaluation models in IT operations.

Additionally, data was analysed using a mixed-design ANOVA with a within-subjects factor of subscale (years of service) and a between-subject factor of gender (male, female). Mauchly’s test indicated that the assumption of sphericity had been violated (χ² = 16.8, p < .001), therefore degrees of freedom were corrected using Greenhouse-Geisser estimates of sphericity (ε = 0.98). The results revealed no main effects of subscale, F(1.91, 1350.8) = 378, p > .05, np² = .03, and gender, F(1, 709) = 78.8, p > .05, np² = .10, were qualified by an interaction between subscale and gender, F(1.91, 1351) = 30.4, p > .05, np² = .041.
Furthermore, an ANCOVA [between-subjects factor: gender (male, female); covariate: Education] revealed no main effects of gender, $F(1,732) = 2.00, p = .16, \eta_p^2 = .003$, or education, $F(1,732) = 3.25, p = .072, \eta_p^2 = .004$, and no interaction between gender and education, $F(1,732) = 0.016, p = .90, \eta_p^2 < .001$. In any case, all other main effects and interactions were non-significant and irrelevant to the hypotheses, all $F \leq 0.94, p \geq .39, \eta_p^2 \leq .001$.

CONCLUSION
This study concludes that managers of SMEs need to be equipped in order to identify, analyse and manage IT operations from a more diverse range of sources and contexts. If this is not carefully considered, SME managers, irrespective of whether they engage in business or not, may find it more difficult to avoid the risks resulting from increased IT global competition in their home markets.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
Evaluation models are thus found to be important for IT operational risk in SMEs. The plausible reason for the relevant importance of this variable in SMEs is due to A\textsuperscript{11} and D\textsuperscript{12} (cf. results). The respondents considered the evaluation models an important prerequisite when deciding on technology operations. Thus, the organisation may pay more attention to the viable benefits, although not all the models in the study were agreed on. This might be because the evaluation modelling process in SMEs is always short-term (Conner and Coviello, 2004).

Also, evaluation models may be regarded as a substitution for IT operations in order to ensure a financial institution’s security (Lam, 2006). The findings of this study support the reviewed literature which suggests that evaluation models can act as motivators to encourage IT operational risk (CAS, 2003). This is because the direct benefits are more viable and are easier to measure (CAS, 2003). Therefore, this study supports the findings of the Casualty Actuarial Society (CAS, 2003) that evaluation models are influential determinants of technology usage in SMEs. A similar finding was reported by a previous study of IT operation (Calder, 2006), which found the relative advantage of evaluation models to be a significant factor for operations within SMEs; the results of the study, however, contrasted previous findings of Burget and Ruschendorf (2006). In support of the current study's position, Lam (2006) noted that even the smallest of businesses now have the potential to trade in the global economy using IT. Additionally, Lam (2006) maintains that these changes in the nature of the competitive processes and commercial relationships provide significant strategic opportunities for smaller organisations, arguably placing them on an equal footing with their larger competitors already established in the marketplace.

REFERENCE LIST
IT Governance Institute (ITGI). 2007. CobiT 4, Executive Summary. IT Governance Institute. ITGI.

\textsuperscript{11} The payback method is used to evaluate and align the objectives of executive management and information systems projects.
\textsuperscript{12} Portfolio analysis and scoring models are used to evaluate and align the objectives of executive management and information systems projects.
THE ROAD FROM CUSTOMER SATISFACTION TO PROFITABILITY: A SOUTH AFRICAN AGRIBUSINESS MODEL

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ABSTRACT
The purpose of this paper is to provide a model illustrating how customer satisfaction increases profitability in an agribusiness with multiple business units. Agribusiness customers that use the business are in most cases also the suppliers as well as the owners of the business, making agribusinesses a very unique industry. Although the relationship between customer satisfaction and profitability has been researched extensively, there is limited information available on “parent” companies with multiple business units. Customers of a major agribusiness in Central South Africa took part in the study. A model illustrating the path from customer satisfaction of business units with inherent drivers to profitability are presented. Results indicate that there is a definite relation between the level of customer satisfaction and a business unit’s contribution towards net profit. Findings suggest that it was not the “flagship” business unit with the most influence, but rather the “most used” that influences the image of the agribusiness.

Keywords: Customer satisfaction, profitability, agribusiness, business units

INTRODUCTION
The old adage, “the customer is king” is still as current as it was ages ago, judging by the volume of research focussing on customer satisfaction (Keiningham, et al., 2005; Martin-Consuegra et al., 2007; Oliver, 2009; Prabhakar, 2007; Singh & Sirdeshmukh, 2000; Stock, 2005; Sun et al., 2007 and Yu, 2007). Companies, big and small, are required to keep the customer happy, as well as to build long-term relationships with customers, that ensure that customers keep coming back for more (Arnold et al., 2004:758). It is significantly cheaper for a company to retain existing customers than to attain new ones. By keeping customers satisfied, customers would keep coming back, and will develop a long-term relationship with the company and ultimately have a positive impact on the company’s bottom-line (Sun et al., 2007:89).

Due to intense competition in the marketplace, customer loyalty has also become a major theme in marketing research. It has been referred to as the ultimate objective of customer satisfaction (Deng, et al., 2010:290). The goal of customer satisfaction is to increase the value of the company and the wealth of the shareholders (Firer et al., 2008:11). Evidently customer satisfaction leads to repeat purchases as well as customer retention, and low-cost word-of-mouth advertising should lead to lower marketing costs. All of these factors lead to increased future revenues and ultimately increased shareholder value (Blackwell et al., 2006:213). Consequently, intangible assets such as customer satisfaction are regarded as a significant component of a company’s value (Aksoy et al., 2008:105). As a result it is crucial to ensure that customers are retained, since a “long-term” customer has more value for a business than a new customer (East et al., 2006:7). Traditional customer satisfaction studies have focussed predominantly on service quality (Parasuraman et al., 1994:202) but there are various other factors that can have an influence on the satisfaction of customers such as the customer’s satisfaction with prices (Martin-Consuegra et al., 2007:464), products (Anderson & Sullivan, 1993:141) and personnel (Brown & Lam, 2008:252).

The importance and necessity of customer satisfaction, in the pursuit of profitability cannot be disputed. However, in an industry where similar strategies are used by competitors, the need for overall customer satisfaction becomes immense, especially within the agribusiness industry (Westgren, 1987).

During the next section, a comprehensive literature review will be presented; specifically focusing on the relationship between customer satisfaction and profitability, as well as the unique agribusiness industry will be discussed. The methods used in the collection and analysis of data will also be presented, after which the results will be discussed. Lastly the paper will present concluding remarks, as well as possible managerial implications for agribusinesses.

LITERATURE REVIEW
Customer satisfaction can be determined by the drivers of customer satisfaction (price, product, service and personnel), as discussed in more detail below.
Drivers of customer satisfaction

According to Prabhakar (2007:5) customer satisfaction is a subjective, non-quantitative state the customer finds him/herself in and which arises from a combination of the quality of the product, the quality of service, customer engagement, price of the product or service, as well as meeting and/or exceeding the customer’s expectations with regard to the product or service. Customer satisfaction can also be defined as a judgement made by the customer with respect to any aspect of the product or service experienced. The judgement of satisfaction includes a “pleasurable level of consumption-related fulfilment” (Arnould, Price & Zinkhan, 2004:755), but also under-fulfilment, as well as over-fulfilment. The factors needed in the development of satisfaction of customers are perceived price fairness, perceived product quality, employee-customer interaction (personnel) and service quality that inspire trust (Yieh, Chiao & Chiu, 2007:281).

If a customer perceives a business’s prices to be fair, it is positively correlated towards customer satisfaction and the likelihood of repeating the purchasing behaviour increases (Martin-Consuegra et al., 2007:464). Customers might perceive price as an external measure of quality (Yieh et al., 2007:269). Price is linked to customer satisfaction in the sense that a customer has to feel satisfied that the investment made is equal to or less than the perceived value of the product or service received.

A decisive determinant of customer satisfaction is whether the customer perceives the performance of the product to be adequate during consumption, in other words, to be of quality. In general, the better the performance of a particular product during consumption, the more satisfied a customer would be and vice versa (Blackwell et al., 2006:222). A study done by Anderson and Sullivan (1993:141) confirmed that those companies that provide a consistent good quality product should have highly satisfied customers who are more likely retained within the company. Quality can relate to both the products on offer by the company, as well as the services provided by the company.

Service quality can be classified into two elements, namely technical service quality (“what you get”) and functional service quality (“how you get it”) (Söderlund & Rosengren, 2010:162). If service quality is low, customer satisfaction will also be low and vice versa. In a majority of customer satisfaction studies, SERVQUAL is used to determine the satisfaction level of customers (Parasuraman et al., 1994:202). This measure only assesses customer satisfaction of the service experience, specifically in determining the gap between the service quality the customer expects to get and the performance the customer perceives to get from the business (Chen et al., 2007:163). However, the model tests the different aspects of service only and not any other specific factors, such as the price of the product or the quality of the product and personnel. Therefore, for some time, SERVQUAL has been described as being an incomplete measure of the entire service experience. One of the main problems mentioned is that the product concept is excluded (Miller & Brooks, 2010:2). Therefore, this paper will include all the main drivers of customer satisfaction in order to better test customer satisfaction of an agribusiness. This is vital, specifically because agribusinesses provide both products and services to customers and SERVQUAL as a customer satisfaction measure would therefore be lacking.

One of the drivers of customer satisfaction is service quality. There are three dimensions of service quality; namely, tangibility, employee-customer interaction and empathy. Of these three dimensions, employee-customer interaction plays an indispensable role in the foundation of customer satisfaction. All three dimensions also have a considerable impact on trust, which ultimately leads to customer loyalty (Yieh et al., 2007:279). Furthermore, employee satisfaction is significantly related to customer satisfaction, specifically if the employee is provided with a manageable workload, lower stress and opportunities for training and development (Brown & Lam, 2008:252). It has been determined that when customers cannot inspect a product themselves and are not able to establish the quality of a product, then quality claims made by the company is worthless, as customers would rather fall back on their relationship with the service-provider. It is essential that there must be a solid and loyal relationship built on trust between the customer and the service-provider in order for the customer to make a purchase decision (Yieh et al., 2007:268).

From the above mentioned, customer perceptions or satisfaction with regard to price, product, service and personnel are considered to be the drivers of customer satisfaction in this research paper.

Results of customer satisfaction

According to Fornell, Mithas, Morgesson and Krishnan (2006:4), the more loyal a customer is to a particular business, the longer the customer would patronize the business and consequently the revenue would increase due to the constant support of the customer. It has been suggested in various studies that the longer a customer stays with a particular business, the more loyal that customer is and the more profitable the customer becomes to the business, as future cash flows are secured (Ranaweera, 2007:114).
establishing a relationship between customer satisfaction and customer loyalty, it is essential to consider repurchase intentions, as well as customer retention.

Highly satisfied customers have (much) higher repurchase intentions than those individuals that are merely satisfied (Zeithaml, 2000:78). This finding indicates that customer satisfaction can have a substantial impact on profitability. Yu (2007:561) claims that the link between customer satisfaction and future financial performance is repurchase intention and company reputation. An increase in repurchase intention would mean an increase in future revenue from existing customers as these customers would remain loyal to the business and support the business repeatedly. If customer satisfaction has an enhanced effect on repurchase intention, this would - in the majority of cases - lead to a decrease in cost of retaining existing customers and when revenue increases, while costs decrease, this would lead to future profitability. A good company reputation with regard to customer satisfaction would ensure that new customers are drawn to the company, which would automatically increase future profitability through word-of-mouth advertising.

Zeithaml (2000:74) argues that service quality leads to customer satisfaction, which in turn leads to customer retention. Customer retention would have the advantage of a decrease in costs to retain these existing customers, as a satisfied customer would more likely than not have the intention to return to the company. Also, the reality is that a customer that is happy with the business would very likely increase the volume of their purchases of the products or services of the business. Also, these retained customers might stay with the business even in the event of increased prices and are more likely to impart positive word-of-mouth messages. In order to increase profitability through customer satisfaction, it is essential to ensure customer loyalty, which leads to repurchase intentions and customer retention. All four these factors could lead to increased margins, which in turn would lead to increased profits.

**Agribusiness industry**

Government support in the form of tax concessions and subsidised interest rates made cooperatives a viable and lucrative business option up until 1994, for then the newly elected South African government decided to discontinue financial and developmental support. Due to this reduction in agricultural support, major cooperatives were converted to investor-oriented firms (IOFs) or companies, which ushered in a new era for agriculture (Ortmann & King, 2007:220). Predominantly, cooperatives are not motivated by profit, but rather to serve members’ needs and exist for the benefit of the members (NCBA, 2008). In contrast to cooperatives, a company or investor-oriented firm (IOF) has the primary goal of increasing the wealth of the shareholder, measured by the company’s share price (Megginson et al., 2008:23). These two goals contradict each other in the sense that cooperatives are focused on the customer, while an IOF focuses on the profit motive and the shareholder (Helmerber & Hoos, 1962:257). Very importantly, in an agribusiness, the owner of the cooperative/IOF is also the customer (Katz & Boland, 2002:75). Another unique feature of agribusinesses (both cooperatives and IOF’s) is that services are provided to a homogenous group of customers and span various divisions, such as trading of agricultural commodities, handling and storage, marketing, retail outlets and financial services (Competition Commission, 2007). Also, the customers making use of the business units are business owners themselves (farmers), with the effect that the analysis in this study becomes business-to-business research. Therefore, each business unit is regarded as a business in its own right, as well as being operated as part of the “parent” agribusiness.

The intense competitiveness of the global agricultural sector, customer demand changes, as well as the regulatory changes influenced the overall competitiveness of South African agribusiness (Sandrey & Vink, 2007:324). Commercial farmers also have to position themselves in this competitive market and therefore are very demanding and well-informed in practices and requirements of agribusinesses (Saungweme, 2009:4). Agribusinesses, therefore, have to compete with domestic and international forces, and grow and survive in a highly unstable industry with very demanding customers. According to Olson and Boehlje (2010:2) rivalry among agribusinesses is one of the fundamental factors affecting the survival of these companies. Agribusiness companies would only be able to obtain customers from competitors and retain existing customers by competing on price and non-price factors, i.e. keeping customers satisfied. Customer relationship management thus becomes an integral part of the company in ensuring that customers are satisfied and loyal towards the business (Liou, 2008:4374). According to Esterhuizen (2006:4) South African agribusinesses currently have to compete in a changing business environment that amongst other, changed from an industry that had regulation and institutional help to a self-help industry. Also, the business environment is now driven by information, technology and knowledge and is more focused on the customer than on the producer. Agribusinesses would therefore have to manage relationships with all of the stakeholders involved in the company, but especially the customers, in an effort to ensure these customers’ satisfaction, loyalty which will ultimately influence profitability.

Under normal circumstances, an investor in an IOF would seek out companies that have the highest growth potential or provide the highest return on the amount invested. The individual would be a shareholder, but would not have any direct involvement in the company itself. In the case of agribusinesses, the shareholder/customer would want returns in the form of better prices, user control, and access to markets as well (Sikuka, 2010:39).

In a typical company, both the shareholders and the customers are considered to be very important stakeholders, but the customers and the shareholders are generally not the same people, as they are in the case of agribusinesses as deducted from the legislation and literature on cooperatives. In other industries, if they are both customers and shareholders, the relationship is not as well-defined as it is with agribusinesses.

The agricultural industry makes the contradictory goals more complex as members/shareholders that do not trade with the company would require profit maximisation and a large dividend payout, while those farmers doing business with the agribusiness would prefer lower prices from the business (Hind, 1999:537). The general accounting performance measure known as ROI (return on investment) would therefore not be an optimal measure, as it is for IOFs. The reason being that suppliers (farmers) are paid the best possible price for their products, whilst customers (farmers) are charged the lowest possible price for products and services provided by the agricultural cooperative (Kyriakopoulos et al., 2004:38). These goals could be labelled as member-centred goals, which are difficult to quantify (Hind, 1999:30).

**PROBLEM INVESTIGATED**

One of the main reasons agribusinesses were formed initially was to generate greater profits for farmers by obtaining services and inputs at lower cost and marketing of inputs at better prices (Ortmann & King, 2007:43). An agribusiness is unique for the reason that the members of the company can also be regarded as the owners, the customers, as well as the producers. Herein is the uniqueness of the agribusinesses supply chain, as in a traditional company the customer, owner and producer are different entities (Manos & Manikas, 2010:646). Also, agribusinesses can be classified according to their main activities such as marketing, farm supply and service (Ortmann & King, 2007:43). The agribusiness assessed in this particular study encompasses all three activities including marketing (grain marketing), farm supply (retail shops, mechanisation of for example spare parts, and mechanisation such as whole goods) and services (grain storage, financing, mechanisation for example workshops, as well as insurance).

The research objective of this paper is to illustrate, by means of a model, the road from customer satisfaction to profitability, in a company with various business units that operate as part of the “parent” company that contains inherent drivers of customer satisfaction. In this type of business, the “flagship” business unit with the biggest contribution to profitability and customer satisfaction in an individual capacity would not necessarily influence customer satisfaction of the overall agribusiness.

**RESEARCH METHODOLOGY**

The research design was of a quantitative nature and both survey and financial data were collected. The purpose of the study was to obtain information from all of the active customers of a major agribusiness in Central South Africa that provide more than R100 000 in business volume to the agribusiness. No sample was drawn as the entire population was chosen to partake in the study in order to make provision for non-responses. Cases where the entire population take part in the study are called the census method. This method increases accuracy, as more respondents are reached (Cooper & Schindler, 2006:403). Another reason the census method was used was because the customers make use of the business units to varying degrees. The total population consisted of 963 customers of which a total of 345 responded. The response rate was therefore 35.8% of the total population.

Structured questionnaires were used to collect information from the respondents which were mailed to all of the active customers of the agribusiness with an enclosed envelope to encourage participation. The agribusiness was involved in motivating the customers to complete the questionnaire in order to get a better response rate. It was decided to use Likert scale type questions where the respondents had to rate the various business units, as well as the drivers within the various business units in order to obtain more straightforward and simplified customer satisfaction information from the respondents. A nine-point Likert scale was used in order to present the respondents with a wider choice in answering the questions. The broad choices were “poor”, “average” and “good” and within each choice the respondent could choose three more levels of satisfaction to provide a finer classification. Reliability and validity were tested by making use of Cronbach Alpha (0.982) and the Kaiser-Olken (KOM) and Bartlett’s test (all above 0.786) respectively. The results indicated high levels of internal consistency and item validity. The data was analysed by using descriptive statistics, as well as calculating correlations, coefficients of determination, means and regression analysis.
Financial data were collected through published financial reports of each business unit over a five-year period. A challenge was to determine the profitability of the various business units as the traditional method of return on assets/investment (ROA / ROI) could not be used as certain assets were used by various business units. It was therefore decided that each business unit’s contribution to net profit percentage would be the most accurate measure in comparing profitability.

RESULTS

Demographic results

Four aspects were tested with regard to demographics namely the type of farming operation the respondents are mainly involved in, the age of the respondents, the number of years the respondent have been farming, as well as the relative size of the farming operation as perceived by the volume of business provided to the agribusiness.

The majority of the respondents indicated that they farm with mainly grain (45.0%), while 31.0% indicated that their main farming activity is that of livestock, while the remainder (24.0%) indicated that they have an even split between grain and livestock farming.

The average age of all of the respondents are 53.6 years, with the majority over the age of 46 (79%). Only approximately 2% of the respondents were below the age of 30. This result could be due to the fact that younger farmers do not yet provide more than R100 000 in volume of business to the agribusiness as their farming operations could still be relatively small in comparison to the older, more established farmers. Also, the majority of the respondents indicated that they have been farming for more than 26 years (61.2%) and that the average number of years’ experience was 29.4 years. This result indicates that the average respondent has the necessary knowledge with regard to the workings of an agribusiness to make satisfactory judgments.

Respondents were also classified according to their relative contributions towards the agribusiness. Small customers provided volume of business of between R100 000 and R250 000, medium customers provide between R250 001 and R650 000 in business volume, while big customers provide more than R650 001 in volume of business. Small customers were the biggest group comprising of 38.8%, while 33.3% were medium customers and 27.8% big customers.

Customer satisfaction and financial results

Customer satisfaction results with regard to the various business units, the agribusiness as a whole, as well as the various drivers will be presented in the following section.

Table 1 provides a description of the various business units of the agribusiness in percentage terms of frequency, a mean value (nine point Likert scale) that indicates the relative performance (customer satisfaction) of each business unit, as well as the correlation of determination between the business units and the agribusiness overall.

<table>
<thead>
<tr>
<th>Business units</th>
<th>% that use frequently</th>
<th>Rank</th>
<th>Satisfaction mean</th>
<th>Rank</th>
<th>Possible change in customer satisfaction (R²)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail shops</td>
<td>98.6%</td>
<td>1</td>
<td>6.7278</td>
<td>4</td>
<td>32%</td>
<td>1</td>
</tr>
<tr>
<td>Grain storage</td>
<td>74.2%</td>
<td>3</td>
<td>7.3333</td>
<td>1</td>
<td>7%</td>
<td>6</td>
</tr>
<tr>
<td>Grain marketing</td>
<td>53.3%</td>
<td>5</td>
<td>6.5895</td>
<td>5</td>
<td>10%</td>
<td>5</td>
</tr>
<tr>
<td>Financing</td>
<td>46.5%</td>
<td>7</td>
<td>6.7879</td>
<td>3</td>
<td>12%</td>
<td>4</td>
</tr>
<tr>
<td>Mechanisation (workshops)</td>
<td>48.3%</td>
<td>6</td>
<td>5.9657</td>
<td>8</td>
<td>20%</td>
<td>2</td>
</tr>
<tr>
<td>Mechanisation (spare parts)</td>
<td>89.2%</td>
<td>2</td>
<td>5.9799</td>
<td>7</td>
<td>20%</td>
<td>2</td>
</tr>
<tr>
<td>Mechanisation (whole goods)</td>
<td>55.4%</td>
<td>4</td>
<td>6.2652</td>
<td>6</td>
<td>20%</td>
<td>2</td>
</tr>
<tr>
<td>Insurance</td>
<td>36.0%</td>
<td>8</td>
<td>6.9206</td>
<td>2</td>
<td>19%</td>
<td>3</td>
</tr>
</tbody>
</table>

The rank of the business units are also illustrated in terms of the frequency with which the units are used by the respondents, the level of customer satisfaction experienced by the respondents, as well as the correlation between the business units and the overall agribusiness. Retail shops are by far the most popular...
business unit with almost 99% of the respondents indicating that they use it frequently. The level of customer satisfaction for grain storage is the highest, while the three mechanisation business units performed the worst. The level of satisfaction of the agribusiness as a whole provided a mean of 6.9354 which indicates that respondents on average rate their level of overall satisfaction as very high.

The performance of every business unit correlated positively and significantly (although not indicated) with the performance of the overall company. Therefore an improvement in the satisfaction of customers of any business unit will also improve the overall satisfaction towards the agribusiness. The coefficient of determination ($R^2$) measures the strength of the correlation and the percentage indicates the change in the satisfaction of the overall company that can be accounted for by a change in the performance of the specific business unit. It is therefore clear that a change in the satisfaction towards retail shops will have the biggest impact on the overall company and, when there is a change in the overall level of satisfaction towards the company, 32% of that change will be explained by a change in the level of satisfaction towards retail shops. Findings also indicate that all three mechanisation business units (with a $R^2$ of 20%) are second most influential.

Table 2 indicates the results of linear regression between the overall level of satisfaction towards the company with all of the business units together. Only the significant results are shown.

**Table 2: Linear regression between overall level of satisfaction towards each business unit with the performance of the company as a whole**

<table>
<thead>
<tr>
<th>Overall performance of company</th>
<th>Beta Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail shops</td>
<td>0.583</td>
<td>6.921</td>
<td>0.000</td>
</tr>
<tr>
<td>Mechanisation (workshops)</td>
<td>0.218</td>
<td>2.503</td>
<td>0.015</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.239</td>
<td>2.687</td>
<td>0.010</td>
</tr>
</tbody>
</table>

The results support the correlation between the overall level of satisfaction and the performance of the different business units, with retail shops having the biggest impact on overall satisfaction; insurance second and mechanisation (workshops) third. Therefore, to improve the overall level of satisfaction of customers towards the company as a whole, it is imperative to improve the level of satisfaction towards these three business units of which retail shops would have the biggest impact.

Table 3 indicates the regression analysis of all the independent variables (price, product, personnel and service) with the dependant variable (individual business units). The method used to calculate the regression analysis is stepwise regression. The decision to use this specific method was due to the fact that stepwise regression is the “most popular procedure used to obtain the best prediction equation” (Myers & Well, 1995:518). This specific search procedure adds or deletes an $X$ variable at every step while developing the regression model and the procedure ends with the provision of a single regression model that suits the variables best (Kutner et al., 2005:364). Pairwise deletion was used in an attempt to maximise the information available.

The beta coefficient indicates which of the independent variables have the biggest influence on the dependent variable. Based on the stepwise regression analysis, only the variables with statistical significant values are shown.

**Table 3: Linear regression between overall drivers and the drivers of the various business units**

<table>
<thead>
<tr>
<th>DRIVERS</th>
<th>Beta Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail shops</td>
<td>0.649</td>
<td>6.805</td>
<td>0.000</td>
</tr>
<tr>
<td>Mechanisation (spare parts)</td>
<td>0.219</td>
<td>2.293</td>
<td>0.025</td>
</tr>
<tr>
<td>PRODUCT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail shops</td>
<td>0.437</td>
<td>5.259</td>
<td>0.000</td>
</tr>
<tr>
<td>Mechanisation (spare parts)</td>
<td>0.364</td>
<td>4.585</td>
<td>0.000</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.209</td>
<td>2.949</td>
<td>0.004</td>
</tr>
<tr>
<td>PERSONNEL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail shops</td>
<td>0.635</td>
<td>7.525</td>
<td>0.000</td>
</tr>
<tr>
<td>SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail shops</td>
<td>0.310</td>
<td>2.940</td>
<td>0.005</td>
</tr>
<tr>
<td>Grain storage</td>
<td>0.230</td>
<td>2.683</td>
<td>0.009</td>
</tr>
<tr>
<td>Mechanisation (spare parts)</td>
<td>0.285</td>
<td>2.246</td>
<td>0.028</td>
</tr>
</tbody>
</table>
From these results it can be deduced that the overall price satisfaction of customers of the agricultural business are influenced for the most part by the satisfaction of price of retail shops. Overall satisfaction of product are predominantly influenced by product of retail shops and overall satisfaction of personnel is significantly influenced by the satisfaction towards personnel of retail shops. The business unit driver that influences overall satisfaction of service also to a large extent is the satisfaction of retail shops service, but also mechanisation (spare parts) service.

Table 4: Linear regression between overall satisfaction towards the agricultural business and all the drivers of customer satisfaction within the various business units

<table>
<thead>
<tr>
<th>Overall satisfaction towards company</th>
<th>Beta Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail shops (product)</td>
<td>0.284</td>
<td>2.643</td>
<td>0.010</td>
</tr>
<tr>
<td>Grain marketing (price)</td>
<td>0.225</td>
<td>2.153</td>
<td>0.035</td>
</tr>
</tbody>
</table>

The satisfaction towards retail shops product and grain marketing price also has a statistical significant relationship with customers' satisfaction towards company performance.

The financial performance data are presented in Table 5. The contribution percentages were calculated by determining the average contribution made by each business unit over a five year period. Since different numbers of customers make use of each business unit, the weighted contribution for each business unit was calculated. The performance percentages in terms of customer satisfaction were calculated by using the mean value minus 1 and dividing the answer by 8 (nine-point Likert scale minus 1).

Table 5: Contribution percentage of net profit and performance percentage of the business units

<table>
<thead>
<tr>
<th>Business units</th>
<th>Contribution %</th>
<th>Contribution rank</th>
<th>Performance %</th>
<th>Performance rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail shops</td>
<td>11.83%</td>
<td>1</td>
<td>71.6%</td>
<td>4</td>
</tr>
<tr>
<td>Grain storage</td>
<td>43.70%</td>
<td>5</td>
<td>79.2%</td>
<td>1</td>
</tr>
<tr>
<td>Grain marketing</td>
<td>10.93%</td>
<td>4</td>
<td>69.9%</td>
<td>5</td>
</tr>
<tr>
<td>Financing</td>
<td>6.00%</td>
<td>2</td>
<td>72.3%</td>
<td>3</td>
</tr>
<tr>
<td>Mechanisation (workshops)</td>
<td>-0.87%</td>
<td>3</td>
<td>62.1%</td>
<td>8</td>
</tr>
<tr>
<td>Mechanisation (spare parts)</td>
<td>-0.71%</td>
<td>8</td>
<td>62.2%</td>
<td>7</td>
</tr>
<tr>
<td>Mechanisation (whole goods)</td>
<td>-1.27%</td>
<td>6</td>
<td>65.8%</td>
<td>6</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.25%</td>
<td>7</td>
<td>74.0%</td>
<td>2</td>
</tr>
</tbody>
</table>

Figure 1 illustrates the contribution towards net profit versus the level of customer satisfaction for each business unit.

Figure 1 indicates that there could be a relationship between the contribution to net profit and customer satisfaction. The best performing business unit (grain storage) also contributed the most to net profit, while the worst performing business units (mechanisation) contributed the least. However, this could not be proven statistically as two different data sets were used (satisfaction survey and financial statements). However, the contribution percentage and the customer satisfaction percentage of each of the business units seem to follow the same pattern.
CONCLUSIONS

A trend that centres around retail shops emerges from the results. Retail shops were found to be the most frequently used business unit and the coefficient of determination displayed that a change in the level of satisfaction towards retail shops would have the biggest impact on overall customer satisfaction, even though the level of customer satisfaction was relatively average. All of the drivers inherent in retail shops were found to significantly influence overall price, product, service and personnel of the agribusiness as a whole. Satisfaction towards retail shops products specifically, was found to be directly related to overall agribusiness customer satisfaction.

The worst performing business units (mechanisation) were also found to have a strong correlation with overall satisfaction, while the best performing business unit (grain storage) had the weakest correlation with overall satisfaction.

The following model (Figure 2) illustrates the main findings in an illustrated format.

Figure 2: Model illustrating the road from customer satisfaction to profitability of a “parent” agribusiness with various business units

![Diagram illustrating customer satisfaction to profitability](image)

satisfaction from the standpoint of the customers. The business units are categorised from the best performing to the worst performing business unit. Within each business unit, there are drivers, namely price, product, personnel and service. The most prominent results relate to the best performing unit (Unit 1 – grain storage), the worst performing units (Unit 6 - mechanisation), as well as the most frequently used unit (Unit 3 – retail shops). Findings suggest that the most used unit's performance is driven by all four drivers of customer satisfaction, but that satisfaction towards product is directly related to overall customer satisfaction of the entire company. There is thus a direct relation from customer satisfaction towards product in the most used unit to overall customer satisfaction towards the agribusiness as a whole. It was also established that the most used business unit has the biggest impact on overall customer satisfaction, irrespective of whether this particular business unit is the best or the worst performing business unit. The perception of customers towards the overall company is directly related towards the performance of the most used business unit. Any change in customer satisfaction of business units will lead to a change in overall customer satisfaction, as these results are positively correlated. The last part of the model indicates that there is a definite association between how the business units perform in terms of customer satisfaction and their contribution towards the company's net profit. The best performing business units provide the biggest contribution towards net profit and visa versa.

With regard to agribusinesses in particular, the biggest contribution to customer satisfaction pertains to the most used business unit, namely retail shops, which has been found to be the "window" to the agricultural business as a whole.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

In an industry where competitors use similar strategies to get ahead, the overall image of a agribusiness becomes very important. Also, the fact that the customers that use a agribusiness are in most cases also the suppliers as well as the owners of the business, make this a very unique industry. Although the relationship between customer satisfaction and profitability has been researched extensively over the years, there is limited information available on “parent” companies with multiple business units, such as agribusinesses. This paper provides a unique viewpoint on an agribusiness with homogenous customers that make use of the business units in varying degrees. A model illustrating the path from customer satisfaction of business units with inherent drivers within these business units to the ultimate contribution of each business unit to profitability are presented. Findings indicate that there is an association between the level of customer satisfaction and the agribusiness unit’s contribution to profitability. In essence, it would be expected that the “flagship” business unit would be the unit to promote and advance as this unit performs the best in terms of both customer satisfaction and profitability. However, the results indicated that the most used business unit is the one that has a direct influence on the customer satisfaction of the entire company. This information can be used by agribusinesses by determining which business unit is used the most by customers. This “most popular”business unit should enjoy more attention to fair prices, good quality products, good employees and service quality in order to increase customer satisfaction. By increasing customer satisfaction of the most popular business unit, customer satisfaction of the business overall will also increase. All of the drivers inherent in that one business unit impact directly on what a customer thinks in terms of the price, products, personnel and services of the company as a whole.

Managing customer satisfaction and the image of a company with multiple business units is a challenge, especially if the various business units provide products and/or services that are diverse and in some cases not related. Further research should focus on different industries and companies with unrelated business units. This paper provides a unique contribution in extending literature on customer satisfaction in companies with multiple business units, as well as literature on agribusiness management of customer satisfaction in an effort to maximise profitability.

REFERENCE LIST


CAREER MANAGEMENT PRACTICE IN THE GAUTENG DEPARTMENT OF HEALTH: A CASE STUDY

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ABSTRACT
This is a quantitative research case study of the Gauteng Department of Health (GDH) as at October 2013. The research looks specifically at 121 administrative and support staff respondents perspectives with regards to the degree of their current career development and their motivation to support GDH objectives as GDH employees. Exploratory factor analysis is used to identify two underlying variables that influence the potential value of the current GDH human resources practices as “career implementation inhibitor” and “career progression stagnation”. With the advent of the National Health Insurance system in South Africa, the findings and recommendations have implications for future human resource planning if the GDH is to fulfil its mandate of serving the public in an optimised manner.

Key words: public service, Gauteng, motivation, career planning, National Health

INTRODUCTION
Excellent service delivery to all its constituents - is at the heart of the South African government agenda. This is often reiterated on Public service annual reports as in the preface to the 2010 Public Service Commission (PSC) report which emphasises this stance saying, “since the advent of democracy, the South African government has made concerted efforts in transforming the Public Service so that it responds to the needs of its citizens” (PSC, 2010: viii). Improved service delivery has become the cornerstone of all government programmes. (PSC, 2010:63). Critics and opposition political parties to current ruling bodies often use any lack of attention to this obligation to condemn citing government officials as entrusted with tax payers’ money as being incompetent and unable to fulfil these mandates. Past research has noted that the standard of services rendered by government institutions has a relationship with their human resource management strategies particularly in aspects of the South African Public Service that fails to place sufficient emphasis on the development and implementation of career management programmes and practices to equip employees for their tasks at hand (Sadik, 2012:16). The Gauteng Department of Health (GDH) is an example of such a Public Service entity and the case study that this research reviews’ from the perspective of the value of having career management planning for support staff such as GDH administrative personnel.

The Gauteng Department of Health (GDH)
As one of the ten provincial government health departments, GDH is tasked with providing quality health care services in Gauteng province. The GDH is the largest organisation in terms of staff numbers with 62,000 employees in 2011 working within 43 state hospitals, nursing colleges and district offices, together with a head office branch that provides monitoring, leadership and oversight. The GDH derives its mandate from the South African Constitution and the National Health Act. This is to achieve the objectives of the National Health Act of providing excellent health care services in partnership with selected stakeholders to contribute towards the reduction of poverty, vulnerability, and the burden of disease for the people of the Gauteng province (National Health Act, 2011:4). GDH therefore seeks to provide integrated services that promote healthy, quality and sustainable citizen livelihoods. However, forces such as a well meaning government intervention in 2007, have actually served to precipitate the exodus of Public Service support and administrative staff to private enterprise (GDH Annual Financial Report, 2011/12). In 2007, the Department of Public Service and Administration (DPSA) as the regulatory and policy making body within the Public Service landscape, introduced and implemented a revised remuneration provision termed the Occupational Specific Dispensation (OSD). The OSD was an effort to retain and attract critical skills across the Public Sector spectrum (South African Government Information, 2007). Prior to the implementation of the OSD remuneration system, government salary structures were rigid, not in line with the commercial market place valuation of skills (DPSA, 2013:22). The OSD simultaneously was strategically re-crafted for the GDH with a view to improving fringe benefits, training and career progression but only for medical related staff with the exclusion of support and administrative staff. The clinicians were considered as performing the GDH’s core function of saving lives whereas administrative employees providing support functions to the health related professionals did not qualify for similar benefits. Yet, all Public Service employees are deemed as equally important assets of the Public Service (PSC, 2010:7; DPSA 2013:12-14). Simultaneously, GDH
administrative employees became more disgruntled due to lack of vertical mobility because of constant moratoriums being place on vacant administrative posts (DPSA 2013:22).

Research suggests that when an employee reward strategy that fails to acknowledge an employee’s good performance is usually considered unfair and creates tension amongst employees (Jan, 2010:83). Research also suggests that a highly competent employee who is unable to fit into an organisational culture is unlikely to be effective or to remain for long (Weaver, 2009:96; PSC, 2010:43; DPSA, 2005:17). Career management is an important component of successful people utilisation and development (Armstrong, 2006:84). Effective career development paths for administrative as well as other GDH employees should be viewed as part of a strategic framework for effective human capital management and human resource utilisation (Werner & Desimone, 2006:33; DPSA, 2005:78). In light of this research, the culture of rewarding and managing the careers of some employees over others suggests a reason for support staff exodus from GDH. The problem of GDH administrative staff exodus may further link to a study by Hartzenburg (2002) who reviewed reasons why so few South African government departments have activated internal career management practices in an effort to retain their staff (Hartzenburg, 2002:57; DPSA, 2006:31; DPSA, 2007:13). The outcomes of Hartzenburg’s study indicate that often the existing internal human resource management abilities of the incumbent HR staff hinder rather than support the establishment of career management processes (Hartenburg, 2002:6). Career management as highlighted by Lim and Mathis, is essentially part of the larger Human Capital Management (HCM) system and should entail HR efforts to assist employees in an organisation to assess career weaknesses and strengths. Then, career development priorities and specific career goals can be defined supported by internal HR information to succeed in various career paths within the organisation (Lim & Mathis, 2010:143). The overall outcome of actions since 2007 for the public that the GDH serves is often seen in reduced service provision (Key drivers of citizen satisfaction with Public Service delivery, 2010:xi). To counter-act this there is currently a three year “turnaround strategy” underway (GDH Annual Report, 2012/13.) The strategy builds on existing human resource development policies of 2006. The turnaround includes a commitment to reach out to all employees in a bid to improve employee relations by portraying the GDH as an employer of choice for current employees and to attract new graduates (Human Resource Development for Public Service, 2006:47; Public Service Commission, 2012:15). GDH strategy becomes even more important when viewed from a national viewpoint in that the Minister of Health is currently embarking on the implementation of a National Health Initiative (NHI) - a nationally subsidised health policy system providing good healthcare for all by sharing state funds available for health related services. The NHI model has been adopted from the United Kingdom (Board Healthcare Funders, 2007:2). The GDH will be expected to deliver exceptional primary health care services (NHI Government Gazette, 2011). The NHI is deemed as one of the biggest initiatives yet to be implemented in the South African health system and will require a human resource change management process to prepare its entire staff (NHI, n.d.). Yet, according to Grobler, Warnich, Carrell, Elbert and Hatfield (2004:4) one of the most prominent challenges in South Africa is the shortage of all professional and managerial skills. However Jan (2010) warns that when an organisation fails to appreciate employee contributions by formally recognising employees as important assets, employees will, “tend to display certain tendencies of discontent” (Jan, 2010:83). Other authors’ also note that any career management practice that encourages employee frustration may result in the employee leaving the organisation or failing to deliver in the workplace as expected (Chew & Girardi, 2008:91; Bordovsky, 2009:74; Helgo, 2010:18; Rezaeean & Hatami, 2011:225). Job dissatisfaction and employee turnover can be argued as contributing to a reduced level of public satisfaction with Public Service health offerings including the new NHI unless a solution to continual staff exodus is found.

LITERATURE REVIEW
The value of career management

Grobler et al. support the view that career management is the integration of structured planning as ell as the active management of one’s own professional career. It is an ongoing process which seeks to encourage employees by providing knowledge of employment opportunities. Further, it is a shared responsibility between the employer and the employee. The employer assumes the supporter role in the process, whilst the employee manages and controls his/her career (Baruch & Peiper, 2000:347; Hartzenberg, 2002:8; Grobler et al., 2004:351; Nel et al., 2008:478; ). Training and skills development empowers and enhances employees’ skills and proficiency levels and in turn employees perform tasks to a better quality. Subjecting employees to continuous development interventions reduces staff boredom, de-motivation and possible exodus while encouraging job enrichment. (Mullins, 2007:488). According to Nel, Werner, Haasbroek, Poisat, Sono and Schultz (2008:477) the concept of Human Resource Management (HRM) is the specific objective of creating an enabling framework for employees to perform optimally at work aligned with a performance management system. The alignment of employees’ career goals and areas of personal development with the organisational strategic objectives ensures that employees remain satisfied while at the same time, the organisation achieves its performance targets (Hartzenberg, 2002:8). Career
management programmes provide an organisation with the capability to recruit internally by identifying those employees with the necessary qualification and credentials to be promoted into vacant posts (Nel et al., 2008:479). During a process of continual performance assessment, employees can evaluate their skills and experience against their strengths and weaknesses (Hartzenberg, 2002:16).

**Employee career development expectations and the organisation’s objectives**

Upon concluding the career planning stage Baron and Armstrong (2007:81) state that any resulting career path is, “based on the career expectations identified in the process of career planning”. However the career path also needs to be aligned with the organisation’s structure and its strategically planned future. The career path becomes a defined progression of positions through which an employee can be transferred potentially attaining promotion in doing so but also serving to improve the performance of the organisation (Baron & Armstrong, 2007:81). This requires a carefully planned effort that combines employee career needs with organisational objectives attaining the best of both worlds by assisting employees plan their careers in line with the organisation’s strategic direction and business objectives (Meyer & Kirten, 2005:176; Lepak & Gowan, 2010:219: Kuratko, Morris & Covin, 2011:244-247).

Organisations implementing career management programmes can gain benefits to overall performance such as:

- Career management can assist an organisation to compete in its business environment and to reduce the threat of staff leaving (Chew & Girardi, 2008:83).
- Career management can increase the quality of work life and work reward expectations of all employees (Dura & Isac, 2008:85).
- With career management programmes in place, employees are able to gain new skills to meet changes in their work environment such as the introduction of new technologies (Patrick & Kumar, 2011:24).
- Employees tend to experience less frustration and a certain degree of job satisfaction when they are assured that they will advance vertically within their organisation, which can subsequently reduces staff turnover rate in the company (Dura & Isac, 2008:186).

**Ensuring convergence of employee and organisational career objectives**

Nel et al. (2008:493) define an employee’s performance management as a process which involves aligning and integrating the organisation’s goals with that of the employees’ expectation noting that an employee’s performance has to be measured against the contribution made to the overall performance objectives of an organisation. A break down in employer-employee communication leads to misinterpretation of the organisation requirements and then confusion in the workplace (Mullins, 2007:230). Employees are sometimes unable to deliver as expected due to issues of misunderstanding. If management is ill informed for whatever reason of issues important to employees, this may cause employees to leave the organisation (Beheshtifar, 2011:8). Bayat suggests that retention of staff is helped by having both a clear set of organisation career management objectives in a policy that the employees are aware of and whose attainment is further facilitated by creating a culture of expectation of employee high performance (Bayat, 2011:1634). To do this Nel et al. (2008) suggest that targets for individual performance are set between employer-employee yearly and employee’s performance is assessed throughout the year to determine whether training and development interventions are required to equip the employee to create tangible and intangible returns on the objectives of the organisation (Nel et al., 2008:494). Control measures should be put in place to ensure that rules and procedures are adhered to as Mullins claims this gives an employee “a sense of uniformity and consistency” in performing daily tasks reducing the risk of staff underperformance (Mullins, 2007:618). Examining the area of HCM provides an insight into how career management intertwines with the management field. Employees are deemed essential assets within the organisation and therefore their existence and performance is of importance (PSC, 2010a:7). Career management, as a discipline, exists within the broader field of HCM. According to Kuratko, Morris and Covin (2011:244), HCM involves the effective and productive utilisation of people in order to achieve the organisational strategic objectives as well as the satisfaction of individual employee needs. This definition clearly draws a thin distinction between employee needs and career management. By having good HCM systems in place, an organisation is able to achieve its strategic objectives while at the same time ensure that its employees remain content (Kuratko, et al. 2011:247).

HCM encompasses a very broad range of activities and functions undertaken in order to ensure that employees remain performance driven at all times. Career development has been identified as a value-driving task as it stimulates employees to be productive, innovative, fulfilled, to produce quality work, as well as discourage resistance to change (Nel et al., 2008:491). With the imminent implementation of the NHI, strategic HCM will thus be paramount in the realisation of an organisational HCM mandate for the GDH. The alignment of the organisation’s strategy with HCM interventions will ensure integration of the NHI system because staff will be able to see their role in the transition.
PROBLEM INVESTIGATED

The research problem investigated was to ascertain to what extent the support and administrative staff exodus is as a result of the current and historical career development and reward systems failing to address their career development needs and expectations and the possible implications of this for GDH and its service relationship with the public.

RESEARCH OBJECTIVES

Primary and secondary research objectives are as follows:

- **Primary objective** - the primary objective of the study was to establish the current challenges and benefits of career management practices for support and administrative staff in the Gauteng Department of Health.

- **Secondary objectives** - the following secondary objectives were identified:
  
  - Explore how the implementation process of career management programmes is currently undertaken;
  - Carry out quantitative surveys to identify relationships between GDH career management programmes for support and administrative staff and staff turnover.
  - Attaining the research objectives raised the following research questions to be answered:
    - How are career management initiatives currently perceived within the GDH by support and administrative staff?
    - What are the challenges and benefits of career related programmes for support and administrative staff?

The research strategy was to use two sources of data – the literature review (secondary data) and a quantitative survey (primary data as perspectives from support and administration employees of the current situation) to compare the GDH situation with that of secondary research findings. An inductive research approach was considered appropriate as the quantitative responses gave an understanding of respondents perception of the value of career management practices (Sander et al., 2009:146). GDH has a large support and administrative staff making it a challenge to collect data from all possible cases within the GDH due to funds and time constraints. A sampling technique to help minimise the quantity of data to be collected is to consider data from smaller representative groups as opposed to all elements (Babbie & Mouton, 2010:164). This was the non probability sampling strategy adopted furthered by employing a self selection method of a volunteer sampling system whereby individuals expressed a desire to take part in the study (Saunders, Lewis & Thornhill, 2009:241). The researcher publicly invited (email) GDH support and administrative staff participation and subsequently collected all primary data from supportive respondents.

RESEARCH METHODOLOGY

The research took place over a period of 6 weeks from mid-September to the end of October 2013. Permission was sought and obtained from GDH prior to commencement of the sampling. The survey instrument drew on concepts identified in the literature review to create a series of statements. Each statement was assessed by respondents on a Likert-type scale or a yes/no response. The survey instrument had a biographic/demographic section followed by a section evaluating the effect of variables believed to be influential in the current research problem. A pilot was run with three staff but resulted in no changes to the survey instrument. A total of 200 quantitative questionnaires were distributed by email and 121 completed and unique questionnaires were returned by email achieving a response rate of 60%. This data was captured in an Excel spreadsheet and submitted to Statkon at the University of Johannesburg who used the Statistical Package for Social Sciences (SPSS, 2013) for the statistical analysis.

RESULTS

The quantitative data analysis is presented as descriptive statistics and as three Exploratory Factor Analyses (EFA).

**Descriptive statistics from the quantitative survey**

The presentation of the demographic results as collected pertaining to the bio/demographic section of survey includes: gender of the participants, population group of the respondents, age of the respondents, number of years been employed GDH, numbers of years’ experience in the respective field, salary level of respondents, area of specialisation and expertise; and level of education.

- **Gender of the participants**: Seventy-two (72) of the respondents were female and 47 of the respondents were male (Table 1) and as there were more female respondents than male the results may show a bias towards the research perhaps reflecting female opinion.
Table 1: Gender profile of participants

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>47</td>
<td>38.8</td>
<td>39.5</td>
<td>39.5</td>
</tr>
<tr>
<td>Female</td>
<td>72</td>
<td>59.5</td>
<td>60.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>98.3</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Population group of respondents: Respondents were categorised into different constitutional population classifications of South Africa. Table 2 shows that the majority of the respondents were black (82.4%), white 10.9%, coloured with 5.9% and Asian/Indians representing 0.8%.

Table 2: Population group

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>98</td>
<td>81.0</td>
<td>82.4</td>
<td>82.4</td>
</tr>
<tr>
<td>White</td>
<td>13</td>
<td>10.7</td>
<td>10.9</td>
<td>93.3</td>
</tr>
<tr>
<td>Coloured</td>
<td>7</td>
<td>5.8</td>
<td>5.9</td>
<td>99.2</td>
</tr>
<tr>
<td>Indian/ Asian</td>
<td>1</td>
<td>.8</td>
<td>.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>98.3</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Age: Table 3 shows 21% were in the 21-30 age group; 35.3% were 31-40 years; 17% were 41-50 and 25% are older than 50 years. Only 0.8% were younger than 21 years.

Table 3: Age

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 21</td>
<td>1</td>
<td>.8</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td>21-30</td>
<td>25</td>
<td>20.7</td>
<td>21.0</td>
<td>21.8</td>
</tr>
<tr>
<td>31-40</td>
<td>42</td>
<td>34.7</td>
<td>35.3</td>
<td>57.1</td>
</tr>
<tr>
<td>41-50</td>
<td>21</td>
<td>17.4</td>
<td>17.6</td>
<td>74.8</td>
</tr>
<tr>
<td>Older than 50</td>
<td>30</td>
<td>24.8</td>
<td>25.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>98.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Table 4 indicates that 33.3% (40) of respondents had not being employed for more than five years in the Department. This suggests a very new, large layer (almost 1/3 of all those interviewed) of the workforce will require training and career development to evolve their capabilities and skills and rise up through the Public Service ranks as competent employees. 44 respondents had been with the department between 6-20 years. 30% (36) respondents have been with the department for more than 20 years. Thus 80 employees have >6 years experience suggesting these employees are very experienced in existing Public Service methodologies but many may well be close to retirement or, if leaving because of current feelings of inequity in career opportunities, would be taking with them a considerable body of knowledge and experience. This knowledge needs to be assured both by retaining older employees and by training the new layer of workers of 1-5 years.
Table 4: Number of years employed in the Department

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>40</td>
<td>33.1</td>
<td>33.3</td>
<td>33.3</td>
</tr>
<tr>
<td>6-10</td>
<td>30</td>
<td>24.8</td>
<td>25.0</td>
<td>58.3</td>
</tr>
<tr>
<td>11-20</td>
<td>14</td>
<td>11.6</td>
<td>11.7</td>
<td>70.0</td>
</tr>
<tr>
<td>More than 20 years</td>
<td>36</td>
<td>29.8</td>
<td>30.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>99.2</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

The number of years of experience within a specific field was the further classified into seven categories (Table 5). 3.3% (4) have less than 1 year in their field; 10.7% of employees have between 1-2 years experience in their fields; 20.7% have 3-5 years in their field. This suggests over 30% of employees are relatively new to their work environments and would be relying on training and career development to rise through the ranks being productivity as they do so. More than 46% of the sample (25.6% of respondents have 6-10 years of experience, 9.1% have 11-15 years and 10.7% have 16-20 years experience in the their fields) have spent at least 6 years in a particular field so representing a considerable body of knowledge and skill available to the Public Service. They would still need to be trained to deliver to the new Public Service goals of the NHI and further trained just to keep up with macro environmental changes of their field. 19.8% have more than 20 years experience in the field.

Table 5: Years of experience in GDH

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>4</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>1-2 years</td>
<td>13</td>
<td>10.7</td>
<td>10.7</td>
<td>14.0</td>
</tr>
<tr>
<td>3-5 years</td>
<td>25</td>
<td>20.7</td>
<td>20.7</td>
<td>34.7</td>
</tr>
<tr>
<td>6-10 years</td>
<td>31</td>
<td>25.6</td>
<td>25.6</td>
<td>60.3</td>
</tr>
<tr>
<td>11-15 years</td>
<td>11</td>
<td>9.1</td>
<td>9.1</td>
<td>69.4</td>
</tr>
<tr>
<td>16-20 years</td>
<td>13</td>
<td>10.7</td>
<td>10.7</td>
<td>80.2</td>
</tr>
<tr>
<td>More than 20 years</td>
<td>24</td>
<td>19.8</td>
<td>19.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

The support and administrative participants were supplied with a choice of ten different categories of specialisation within their expertise (Table 6). Participants were requested to indicate additional areas of specialisation which might have been omitted from the Public Service supplied specialisation areas. This finding indicates the areas of specialisation that the Public Service requires to function efficiently. It can be argued that these specialisations require the employees to be trained with planned career development if they are to perform at the highest level into the future. This suggests the necessity for pro-active career development and succession planning by GDH.

Table 6: Area of specialisation

<table>
<thead>
<tr>
<th>Valid</th>
<th>Human Resources management related</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Chain related</td>
<td></td>
<td>18</td>
<td>14.9</td>
<td>14.9</td>
<td>66.9</td>
</tr>
<tr>
<td>Finance related</td>
<td></td>
<td>19</td>
<td>15.7</td>
<td>15.7</td>
<td>82.6</td>
</tr>
<tr>
<td>Information Technology related</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>2.5</td>
<td>85.1</td>
</tr>
<tr>
<td>Communication and PR related</td>
<td></td>
<td>1</td>
<td>.8</td>
<td>.8</td>
<td>86.0</td>
</tr>
<tr>
<td>Risk Management related</td>
<td></td>
<td>3</td>
<td>2.5</td>
<td>2.5</td>
<td>88.4</td>
</tr>
</tbody>
</table>
Table 7 illustrates that 2.5% of respondents have a school grade 11 or lower level of qualification while 34.7% have attained a Grade 12 certification. This means over 36% of the respondents began with only school training not specialisations of any kind as seen as required by Public Service in Table 6. This means that their careers and training will need to be planned if they are to become valuable assets of the Public Service organisation.

Table 7: Respondent level of education

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>%</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 11 or lower (std 9 or lower)</td>
<td>3</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Grade 12 (Matric, std 10)</td>
<td>42</td>
<td>34.7</td>
<td>37.2</td>
</tr>
<tr>
<td>Post-Matric Diploma or certificate</td>
<td>42</td>
<td>34.7</td>
<td>71.9</td>
</tr>
<tr>
<td>Baccalaureate Degree(s)</td>
<td>28</td>
<td>23.1</td>
<td>95.0</td>
</tr>
<tr>
<td>Post-graduate Degree(s)</td>
<td>6</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Table 8 shows that 50.8% of the respondents indicated that they feel that career management policies are not being implemented in the Department. However, 49.2% of the respondents asserted that career management policies are being implemented. The results suggest that career management is being implemented but perhaps not equally attainable by all employees.

Table 8: Do you believe that the Department implements its career management policies?

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>59</td>
<td>48.8</td>
<td>49.2</td>
<td>49.2</td>
</tr>
<tr>
<td>No</td>
<td>61</td>
<td>50.4</td>
<td>50.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>99.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>121</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

As a follow up question the research questionnaire asked the 59 employees who answered ‘yes’ (Table 8) to rate how well they believe career management policies are currently being implemented (Table 9). The findings suggest that 39 of the 59 ‘yes’ respondents believe that these policies are poorly or averagely implemented.
Table 9: Rate how well career management policies are being implemented

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>14</td>
<td>23.7</td>
<td>24.1</td>
<td>24.1</td>
</tr>
<tr>
<td>Average</td>
<td>25</td>
<td>42.4</td>
<td>43.1</td>
<td>67.2</td>
</tr>
<tr>
<td>Good</td>
<td>15</td>
<td>25.4</td>
<td>25.9</td>
<td>93.1</td>
</tr>
<tr>
<td>Excellent</td>
<td>4</td>
<td>6.8</td>
<td>6.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>98.3</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

The psychological effects of current career management policies

Table 10 reviewed eight possible psychological effects of GDH current career management.

Table 10: Psychological effects on you (the employee) due to the current career management practices

<table>
<thead>
<tr>
<th>C15.1 Motivational levels</th>
<th>Very negative</th>
<th>Negative</th>
<th>Neutral</th>
<th>Positive</th>
<th>Very positive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>16</td>
<td>36</td>
<td>39</td>
<td>14</td>
<td>5</td>
<td>110</td>
</tr>
</tbody>
</table>
| RowN%                     | 14.5%         | 32.7%    | 35.5%   | 12.7%    | 4.5%          | 100.0%
| C15.2 Employee turnover rate | Count        | 12       | 25      | 47       | 17            | 7     |
| RowN%                     | 11.1%         | 23.1%    | 43.5%   | 15.7%    | 6.5%          | 108   |
| C15.3 Broadening knowledge and experience in a personal and professional capacity | Count | 10 | 20 | 46 | 25 | 7 |
| RowN%                     | 9.3%          | 18.5%    | 42.6%   | 23.1%    | 6.5%          | 108   |
| C15.4 Staff morale        | Count         | 23       | 31      | 32       | 14            | 8     |
| RowN%                     | 21.3%         | 28.7%    | 29.6%   | 13.0%    | 7.4%          | 104   |
| C15.5 Job progression     | Count         | 17       | 28      | 34       | 18            | 7     |
| RowN%                     | 16.3%         | 26.9%    | 32.7%   | 17.3%    | 6.7%          | 100.0%
| C15.6 Willingness to do more than just the basics of the job | Count | 7 | 24 | 32 | 37 | 10 |
| RowN%                     | 6.4%          | 21.8%    | 29.1%   | 33.6%    | 9.1%          | 100.0%
| C15.7 Enhancing organisational commitment | Count | 7 | 25 | 44 | 24 | 10 |
| RowN%                     | 6.4%          | 22.7%    | 40.0%   | 21.8%    | 9.1%          | 110   |
| C15.8 Identification of training needs and developmental goals | Count | 13 | 27 | 35 | 26 | 10 |
| RowN%                     | 11.7%         | 24.3%    | 31.5%   | 23.4%    | 9.0%          | 111   |

Source: SPSS statistics v 21, 2013

Motivation, employee turnover, morale, job progression and identifying training requirements were all felt to be more negatively than positively affected by current policies. Yet staff also indicated that even with the constraints of the current policies they would be willing to learn, to do more than the basic job, and would make efforts to enhance their organisational commitment. Eight variables (Table 10; Table 11) were used in an Exploratory Factor Analysis (EFA). Principal Component Analysis was used as an extraction method with the Verimax rotation method to determine underlying factors (Table 12).
Table 12: Correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>C15.1</th>
<th>C15.2</th>
<th>C15.3</th>
<th>C15.4</th>
<th>C15.5</th>
<th>C15.6</th>
<th>C15.7</th>
<th>C15.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation</td>
<td>1.000</td>
<td>.531</td>
<td>.680</td>
<td>.599</td>
<td>.603</td>
<td>.479</td>
<td>.655</td>
<td>.663</td>
</tr>
<tr>
<td>C15.2</td>
<td>.531</td>
<td>1.000</td>
<td>.537</td>
<td>.531</td>
<td>.491</td>
<td>.421</td>
<td>.581</td>
<td>.444</td>
</tr>
<tr>
<td>C15.3</td>
<td>.680</td>
<td>.537</td>
<td>1.000</td>
<td>.590</td>
<td>.641</td>
<td>.446</td>
<td>.627</td>
<td>.611</td>
</tr>
<tr>
<td>C15.4</td>
<td>.599</td>
<td>.531</td>
<td>.590</td>
<td>1.000</td>
<td>.744</td>
<td>.610</td>
<td>.696</td>
<td>.511</td>
</tr>
<tr>
<td>C15.5</td>
<td>.603</td>
<td>.491</td>
<td>.641</td>
<td>.744</td>
<td>1.000</td>
<td>.613</td>
<td>.676</td>
<td>.615</td>
</tr>
<tr>
<td>C15.6</td>
<td>.479</td>
<td>.421</td>
<td>.446</td>
<td>.610</td>
<td>.613</td>
<td>1.000</td>
<td>.758</td>
<td>.542</td>
</tr>
<tr>
<td>C15.7</td>
<td>.655</td>
<td>.581</td>
<td>.627</td>
<td>.696</td>
<td>.676</td>
<td>.758</td>
<td>1.000</td>
<td>.707</td>
</tr>
<tr>
<td>C15.8</td>
<td>.663</td>
<td>.444</td>
<td>.611</td>
<td>.511</td>
<td>.615</td>
<td>.542</td>
<td>.707</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Table 12 shows no values below 0.3 from the correlation matrix. The Kaiser-Meyer-Olkin (KMO) value was 0.899 surpassing the recommended value of 0.6 indicating that a portion of the variance in this sample is caused by underlying variables. The Bartlett’s test of sphericity reached statistical significance of 0.000, supporting the factorability of this correlation matrix (Table 13). The Bartlett’s test of sphericity indicates that this correlation matrix is significantly different from an identity matrix and the variables relate to one another sufficiently to carry out an exploratory factor analysis.

Table 13: KMO and Bartlett’s Test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>.899</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td>489.253</td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>28</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

All communalities are above 0.3 using the principal axis factoring extraction (Table 14).

Table 14: Communalities

<table>
<thead>
<tr>
<th></th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>C15.1</td>
<td>.606</td>
<td>.609</td>
</tr>
<tr>
<td>C15.2</td>
<td>.412</td>
<td>.411</td>
</tr>
<tr>
<td>C15.3</td>
<td>.586</td>
<td>.583</td>
</tr>
<tr>
<td>C15.4</td>
<td>.652</td>
<td>.636</td>
</tr>
<tr>
<td>C15.5</td>
<td>.663</td>
<td>.672</td>
</tr>
<tr>
<td>C15.6</td>
<td>.609</td>
<td>.512</td>
</tr>
<tr>
<td>C15.7</td>
<td>.768</td>
<td>.788</td>
</tr>
<tr>
<td>C15.8</td>
<td>.604</td>
<td>.576</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Table 15 shows the existence of one component with an Eigenvalue surpassing 1 and explaining 64.6% of the variance from 4 iterations. As only one factor was extracted the solution cannot be rotated (Table 15).

Table 15: Total variance explained

<table>
<thead>
<tr>
<th>Factor</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>5.172</td>
<td>64.654</td>
</tr>
<tr>
<td>2</td>
<td>.698</td>
<td>8.726</td>
</tr>
<tr>
<td>3</td>
<td>.592</td>
<td>7.402</td>
</tr>
<tr>
<td>4</td>
<td>.499</td>
<td>6.235</td>
</tr>
<tr>
<td>5</td>
<td>.323</td>
<td>4.035</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013
The one extracted factor is named “career progression stagnation” describing the overall influence of variables attributable to the poor execution of organisational career measures that encourage advancement and development. This agrees with Nel et al. (2008:484) in that it is essential to provide career development methodologies for stimulating and accelerating employee career development. The empirical and theoretical reliability on the eight factors of psychological effects on employees due to the current career management practices scale has an acceptable Cronbach’s Alpha value above the recommended value of 0.7 at a Cronbach’s Alpha reliability coefficient of 0.920 implying good internal consistency. This is suggests that there is no need for removal of items from the scale (Table 16).

### Table 16: Reliability of statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.920</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

### Career management activities that could improve employee productivity

Table 17 provides five statements and responses pertaining to the GDH activities which influence and improve employee productivity.

### Table 17: Activities which could improve employee productivity

<table>
<thead>
<tr>
<th>Count</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altering current career management practices will improve service delivery</td>
<td>4</td>
<td>23</td>
<td>6</td>
<td>29</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Reviewing current procedures in line with Public Service policy frameworks on human resource development will improve staff performance</td>
<td>2</td>
<td>17</td>
<td>5</td>
<td>42</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Realigning HR services will improve efficiency</td>
<td>2</td>
<td>21</td>
<td>3</td>
<td>32</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td>Introduction of a Public Service Occupational Specific Dispensation provision for support staff will improve compensation of employees</td>
<td>3</td>
<td>20</td>
<td>3</td>
<td>52</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>11</td>
<td>4</td>
<td>53</td>
<td>105</td>
<td></td>
</tr>
</tbody>
</table>
Respondents “agreed” that interventions to develop an improved reward system and implementing career development would enhance organisational competitiveness and productivity (Table 18).

Table 18: Activities which could improve productivity

<table>
<thead>
<tr>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
<th>Mean</th>
<th>Median</th>
<th>Mode</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>C16.1</td>
<td>108</td>
<td>13</td>
<td>3.83</td>
<td>4.00</td>
<td>4</td>
<td>1.009</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>C16.2</td>
<td>108</td>
<td>13</td>
<td>4.08</td>
<td>4.00</td>
<td>4</td>
<td>.948</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>C16.3</td>
<td>107</td>
<td>14</td>
<td>3.99</td>
<td>4.00</td>
<td>4</td>
<td>.885</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>C16.4</td>
<td>108</td>
<td>13</td>
<td>3.97</td>
<td>4.00</td>
<td>4</td>
<td>.922</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>C16.5</td>
<td>105</td>
<td>16</td>
<td>4.10</td>
<td>4.00</td>
<td>4</td>
<td>.872</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 19 indicates that 72.1% of respondents indicated that they do not participate in career development outside of the workplace while 27.9% pursue private career development activities.

Variables that may be barriers to career management

Table 20 indicates factors considered as barriers to implementation of career management:

Table 20: Degree to which each factor has been a barrier for implementation of career management

<table>
<thead>
<tr>
<th>Not a barrier</th>
<th>Somewhat of a barrier</th>
<th>Moderate barrier</th>
<th>Extreme barrier</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B12.1 High work pressure due to too much work for all staff including managers</td>
<td>22</td>
<td>19</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>B12.2 Lack of expertise and knowledge by those tasked to ensure career development implementation</td>
<td>9</td>
<td>29</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>B12.3 Career management not deemed as a priority because there are other pressing issues</td>
<td>12</td>
<td>19</td>
<td>27</td>
<td>42</td>
</tr>
<tr>
<td>B12.4 Resistance from line management to embrace change management efforts</td>
<td>12</td>
<td>24</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>B12.5 Backlog in work seen as</td>
<td>18</td>
<td>16</td>
<td>35</td>
<td>30</td>
</tr>
</tbody>
</table>
Respondents indicate that there are barriers to an employee’s ability to be optimally productive because of the high workloads for existing staff combined with the resistance from management to facilitate career development activities (Table 21).

Table 21: The degree to which each factor has been a barrier for implementation of career management

<table>
<thead>
<tr>
<th>Popn</th>
<th>N</th>
<th>Valid</th>
<th>Missing</th>
<th>Mean</th>
<th>Median</th>
<th>Mode</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>B12.1</td>
<td>101</td>
<td>20</td>
<td></td>
<td>2.65</td>
<td>3.00</td>
<td>3</td>
<td>1.108</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>B12.2</td>
<td>100</td>
<td>21</td>
<td></td>
<td>2.87</td>
<td>3.00</td>
<td>4</td>
<td>.991</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>B12.3</td>
<td>100</td>
<td>21</td>
<td></td>
<td>2.99</td>
<td>3.00</td>
<td>4</td>
<td>1.049</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>B12.4</td>
<td>97</td>
<td>24</td>
<td></td>
<td>2.85</td>
<td>3.00</td>
<td>4</td>
<td>1.034</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>B12.5</td>
<td>99</td>
<td>22</td>
<td></td>
<td>2.78</td>
<td>3.00</td>
<td>3</td>
<td>1.074</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>B12.6</td>
<td>101</td>
<td>20</td>
<td></td>
<td>2.96</td>
<td>3.00</td>
<td>4</td>
<td>1.048</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

The Principal Component Analysis was used as an extraction method. The Verimax rotation method was used as a factor extraction to determine underlying factors. The extraction method in this instance was the Principal Axis Factoring. Statement B12.1 was then omitted from the factor analysis because the Measures of Sampling Adequacy (MSA) was 0.484. MSA should be bigger than 0.6 in order for the all the statements to be contributing to the same phenomenon.

Table 22: Correlation matrix for barriers to career management

<table>
<thead>
<tr>
<th></th>
<th>B12.2</th>
<th>B12.3</th>
<th>B12.4</th>
<th>B12.5</th>
<th>B12.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation</td>
<td></td>
<td>.100</td>
<td>.328</td>
<td>.347</td>
<td>.282</td>
</tr>
<tr>
<td>B12.2</td>
<td></td>
<td>.328</td>
<td>1.000</td>
<td>.271</td>
<td>.371</td>
</tr>
<tr>
<td>B12.3</td>
<td>.328</td>
<td></td>
<td>.271</td>
<td>1.000</td>
<td>.331</td>
</tr>
<tr>
<td>B12.4</td>
<td>.347</td>
<td>.271</td>
<td></td>
<td>.331</td>
<td>.486</td>
</tr>
<tr>
<td>B12.5</td>
<td>.282</td>
<td>.371</td>
<td>.331</td>
<td></td>
<td>.350</td>
</tr>
<tr>
<td>B12.6</td>
<td>.402</td>
<td>.404</td>
<td>.486</td>
<td>.350</td>
<td></td>
</tr>
</tbody>
</table>

The correlation matrix indicates the coefficients ➞ 0.3. The results means these variables are linked together and influence each other (correlation) and are suitable for exploratory factor analysis.

Table 23: KMO and Bartlett’s Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .780 |
| Bartlett’s Test of Sphericity | 81.153 |
| df | 10 |
| Sig. | .000 |

The Kaiser-Meyer-Olkin measure of sampling adequacy value is 0.78 thus exceeding the recommended value 0.6 and is acceptable. The Bartlett’s test of Sphericity attained a statistical significance of 0.000 at p>0.05, which supports the rationale for carrying out a factor analysis (Table 23).
Table 24: Communalities

<table>
<thead>
<tr>
<th></th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>B12.2</td>
<td>0.225</td>
<td>0.312</td>
</tr>
<tr>
<td>B12.3</td>
<td>0.244</td>
<td>0.315</td>
</tr>
<tr>
<td>B12.4</td>
<td>0.285</td>
<td>0.369</td>
</tr>
<tr>
<td>B12.5</td>
<td>0.218</td>
<td>0.291</td>
</tr>
<tr>
<td>B12.6</td>
<td>0.359</td>
<td>0.528</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

The communalities reflect most values as bigger than 0.3, with the exception of the value in B12.5 at 0.291. MSA deems the values as sufficient, therefore the communalities extraction values are acceptable (Table 24).

Table 25: Total variance explained

<table>
<thead>
<tr>
<th>Factor</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>2.435</td>
<td>48.705</td>
</tr>
<tr>
<td>2</td>
<td>.772</td>
<td>15.445</td>
</tr>
<tr>
<td>3</td>
<td>.696</td>
<td>13.917</td>
</tr>
<tr>
<td>4</td>
<td>.618</td>
<td>12.366</td>
</tr>
<tr>
<td>5</td>
<td>.478</td>
<td>9.568</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

The factor matrix presented one factor, after 8 iterations. Only one factor was extracted and the solution cannot be rotated. Factor 1 has an Eigenvalue exceeding 1 explaining 48.7% of the variance. The factor is named “career implementation inhibitor”. This information seems to be inconsistent with the literature on the implementation of a successful career management practices. Table 26 indicates Cronbach’s Alpha value of 0.734 which is above 0.7 suggesting a good internal consistency.

Table 26: Reliability statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.734</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: SPSS statistics v 21, 2013

Limitations of the study

Limitations identified for the study are as follows:
The research results reflect a specific moment in time and is therefore perceived as a perspective of this moment of GDH human resource challenges.;
Participation by the 121 respondents does not reflect a truly diverse coverage of the entire administrative and support group of GDH.

CONCLUSIONS

There has been no research undertaken by GDH on this research topic. The study supports fundamental principles of career management identified in the literature reviewed in that lack of clear human resource management in terms of career planning and training for GDH support staff is essential to ensure the efficient service delivery of South African health services particularly when considering the advent of the NHI.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

From the results elicited from the respondents, the following managerial recommendations are proposed:
An alignment of career management objectives with the strategic direction of the organisation. Top management should dedicate effort and commitment to the development of employees;
The implementation and design of career management programmes should be supported through a consultative approach. Both employees and managers should be involved and participatory in the process;
The NHI implementation could be used as a stimulating intervention for change by management for the improved implementation of career management practices to encourage more service for the public.
The outcomes of the research can introduce an urgency for the implementation of better public service career management programmes. From both the organisation’s and the employee’s point of view, career management efforts should seek to align and advance the objectives of both parties if the NHI is to be built on a firm base of qualified, competent and motivated support and administrative staff.

The Human Resources Management function encompasses different areas of people management. Emanating from the findings of the study, the methodological contribution will provide a systemic approach in an effort to creating an environment which promotes and value actions directed towards career development of employees. The study highlights that many new staff members require career development and training as they enter the department with matric or less.

Suggestions for further research
With a total staff complement consisting of more than sixty thousand (60 000) employees on the staff establishment scattered across 41 hospitals and district offices within the Gauteng province, the study only focused on employees employed at GDH office and the support and administration personnel. The study could be repeated with a much larger sample of support and administrative staff to confirm the validity of these results and recommendations;

A longitudinal study should be undertaken to determine the change in value and perceptions (potential improvement) if a more employee orientated career development stance is implemented for support and administrative staff to support the NHI.

REFERENCE LIST

Government Gazette (No. 34521).
MANAGING COMMITMENT IN THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY

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ABSTRACT
The importance of building long-term mutually beneficial relationships between services providers and customers is highlighted throughout the marketing literature. Commitment has been acknowledged as one of the key concepts of relationship management, and a thorough understanding of this concept is necessary to manage relationships effectively. The purpose of the study on which this paper is based, was to identify the antecedents of relationship commitment as they pertain to the financial services industry, and more specifically the retail banking industry. A number of such antecedents were identified through a literature review and, in order to assess which of the identified antecedents were significant and positively related to relationship commitment, a survey was conducted amongst 300 randomly selected students from a leading South African university. The results of the study indicated that four antecedents contributed significantly to relationship commitment within a financial services relationship: confidence, reputation, communication and access to service. The results of the study were somewhat unexpected, since some of the well-established antecedents of commitment were challenged. This paper concludes with a number of practical strategies that will assist role players within the financial services industry to improve their existing relationship management practices.

Keywords: Commitment, financial services industry.

INTRODUCTION
The volatility of the global economy has resulted in services industries facing unprecedented levels of uncertainty. Financial services providers are no exception to the rule, and they are forced to pursue new and innovative ways to address these increased levels of uncertainty. Building mutually beneficial relationships with customers has been one of the approaches used to counter such uncertain conditions.

With the acceptance of the relationship marketing concept, it soon became clear that service providers could use this approach to reduce customer defection and thereby increasing profitability. However, customer defection can only be managed if services providers are fully aware of the way in which customer relationships should be managed. Furthermore, proper relationship management necessitates a thorough knowledge of the key drivers (or dimensions) of relationship management. One of the generally assumed key concepts of relationship management is commitment.

It is against this background that this paper will firstly attempt to clarify the role of commitment in a marketing relationship, and secondly, to assess the antecedents of relationship commitment. The specific focus of this paper is the financial services industry.

RELATIONSHIP MARKETING
Relationship marketing was defined by Morgan and Hunt (1994) as any activities aimed at creating, developing and preserving customer relationships. The core of the relationship marketing philosophy involves the development of relationships with internal and external communities (Veloutsou, Saren & Tsokas, 2002). Already during the early 1990s, Christopher, Payne and Ballantyne (1991) argued that the scope of relationship marketing includes the management and enhancement of relations with a variety of markets, such as internal markets, referral markets, influence markets, supplier markets, recruitment markets, and customer markets.

By implementing relationship marketing principles, businesses can profit from benefits such as customer retention, positive word-of-mouth recommendations, increased satisfaction, and repeat purchasing (Ashton & Pressey, 2004). Further benefits include increased brand usage and customer loyalty, enhanced customer databases, diffusion of a firm’s standards against those of its competitors, cross-selling opportunities, reduction of promotional costs, and increased interaction between the firm and the product’s end-users (Christy, Oliver & Penn, 1996). Therefore, in order to develop a committed customer base it is essential that businesses engage in meaningful relationships with their customers.
The financial sacrifices involved in a supplier–customer relationship is a primary concern for any buyer, and if a firm can provide value in the form of reduced sacrifices, the possibility of success is evident (Ravald & Grönroos, 1996).

The introduction of the relationship marketing concept was met with considerable enthusiasm and resulted in extensive research regarding both the theoretical underpinnings as well as the implementation of the concept. The financial services industry, which forms the background for this paper, is no exception and the significance of relationship marketing to this industry is well established (Chiu, Hsieh, Li & Lee, 2005; Roy & Shekhar, 2010; Yap, Wong, Loh & Bak, 2010). However, there still appears to be uncertainty regarding the exact way in which relationships should be managed in the financial services industry.

THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY

The financial services industry has become increasingly competitive, which has resulted in financial service providers focusing on building and managing relationships with their clients (Theron, Terblanche & Boshoff, 2012). In doing so, financial services providers are in an improved position to differentiate these relationships effectively and gain a competitive advantage.

Despite global financial instability, the South African financial service industry is currently one of the foremost industries worldwide with regard to availability of financial services. It is therefore noteworthy that not a single South African services provider has collapsed during the 2008 financial crisis (Jones, 2013). This could possibly be ascribed to the fact that, in relation to other developing economies, South Africa has one of the most progressive financial sectors (Pera, 2012).

Financial services providers need to be cautious of becoming “stuck in the middle”, a result of having no clear strategy that differentiates one financial services provider from its competitors (Bick, Brown & Abratt, 2004). By building long-term relationships with customers, financial services providers are in a position to differentiate them and gain a competitive advantage (Morgan & Hunt, 1999).

According to Bick et al. (2004), South African financial services clients are generally dissatisfied with their financial services providers. This gap could be bridged by building commitment with customers.

The role of commitment

The importance of commitment in marketing relationships is well established (Theron, Terblanche & Boshoff, 2008). Gounaris (2005), for instance, noted that commitment is one of the most reoccurring concepts with regard to buyer–seller relationships. Although different definitions for commitment exist, the current study drew on the work of Gounaris (2005) who argues that commitment refers to the desire for continuity manifested by the willingness to invest resources in a relationship. The general argument is that customers who are highly committed are more likely to maintain their relationships than customers with low commitment levels (Rusbult, Martz & Agnew, 1998).

Committed partners are prepared to invest valuable resources in a relationship, which demonstrates that these partners willingly depend on each other to perform agreed-upon functions in the future (Gundlach, Achrol & Mentzer, 1995).

The literature distinguishes between two types of commitment: affective and calculative commitment (Gounaris, 2005). Although both types relate to attitude and belief stability with regard to the relationship, the difference between affective and calculative commitment stems from what motivates the maintenance of the relationship (Theron et al., 2008). Affective commitment relates to high esteem, regard, and attachment to an organisation, while calculative commitment relates to the negative impact of terminating the relationship, such as switching costs (Theron et al., 2008). However, for the purpose of this study, commitment was regarded as a unidimensional concept.

Due to the important role of commitment in a marketing relationship, it is not unexpected to find that commitment is regarded as a strategic component of a marketing relationship in a variety of industries. Some of these industries include commercial aviation (Barry, Dion & Johnson, 2008), sales management (Schwepker & Good, 2007), mobile services (Sahadev, 2008) and sponsorship (Farrelly & Quester, 2003).

Antecedents of commitment

Relationship commitment can only be managed effectively if the factors that contribute to the development and maintenance of the relationship are identified and thoroughly researched. This paper hypothesises six
antecedents of relationship commitment: trust, satisfaction, reputation, communication, convenience and access to service.

**Trust:** Wetzels, De Ruyter and Van Birgelen (1998) conceptualise trust as the confidence one party has in an exchange partner’s dependability and integrity. In social psychology, trust is considered to consist of two elementary foundations, namely trust in the honesty of a party, and trust in the benevolence of a party (Wetzels et al., 1998). An honest party will be true to their word, while benevolence relates to confidence in a party to defer from taking actions that could produce negative outcomes for the other party (Wetzels et al., 1998). Fontenot and Hyman (2004) found that in a relationship, trust moderates the risk of interdependency and decreases uncertainty. Furthermore, it provides for predictability of decision consequences and decision confidence. Almost overwhelming support was found for the inclusion of trust as an antecedent of commitment (Gaceres & Paparoidamis, 2007; Tellefsen & Thomas, 2005). Trust affects a customer's commitment to a firm, since the realisation of a successful marketing relationship resides in increasing levels of trust (Mukherjee & Nath, 2003). Therefore, increased levels of trust between exchange partners will result in increased commitment to a relationship. Morgan and Hunt (1994) argued, “…relationships characterised by trust are so highly valued that parties will desire to commit themselves to such relationships. Indeed, because relationship commitment entails vulnerability, parties will seek only trustworthy partners.”

Based on the literature, the following can be formulated:

**Hypothesis 1:** There is a positive relationship between trust and commitment.

**Satisfaction:** Satisfaction can be defined as the extent to which a client experiences the realisation of his or her needs after making use of a service (Sharma & Patterson, 1999). Satisfaction has become increasingly important for managing relationships in financial services (Krishnan, Ramaswamy, Meyer & Damien, 1999). This importance stems from the inherent ability of satisfaction to increase customer loyalty and the long-term profitability of a firm (Fornell, Ryan & Westbrook, 1990). A satisfied customer is more likely to continue patronising a firm than an unsatisfied customer (Heskett, Sasser & Schlesinger, 1997). Satisfaction is influenced by the extent to which a partner fulfils the individual’s most important needs (Rusbult et al., 1998). In order to understand satisfaction better one needs to distinguish between overall satisfaction and transaction-specific satisfaction (Theron, 2008). Transaction-specific satisfaction occurs as a result of a judgement formed directly after a purchase has been made or after the most recent transaction, whilst overall satisfaction could be regarded as a cumulative construct in which the satisfaction level with regard to a certain product or service is based on the sum of all the transaction experiences, which can also include other service features, such as physical facilities (Garbarino & Johnson, 1999). These two aspects of customer satisfaction should be regarded as complementary and not as competitive, which is why they are investigated simultaneously (Bodet, 2007). In order to build trust and customer intention to remain in a relationship customers need to be satisfied (Theron et al., 2008). The influence of relationship satisfaction on long-term relationships relates to equity in exchange, which provides confidence that partners care for each other’s welfare (Ganesan, 1994).

Based on literature support, the following hypothesis is formulated:

**Hypothesis 2:** There is a positive relationship between satisfaction and commitment.

**Reputation:** For the purpose of this study, “reputation” is defined as a client’s estimation of the consistency, willingness and ability of a firm to repeatedly perform an activity in a similar fashion (Flavián, Torres & Guinalíu, 2004). Developing a favourable reputation is especially important for relationship-orientated businesses (Casaloa, Flaviána & Guinalíu, 2007). The benefits of having a favourable reputation include the ability to weather adverse publicity, increased purchase intent, strong organisational affinity amongst employees, improved attitudes towards the organisation’s products, customer willingness to pay a premium price, increased customer loyalty, and competitive advantage (Keh & Xie, 2009). Casaloa et al. (2007) established that reputation has an indirect effect on commitment through trust, while Keh and Xie (2009) found that organisations with a good reputation are considered to be credible, trustworthy, reliable and responsible. Companies who have a favourable reputation benefit because of trust and consumer identification, which in turn leads to customer commitment (Casaloa et al., 2007). Furthermore, Jurisic and Azevedo (2011) found a direct relationship between reputation and relationship strength.

Based on the above literature review, the following can be formulated:

**Hypothesis 3:** There is a positive relationship between reputation and commitment.

**Communication:** The importance of communication in managing successful business relationships is universally accepted (Goodman & Dion, 2001). Communication is not only a key factor at the start of relationships, but throughout the relationship, timely and significant communication can enhance a
customer’s service experience (Simpson & Mayo, 1997). Well-informed customers are more willing to accept and understand new developments (Theron et al., 2008). Furthermore, sufficient communication can aid problem resolution and reduce the possibility of misconceptions (Simpson & Mayo, 1997). The effectiveness of a relationship is thought to be significantly influenced by communication since effective communication is what holds a relationship together (Coote, Forrest & Tam, 2003). A consequence of rigorous and meaningful communication between partners is better-informed partners, which has been found to enhance relationship confidence (Anderson & Weitz, 1989). Increased relationship confidence will, in turn, lead to increased disposition to maintain communication between partners (Anderson & Weitz, 1989). Support was found in the marketing literature for the relationship between communication and commitment (Adamson, Chan & Handford, 2003; Goodman & Dion, 2001). The intensity of the relationship between these two constructs appears to be so strong that Mathieu and Zajac (1990) argue that communication is the antecedent with the highest capacity for predicting commitment. The relationship between communication and commitment is further confirmed by Meek, Davis-Sramek, Baucus and Germain (2011) as well as Weigel, Brown and O’Riordan (2011).

Based on the literature review, the following is formulated:

**Hypothesis 4:** There is a positive relationship between communication and commitment.

**Convenience:** There is a variety of regularly purchased services for which convenience is a principal concern (Rowley, 2005). Consumers’ increased demand for convenience can be attributed to, amongst others, technological advances, changes in the social-economic environment, heightened competition, and purchasing power (Berry, Seiders & Grewal, 2002). As a result of the rising demand for convenience, it is important for marketers and managers to develop a thorough understanding of convenience. For the purpose of the current study, convenience was defined as consumers’ time and effort perceptions related to the overall usage of a service (Seiders, Voss, Godfrey & Grewal, 2007). Berry et al. (2002) found that convenience factors, such as waiting time and effort exerted, significantly affected perceptions of service quality. Long waiting times were found to adversely affect service quality perceptions, while service inconvenience contributed to the switching behaviours of customers (Berry et al., 2002). Perceived convenience is influenced by a consumer’s energy expenditure, which is widely accepted as a distinct nonmonetary cost (Lovlock, 1994). Sharma and Patterson (1999) found that there is a relationship between service quality and commitment, and that increased service quality leads to increased customer commitment. It can therefore be deduced that indirect relationships between convenience and commitment have been found.

Based on the support that was found in the literature, the following relationship is hypothesised:

**Hypothesis 5:** There is a positive relationship between convenience and commitment.

**Access to service:** The advancement in information technology that took place since the 1990s has placed marketers and managers in a position where they can be more in tune with customer needs. It is therefore not unexpected that financial services providers were amongst the first services providers to use technology to improve customers’ satisfaction (Heskett et al., 1997). The applications of technology in the financial service industry have resulted in the emergence of trends that could revolutionise the way business is conducted between customers and financial institutions (Krishnan et al., 1999). Brunier and Hamprecht (2010), for example, observed that technology, and the inescapable innovations that have come with it, have transformed the financial service industry. Evolving customer preferences, needs and behaviour highlight the importance for financial institutions to adapt and develop competencies that attract customers across all generations. Financial service customers might regard innovative, technological access to service of utmost priority (Brunier & Hamprecht, 2010). For the purpose of this study, access to service was defined as the ease with which customers can interact with service providers (Berry et al., 2002). The focus of access to service is on transaction-specific convenience, in other words, the ease with which transactions can be conducted. With regard to online banking products, it was found that the availability of online banking products significantly influence customer perceptions of quality being delivered (Bick et al., 2004). Furthermore, it was found that customers were more than willing to trade personal contact for the convenience of online banking (Bick et al., 2004). Therefore, as mentioned previously, a relationship has been found between service quality and commitment, and therefore it can be deduced that there is an indirect relationship between access to service and commitment.

Since the literature on the relationship between access to service and commitment is limited, this paper aims to contribute to the literature by stating and assessing the following hypothesis:

**Hypothesis 6:** There is a positive relationship between access to service and commitment.
The six hypotheses to be assessed during the empirical phase of this study are graphically depicted in Figure 1.

**Figure 1: The hypothesised relationships**

![Diagram of hypothesised relationships]

**METHODOLOGY**

*Research design:* Primary research was conducted by means of a survey. The survey method selected for this study was that of a self-administered questionnaire.

*Measurement instrument:* The questionnaire items selected for the survey were sourced from previous empirical studies and had thus already been proved reliable and valid. The items were primarily sourced from Coote *et al.* (2003), Morgan and Hunt (1994), Ennew and Sekhon (2007), Sharma and Patterson (2000), Homburg, Giering and Menon (2003), LeBlanc and Nguyen (1996) and MacMillan, Money, Money and Downing (2005). The final measurement instrument consisted of 35 items.

*Sampling procedure:* A non-probability sampling method was used for this study, and convenience sampling was used as sampling procedure. The predetermined sample size was 300 respondents, which included both male and female respondents between 18 and 23 years of age. Undergraduate students from a leading South African university participated in the study.

*Data analysis:* The reliability of the questionnaire items was measured by means of the statistical test coefficient alpha. An exploratory factor analysis was also conducted in order to establish whether or not the questionnaire demonstrated sufficient discriminant validity. Linear regression was used to determine whether a relationship existed between commitment and the identified antecedents, and to determine the strength of each of the relationships.

**EMPIRICAL RESULTS**

*Realised sample*

All of the 300 questionnaires that were distributed were collected. However, 22 questionnaires had to be discarded due to respondent errors. The final response rate was therefore 92.67%. The realised sample was equally split between male and female respondents.

*Reliability and validity analyses*

The coefficient alpha scores ranged between 0.725 and 0.859. Based on these results, it is evident that all the coefficient alpha scores were above 0.7; therefore, the questionnaire items demonstrated sufficient levels of reliability.

The discriminant validity of the questionnaire was determined by conducting an exploratory factor analysis. Principle axis was used as extraction method while direct oblimin was used as rotation method. The first factor analysis yielded a seven-factor structure. The correlation matrix indicated that all data was indeed
positively correlated. This confirmed the decision to use the principle axis extraction method. Due to some factors not loading above the 0.4 significance level, this factor structure was not interpretable. Further factor analyses were performed, and the final factor analysis yielded an interpretable five-factor structure.

Original items were regrouped in the new structure, and therefore had to be relabelled. The new dimensions were labelled confidence, communication, reputation, access to service and commitment (the dependent variable). The reliability scores of the new dimensions ranged between 0.737 and 0.877, therefore demonstrating sufficient levels of reliability.

**Inferential statistics**

A regression analysis was performed where commitment was the dependent variable, while four variables were set as independent variables. The results of the regression analysis appear in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>β value</th>
<th>t-value</th>
<th>Significance</th>
<th>Collinearity statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Confidence</td>
<td>0.431</td>
<td>7.881</td>
<td>.000</td>
<td>.483</td>
</tr>
<tr>
<td>Communication</td>
<td>0.238</td>
<td>5.092</td>
<td>.000</td>
<td>.661</td>
</tr>
<tr>
<td>Reputation</td>
<td>0.153</td>
<td>3.023</td>
<td>.003</td>
<td>.562</td>
</tr>
<tr>
<td>Access to service</td>
<td>0.115</td>
<td>2.268</td>
<td>.024</td>
<td>.566</td>
</tr>
</tbody>
</table>

The \( R^2 \) of 0.606 indicated that slightly more than 60% of the variance in the dependent variable was explained by the four identified independent variables.

**IMPLICATIONS AND RECOMMENDATIONS**

In the current study, trust and satisfaction, which are well established in the literature as distinct antecedents of commitment, converged into a single construct, namely confidence. This was an unexpected finding, and the reason(s) behind this convergence appeared to be unclear. However, the regrouping of individual dimensions was not completely unfamiliar to the South African environment (Theron et al., 2012). It is important that managers realise the benefits of establishing confidence amongst their customers. In order to establish confidence, and consequently to enhance the level of commitment among customers, managers of financial services providers need to demonstrate a high level of integrity and provide satisfactory service solutions that meet and exceed the expectations of their customers. Possible ways of achieving this is to adopt a promises management framework that manages the expectations set by the financial service provider and ensures that what is promised is delivered. Furthermore, developing and continuously monitoring a more enhanced, interactive customer feedback channel – possibly via the Internet – could also
significantly improve organisational understanding of customer needs, and show how the financial services provider is performing based on these needs.

The results of the current study indicated a direct and positive relationship between reputation and commitment. Therefore, by enhancing its reputation, a financial service provider could increase the level of commitment among its customers. Possible ways of improving the reputation of an organisation include ensuring that the firm is regarded as credible, reliable and responsible. A recent trend in marketing relates to the societal aspect of doing business. In other words, a firm can no longer be concerned only with profits; it has to take all of its stakeholders into consideration when doing business. Financial service providers ought to acknowledge the need to integrate the wellbeing of society into their marketing activities. Therefore, by establishing a good reputation through superior performance and socially responsible business-related activities, financial service providers can build a committed customer base.

With regard to communication, the findings were consistent with those of previous studies, since a direct positive relationship between communication and commitment was found. By ensuring that there is open and sufficient communication between financial services partners a business can thus increase customer relationship commitment. It is important that managers keep customers informed with regard to the activities of the firm and the activities that affect customers’ personal accounts. Managers of financial services providers need to ensure that they provide their customers with a direct, hassle-free way to contact the financial service provider. The Internet has provided financial service providers with a means of communicating with their customers unlike any other before. It is therefore important that managers keep up to speed about any new developments with regard to communicating via the Internet. Managers need to ensure they provide financial services customers with timely updates regarding their accounts. Furthermore, managers need to ensure that communication channels, are safe, secure and available. Furthermore, it is essential that customers know how to contact their financial service provider when necessary. Readily displaying contact numbers and addresses on the company website is an example of how this can be achieved.

The findings of the study indicated that, if financial services providers provide easy access to transactions, this would enhance customer relationship commitment. In other words, if financial services providers ensure that they provide a means with which to conduct transactions that are simple and easy to use, this would enhance commitment. Managers of financial services providers need to ensure that they provide a means for customers to readily access their services and that these services are always available. Financial services providers are dealing with increasingly demanding customers and a rapidly changing technological environment. They can thus not afford to provide a service that does not meet a high level of simplicity, convenience and ease of use. Financial services providers need to ensure they provide various mediums with which to conduct transactions, and not just the conventional ways, such as an ATM or bank facility itself. By focusing on being innovative with regard to new transaction channels, such as network and mobile technology, financial service providers will be able to build and establish customer relationship commitment.

LIMITATIONS AND FUTURE RESEARCH
The current study only included respondents between the ages of 18 and 23, which means that it could be challenging to generalise the results. Further research should be conducted in this regard.

A further implication of the study is the merging of trust and satisfaction into a singular antecedent (confidence). Previous studies have found that trust and satisfaction are uniquely distinct from each other. The reasoning behind the merging of these two concepts requires further investigation. However, it should be remembered that the significance of confidence as antecedent of relationship is not questioned.

CONCLUSION
Although the importance of commitment in relationship management is widely acknowledged, the same cannot be said about the way in which commitment should be managed. In order to enhance commitment amongst customers (and in order to address the title of this paper) managers should start by developing a thorough understanding of the building blocks of commitment.

The purpose of the current study was to identify the factors that contribute to customers’ commitment to their financial services provider. This study identified four antecedents that have been proved to positively influence relationship commitment. These antecedents are confidence, communication, reputation and access to service. Managers should take these antecedents, and that which each antecedent entails, into consideration in the development of strategies in order to enhance customer relationship commitment.
REFERENCES


TECHNOLOGY STRATEGY TAXONOMY AS A COMPETITIVE ADVANTAGE

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ABSTRACT
A critical concern of strategic management is optimising returns to the company’s stakeholders over the long term. This means sustaining performance by balancing strategic investments in technology with short-term profitability. The main purpose of this study was to investigate technology strategies in widespread use in technology-intensive industries and to explore their relationship to company performance. A non-probability, judgment sample of companies listed on the Johannesburg Stock Exchange (JSE) were taken. The study makes a contribution to the field of strategic management research by integrating the dimensions of several previous studies, to derive a more comprehensive taxonomy of technology strategy archetypes. Two distinct technology factors obtained with the analysis were proved to positively influence the company performance dimensions and were classified as Product Development Intensity and Technology Focus factors. The results show that strategy choices can significantly affect company performance. It thereby indicates which of the underlying dimensions have the strongest relationship with company performance.

Key words: Company Performance; Product Development Intensity; Technology Focus; Technology Strategy.

INTRODUCTION
All attempts to understand the effects of technological progress on economic growth, pay homage to Joseph Schumpeter (1883 - 1950), an Austrian economist remembered for his views on the “creative destruction” associated with industrial cycles. Arguably, the most radical economist of the 20th century, Schumpeter was the first to challenge classical economics as it sought to optimise existing resources within a stable environment—treating any disruption as an external force on par with plagues, politics and the weather. As Schumpeter saw it, a normal, healthy economy was not one in equilibrium but one that was constantly being “disrupted” by technological innovation (Reisman, 2008:23; Schumpeter, 2008). International business literature suggests that companies develop competitive advantages in order to ensure success in current markets (Hamel & Prahalad, 2007; Levitt, 1983; Ohmae, 1989; Panagiotou, 2007). Such advantages tend to be monopolistic assets, either tangible or intangible (Clemens, 2006:74), such as new technology, patented products, product development capability and marketing skills. In a dynamic global market, companies that generate competitive advantages by effectively integrating research and development, production and marketing activities, tend to ultimately succeed.

In order to acquire advantages, companies may develop technical knowledge from internal and/or external sources. Experience curve advantage may, therefore, be developed by companies that can successfully accumulate integrated knowledge in their business operations. Studies (e.g. by Pérez-Luñoa, Wiklund & Cabrera, 2011), have shown that one of the important factors for successful innovation, is good coupling among design, development, production and marketing functions. Companies that fail to synthesise these functional activities, could result in business collapse (Ohmae, 1989:152). The importance of learning from technology has been emphasised by Freeman (1994:463). But, technical knowledge can hardly be obtained without the necessary processing and modification. Mature companies, especially, have difficulty adapting to changes in technology (Hamel, G. & Prahalad, C.K., 2007:481).

In coming years, the widely acknowledged importance of technology will grow, increasing the wager executives must place on their companies’ ability to compete through technology (Shoham & Fiegenbaum, 2002:127). The cutting edge of technology management, however, goes beyond basic research and development (R&D) expenditures. Increasingly, corporate strategists are making a more precise distinction between “technology” and “technology management.” Technology addresses the application of scientific and engineering knowledge to the solution of problems. Technology management, however, has a broader charter as it is the integration of technology throughout the organisation as a source of sustainable competitive advantage (Harmon & Davenport, 2007:24).

LITERATURE REVIEW
A study that addresses company performance with the content dimensions of strategic management requires reviewing and analysing a large and diverse body of literature (Pelser, 2001:8). It is impractical to attempt to discuss all of the research applicable to this topic. This section therefore, only reviews the seminal
research deemed most relevant to the present study. The number of dimensions used to develop strategy
taxonomies and the variables required to describe them, have varied by researcher. However, the main
thrust of these strategic dimensions is that companies often have a set of strategic goals for improved
competitiveness, increased market share and to strengthened their strategic position (Dahan & Shoham,
2014:761).

When Miller & Frensen (1977) derived their strategy archetypes in the late 1970s, they gathered data on 31
variables representing four categories of adaptive behaviour (strategy dimensions). Galfraith & Schendel
(1983) gathered data on 26 variables using the PIMS (Profit Impact of Market Strategy) database. Snow &
Hrebiniak (1980) used a 145 item questionnaire to gather data that were subsequently reduced to ten
distinctive competence variables and one performance ratio prior to analysis. Cool & Schendel (1987)
developed fifteen scope and resource commitment dimension variables, based on data drawn from a large
variety of databases. Fiegenbaum & Thomas (1990) used seven scope and resource deployment, and six
performance variables. Zahra & Covin (1993) used four dimensions to develop five business strategy
taxonomies and three dimensions for technology strategy. Dvir, Segev & Shenhar (1993) used Miles &
Snows’ four strategy archetypes and two strategy variables.

Technology Strategy Dimensions

Technology policies encompass both the contents of technology strategies and the processes of technology
management. For this reason, technology strategy is operationalised in this study through the use of six
content dimensions, which were derived from prior pioneer studies mentioned and used to guide the
selection of the following twelve strategy variables to measure each dimension.

Technology posture refers to a company’s propensity to proactively use technology as a competitive weapon
and a key-positioning factor (Zahra & Covin, 1993:451). Therefore, the variables used to measure this
dimension, relate to a company’s propensity to accept technical risk (Rauch, Wiklund, Freese & Lumpkin,
2009:761) and the extent to which reputation building is a conscious goal. Burgelman, Maidique &
Wheelwright (1996) and Song, Zhao & Di Benedetto (2013), view technological leadership in terms of the
relative advantage in the command of technological competencies and capabilities, resulting from a
commitment to a pioneering role in the development of a technology, as opposed to a more passive
monitoring role.

Technology level refers to the sophistication of the technology employed by the company relative to current
advancements of the particular technology (Maidique & Patch, 1988: 236-248; Miller, 1988:47; Clark, Ford &
Saren 1989:215). It is measured in the study in terms of the number of personnel with post-graduate degrees
and the sophistication of the company’s research tools and facilities. Technology is a human-created
resource comprising various components, which enables a company to perform its productive activities. The
enhancement of a company’s competitive edge in the marketplace can be accomplished by increasing the
advancement of the technology level added by the company’s operations. This is achieved through the
enhancement of the degree of sophistication of technology components utilised and the level of

Technology breadth refers to the number of technologies in which the company maintains competence (Dvir
et al., 1993). It is measured in the study in terms of the extent of a company’s in-house technology base and
the diversity of their research references, i.e. intellectual property position. According to Zahra & Hayton
(2008:195) and (Rauch et al., 2009:761), the breadth of a company’s technology portfolio depends on the
company’s technology posture, risk orientation, environmental factors, financial resources and the capacity
to manage the technology portfolio’s complexity.

Product development intensity refers to the number and rate of new product introductions (Miller, 1988; Clark
et al., 1989; Dvir et al., 1993; Zahra & Covin, 1993). It is measured in the study in terms of the emphasis on
expanding the product line and the emphasis on introducing improved versions of existing products. According
to the studies of Kleinschmidt (1994) and Ngamkroekjoti, Speece & Dimmitt (2005) new product
development (NPD) is critical to the growth and survival of modern companies.

Technology timing refers to a company’s propensity to lead or follow competitors in introducing new products
(Hung-Chia, 2013:36; Maidique & Patch, 1988: 236-248; Miller, 1988). It is measured in terms of the
emphasis a company places on leading the competition in discovering new technologies, introducing
products, employing new technologies, or introducing low cost products. A company may pioneer
technological change in its industry or follow its competitors’ lead (Song et al., 2013:1143). Pioneering and
followership represent the two endpoints of a continuum of technological postures, with points between these
extremes reflecting different follower positions (Kerin, Varadarajan & Peterson 1992:46-47).

Manufacturing and process technology refer to the degree to which new technology is incorporated into the company's manufacturing plants and processes (Zahra & Covin, 1993). It is measured in terms of the emphasis a company places on the use of technology to achieve low manufacturing costs or to manufacture unique products and to improve production flexibility or reduce lead-times. Ensminger, Surry, Porter & Wright (2004:70) points out, that technical success is often widely accepted as successful implementation.

Company Performance
Zahra & Hayton (2008) established that the literature on performance is very extensive, but that it shows a lack of consensus as to the meaning of the term. Brush & Vanderwerf (1992:157-170) point out, that the use of the term “performance” by researchers includes many constructs measuring alternative aspects of performance. This is consistent with the findings of Murphy, Trailer & Hill (1996) who, after a comprehensive literature review, were able to isolate a total of 71 different measures of performance. In spite of this apparent abundance, the vast majority of studies have used financial measures of performance (Murphy et al., 1996:15-23).

The raison d'être for this fixation with financial performance measures, is found partly in the fact that financial performance is at the core of the organisational control systems and partly in that it is one of the most easily quantifiable measuring instruments. For example, Lussier (1995:19) argues, that in studying the benefits of technology, instead of analysing macro-economic data from governmental statisticians, micro-economic corporate financial results, certified by auditors, should be used. However, this has caused empirical research to rely on a narrow set of accounting measures of financial performance, such as return on investment (ROI), return on assets (ROA), or earnings per share (Pandian, Thomas, Furrer & Bogner, 2006:375-376; Sapienza, Smith & Gannon, 1988:45-53).

When using accounting measures for measuring company performance, a number of issues should be taken into consideration. First, financial records are in general difficult to interpret, even if accurate financial data are reported (Cooper, 1979:316-327). Second, absolute numbers on financial performance criteria are affected by industry-related factors (Miller & Toulouse, 1986). Directly comparing financial data for companies in different industries could be misleading; even if the sample contains companies from the same industry sector, they may include companies operating in different markets. Third, accounting measures may be susceptible to accounting method variation, and lastly, accounting measures are not always representative of the actual performance of the companies, as many company directors for a variety of reasons manipulate performance reporting.

Despite the fact that financial performance is evidently important for the company, it draws only on the economic dimension of performance, neglecting other important goals of the company. This argument is supported by Zahra & Covin (1994:183), who argues that research that considers only a single performance dimension or a narrow range of performance constructs (e.g. multiple indicators of profitability), may result in misleading descriptive and normative theory building. According to the author of this study, it is unlikely that any single performance measure or dimension could serve the needs of a diverse set of research questions. This view is also shared by Zahra & Hayton (2008:195), who points out, that a multi-dimensional construct provides an alternative in establishing valid operational definitions. Further to this, Murphy et al. (1996:15-23) argue, that a distinction between performance measures should be done on the grounds of whether the sources are secondary data (also known as archival) versus primary data (e.g. questionnaire interview).

The innovation management organisation (IMO) is responsible for developing new products and technologies (Pérez-Luñoa et al., 2011). Science and technology from the external environment are combined with the company's in-house skills, knowledge and competencies to develop new products and technologies. The responsibilities that fall within the domain of innovation management encompass research and development (R&D). For this reason, R&D consists of those activities and responsibilities ranging from understanding progressive technology to generating ideas to developing new products and technologies. Understanding the dynamics of the innovation management organisation (IMO) is important to understanding the role and impact of strategic leadership of innovation in technology intensive companies. The conceptual definition is, therefore, the extent to which the R&D manager or other top manager perceives that the IMO has achieved its desired objectives over the last three years.

PROBLEM INVESTIGATED
Technology plays a pivotal role in interactions among the individual, society and nature. Technological advances have major effects on each of these entities and are, in turn, influenced by them. As competitive pressures increase, the need to continuously adapt, develop and innovate has become a basic building block for organisational excellence. Weaknesses to innovate, eventually lead businesses to stagnate and
fade away in the face of a dynamic environment. There is a critical need to understand the key factors that lead to innovation excellence, the organisational and environmental innovation, and the importance of innovation strategies. The main purpose of this study is to investigate technology strategies in widespread use in technology intensive industries and to explore their relationship to company performance.

**RESEARCH OBJECTIVES**

The problem addressed in the study, is the need for a better understanding of the role that technology and innovation play in determining company performance. The study focuses on two central research questions:

- What is the prevalent technology strategy dimensions being employed by South African companies in technology intensive industries?
- What relationships can be observed between the technology strategy dimensions and company performance?

**RESEARCH METHODOLOGY**

Several of the seminal studies (e.g. Pelser, 2001) on strategic taxonomies gathered research data in the form of management perceptions of their company's objectives or capabilities relative to some benchmark, e.g. the competition's objectives or capabilities. This is consistent with the method recommended by Galbraith & Schendel (1983:153-173) and Panagiotou (2007:1597), and is the method employed in the present study. This method also lends itself to answers that can be provided on a normalised five point Likert Scale, with “three” valued answers being “neutral” or “at the industry norm”.

The dimensions pertaining to this study were derived from those most often cited in the literature (Pelser, 2014) and are a consolidation of the following studies: Maidique & Patch (1988), Miller (1988), Clark et al., (1993), Dvir et al., (1993) and Zahra & Covin (1993). Each dimension measured through the use of two items in the questionnaire.

Effectiveness of the IMO – (4 input dependent variables).
Performance of the company – (2 output dependent variables).

The measures selected for this study, demonstrate strong relationships with company performance and had been reviewed in the literature section:

1. Contribution to sales (i.e. right product at the right time).
2. Efficiency of innovation project management (i.e. project success rate).
3. Impact of the innovations (e.g. degree of novelty or technical impact).
4. R&D expenditure (i.e. investment in R&D activities).
5. Patent information (i.e. output of R&D activities).
6. Return on assets (i.e. company financial performance).

Factor analysis was used to reduce the dimensions into identifiable factors. Pearson r-correlation was then used to find the strength and direction of the relationships between the factors and the performance dimensions. The relationships examined, are those between the independent variables and the effectiveness of the innovation management organisation (IMO) and the performance of the company.

A non-probability, judgment sample of companies listed on the Johannesburg Stock Exchange (JSE) was taken. It was decided to use listed companies on the JSE for two primary reasons: (1) Listed companies display a capacity and capability (capital and human resources) for R&D activities compared to smaller unlisted companies. (2) Quantifiable data (e.g. annual reports) is more readily available for the external stakeholders of listed companies than it is on unlisted companies. The motivation for using the judgment method in sampling was to build a database of those companies most likely to be associated with manufacturing products and/or investing in R&D activities. Based on the abovementioned screening criteria, it was decided to use the Industrial Consumer sector.

The following two important criteria were established to select the appropriate companies or divisions within the Industrial Consumer sector for the study:
New product development activities, which included tangible as well as intangible products, e.g. computer software.

Contact details for the R&D manager or designated top manager responsible for research and development, e.g. Technical Director.

Two hundred companies or divisions were identified and incorporated in the survey after the screening stage. Feedback was received from 89 R&D managers of these two hundred companies, stating their willingness to participate in the survey. A total of 84 completed responses were received and captured for the study. This translates to a 42% response rate from the base of 200 originally identified companies. However, compared to the feedback received from the 89 respondents, it effectively means, that the filtered response rate equates to 94%. The non-response portion of the original sample of 200 companies is comprised of 64 companies. An additional 24 companies have indicated that they are not involved in any type of R&D activities, which automatically excluded them from the study. Another 23 companies provided feedback or reasons concerning their non-participation in the survey, which ranges from vacant positions in R&D key functions to a lack of interest of these type of research efforts.

A breakdown of the respondents per industry is presented in Figure 1. Compared to the other sectors, technological opportunities are higher in science based sectors: chemicals, oils and plastics; electronic and electrical; IT and telecommunications. These companies also emphasise more on product innovation than process innovation and represent 58 % of the respondents.

**Figure 1: Surveyed Companies by Industry**

![Pie chart showing industry distribution](chart.png)

**RESULTS**

**Factor Analysis**

An attempt was made to factor analyse the twelve original strategy variables (A1 – A12). However, a negative error variance (Heywood case) was encountered with the initial variable set. Heywood cases are a common type of offending estimate, which occurs when the estimated error term for an indicator becomes negative. According to Hair, Black, Babin & Anderson (2010), the problem is remedied either by deleting the indicator or by constraining the measurement error value to be a small positive value. The first alternative is the preferred action prescribed by the authors. Therefore, variables A11 and A12 were deleted from the current technology strategy factor analysis. These two variables were later re-classified under the technology management dimension.

The remaining ten strategy variables (A1 – A10) were factor analysed by using the principal axis factoring method. Then using the latent root criterion, two factors were extracted on the basis of the scree plot.
Together they accounted for 70.25 % of the variation in the data. The factors were rotated by using the Varimax rotation method and then used as inputs for the regression and cluster analysis.

The correlation matrix for the ten strategy variables was reviewed to confirm the existence of a substantial number of correlations, which indicates the existence of common factors. All the variables had correlations greater than .22 and almost 60 % of the matrix elements were greater than .50. Bartlett’s test of sphericity confirmed, that the correlation matrix was not an identity matrix. The Kaiser-Meyer-Olsen (KMO) measure as sampling adequacy was .778, which Hair et al. (2010) characterised as “middling”, indicating that the degree of correlation between unique factors was low. The anti-image covariance matrix contained few elements with values greater than 0.9, again confirming the applicability of factor analysis.

Each survey respondent was asked to report on the importance of each of the variables to his or her company relative to major competitors. The heaviest factor loading for each variable is formatted in bold font style (see Table 1). All of the primary factor loadings used in the factor interpretation exceeded .50 in value. According to Hair et al. (2010), factor loadings greater than ±.30 are considered to meet the minimal level; loadings of ±.40 are considered important; and if the loadings are ±.50 or greater, they are considered more important.

Table 1: Rotated Technology Strategy Factor Matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable Description</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>Pursuing high-risk, break-through technologies</td>
<td>.934</td>
<td>.244</td>
</tr>
<tr>
<td>A1</td>
<td>Striving for dominance in key technologies</td>
<td>.898</td>
<td>.180</td>
</tr>
<tr>
<td>A4</td>
<td>Utilising state-of-the-art tools and facilities</td>
<td>.807</td>
<td>.347</td>
</tr>
<tr>
<td>A5</td>
<td>Maintaining a broad in-house technology base</td>
<td>.684</td>
<td>.288</td>
</tr>
<tr>
<td>A3</td>
<td>Hiring R&amp;D personnel with advanced degrees</td>
<td>.620</td>
<td>.457</td>
</tr>
<tr>
<td>A9</td>
<td>Being first to discover new technologies</td>
<td>.586</td>
<td>.203</td>
</tr>
<tr>
<td>A6</td>
<td>Utilising diverse technical reference resources</td>
<td>.564</td>
<td>.369</td>
</tr>
<tr>
<td>A10</td>
<td>First to introduce low cost or innovative products</td>
<td>.550</td>
<td>.153</td>
</tr>
<tr>
<td>A7</td>
<td>Increasing total number of products offered</td>
<td>.168</td>
<td>.973</td>
</tr>
<tr>
<td>A8</td>
<td>Continuously improving existing products</td>
<td>.361</td>
<td>.735</td>
</tr>
</tbody>
</table>

Technology Focus – The Eigenvalue of the first factor was 5.643. The technology posture variables (A1-A2), technology level variables (A3-A4), technology breadth variables (A5-A6) and the technology timing variables (A9-A8) loaded heavily on this factor. Taken together, this pattern of factor loadings clearly reflects the aggressiveness of a company’s technology policy.

Product Development Intensity – The Eigenvalue of the second factor was 1.708. The two product development variables (A7-A8) both loaded heavily on this factor. The product development intensity variables were selected to measure the extent to which a company competes on the basis of frequent new product introductions and frequent product upgrades.

The methodology for factor analysing the dependent variables, was similar to that used for the previous sections. The six company performance variables (B31 – B36) were factor-analysed by using the principal axis factoring method. Then, using the latent root criterion, two factors were extracted on the basis of their Eigenvalues being greater than 1. Together they accounted for 75.80% of the variation in the data. The factors were rotated by using Varimax rotation method. The same number of methods was used to determine the appropriateness of a factor-analytic model for this analysis.

The correlation matrix for the six company performance variables was reviewed to confirm the existence of a substantial number of correlations, which indicates the existence of common factors. All the variables had correlations greater than .16 and more than 40% of the matrix elements were greater than .50. Bartlett’s test of sphericity confirmed, that the correlation matrix was not an identity matrix. The Kaiser-Meyer-Olsen (KMO) measure as sampling adequacy was .791, which Hair et al. (2010) characterised as “middling”. This is also defined as an adequate measure, indicating that the degree of correlation between the unique factors was low. The anti-image covariance matrix contained few elements with values greater than 0.9, again confirming the applicability of factor analysis.

Based on the Kaiser criterion of selecting factors with Eigenvalues greater than 1, the number of factors to be extracted, were set at two. However, the scree test indicates, that three factors would be retained. In combining these two criteria, two factors were eventually retained for further analysis, because of the very low Eigenvalue (.538) for the third factor. The Chi-square statistic was 235.832 with 15 degrees of freedom,
which is significant at the .000 level. The reduced set of variables collectively meets the necessary threshold of sampling adequacy and thus the fundamental requirements for factor analysis.

The final statistics showed that 75.80% of the variance was explained by the two factors. The reproduced correlation matrix contained 3 residual values (20 %) greater than .05, indicating that the model fits the data. The rotated company performance factor loadings are contained in Table 2. All of the primary factor loadings used in the factor interpretation, exceeded .50 in value. The heaviest factor loading for each variable is formatted in bold font style.

Table 2: Rotated Company Performance Factor Matrix

<table>
<thead>
<tr>
<th>Variable</th>
<th>Variable Description</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>B32</td>
<td>Efficiency of innovation project management</td>
<td>.841</td>
<td>.308</td>
</tr>
<tr>
<td>B33</td>
<td>Impact of the innovations</td>
<td>.797</td>
<td>.213</td>
</tr>
<tr>
<td>B31</td>
<td>New product contribution to sales</td>
<td>.773</td>
<td>.188</td>
</tr>
<tr>
<td>B34</td>
<td>R&amp;D expenditure</td>
<td>.756</td>
<td>.123</td>
</tr>
<tr>
<td>B35</td>
<td>Patents registered</td>
<td>.089</td>
<td>.762</td>
</tr>
<tr>
<td>B36</td>
<td>Return on assets</td>
<td>.308</td>
<td>.619</td>
</tr>
</tbody>
</table>

Input Performance – The conceptual definition for this factor is the extent to which the R&D manager or other top manager perceives the innovation management organisation has achieved its desired objectives over the last three years. The Eigenvalue of the first factor was 3.167. The four input variables (B31 – B34) loaded heavily on this factor. Taken together, this pattern of factor loadings clearly reflects the effectiveness of the innovation management organisation (IMO).

Output Performance – This factor represents the performance of the company where (1) patent information was used to measure R&D activities and (2) return on assets (ROA) was used to measure company financial performance. The Eigenvalue of the second factor was 1.381. The patent’s registered variable (B35) and the return on assets variable (B36) loaded heavily on this factor, indicating the degree of fit for this performance measure.

Reliability and Validity

The data analysis proceeds by evaluating the survey responses according to the four dimensions for validity and reliability. The summed scales of the study provide two specific benefits. First, it provides a means of overcoming the measurement error inherent in all measured variables. A second benefit of the summed scale is its ability to represent the multiple aspects of a concept in a single measure, e.g. the technology focus factor. However, four issues basic to the construction of any summed scale must be addressed before applying them (Hair et al., 2010).

Content validity is the first issue, which subjectively assesses the correspondence between individual items and the concept through ratings by expert judges, pre-tests and other means. Content validity of the questions was obtained from the pilot study and the cognitive confirmation from the five technology experts. The second issue, which is validated by the high factor loadings (greater than 0.5) of the extracted factors, concerns the test of uni-dimensionality. According to Anderson, Gerbing, & Hunter (1987:435-436), each summed scale should consist of items loading highly on a single factor.

The third issue concerns the degree of consistency between multiple measurements of a variable, known as reliability. The consistency of the survey data was assessed by using Cronbach’s coefficient alpha, which measure the consistency of the entire scale. The Cronbach alpha computations for the nine extracted factors are shown in Table 7. For the technology focus coefficient, alpha is .9159; for the product development intensity it is .8685; for the process management it is .8826, and for the input performance it is .8887. These high values indicate a high degree of data stability.
Table 3: Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Scale mean if item deleted</th>
<th>Scale variance if item deleted</th>
<th>Corrected item total correlation</th>
<th>Alpha if item deleted</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Focus (TF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1</td>
<td>24.6190</td>
<td>42.6483</td>
<td>.8570</td>
<td>.8929</td>
<td>.9159</td>
</tr>
<tr>
<td>A2</td>
<td>24.6548</td>
<td>41.9637</td>
<td>.9096</td>
<td>.8878</td>
<td>.9062</td>
</tr>
<tr>
<td>A3</td>
<td>24.8333</td>
<td>46.6466</td>
<td>.7085</td>
<td>.9060</td>
<td>.9138</td>
</tr>
<tr>
<td>A4</td>
<td>24.6071</td>
<td>45.0366</td>
<td>.8415</td>
<td>.9055</td>
<td>.9149</td>
</tr>
<tr>
<td>A5</td>
<td>24.3810</td>
<td>46.7929</td>
<td>.7114</td>
<td>.9060</td>
<td>.9138</td>
</tr>
<tr>
<td>A6</td>
<td>24.5476</td>
<td>46.9013</td>
<td>.6231</td>
<td>.9138</td>
<td>.9178</td>
</tr>
<tr>
<td>A9</td>
<td>24.9643</td>
<td>48.9746</td>
<td>.5943</td>
<td>.9149</td>
<td>.9149</td>
</tr>
<tr>
<td>A10</td>
<td>24.6429</td>
<td>50.1360</td>
<td>.5387</td>
<td>.9187</td>
<td>.9187</td>
</tr>
<tr>
<td>Product Development Intensity (PDI)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A7</td>
<td>3.7976</td>
<td>1.0790</td>
<td>.7785</td>
<td>-</td>
<td>.8685</td>
</tr>
<tr>
<td>A8</td>
<td>3.7976</td>
<td>1.5128</td>
<td>.7785</td>
<td>-</td>
<td>.8826</td>
</tr>
<tr>
<td>Process Management (PM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A11</td>
<td>3.0476</td>
<td>1.2266</td>
<td>.8108</td>
<td>-</td>
<td>.8584</td>
</tr>
<tr>
<td>A12</td>
<td>3.2857</td>
<td>1.9415</td>
<td>.8108</td>
<td>-</td>
<td>.8741</td>
</tr>
<tr>
<td>Input Performance (InP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B31</td>
<td>6.9405</td>
<td>13.3820</td>
<td>.7446</td>
<td>.8517</td>
<td>.8887</td>
</tr>
<tr>
<td>B32</td>
<td>7.1429</td>
<td>13.0637</td>
<td>.8234</td>
<td>.8305</td>
<td>.8887</td>
</tr>
<tr>
<td>B33</td>
<td>7.6548</td>
<td>13.1685</td>
<td>.7540</td>
<td>.8584</td>
<td>.8887</td>
</tr>
<tr>
<td>B34</td>
<td>7.8333</td>
<td>15.1044</td>
<td>.7130</td>
<td>.8741</td>
<td>.8887</td>
</tr>
<tr>
<td>Output Performance (OutP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B35</td>
<td>21.2381</td>
<td>151.9185</td>
<td>.5015</td>
<td>-</td>
<td>.4104</td>
</tr>
<tr>
<td>B36</td>
<td>2.4524</td>
<td>11.6724</td>
<td>.5015</td>
<td>-</td>
<td>.4104</td>
</tr>
</tbody>
</table>

Looking at Table 3, it is evident that the output performance factor coefficient alpha is only .4104. However, the data accuracy aspect of reliability can be tested by comparing the test data with external criteria that measure the same variable. In this study the self-reported company return on asset variable (B36) was compared with published financial data from various sources (I-Net Bridge, company reports, etc.). Sixty-seven of 84 respondents correctly reported the return on asset (ROA) category. Fourteen cases exaggerated their ROA by one category and the remaining three cases diminished their ROA by one category. Three Chi-square-based measures of association were calculated, i.e. the phi coefficient, the coefficient of contingency and Cramer’s V. Their respective values were 1.26, .63 and .78. All were significant at the .00000 level (rounded to the fifth decimal place), indicating a strong relation between the reported and actual ROA data. These factors point to an acceptably high degree of data reliability.

The fourth and final dimension for validity and reliability concerns construct validity. Construct validity is concerned with the question of what the research instrument is, in fact, measuring. Common factor analysis is one of the methods of analysing construct validity. The factor analysis found relatively high degrees of communality among the variables. Most of the dimension variables have communalities greater than 0.5. The clear patterns of the factor loadings on the variables further validated the content and process constructs.

Multiple Regression Analysis
To ascertain the relative importance of the factors in explaining the variation in the dependent variables, multiple regression analysis was used to analyse the relationship between the dependent variables and independent variables. The objective of multiple regression analysis, is to use the independent variables (three factors) whose values are known to predict the single dependent values (two performance factors). The Pearson r-correlations were calculated to find the strength and direction of the relationships between the factors and the performance dimensions. By using p-values, it was possible to distinguish between the levels of significance. From Table 4 the null-hypothesis was rejected (p < 0.05 or p < 0.01) for all the factor correlations except for the Process Management factor (p > 0.05 or p > 0.01).

It is apparent from Table 4 that both the Technology Focus and Product Development Intensity factors have a significant positive effect on Input and Output Performance which provide support for the first and second hypothesis. Contrary to the general view that Process Management positively affects company performance, this factor has negative regression coefficients of -0.195 and -0.030 respectively. The supposition is that companies that make use of technology to achieve low manufacturing costs and to improve production flexibility or reduce lead-times, do little to expand opportunity horizons or renew the organisational
competencies. This leads to the reduction in company resources, which creates anxiety that stifles innovation and eliminates R&D initiatives.

### Table 4: Multiple Regression Analysis

<table>
<thead>
<tr>
<th></th>
<th>Technology Focus</th>
<th>Product Development Intensity</th>
<th>Process Management</th>
<th>Input Performance</th>
<th>Output Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1.000</td>
<td>.568*</td>
<td>.039</td>
<td>.698*</td>
<td>.634*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.727</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
</tbody>
</table>

Technology Focus factor explains 49% of the total variation of the Input Performance factor. It indicates that the intensity of a company's technology policy, including the propensity to proactively use technology as a competitive weapon and a key-positioning factor, determines the variation of the company's contribution to sales, efficiency of innovation project management, impact of the innovations and R&D expenditure. The Product Development Intensity factor explains 26% of the total variation of the Input Performance factor. It indicates that the extent to which a company competes on the basis of frequent new product introductions and frequent product upgrades, determine the variation of the company's contribution to sales, efficiency of innovation project management, impact of the innovations and R&D expenditure.

The level of relationship ($R^2$ or Rsq) that can be detected reliably with the proposed regression analysis was calculated for the creation of the Output Performance factor (OutP). The Technology Focus factor explains 40% of the total variation of the Output Performance factor. It indicates that the intensity of a company's technology policy, including the propensity to proactively use technology as a competitive weapon and a key-positioning factor, determines the variation of the company's contribution to R&D activities (patents registered) and the company's efficiency in using its assets (return on assets). The Product Development Intensity factor explains 33% of the total variation of the Output Performance factor. It indicates that the extent to which a company competes on the basis of frequent new product introductions and frequent product upgrades determines the variation of the company's contribution to R&D activities (patents registered), and the company's efficiency in using its assets (return on assets).

### CONCLUSIONS

The present study makes a contribution to the field of strategic management research by integrating the dimensions of several previous studies, to derive a more comprehensive taxonomy of technology strategy archetypes. It also derives a broader set of dimensions for use in strategic management research. The results show that strategy choices can significantly affect company performance. It thereby indicates which of the underlying dimensions have the strongest relationship with company performance. From an industry perspective, the greatest significance of these findings may be that they accentuate the importance of technology policy in strategic management. The substantial differences in performance associated with the dimensions do not necessarily indicate that a given company should choose a particular technology strategy, but rather indicates that technology policy decisions may have a substantial leverage on a company's performance and should be analysed and exercised with care and deliberation.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
The Technology Focus factor concerns the role that technology policy plays in the formulation and implementation of business strategies. Technology policies encompass both the contents of technology strategies and the processes of technology management. This factor comprises technology posture, technology level, technology breadth and technology timing. This research indicates that technology policy plays a key role in the formulation and implementation of business strategies by:

Formulating a technology policy that can play a key role in the formulation and implementation of their business strategies.
Proactively using technology as a competitive weapon and a key-positioning factor.
Accepting technical risk.
Increasing the sophistication of technology components utilized.
Expanding the number of technologies in which the company maintains competence.
Introducing new products and are, therefore, pioneers within their industries.

The Product Development Intensity factor indicates the extent to which a company competes on the basis of frequent new product introductions and frequent product upgrades. It is recommended that companies should expand existing product lines and introduce improved versions of existing products to sustain industry leadership.

Finally, the role of the top manager in technology intensive industries has become much more multidimensional. This is recognized by assigning both the Technology Focus (TF) to the top manager and top management team functions. It is recommended that the top manager in technology companies be conscientious with encouraging researcher empowerment, the vast integration of R&D with the company's business units and a high level of R&D investment.

REFERENCE LIST


DINING ATMOSPHERIC DIMENSIONS AND CUSTOMER SATISFACTION AT SIT-DOWN RESTAURANTS

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North-West University

ABSTRACT
In a competitive and growing restaurant industry that offers numerous options to increasingly discerning customers, improving the atmospherics of a sit-down restaurant is regarded as one way of increasing customer satisfaction and benefitting from the rewards that satisfied customers bring. Dining atmospherics involve the style, layout, colour, lighting, furnishings and ambience of the restaurant. Before a restaurateur indiscriminately improves dining atmospherics, it is important to first determine which of these dimensions predict customer satisfaction, as these would be the most appropriate ones to improve. This paper therefore aims to determine the extent to which dining atmospheric dimensions predict customer satisfaction at sit-down restaurants. The results indicate that two dining atmospheric dimensions namely, lighting and ambience significantly predict customer satisfaction at sit-down restaurants in the North-West Province of South Africa. The paper concludes with strategies of how dining atmospherics can be improved to increase customer satisfaction at sit-down restaurants.

Key words: Sit-down restaurants, customer satisfaction, dining atmospherics, South Africa

INTRODUCTION
The average South African household spends an average of 2% of its annual income on eating at sit-down restaurants (Stats SA, 2013a). Since sit-down restaurants attract a reasonable amount of consumer spending, it is therefore sensible that South African restaurants attempt to satisfy the needs and wants of these customers. The goal of such efforts is to ultimately encourage repatronage and enhanced spending, in order to increase profitability and foster growth prospects of restaurants. To satisfy customers’ needs and wants, restaurants have to determine the factors that contribute to customer satisfaction at a sit-down restaurant.

Over the years, several studies have examined the factors that could possibly result in customer satisfaction at sit-down restaurants. Numerous studies (Heung & Gu, 2012; Ha & Jang, 2010; Kincaid, Baloglu, Mao & Busser, 2010; Ryu & Han, 2010; Ladhari, Brun & Morales, 2008:570; Namkung & Jang, 2008) identified two main factors contributing to customer satisfaction at sit-down restaurants, namely food quality and service quality. However, already in 1973, Kotler (1973:64) predicted that only focusing on these factors will not hold the key to success in the competitive dining environment in years to come.

In line with Kotler’s prediction, many researchers uncovered other factors that significantly influence customer satisfaction at sit-down restaurants. The research of Namkung and Jang (2008:142), for example found that in addition to food quality and service quality, spatial seating arrangements, fascinating interior design, and pleasing background music significantly contribute to high levels of customer satisfaction among restaurant patrons. Heung and Gu (2012:1175) added “the view from the restaurant window” as a determinant of customer satisfaction, whereas Kincaid et al. (2010:216) noted that accessibility to the restaurant results in satisfaction.

Liu and Jang (2009:502) profess that positive emotions (such as pleasure, excitement, contentment, refreshment, interest, relaxation) influence diners’ satisfaction levels. Liu and Jang (2009:502) opine that due to the fact that positive emotions influence diners’ satisfaction, restaurants should focus on establishing a pleasurable, exciting, refreshing, interesting, and/or relaxing dining experience, since positive experiences tend to directly impact financial performance (Chi & Gursoy, 2009:252; Ladhari et al., 2008:571).

The dining experience, as conceived by the overall dining atmosphere, has been proven to be an important differentiator in the sit-down restaurant industry (Heung & Gu, 2012:1168). The reason for this is that customers pursue a dining experience that is unique or “different from home” when dining out (Heung & Gu, 2012:1168). Ha and Jang (2010:527) also found that the effect that food and service quality exert on customer satisfaction varies, based on how restaurant patrons perceive the physical environment of the restaurant.
Despite the research that has already been conducted on dining experiences and atmospherics, such research is still fairly limited within a South African context (Mhlanga, Moolman & Hattingh, 2013:1113). Jensen and Hansen (2007:616) are also of the opinion that behaviour, expectations and perceptions of restaurant patrons can vary greatly from one national culture to another, thus rendering the results of foreign (international) research potentially useless in the South African sit-down restaurant industry. This paper, therefore, offers insights into perceptions of restaurant patrons of the dining atmospherics and satisfaction levels in a South African sit-down restaurant context.

The subsequent sections of the paper provide an overview of the South African restaurant industry, a literature review of dining atmospherics, its related dimensions, customer satisfaction, as well as the relationship between dining atmospherics and customer satisfaction on which the hypotheses formulated for the study are based. Thereafter, the research problem, objectives and methodology are introduced. After presenting the results, the conclusions are provided, and some managerial implications are highlighted.

THE SOUTH AFRICAN RESTAURANT INDUSTRY

The restaurant industry can best be described as encompassing those businesses or outlets that sell and provide meals and drinks (soft and/or alcoholic), which are ordered from a menu, and prepared on the premises for immediate consumption with seating being provided (Stats SA, 2013b:10). The value of the restaurant industry is based on the total sales of all meals and drinks at restaurants, with South Africa contributing less than 1% to the global restaurant industry (MarketLine, 2013:7, 10).

Despite its small contribution to the global market, the South African restaurant industry is characterised by high levels of rivalry between the many sit-down restaurants and fast-food outlets, all attempting to cater for South African customers’ increasingly sophisticated needs and wants (Mhlanga et al., 2013:1119). As a result, the selection of restaurants and food offered, are as diverse as the South African culture itself (Datamonitor, 2011:7).

According to Stats SA (2013b:3, 9), the South African restaurant industry consists of more than 8 000 restaurants, and realised an income of more than R19 000 million for 2013, a 9% increase from 2012. The industry is furthermore highly dependent on customer demand and very sensitive to economic fluctuations (Welter, 2012:61; Allen, 2011). The South African sit-down restaurant industry is dominated by Spur Steak Ranches and Ocean Basket, with 254 and 143 outlets respectively (Euromonitor International, 2013:27).

LITERATURE REVIEW

Dining atmospherics

Kotler (1973:50) defines atmospherics as “the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability”. Therefore, with regard to dining atmospherics, the aim is to design the dining environment (restaurant) in such a way that positive emotions are induced in the patron that would ultimately enhance his/her purchasing or spending. Atmospherics is regarded as a second order construct consisting of several dimensions, as highlighted in Table 1.

Table 1: Atmospheric dimensions

<table>
<thead>
<tr>
<th>Authors</th>
<th>Atmospheric dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countryman and Jang (2006)</td>
<td>Style, layout, colours, lighting</td>
</tr>
<tr>
<td>Ha and Jang (2012)</td>
<td>Interior design, music, layout</td>
</tr>
<tr>
<td>Heung and Gu (2012)</td>
<td>Spatial layout, ambience, facility aesthetics, view from window</td>
</tr>
<tr>
<td>Liu and Jang (2009)</td>
<td>Interior design, ambience, spatial layout, human elements</td>
</tr>
<tr>
<td>Namkung and Jang (2008)</td>
<td>Spatial layout, interior design, music</td>
</tr>
<tr>
<td>Naqshbandi and Munir (2011)</td>
<td>Style, layout, colours, lighting, furnishings</td>
</tr>
</tbody>
</table>

As indicated in Table 1, Countryman and Jang (2006:542) and Naqshbandi and Munir (2011:788, 790) acknowledged style, layout, colours, and lighting as atmospheric dimensions, where the latter researchers identified lighting as the most influential in a hospitality setting. Namkung and Jang (2008:149) identified three restaurant atmospheric dimensions, namely spatial layout, interior design and music, which were also found to be critical determinants of high levels of customer satisfaction. Similarly, Ha and Jang (2012:211) identified interior design, music and layout as dining atmospheric dimensions, and found that atmospherics could influence behavioural intentions in both a direct and indirect way through quality perception. Liu and Jang (2009:500) identified four dimensions of restaurant atmospherics, namely interior design, spatial layout, human elements and ambience (which included sub-dimensions of lighting, music, room temperature and privacy). Heung and Gu (2012:1175), in turn, identified four dimensions of restaurant atmospherics, namely spatial layout, ambience, facility aesthetics, and view from window (this dimension was specifically included.
on the basis of the unique features of their target population). Their study also found these dimensions to directly influence customers’ satisfaction with the dining experience.

Based on the review of the literature presented above, six aspects of atmospherics were identified as relevant to the current study, namely style, layout, colour, lighting, furnishings and ambience. The first five dimensions have also been identified by Naqshbandi and Munir (2011:788, 790). In addition, the researchers decided to also include ambience since Heung and Gu (2012:1175) as well as Liu and Jang (2009:500) consider this atmospheric dimension important within a restaurant setting. These dining atmospheric dimensions are consequently discussed.

Style: Countryman and Jang (2006:539) describe style as the architectural design of the venue, and add that this design should be current, refined, impressive, artful and beautiful. According to Kumar, Garg and Rahman (2010:6), the style of the restaurant communicates its brand image, and can therefore positively influence customers’ behavioural intentions. This concept was supported by the research of Ariffin, Bibon and Abdullah (2012:384), which found that a restaurant’s style contributes significantly to customers’ moods.

Layout: According to Kincaid et al. (2010:211), layout refers to the arrangement of the restaurant’s machinery, equipment and furnishings. Naqshbandi and Munir (2011:788) further add that these arrangements should be graceful, proportionate, accommodating and uncluttered. The layout of a restaurant should, therefore, be in such a way as to maximise employee performance, minimise crowding and accommodate diners’ diverse requirements (Countryman & Jang, 2006:539).

Colour: Various colours and colour combinations have been found to influence diners’ mood and the overall dining atmosphere (Levy & Weitz, 2012:491). Different colours can also convey a different image of the restaurant and its food to customers (Kumar et al., 2010:5). The research of Ariffin et al. (2012:385), however, did not find any significant influence of colour (as dining atmospheric dimension) on their diners’ behaviour. Consequently, Countryman and Jang (2006:537) propose that restaurateurs should first understand their target customer and the potential influence of various colour schemes on these customers before portraying a certain colour-related image to the market.

Lighting: Lighting differs depending on the type of restaurant, and the desired atmosphere it wants to create. According to Countryman and Jang (2006:537), lighting should be inviting and appropriate to the restaurant – such as soft incandescent lighting for higher quality, more intimate restaurant settings. Kumar et al. (2010:5) add that the correct type of lighting can encourage excitement among diners (increasing their mood and dining experience), and also focus diners’ attention on specific areas of the restaurant.

Furnishings: The type of furniture will influence the restaurant’s image and atmosphere, and should therefore be carefully selected to fit in with the desired dining atmosphere (Ha & Jang, 2012:205). According to Countryman and Jang (2006:537), furniture should generally be comfortable and of high quality, as it can ultimately increase the duration of diners’ visit to the restaurant.

Ambience: According to Heung and Gu (2012:1168), ambience refers to intangible background elements such as music, aroma and room temperature. This atmospheric dimension is, however, difficult to customise to fit customers’ individual needs, as it relies mainly on each customer’s perception of the restaurant’s ambience at the time of visit (Kincaid et al., 2010:211; Countryman & Jang, 2006:536).

Customer satisfaction

Oliver (2010:8) defines customer satisfaction as “the fulfilment response. It is a judgment that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under or over-fulfilment.” In the dining concept, customer satisfaction will therefore refer to the diner’s reaction to being “fulfilled” in terms dining-related features, which were identified from existing research as the overall dining experience. Dagger, Elliot and Bowden-Everson (2013:52) explain that customer satisfaction is generally considered a determinant of customers’ trust, commitment, and long-term relationships. Oliver (2010:5) adds that satisfied customers tend to be more loyal towards a business that is able to meet or exceed their needs, which also results in repeat purchases. Customers are furthermore also willing to pay more for the satisfaction of receiving a higher quality offering than to take the risk associated with accepting a lower-priced offer (Raab, Ajami, Gargeya & Goddard, 2008:64).

Jani and Han (2011:1013) determined that, by enhancing customer satisfaction, restaurateurs can also enhance diners’ trust in the restaurant – consequently encouraging higher customer commitment, increased revisits, and positive word-of-mouth. In addition, Choy, Lam and Lee (2012:11) identified a direct link between customer satisfaction and the financial performance and sustainability of sit-down restaurants. According to Rust and Huang (2012:48), poor service delivery and poor business practices generally result in lost customers. Restaurants should, consequently, aim to provide pleasurable levels of fulfilment to its customers by providing quality food and services, as well as a pleasurable dining atmosphere (Mhlanga et al., 2013:1118; Jangga, Sahari & Basir, 2012:2765).
The relationship between dining atmospherics and customer satisfaction

Table 2 presents five recent studies that uncovered the nature of the relationship between dining atmospheric dimensions and customer satisfaction.

Table 2: Studies on dining atmospherics and customer satisfaction

<table>
<thead>
<tr>
<th>Authors</th>
<th>Focus of the study</th>
<th>Main results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha and Jang (2010)</td>
<td>Examine atmospherics as a moderator in the relationship between perceived quality and customer satisfaction.</td>
<td>The effect of food and service quality on satisfaction can differ, depending on how the atmosphere of the restaurant is perceived.</td>
</tr>
<tr>
<td>Heung and Gu (2012)</td>
<td>Investigate the influence of restaurant atmospherics on dining satisfaction and behavioural intentions of diners.</td>
<td>Restaurant atmospherics have a direct and significant influence on diners’ satisfaction and behavioural intentions.</td>
</tr>
<tr>
<td>Ladhari et al. (2008)</td>
<td>Empirically investigate the determinants and consequences of dining satisfaction with restaurant services.</td>
<td>A pleasant dining atmosphere will most likely ensure satisfaction, inspiring diners to spend more time and money at the restaurant.</td>
</tr>
<tr>
<td>Namkung and Jang (2008)</td>
<td>Identify key attributes that distinguish highly satisfied diners from non-highly satisfied diners.</td>
<td>Identified food presentation, tasty food, spatial seating arrangement, fascinating interior design, pleasing background music, reliable service, responsive service, and competent employees as the main contributors to highly satisfied diners.</td>
</tr>
<tr>
<td>Ryu and Han (2010)</td>
<td>Examine the relationships between food, service, and physical environment on price, satisfaction and behavioural intention in quick-casual restaurants.</td>
<td>Food quality, service quality, and physical environment were all determinants of customer satisfaction.</td>
</tr>
</tbody>
</table>

The research of Ha and Jang (2010) established the influence of dining atmospherics on the relationship between diners’ perceived quality and their satisfaction with the restaurant. In addition, Namkung and Jang (2008) identified dining atmospherics as a key attribute in improving diners’ overall experience and satisfaction, by proposing that restaurateurs focus on the food quality, service quality, seating arrangements, interior design and music.

Similarly, Heung and Gu (2012) and Ryu and Han (2010) confirmed the importance of the physical restaurant environment on customers’ satisfaction, indicating a direct link between the atmospheric dimensions and customers’ satisfaction. Finally, Ladhari et al. (2008) established that a pleasant dining atmosphere acts as a determinant to customer satisfaction, which in turn results in increased spending and repeat visits.

Based upon Table 2 and the discussion presented, it is evident that dining atmospherics – and its underlying dimensions – can act as a predictor of diners’ overall satisfaction with the dining experience. From this, a number of alternative hypotheses H1 to H6 are formulated for the study in section 5 of the paper.

PROBLEM INVESTIGATED

Based on the sections presented, the following problem statement is formulated for the study:

The South African sit-down restaurant industry is characterised by growth and high levels of rivalry between competitors (Stats SA, 2013b:3). Satisfying the needs and wants of evermore discerning customers has become much more challenging for sit-down restaurants over time (Heung & Gu, 2012:1168). Focusing on food and service quality is not sufficient to satisfy customers and to sustain a competitive advantage in this industry. According to numerous researchers in the field, dining atmospherics differentiate one dining experience from another and could positively influence customer satisfaction (Mhlanga et al., 2013; Heung & Gu, 2012; Jangga et al., 2012; Ha & Jang, 2010; Ryu & Han, 2010; Ladhari et al., 2008; Namkung & Jang, 2008). Despite this, limited research has been conducted in a South African sit-down restaurant setting to determine the extent to which different dining atmospheric elements predict customer satisfaction.
RESEARCH OBJECTIVES AND HYPOTHESES
Based upon the problem statement presented above, the purpose of this study is to determine the extent to which dining atmospheric dimensions predict customer satisfaction at sit-down restaurants in the North-West Province of South Africa. In order to achieve the purpose of the study, the following objectives have been formulated:

1. Describe the demographic profile of respondents who took part in the study.
2. Determine the sit-down restaurant patronage habits of respondents who took part in the study.
3. Describe the perceptions of respondents regarding the different dining atmospheric dimensions at sit-down restaurants.
4. Determine the respondents’ levels of customer satisfaction at sit-down restaurants.
5. Report on the validity and reliability of the measurement scales used to measure dining atmospheric dimensions and customer satisfaction.
6. Determine the whether the different dimensions of dining atmospherics predict customer satisfaction at sit-down restaurants.

Based upon the literature presented and objectives formulated, the following alternative hypotheses have been formulated for the study:

H1: The style dimension of atmospherics predicts customer satisfaction at sit-down restaurants.
H2: The layout dimension of atmospherics predicts customer satisfaction at sit-down restaurants.
H3: The colour dimension of atmospherics predicts customer satisfaction at sit-down restaurants.
H4: The lighting dimension of atmospherics predicts customer satisfaction at sit-down restaurants.
H5: The furnishing dimension of atmospherics predicts customer satisfaction at sit-down restaurants.
H6: The ambience dimension of atmospherics predicts customer satisfaction at sit-down restaurants.

RESEARCH METHODOLOGY
The study was quantitative in nature and followed a descriptive research design in order to achieve the objectives articulated for the study. This research design is best suited for the study since respondents perceptions are measured, and the extent to which variables relate to one another and predict one another are investigated (Malhotra, 2007:82). The target population of the study included sit-down restaurant customers who had frequented a sit-down restaurant in one of the major urban centres of the North-West Province of South Africa at least once during a six-month period before the survey was conducted. The researchers decided on the six-month period to also include a broader range of respondents who dine at restaurants less frequently. Since a sampling frame or list of the target population was not available, the fieldworkers were required to select respondents using non-probability convenience sampling.

The questionnaire designed for the study contained structured questions and required respondents to self-complete the questions. Several sections were included in the questionnaire and the questionnaire commenced with a preamble explaining the objectives of the study as well as the rights and responsibilities of respondents. A screening question was also included early on in the questionnaire to ensure the prospective respondent was eligible to take part in the study. Eligibility implies in this instance that respondents dined a sit-down restaurant at least once during a six-month period before the survey was conducted. The completion instructions for the questionnaire were furthermore presented. The questionnaire subsequently included a section determining the demographic profile of respondents and another section focused on uncovering the sit-down restaurant patronage habits of respondents.

The next sections of the questionnaire measured the main constructs of the study (dining atmospheric dimensions and customer satisfaction) on an unlabelled seven-point Likert-type scale where 1 indicates ‘strongly disagree’ and 7 ‘strongly agree’ with their favourite sit-down restaurant in mind. All items included in the measurement scales measuring the dining atmospherics were based on previous studies, including the work of Ha and Jang (2012), Joseph-Mathews, Bonn and Snepenger (2009) and Countryman and Jang (2006). To measure the dining atmospherics dimensions of style (5 items), colour (3 items), lighting (3 items) and furnishings (3 items), items were adopted from Countryman and Jang (2006). To measure the layout dimension (6 items), items were adopted from Countryman and Jang (2006) and adapted from Joseph-Mathews et al. (2009). To measure the ambience dimension (4 items), items were adapted from adapted from Joseph-Mathews et al. (2009) and based upon literature presented by Ha and Jang (2012). The measurement scale measuring customer satisfaction (3 items) was adapted from the work of Dagger and Sweeney (2007). It is important to note that although the items may have been adapted and adopted from the work of the above-mentioned scholars, the items they have used have in many instances been taken from the work of others as acknowledged in their works.
Five trained fieldworkers were responsible for collecting the data amongst the target population. The fieldworkers had all completed a marketing research course as part of their qualification prior to the fieldwork being conducted. Researchers furthermore trained fieldworkers to select respondents and conduct the fieldwork for this particular study. Since a self-administered questionnaire was used, fieldworkers had to ensure that prospective respondents met the criteria set for taking part in the study before the preamble was read to the prospective respondents and before respondents were asked to complete the questionnaire. Prospective respondents were approach at locations convenient to both the fieldworker and respondent including restaurants, shopping malls or at their homes. Upon completion of the questionnaires, respondents were required to submit the questionnaires back to the fieldworkers. Fieldworkers had to check the questionnaire for completeness before submitting the questionnaires to the researchers for quality and completeness checks. The fieldworkers collected 246 questionnaires suitable for analysis.

In order to capture, clean and analyse the data, the researchers used SPSS version 21. In order to describe the demographic profile of respondents, the frequencies and percentages for each variable included in the demographic section of the questionnaire were calculated. Similarly, frequencies and percentages were calculated for two variables describing the sit-down restaurant patronage habits of respondents, and a mean and standard deviation to describe the average amount respondents spend on a meal at a sit-down restaurant. To describe the perceptions of respondents regarding the dining atmospheric dimensions at sit-down restaurants and measure the respondents’ levels of customer satisfaction at sit-down restaurants, means and standard deviations were calculated for each item included in the measurement scales. The researchers proceeded by assessing the validity and reliability of the measurement scales used before overall mean scores were calculated for each of the six dimensions of dining atmospheres and the customer satisfaction construct. In order to test the hypotheses formulated for the study, a standard multiple regression analysis was chosen since the independent variables (six dimensions of dining atmospherics) are included concurrently to determine the predictive power of each variable on the dependent variable (customer satisfaction) (Pallant, 2010:149). Before a standard multiple regression analysis was conducted to test H1 to H6, several assumptions relating to the data set were assessed.

RESULTS AND FINDINGS
The results of the study are reported in this section in order to systematically address the objectives formulated for the study.

Table 3: Demographic profile

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 years and younger</td>
<td>94</td>
<td>37.6</td>
</tr>
<tr>
<td>28 to 36 years</td>
<td>17</td>
<td>6.8</td>
</tr>
<tr>
<td>37 to 48 years</td>
<td>47</td>
<td>18.8</td>
</tr>
<tr>
<td>49 to 67 years</td>
<td>63</td>
<td>25.2</td>
</tr>
<tr>
<td>68 years and older</td>
<td>29</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Highest level of education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some high school</td>
<td>8</td>
<td>3.2</td>
</tr>
<tr>
<td>Matric / Grade 12</td>
<td>79</td>
<td>31.6</td>
</tr>
<tr>
<td>Tech diploma / degree</td>
<td>72</td>
<td>28.8</td>
</tr>
<tr>
<td>University degree</td>
<td>54</td>
<td>21.6</td>
</tr>
<tr>
<td>Postgraduate degree</td>
<td>37</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>79</td>
<td>31.6</td>
</tr>
<tr>
<td>Female</td>
<td>171</td>
<td>68.4</td>
</tr>
<tr>
<td><strong>Primary employment status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time employed</td>
<td>129</td>
<td>51.8</td>
</tr>
<tr>
<td>Part-time employed</td>
<td>9</td>
<td>3.6</td>
</tr>
<tr>
<td>Self-employed</td>
<td>12</td>
<td>4.8</td>
</tr>
<tr>
<td>Student</td>
<td>56</td>
<td>22.6</td>
</tr>
<tr>
<td>Housewife or househusband</td>
<td>7</td>
<td>2.8</td>
</tr>
<tr>
<td>Retired</td>
<td>31</td>
<td>12.4</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>0.8</td>
</tr>
</tbody>
</table>
Demographic profile
The demographic profile of respondents provides insight into the age, highest level of education, gender and employment status of respondents. Table 3 presents the frequencies and percentages for each category. Most respondents are 27 years and younger (37.6%) or 49 to 67 years (25.2%) of age. The majority of respondents are in possession of a matric certificate (31.6%) or technical diploma or degree (28.8%). The respondents are mostly female (68.4%), while males represent the remaining 31.6% of the sample. The majority of respondents work full time (51.8%), while a substantial percentage of respondents are students (22.6%).

Sit-down restaurant patronage habits
Table 4 provides insights into respondents’ patronage habits at sit-down restaurants by focusing on their favourite sit-down restaurant and the regularity with which they dine at a sit-down restaurant. The section also reports the average amount spent on a meal at a sit-down restaurant by respondents.

Table 4: Sit-down restaurant patronage habits

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourite sit-down restaurant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spur Steak Ranch</td>
<td>78</td>
<td>31.2</td>
</tr>
<tr>
<td>Ocean Basket</td>
<td>25</td>
<td>10.0</td>
</tr>
<tr>
<td>Mike’s Kitchen</td>
<td>18</td>
<td>7.2</td>
</tr>
<tr>
<td>Beef Boys</td>
<td>16</td>
<td>6.4</td>
</tr>
<tr>
<td>Wimpy</td>
<td>15</td>
<td>6.0</td>
</tr>
<tr>
<td>Regularity of eating at sit-down restaurants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every second day</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Twice a week</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Once a week</td>
<td>16</td>
<td>6.4</td>
</tr>
<tr>
<td>Once every two weeks</td>
<td>28</td>
<td>11.2</td>
</tr>
<tr>
<td>Once a month</td>
<td>79</td>
<td>31.6</td>
</tr>
<tr>
<td>Once every two month</td>
<td>44</td>
<td>17.6</td>
</tr>
<tr>
<td>Once every three months</td>
<td>47</td>
<td>18.8</td>
</tr>
<tr>
<td>Once every six months</td>
<td>33</td>
<td>13.2</td>
</tr>
</tbody>
</table>

Table 4 indicates the five sit-down restaurants that 60.8% of respondents indicated as their favourite sit-down restaurant in response to an open-ended question. The remaining 39.2% of respondents selected one of 39 other sit-down restaurants. The restaurant that stood out as a firm favourite is the Spur Steak Ranch with 31.2% respondents indicating this restaurant as their favourite sit-down restaurant. The second place is occupied by Ocean Basket (10.0%), followed by Mike’s Kitchen (7.2%), Beef Boys (6.4%) and Wimpy (6.0%) respectively. It was furthermore uncovered that respondents spend an average of R157.03 per meal when dining at a sit-down restaurant.

Dining atmospherics
Table 5 provides the means and standard deviations (SD) for the items included in the measurement scales measuring dining atmospherics across six underlying dimensions. The mean represents the average response on a seven-point scale and the standard deviation provides insight into the dispersion of results around the mean.

Table 5: Dining atmospherics

<table>
<thead>
<tr>
<th>Dimension and item</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Style</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The interior design of the restaurant is appropriate</td>
<td>5.89</td>
<td>0.98</td>
</tr>
<tr>
<td>The interior design of the restaurant is refined</td>
<td>5.41</td>
<td>1.14</td>
</tr>
<tr>
<td>The interior design of the restaurant is artful</td>
<td>5.41</td>
<td>1.29</td>
</tr>
<tr>
<td>The interior design of the restaurant is beautiful</td>
<td>5.34</td>
<td>1.29</td>
</tr>
<tr>
<td>The interior design of the restaurant is impressive</td>
<td>5.20</td>
<td>1.39</td>
</tr>
<tr>
<td><strong>Layout</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The layout of the restaurant is graceful</td>
<td>5.03</td>
<td>1.32</td>
</tr>
<tr>
<td>The layout of the restaurant is proportionate</td>
<td>5.40</td>
<td>1.16</td>
</tr>
<tr>
<td>The layout of the restaurant is accommodating</td>
<td>5.67</td>
<td>1.07</td>
</tr>
<tr>
<td>The layout of the restaurant is uncluttered</td>
<td>5.39</td>
<td>1.27</td>
</tr>
<tr>
<td>The layout of the restaurant is well designed</td>
<td>5.59</td>
<td>1.12</td>
</tr>
<tr>
<td>The layout of the restaurant is well organised</td>
<td>5.65</td>
<td>1.08</td>
</tr>
</tbody>
</table>
From Table 5 it is clear that the standard deviations for all items range reasonably between 0.98 and 1.56, while the means are fairly uniform ranging between 4.90 and 5.89 on a seven-point scale.

**Customer satisfaction**

Table 6 provides the means and standard deviations (SD) for the items included in the measurement scale measuring customer satisfaction. In this instance, the mean also represents the average response on a seven-point scale and the standard deviation provides insight into the dispersion of results around the mean.

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am positive about this restaurant</td>
<td>6.20</td>
<td>0.96</td>
</tr>
<tr>
<td>I have good feelings about this restaurant</td>
<td>6.13</td>
<td>1.01</td>
</tr>
<tr>
<td>The overall experience at the restaurant is the best that can be achieved</td>
<td>5.68</td>
<td>1.16</td>
</tr>
</tbody>
</table>

From Table 6 it can be seen that the standard deviations for the three items range reasonably between 0.96 and 1.16, while the means are uniform ranging between 5.68 and 6.20 on a seven-point scale.

**Validity**

In order to assess the construct validity of the six dining atmospheric dimensions and the customer satisfaction construct, the researchers made use of a factor analysis by means of the Maximum Likelihood Model for extraction and Varimax for orthogonal rotation (Matsunaga, 2010:107; Pallant, 2010:185). With respect to the six dining atmospheric dimensions only one factor was extracted in each instance. In addition variances ranging between 62.052% and 85.999% could be explained. As for the customer satisfaction construct, only one factor was extracted explaining 83.142% of the variance. The construct validity of all six dining atmospheric dimensions and the customer satisfaction construct could therefore be confirmed.

**Reliability**

The researchers furthermore examined the reliability of the measurement scales measuring the dining atmospheric dimensions and the customer satisfaction construct. A Cronbach’s alpha coefficient of 0.70 or higher is desirable, since it indicates sufficient inter-item correlation between items in order for the measurement scale to be considered reliable (Pallant, 2010:6). The results are presented in Table 7.

<table>
<thead>
<tr>
<th>Dimension or construct</th>
<th>Number of items</th>
<th>Cronbach’s alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dining atmospherics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Style</td>
<td>5</td>
<td>0.92</td>
</tr>
<tr>
<td>Layout</td>
<td>6</td>
<td>0.89</td>
</tr>
<tr>
<td>Colour</td>
<td>3</td>
<td>0.92</td>
</tr>
<tr>
<td>Lighting</td>
<td>3</td>
<td>0.92</td>
</tr>
<tr>
<td>Furnishings</td>
<td>3</td>
<td>0.87</td>
</tr>
<tr>
<td>Ambience</td>
<td>4</td>
<td>0.76</td>
</tr>
<tr>
<td><strong>Customer satisfaction</strong></td>
<td>7</td>
<td>0.95</td>
</tr>
</tbody>
</table>
It is evident from Table 7 that all measurement scales can be considered reliable since all the Cronbach’s alpha coefficients exceed 0.70.

**Overall mean scores**

Table 8 provides an exposition of the overall mean scores for each of the dimensions of dining atmospherics and overall for customer satisfaction.

Table 8: Overall mean scores

<table>
<thead>
<tr>
<th>Dimension or construct</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dining atmospherics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Style</td>
<td>5.44</td>
<td>1.06</td>
</tr>
<tr>
<td>Layout</td>
<td>5.46</td>
<td>0.93</td>
</tr>
<tr>
<td>Colour</td>
<td>5.45</td>
<td>1.17</td>
</tr>
<tr>
<td>Lighting</td>
<td>5.64</td>
<td>1.07</td>
</tr>
<tr>
<td>Furnishings</td>
<td>5.24</td>
<td>1.11</td>
</tr>
<tr>
<td>Ambience</td>
<td>5.54</td>
<td>0.94</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>5.98</td>
<td>1.00</td>
</tr>
</tbody>
</table>

From Table 8 it can be seen that the standard deviations for the 6 dimensions of dining atmospherics range reasonably between 0.94 and 1.17, while the means are uniform ranging between 5.24 and 5.98. Respondents furthermore rated the lighting dimension the highest (mean = 5.64) and furnishings the lowest (mean = 5.24). With respect to customer satisfaction a mean of 5.98 was realised. Such a favourable result can be expected since respondents answered questions with their favourite restaurant in mind.

**Hypothesis testing**

As mentioned in the research methodology section, a standard multiple regression analysis was performed to test the six alternative hypotheses formulated for the study. Prior to the analysis being performed, the researchers had to assess the data against the assumptions related to the size of the sample, multicollinearity and singularity, normality of distribution, linearity of the relationship between the variables concerned, and the homogeneity of variance (Pallant, 2010:150-151). Once the data was assessed against these assumptions and the assumptions were satisfactorily met, a standard multiple regression analysis was undertaken.

**Results of standard multiple regression analysis**

Table 9 indicates that the six independent variables (the dimensions of dining atmospherics) explain 50% or half of the variance in the dependent variable (customer satisfaction). Given the fact that the literature review presented in this paper propounds that several factors such as food and service quality play a role in customer satisfaction, the dining atmospheric dimensions still explain a substantial amount of variance in customer satisfaction.

Table 9: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standard error of estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.71</td>
<td>0.50</td>
<td>0.49</td>
<td>0.66</td>
</tr>
</tbody>
</table>

From Table 10 it is furthermore evident that this model (which includes six independent variables and one dependent variable) is statistically significant (p-value < 0.0005).

Table 10: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>98.10</td>
<td>6</td>
<td>16.35</td>
<td>37.83</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>98.98</td>
<td>229</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>200.18</td>
<td>236</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p-value < 0.05 is statistically significant

Table 11 indicates that the *lighting* dimension of dining atmospherics (p-value = 0.01; β-value = 0.18) and the *ambience* dimension of dining atmospherics (p-value < 0.05; β-value = 0.40) significantly predict customer satisfaction. The style, layout, colour and furnishings dimensions of dining atmospherics do not predict customer satisfaction, as the p-values are greater than 0.05 for each. The ambience dimension of dining atmospherics is therefore the best predictor of customer satisfaction, followed by the lighting dimension of dining atmospherics.
### Table 11: Coefficients

<table>
<thead>
<tr>
<th>Model value</th>
<th>Standardised coefficient Beta-value</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Constant</td>
<td>6.06</td>
<td>0.00*</td>
</tr>
<tr>
<td></td>
<td>Style</td>
<td>0.06</td>
<td>0.96</td>
</tr>
<tr>
<td></td>
<td>Layout</td>
<td>1.61</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>Colour</td>
<td>-0.11</td>
<td>0.19</td>
</tr>
<tr>
<td></td>
<td>Lighting</td>
<td>2.58</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Furnishings</td>
<td>1.69</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>Ambience</td>
<td>6.21</td>
<td>0.00*</td>
</tr>
</tbody>
</table>

* p-value < 0.05 is statistically significant

Dependent variable: Customer satisfaction

Therefore, with respect to the alternative hypotheses formulated, H4 stating that the lighting dimension of atmospherics predicts customer satisfaction at sit-down restaurants and H6 stating that the ambience dimension of atmospherics predicts customer satisfaction at sit-down restaurants cannot be rejected. H1 to H3 and H5 can be rejected since the style, layout, colour and furnishings dimensions of dining atmospherics do not predict customer satisfaction at sit-down restaurants.

### CONCLUSION

The respondents who participated in this study are mostly female, 27 years old or younger, are working full-time, and are relatively well educated – with more than 60% of the respondents having a tertiary qualification. The majority of respondents indicated Spur as their favourite restaurant, followed by Ocean Basket and Mike’s Kitchen respectively. This is consistent with the most recent statistics of the overall South African restaurant industry (Euromonitor International, 2013:2). More than 50% of the respondents eat at their favourite restaurant on a monthly basis, with the rest of the respondents eating at this restaurant only once every two months or less.

With regard to the respective dining atmospheric dimensions, respondents rated their favourite restaurant above the midpoint of the scale (4.00) for all six dimensions (i.e. style, layout, colour, lighting, furnishings and ambience). In addition, respondents also exhibited particularly high levels of customer satisfaction with the sit-down restaurant. This positive result can mainly be ascribed to the fact that respondents were rating their favourite sit-down restaurant.

To test the six alternative hypotheses formulated for the study, a standard multiple regression analysis was performed, which indicated that the dining atmospheric dimensions explain 50.0% or half of the variance in the dependent variable (customer satisfaction). Of these six independent variables, only two predict restaurant patrons’ satisfaction, namely lighting and ambience. Consequently, only H4 and H6 were not rejected, since the other four dining atmospheric dimensions do not predict customer satisfaction.

### MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

From a practical point of view, the results of this study can assist restaurateurs to better understand the relationship between dining atmospherics on customer satisfaction. One of the most significant insights of this study is that an attractive dining atmosphere can be regarded as a differential advantage – which is of particular importance to the highly competitive South African restaurant industry. Dining atmospherics can therefore be used as a marketing tool and starting point to attain a competitive advantage.

In this particular study, two dining atmospheric dimensions were uncovered predict customer satisfaction. In particular the sit-down restaurant’s lighting and ambience were identified as the dining atmospheric dimensions predicting customer satisfaction.

According to Countryman and Jang (2006:537), it is important that restaurants ensure that their lighting is inviting and appropriate. The authors recommend soft incandescent lighting for higher quality and more intimate restaurant settings (Countryman & Jang, 2006:537). Lighting can also be used to create a particular mood amongst restaurant patrons and direct the attention of restaurant patrons towards or away from certain areas or objects (Kumar et al., 2010:5). If a restaurant succeeds in ensuring the lighting meets restaurant patrons’ expectations and are congruent with other dining atmospheric dimensions, the overall dining atmosphere can be enhanced, thus positively impacting on customer satisfaction of restaurant patrons.

The second dining atmospherics dimension proving a predictor of customer satisfaction in a sit-down restaurant environment involves the ambience of the sit-down restaurant, including elements such as music, aroma and room temperature (Heung & Gu, 2012:1168). Although this atmospheric dimension is difficult to
customise according to restaurant patrons’ varied needs and wants (Kincaid et al., 2010:211; Countryman & Jang, 2006:536), it is still important that restaurants actively manage the ambience of their respective restaurants as far as possible and find middle ground that will appeal to the broadest spectrum of restaurant patrons within the markets they target. Restaurants should ensure the music genre and volume are congruent with other dining atmospheric dimensions present, and that they meet the expectations of restaurant patrons. Efficient and attractive signage can also be used to contribute to the ambience of the restaurant. Room temperature is perhaps easier to control in an indoor environment, but restaurants should be cautioned that restaurant patrons differ greatly in what temperature they consider as ideal.

From the literature review it is also evident that a favourable dining environment at a sit-down restaurant could ultimately contribute to restaurants having a competitive advantage, and helping them to stand out in South Africa’s fiercely competitive restaurant industry.

REFERENCE LIST


THE MEDIATING ROLE OF SELF-EFFICACY IN THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND SUBJECTIVE EXPERIENCES OF WORK SUCCESS

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North-West University  
M.S. Lushozi  
North-West University

ABSTRACT
We investigated the role of transformational leadership in generalized self-efficacy and subjective experiences of work success in a power utility using cross sectional design with a convenience sample (N = 115). An objective of this study was to determine the relationship between transformational leadership characteristics generalized self-efficacy and subjective experiences of work success. Our results indicate that all transformational leadership characteristics were statistically significantly related to one another. Transformational leadership was also statistically significantly related to subjective experience of work success and generalized self-efficacy. Regression analysis indicated that 15% and 19% of the variance of generalized self-efficacy and work success respectively, was explained by transformational leadership characteristics. A good fit of the data to the hypothesized model and closer inspection of the total, direct and indirect effects confirmed the partial mediation effect of generalized self-efficacy in the relationship between transformational leadership and work success.

Key words: Transformational leadership, charisma, generalized self-efficacy, work success, mediation

INTRODUCTION
The South African society has undergone significant socio-political and economic changes during the past twenty years following their first democratic election in 1994. These changes have certainly impacted on how organisations were going about their business. It was definitely not a case of business as usual especially for public institutions or parastatals such as the power station where the study was conducted. Numerous studies (Bass, Avolio, Jung & Berson, 2003; Boerner, Eisenbeiss & Griesser, 2007; Dvir, Eden, Avolio & Shamir, 2002) have found that transformational leaders enhance follower and organisational performance by articulating a compelling vision, by inspiring and intellectually stimulating their followers, and by building individualized relationships. During times of change and uncertainty, organisational members may become more receptive to such leaders since those behaviours of the leaders alleviate follower concerns and generate confidence (Karakitapoğlu-Aygün & Gumsuluoglu, 2013:107). Assuredness, confidence and vision of the leader are a source of psychological comfort for the followers, where the leader shows how uncertainty can be turned into a vision of opportunity and success (Bass, 1985). As argued by Podsakoff, MacKenzie, Moorman and Fetter (1990), the trust, respect, vision and high performance expectations engendered by such charismatic leaders motivate followers to put forth effort beyond expectations, and to accept organisational change.

Getting support from transformational leaders to survive during turbulent times seems important (Karakitapoğlu-Aygün & Gumsuluoglu, 2013:107). However, trusting and believing in your abilities to handle challenges that you would face during changing times seems just as important (Jackson, Van de Vijver & Fouché, 2014). The job performance model of motivation (Mitchell, 1997:63) highlights the importance of the job context (in this case leadership styles) and individual inputs such as ability, job knowledge, dispositions and traits as well as beliefs as important determinants of individual performance. We were interested in self-efficacy beliefs as an important individual input for the experience of success at work. Perceived self-efficacy represents the belief in one’s competence to deal with difficult situations. Research shows that people with a strong sense of personal efficacy choose to perform more challenging tasks; setting higher goals and sticking to them (Schwarzer 1992, Bandura 1997). General self-efficacy (GSE) reflects how people judge their abilities to cope with difficult situations or solve problems in general (Schwarzer & Jerusalem 1995, Luszczynska, Scholz & Schwarzer (2005).

We propose a model that depicts transformational leadership skills as important antecedents for generalized self-efficacy beliefs and subjective experiences of work success. In addition, we argue that transformational leadership skills increase the experiences of GSE and subjective experiences of work success. More specifically we maintain that GSE serves as a mediator in the relation between transformational skills and subjective experiences of work success. Mediators are variables that provide additional information about
how or why two variables (dependent and independent) are strongly associated. According to Wu and Zumbo (2007:369) for a mediation model, the independent variable (transformational leadership) is presumed to cause the mediator (generalized self-efficacy), and in turn, the mediator cause the additional influence of the independent variable on the dependent variable (subjective experience of work success). Our hypothetical model illustrating the mediating effect of generalized self-efficacy, as we suggest, is depicted in Figure 1 below.

Figure 1: Our hypothetical model

LITERATURE REVIEW
Research has accumulated ample evidence demonstrating the beneficial consequences of charismatic leadership behaviour (Judge & Piccolo, 2004; Lowe, Kroeck, & Sivasubramaniam, 1996). Such behaviour includes the leader acting as a role model for followers, displaying a sense of power and confidence, and making bold, unconventional decisions. Furthermore, charismatic leaders develop and communicate an emotionally captivating vision, foster the acceptance of shared goals, and motivate followers for the achievement of common aspirations (Avolio & Bass, 1988; Conger & Kanungo, 1987; Shamir, House, & Arthur, 1993). This set of behaviours is reflected in related leadership concepts, such as transformational (Bass, 1985) and visionary leadership (Sashkin, 1988). Measures of such leadership have shown significant overlap, and the findings from studies of charismatic, transformational, and visionary leadership generally converge (Judge, Wollf, Hurst, & Livingston, 2006; Shamir et al., 1993). Also, given their common focus on role modelling, visionary, and emotionally appealing behaviours, these leadership styles are distinguished from transactional or exchange-based leadership that is based on performance rewards, goal setting, and rational path-goal clarification (Bass, 1985; House, 1996).

People with a mission to better their society are often link with charisma. Charisma a Greek word meaning ‘divinely inspired gift’ is often used to describe individuals who possess the capacity to do extraordinary things (Northouse, 2007: 175; DuBrin, Dalglish & Miller, 2006:92). Charisma is a special quality of leaders whose purpose, power, and extraordinary determination differentiate them from other. Charismatic leadership is leadership that has magical effect on people and in combination with individualised consideration, intellectual stimulation and inspirational leadership, it is a component of transformational leadership (DuBrin, et al, 2006:92).
Independent variables: Components of transformational leadership

Role-modelling: It is suggested that leaders who have charismatic effects express by their actions, a set of values and beliefs which they want their followers to subscribe to. That is, the leader role models a value system for the followers. Gandhi constitutes an outstanding example of such systemic and intentional role modelling. He preaches self-sacrifice, brotherly love, and nonviolent resistance to British rule. Repeatedly he engaged in self-sacrificing behaviours, such as giving up his lucrative law practice to live the life of a peasant, engaging in civil disobedience, fasting, and refusing to accept the ordinary convenience offered to him by others. Role-modelling occurs when the leader shows to an exemplary role model for employees and it makes him to be trusted and respected to make good decision for the organisation (Hall, Johnson, Wysocki, & Kepner, 2012). According to Bandura (1986:58), employees can learn new skills through observation of others modelling correct behaviours, that is, role-modelling, and subsequent reinforcement of these behaviours. Further modelling and learning through observation can result in employee change in behaviour and acquisition of skills. There is substantial evidence that a person is more likely to be role modelled to the extent that that person is perceived as nurturing (i.e. helpful, sympathetic, approving) and as being successful or possessing competence (House, 1995: 205).

Vision articulation: Hall et al. (2012) describe inspirational motivation as leader’s ability to motivate the employees’ to commit to articulated vision of the organisation. The authors maintain that this leader inspires the team to achieve the group goals of the organisation. Inspirational motivation is the leader’s ability to communicate his organisational vision that creates enthusiasm in employees (Yahaya, Taib, Ismail, Shariff, Yahaya, Boon & Hashim (2011:9636). It is frequently asserted that charismatic leaders articulate a “transcendent” goal (vision) which becomes the basis of a movement or a cause. Such goal is ideological rather than pragmatic and is laden with moral overtones (House, 1995:206). Alternatively, if a movement is already in effect, one type of behaviour of the emergent leader is the articulation of the goal of the movement with conviction and exhortation of the moral rightness of the goal (Tucker, 1968:738). This characteristic entails expressing the vision so clearly that all are willing to voluntarily follow the leader towards or engage in behaviour directed at goal attainment.

High performance expectations: If the employees are clear about the expected performance expectations, they also are generally clear about the expected goals, know what their leader expect from them regarding their performance, and understand their job responsibilities. The leader without the end in mind is just wandering around and could end up anywhere. The leader must create, communicate and provide a support for clear vision to achieve high performance in the organisation (Hogg, 2013). Leaders who communicate high performance expectations for subordinates and exhibits confidence in their ability to meet such expectations are hypothesized to enhance subordinates self-esteem and to affect the goals subordinates accept or set for themselves. There is substantial evidence that the expectations that one can accomplish one’s goals are positively related to motivation and goal attainment (House, 1995:206). Studies conducted in educational settings have demonstrated that the expectations of teachers have shown to be reflected in the performance of students (see Rosenthal & Jacobson, 1968; Seaver, 1973).

Foster goal acceptance: In addition to affecting self-esteem of subordinates, leader’s expectations and confidence are also hypothesized to affect several important characteristics of the subordinate’s goals (House, 1995: 207). Laboratory studies (Bryan & Locke, 1967) have demonstrated that when subjects are given specific goals by experimenters they perform at significantly higher levels that those given the instruction to “do your best”. Field studies (Mendleson, 1971) have offered support for the generalization of the laboratory studies. Therefore leader who simultaneously communicate high expectations of and confidence in followers are more likely to have followers who accept the goals of the leader and believe that they can contribute to goal accomplishment and are more likely to have followers who strive to meet specific and challenging performance standards (House, 1995:208).

Individual support: Also referred to as individualized consideration refers to transformational leaders’ ability to provide a supportive climate in which they listen to the individual needs and concerns of followers (Du Plessis, 2009:138). Followers are treated individually and differently on the basis of their talents and knowledge (Shin & Zhou, 2003:704) to enable them to reach achievements beyond expectation (Stone, Russell, Patterson, 2003:3). Individual support and idealised influence can be enhanced by the introduction of mentoring techniques where the leader focuses on individual’s development (Atkinson & Pilgreen, 2011:19). Loon, Lim, Lee and Tam (2007:195) describe this characteristic as advocating high ethical standards such as utilitarianism and egalitarianism. The leader further provides empathy and support, keeps communication open and places challenges before the employees. According to Callow (2011:4) the leader with this characteristic provides employees with physical support in a form of a feedback, materials and understanding. Krenn, Würth, & Hergovich (2013:88) have drawn a conclusion that employees mostly raised their standard after receiving positive feedback from their leader and they tend to maintain their current standard after receiving negative feedback.

Intellectual stimulation: This can also be called continuous improvement or innovation in some organisations. The principle here is that the transformational leader will provide leadership to change their followers’ awareness of problems and their ability to solve those problems, question assumptions and
beliefs, and encourage followers to be innovative and creative, approaching old problems in new ways. They empower followers by persuading them to propose new and controversial ideas without fear of punishment or ridicule (Stone, et al., 2003:3). Yahaya et al., (2011:9636) describe intellectual simulation as an encouragement of employees' divergent thinking and innovativeness by the leader within the organisation. It's a degree to which the leader confronts assumptions, takes risks and importune employees' ideas. These leaders stimulate and encourage creativity in their employees by nurturing and developing their independent thinking (Bass as cited by Kaur, 2012:127). Intellectual stimulation enables a leader to encourage innovation and creativity through challenging the normal beliefs or views of the employees. This type of a leader promotes critical thinking and problem solving to make the organisation better (Hall et al., 2012).

The dimensions of transformational leadership are interdependent. They must co-exist and the coherence of the dimensions results in performance beyond expectations (Du Plessis, 2009:138). It is therefore proposed in this paper that the prevalence of transformational leaders skills such as role-modelling, vision articulation, performance expectations, fostering of goal acceptance, individual support and intellectual stimulation would enhance subjective experiences of work success through increased self-efficacy believes of followers.

**Mediator: Generalized self-efficacy**
We propose and test a mediating model with transformational leadership characteristics serving as antecedents, subjective experiences of work success serves as outcome of the model and generalized self-efficacy serves as mediator. The concept of self-efficacy was first introduced by Bandura (1997), and the construct evolved from his theories on cognitive social learning. Later, the concept has developed into a theory of human agency, where it has been defined as “beliefs in one’s capabilities to organize and execute the courses of action required to produce given attainments” (Bandura, 1997:3). More self-efficacy is related to better well-being, regulation of the stress process, higher self-esteem, a better physical condition, a stronger tendency to persist with a task despite difficulties and to seek an acceptable resolution whereas low self-efficacy is related to symptoms of stress, anxiety, depression, and lower levels of subjective well-being (see Devonport & Lane, 2006; Karademas, 2006). We therefore predict in this study that transformational leaders skills such as role-modelling, vision articulation, performance expectations, fostering of goal acceptance, individual support and intellectual stimulation would enhance subjective experiences of work success through increased self-efficacy believes of followers.

**Dependent variable: Work success**
Judge, Cable, Boudreau and Bretz (1994:3) define career success as “the positive psychological or work-related outcomes or achievements one has accumulated as a result of one’s work experiences”. This opinion is confirmed by Thomas, Eby, Sorenson and Feldman (2005:367) who argued that work success is the “accumulative positive work and psychological outcomes resulting from one’s work experience”. Work success therefore represents a feeling of pride and personal accomplishment that comes from knowing that one has done one’s personal best (Eby, Butts and Lockwood, 2003). The human capital theory suggests that individuals who invest the most in human capital attributes such as education, training, and experience are expected to show a higher level of work performance, and subsequently obtain higher organisational rewards (Ballout, 2007:743). Thomas et al. (2005) found in their research a positive relationship between supervisor support, training and development and organisational resources with career success.

**PROBLEM INVESTIGATED**
Transformational leaders emphasize and drive capacity development to ensure higher levels of follower commitment to organisational objectives. Transformational leadership occurs when leaders broaden and elevate the interest of their employees, when they generate awareness and acceptance of the purpose and mission of their group, and when they stir employees to look beyond their own self-interest for the good of the group (Bass: 1990:21). Transformational leaders influence their employees to higher levels of commitment to their organisational mission, a willingness to work harder, greater levels of trust in their leader, and higher levels of cohesion (Berson & Avolio, 2004:627). Highly self-efficacious people choose to pursue more challenging goals and tasks, and they incline to invest more effort and persist longer in the face of obstacles (Bandura 2001). By contrast, people with low self-efficacy may dwell on their personal deficiencies rather than thinking about how to accomplish the task (Leung & Leung, 2010:1384). Organisations therefore could seem to benefit from the prevalence of leaders with transformational skills and employees high on self-efficacy. The questions that therefore arise are “Do we have such employees and leaders in the organisation where the research were conducted?” In addition, although the link between transformational leadership and performance have been established, due to a lack of empirical evidence, we still were not sure whether this link between transformational leadership, self-efficacy and subjective experiences of work success could be confirmed in a power station in South Africa. More specifically, we
were interested in whether self-efficacy mediates the relationship between transformational leadership and subjective experience of work success.

**RESEARCH OBJECTIVES**

The primary objective of this study was to investigate the link between transformational leadership, self-efficacy and subjective experiences of work success. The secondary objective of this study were to determine

The relationship between transformational leadership, self-efficacy and subjective experiences of work success;
The impact of transformational leadership on self-efficacy and subjective experiences of work success; and
If self-efficacy mediates the relationship between transformational leadership and subjective experiences of work success.

**RESEARCH METHODOLGY**

**Research design and methods**

The quantitative approach was selected based on the nature of the data. A cross section design using questionnaires was selected as the most applicable method in obtaining data for this study. Permission was sought from management to do the study in the company and it was granted. The confidentiality of the respondents was respected and upheld in conducting the collection and analysis of the questionnaires. The questionnaire did not require any identification, such as name or personnel employee numbers, from the respondents. A properly informed consent letter was sent to the respondents with the questionnaire to explain the purpose of the study and the questionnaire.

**Sample characteristics**

The target population was those power station and head office employee that could read and write. Two hundred (200) employees were targeted and one hundred and twenty (120) questionnaires were returned. From the one hundred and twenty (120) only one hundred and fifteen (115) fully completed questionnaires could be used in the final analysis. Additional characteristics of the sample are presented in Table 1.

**Table 1: Sample Characteristics**

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Sub-groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td>Male</td>
<td>50.4</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>49.6</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td>20 – 25</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td>26 – 30</td>
<td>27.4</td>
</tr>
<tr>
<td></td>
<td>31 – 40</td>
<td>41.6</td>
</tr>
<tr>
<td></td>
<td>41 – 50</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td>51+</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td>White</td>
<td>16.5</td>
</tr>
<tr>
<td></td>
<td>Black</td>
<td>77.4</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Qualifications</strong></td>
<td>Grade 12</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Certificate</td>
<td>5.2</td>
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<tr>
<td></td>
<td>Diploma</td>
<td>27.8</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>47.8</td>
</tr>
<tr>
<td></td>
<td>Post-Graduation</td>
<td>17.4</td>
</tr>
</tbody>
</table>

**Measuring instruments**

*The Transformational Leadership Scale* (Podsakoff, MacKenzie, Moorman & Fetter, 1990). This is a 28 item scale that measure seven transformational and charismatic leadership traits uses a 7-point Likert-type scale ranging from 1=very little to 7=very much. The scale consist of seven subscales to assess different leadership characteristics namely *Articulate a vision* (5 items), *Role-Modelling* (3 items), *Fostering acceptance of goals* (4 items), *High performance expectations* (3 items), *Individual support* (4 items), and *Intellectual stimulation* (4 items) and *Transactional leader behaviour* (5 items) – this subscale was not used in the analysis as it did not form part of the components of transformational leadership.

*The General Self-Efficacy Questionnaire (GSE)* (Tipton & Worthington, 1984) was used to determine how the individual judges his or her own abilities and regulates the experience of personal efficacy with regard to life incidents. Tipton and Worthington reported that they based their GSE scale on the concept of faith, especially faith in oneself. This 10-item measure uses a 5-point Likert–type scale ranging from 1 = strongly
disagree to 5 = strongly agree. Sample items include "I can always manage to solve difficult problems if I try hard enough" and "If I am in trouble, I can usually think of a solution".

**Subjective Experiences of Work success** (Jackson, Van de Vijver & Ali, 2011). This instrument measures the participant’s perception of his or her work success and reputation at work. This 14-item measure uses a 5-point Likert-type scale ranging from 1 = strongly disagree to 5 = strongly agree. An example of one of the items on this scale included "I do my work well enough to be complimented for it by my superiors" (α=0.84).

Finally, a **biographical questionnaire** was included, assessing gender, age, race, and educational attainment.

**Statistical analysis**
The statistical analysis was carried out by means of the SPSS program. Exploratory factor analyses (EFA) were conducted on the measure to examine the dimensionality of the sub-scales. Descriptive statistics including Cronbach alpha coefficients were determined to assess the reliability of the measuring instruments. Pearson product-moment correlation was used to identify the relationships between the variables. A cut-off point of 0.30 (medium effect) was set for the practical significance of correlation coefficients (Cohen, 1988). A step-wise multiple regression analysis was conducted to determine the proportion of variance in the dependent variables of subjective experience of self-efficacy and work success that is predicted by the independent variables (characteristics of transformational leadership). The effect size in the case of multiple regressions is given by the formula (Steyn, 1999): f² = R²/1-R². The following parameters 0.01 (small effect), 0.10 (medium effect) and 0.35 (large effect) were set for practical significance of f² (Steyn, 1999) Structural Equation Modelling was performed using the AMOS 20 programme to test for mediating effects of self-efficacy, in the relation between transformational leadership characteristics and subjective experiences of work success.

**RESULTS**
Results of the study are presented in three sections, namely exploratory factor analyses, descriptive statistics, the correlational analyses of all the measures used in the study, regression analysis and lastly, testing for the mediating effect of self-efficacy in the relationship between transformation leadership characteristics and subjective experiences of work success.

**Exploratory factor analyses**
The results obtained from separate exploratory factor analyses (EFA) and inspections of the scree plots and eigenvalues of the factors indicated that all scales used to assess key situational work-related variables and employee attitudes were one-dimensional. The choice for one factor was based on problems in interpreting multi-factorial solutions and on the strong decrease of the eigenvalue after the first factor. The uni-factorial solutions extracted explained 85.88% of the variance in vision articulation, 91.12% of the variance in role modelling, 89.45% of the variance in goal acceptance, 79.79% of the variance in high performance expectation and 82.71% of the variance in individual support, 84.48% of the variance in intellectual stimulation, 47.13% of the variance in generalized self-efficacy, 49.37% of the variance in subjective experience of work success.

**Descriptive statistics and correlational analyses**
This section focuses on descriptive statistics of the variables covered in the study. The descriptive statistics of the variables in the study are presented in Table 2 below. Internal consistency calculated for the research data using Cronbach's alpha is presented in Table 2. The Cronbach alpha of all scales falls within the acceptable range of 0.70 and above (Nunnally & Bernstein, 1994) required for data to be useable in research of a similar nature. The correlation results for the data are shown in Table 2 below. The discussion of the correlation analysis follows after the table.

<table>
<thead>
<tr>
<th>Variables</th>
<th>α</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision Articulation</td>
<td>.96</td>
<td>4.31</td>
<td>1.65</td>
<td>.82</td>
<td>.80</td>
<td>.76</td>
<td>.71</td>
<td>.66</td>
<td>.60</td>
<td>.58</td>
</tr>
<tr>
<td>Role-modelling</td>
<td>.95</td>
<td>4.29</td>
<td>1.79</td>
<td>.74</td>
<td>.70</td>
<td>.64</td>
<td>.56</td>
<td>.50</td>
<td>.45</td>
<td>.42</td>
</tr>
<tr>
<td>Goal acceptance</td>
<td>.96</td>
<td>4.50</td>
<td>1.70</td>
<td>.74</td>
<td>.70</td>
<td>.65</td>
<td>.57</td>
<td>.51</td>
<td>.45</td>
<td>.42</td>
</tr>
<tr>
<td>Performance expectations</td>
<td>.87</td>
<td>4.95</td>
<td>1.43</td>
<td>.75</td>
<td>.71</td>
<td>.67</td>
<td>.57</td>
<td>.50</td>
<td>.43</td>
<td>.38</td>
</tr>
<tr>
<td>Individual support</td>
<td>.71</td>
<td>4.61</td>
<td>1.39</td>
<td>.49</td>
<td>.57</td>
<td>.63</td>
<td>.37</td>
<td>.33</td>
<td>.28</td>
<td>.24</td>
</tr>
<tr>
<td>Intellectual stimulation</td>
<td>.94</td>
<td>4.42</td>
<td>1.49</td>
<td>.82</td>
<td>.84</td>
<td>.81</td>
<td>.79</td>
<td>.53</td>
<td>.49</td>
<td>.45</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>.87</td>
<td>4.01</td>
<td>.50</td>
<td>.21</td>
<td>.18</td>
<td>.27</td>
<td>.35</td>
<td>.14</td>
<td>.22</td>
<td>.18</td>
</tr>
<tr>
<td>Work success</td>
<td>.86</td>
<td>3.98</td>
<td>.50</td>
<td>.36</td>
<td>.36</td>
<td>.40</td>
<td>.36</td>
<td>.34</td>
<td>.33</td>
<td>.64</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed) / *. Correlation is significant at the 0.05 level (2-tailed).
Table 2 also summarises the correlation coefficients between the constructs. Articulation of vision is practically significantly related (large effect size) with role modelling, fostering the acceptance of group goals, high performance expectation, individualise support, and intellectual stimulation. Articulation of vision is practically significantly related (medium effect size) with work success. Articulation of vision is practically significantly related (small effect size) to self-efficacy. Role modelling is statistically and practically significantly related (large effect size) with self-efficacy. Articulation of vision is practically significantly related (medium effect size) with role modelling, fostering the acceptance of group goals, high performance expectations, individualise support, and intellectual stimulation. Role modelling is statistically and practically significantly related (medium effect size) with self-efficacy. Role modelling is statistically and practically significantly related (small effect size) with self-efficacy. Fostering of group goals acceptance is statistically and practically significantly related (large effect size) with self-efficacy, and intellectually stimulation. Fostering of group goals acceptance is statistically and practically significantly related (medium effect size) with work success. Fostering of group goals acceptance is statistically and practically significantly related (small effect size) with self-efficacy.

High performance expectations is practically significantly related (large effect size) with intellectual stimulation. High performance expectations is statistically and practically significantly related (medium effect size) with self-efficacy and work success. Individualise support is statistically and practically significantly related (large effect size) with intellectual stimulation. Individualise support is statistically and practically significantly related (medium effect size) with work success. Individualise support is statistically and practically significantly related (small effect size) with self-efficacy. Intellectual stimulation is statistically and practically significantly related (medium effect size) with work success. Intellectual stimulation is statistically and practically significantly related (small effect size) with self-efficacy. Self-efficacy is practically significantly related (medium effect size) with work-success. Our results indicate that all transformational leadership characteristics were statistically significantly related to one another (with mostly large to medium practical significance). Transformational leadership was also statistically significantly related (with medium practical significance) to subjective experience of work success on the one hand while they were also statistically significantly (with small practical significance) related to generalized self-efficacy on the other hand.

Regression analysis to determine the impact of transformational leadership characteristics as predictors of generalized self-efficacy and subjective experiences of work success.

Next we focus on the regression analyses. We were also interested in the impact of transformational leadership characteristics as predictors of generalized self-efficacy and subjective experiences of work success. Regression analyses with transformational leadership characteristics as predictors of generalized self-efficacy and subjective experiences of work success are presented in Table 3 below.

Table 3: Regression analysis with transformational leadership characteristics as predictors of generalized self-efficacy and subjective experiences of work success.

<table>
<thead>
<tr>
<th>Generalized Self-efficacy</th>
<th>Subjective Experiences of Work Success.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Step 1</td>
</tr>
<tr>
<td></td>
<td>Standardized β</td>
</tr>
<tr>
<td>Vision Articulation</td>
<td>-.03</td>
</tr>
<tr>
<td>Role-modelling</td>
<td>-.15</td>
</tr>
<tr>
<td>Goal acceptance</td>
<td>.17</td>
</tr>
<tr>
<td>Performance expectations</td>
<td>.46**</td>
</tr>
<tr>
<td>Individualise support</td>
<td>.06</td>
</tr>
<tr>
<td>Intellectual stimulation</td>
<td>-.16</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>-</td>
</tr>
</tbody>
</table>

R² = .38        R²(1) = .15       R²(2) = .18

**Correlation is significant at the 0.01 level.

Inspection of Table 3 revealed that transformational leadership characteristics account for 15% (medium practical significance) of the variance in generalized self-efficacy with performance expectations (β=.46 / t=2.72) proofing to be the only statistical significant predictor of generalized self-efficacy. Characteristics of transformational leadership also explained 19% (medium practical significance) of the variance in subjective
experiences of work success with none of the characteristics proving to be statistical significant predictors of the dependent variable. However, with the inclusion of generalized self-efficacy in the second model the variance explained in subjective work success increased by 30% to 49% (large practical significance) with generalized self-efficacy ($\beta = .59 / t = 7.88$) proving to be the only statistical significant predictor of subjective experiences of work success.

The mediating effects of generalized self-efficacy in the relation between transformational leadership and work success

Structural Equation Modelling (SEM) was performed using AMOS 20 (Arbuckle, 2013) for testing for mediating effects of self-efficacy in the relationship between characteristics of transformational leadership and subjective experiences of work success. The hypothesized model is a mediation model in which characteristics of transformational leadership influence generalized self-efficacy, which in turn impact on subjective experience of work success. We made a closer examination of the direct and indirect effects to evaluate their relative sizes. There is quite some literature on the testing of mediation effects (see Baron and Kenny, 1986; Holmbeck, 1997; Hoyle and Kenny, 1999; Judd and Kenny, 1981; Kline, 1998; Preacher and Hayes, 2004). It has been found that the method proposed by Baron and Kenny (1986) can have a low statistical power and that joint significance tests involving the product of coefficients showed greater statistical power than other procedures, including the Baron and Kenny approach (MacKinnon, Lockwood, Hoffman, West, and Sheets, 2002). The hypothesized mediation model is presented in Figure 2 and the results of the mediation analysis can be found in Table 4.

![Figure 2: The Result of the SEM analysis](image)

Source: Authors

We obtained a very good fit for our proposed hypothetical model (see Figure 2): $\chi^2(15, N = 115) = 18.53, p = 0.24$; $\chi^2/df = 1.24$ (recommended ≤ 3.00), adjusted goodness of fit index (AGFI) = .91 (recommended ≥ .90), the Tucker Lewis index (TLI) = .99 (recommended ≥ .90), the comparative fit index (CFI) = 1.00 (recommended ≥ .90), and the root mean square error of approximation (RMSEA) was 0.05 (recommended ≤ .05).

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Subjective Work success</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
</tr>
<tr>
<td>Transformational leadership</td>
<td>.26</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>.57</td>
</tr>
</tbody>
</table>

Table 4: Direct, Indirect and Total Standardized Effects of Transformational Leadership Characteristics and Generalized Self-Efficacy

An inspection of Table 3 indicated that in line with observations from Figure 2, transformational leadership characteristics had total, direct and indirect effects on subjective experiences of work success. In addition,
the significance of the total, direct and indirect effect suggests that the link with subjective work success is partially mediated by generalized self-efficacy. Transformational leadership characteristics have, therefore, a salient influence on generalized self-efficacy. Direct and indirect effects were all positive and reinforced each other to increase subjective experiences of work success. It can be concluded that generalized self-efficacy partially mediates the path from transformational leadership characteristics to subjective experiences of work success. This means that transformational leadership characteristics and generalized self-efficacy are important for the enhancement of subjective experiences of work success in this sample.

CONCLUSIONS
The first objective of this study was to determine the relationship between transformational leadership characteristics generalized self-efficacy and subjective experiences of work success. Our results indicate that all transformational leadership characteristics were statistically significantly related to one another (with mostly large to medium practical significance). Our findings is in line while the assertion of Du Plessis (2009:138) who argued that the characteristics of transformational leadership are interdependent. They must co-exist and the coherence of the characteristics results in performance beyond expectations. Transformational leadership was also statistically significantly related (with medium practical significance) to subjective experience of work success on the one hand while they were also statistically significantly (with small practical significance) related to generalized self-efficacy on the other hand.

We were also interested in the impact of transformational leadership on self-efficacy and subjective experiences of work success. Regression analysis indicated that 15% (with medium practical significance) of the variance of generalized self-efficacy was explained by transformational leadership characteristics with high performance expectations proofing to be the only statistical significant predictor. In addition, 19% of the variance in subjective experiences of work success was explained by transformational leadership characteristics. However, an additional 30% was explained in subjective work success with the inclusion of generalized self-efficacy in the second step. This means that transformational leadership is important for generalized self-efficacy and subjective experiences of work success. The results also means that generalized self-efficacy is perhaps more important for subjective experiences of work success. We also proposed a hypothesized mediation model in which transformational leadership influence generalized self-efficacy, which in turn impact on subjective experience of work success. A good fit of the data to the hypothesized model efficacy and closer inspection of the indirect effects confirmed the full mediation effect of generalized self-efficacy in the relationship between transformational leadership and work success. Previous findings have indicated that transformational leaders influence their employees to higher levels of commitment to their organisational mission, a willingness to work harder, greater levels of trust in their leader, and higher levels of cohesion (Berson & Avolio, 2004:627). Berson and Avolio (2004:627) also suggested that these effects of transformational leadership would be expected to create better conditions for understanding and disseminating strategic visions, missions, and goals and their acceptance by employees. Transformational leadership style can promote easy knowledge sharing among employees (Behery, 2008).

Paracha, Qamar, Mirza & Waqas (2012:56) have noted that, in particular transformational leadership has a higher correlation with employee’s job satisfaction and consequently success at work. Our findings is in line while the assertion of Du Plessis that all transformational leadership characteristics were statistically significantly related to one another (with mostly large to medium practical significance). Our findings is in line while the assertion of Du Plessis (2009:138) who argued that the characteristics of transformational leadership are interdependent. They must co-exist and the coherence of the characteristics results in performance beyond expectations. Transformational leadership was also statistically significantly related (with medium practical significance) to subjective experience of work success on the one hand while they were also statistically significantly (with small practical significance) related to generalized self-efficacy on the other hand.

Limitation of the Study: The research study was performed on a small convenient sample in a power utility in South Africa. This limits the generalizability of our findings. Cross sectional designs have implications for cause and effect analysis. The survey questionnaire was only administered in English and not all respondents’ first language was English which could have resulted in a risk of misinterpretation and misunderstanding. The study is dependent on the truthfulness of respondents’ answers. Future studies should consider longitudinal designs using large samples in various organisations to increase generalization and to assist with cause-effect analysis.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
Our SEM model tested and confirmed that generalized self-efficacy partially mediates the path from transformational leadership characteristics to subjective experiences of work success. This is an important contribution, because it shows that organisational behaviourists could have wrongly assumed that that transformational leadership only has a direct influence on work success. This study however shows that transformational leadership could have a stronger indirect influence on work success, in other words via generalized self-efficacy.

Transformational leaders are those individual that possess among other skills good visioning, rhetorical and impression management skills and they are attentive to the needs and motives of followers which results in
assisting these individual or group of individuals to reach their maximum potential (Lope, Sadeghi & Elias, 2011:1083). Ogus (2010:1089) asserts that, this type of leaders considers leadership as a process that stimulates and inspires their followers by supporting them to gain problem-solving skills through coaching and mentoring as well as inspiration. Our findings confirmed the role of transformational leadership characteristics, especially high performance expectations in generalized self-efficacy and subjective experiences of work success. This means that leaders who communicate high performance expectations for subordinates and exhibits confidence in their ability to meet such expectations are more likely to enhance subordinates self-efficacy and to affect the goals subordinates accept or set for themselves.

There is substantial evidence that the expectations that one can accomplish one’s goals are positively related to motivation and goal attainment (House, 1995:206). The implications of our findings for managers is that they should role-model a value system for their followers and engage in self-sacrifice behaviour, articulate a transcendent goal (vision) that will become a cause for the organisation, communicate high performance expectations, help set goals for subordinates, provide a supportive climate in which they listen to the individual needs and concerns of followers, treat followers individually and differently on the basis of their talents and knowledge to enable them to reach achievements beyond expectation and empower followers by persuading them to propose new and controversial ideas without fear of punishment or ridicule (Stone, et al., 2003:3).

**REFERENCE LIST**


THE CONTRIBUTION OF THE PROJECT MANAGEMENT OFFICE TO PROJECT DELIVERY IN THE CONSULTING ENGINEERING INDUSTRY

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North-West University
L. van der Walt
North-West University

ABSTRACT
Effective project management (PM) is increasingly required for strategy implementation, business transformation management, continual improvement and pioneering product development and service provision. The systematic approach of PM (based on best practices and experience) aims to improve the chances of project success in a competitive environment with scarce resources (capital, human, opportunity, time). From the study it was found that there is a definite increase in PM and PMO maturity required in order for medium sized consulting engineering organizations to deliver more successful projects in the mining and energy sector. It was also seen that the optimum PM and PMO maturity required is not the maximum maturity levels. The relationship between the PMO and PM and the success factors required for the PMO was investigated. The main functions/tasks of the PMO were ranked based on the perceptions of the respondents and another international study.

Key words: project management office (PMO), project management (PM), PM maturity, PMO maturity

INTRODUCTION
The contribution a project management office (PMO) can make to deliver more successful projects was investigated. The investigation involved determining the current state of both PM and PMO maturity in medium sized consulting engineering organizations in South Africa. Furthermore, the required maturity of PM and PMOs were also determined using the prediction orientated Delphi survey method.

Sub-Saharan African countries' wealth of minerals such as gold, platinum, diamonds and numerous other commodities resulted in both local and international businesses being established. This has and will continue to lead to economic, skills and technology development in traditionally impoverished communities (Mittermaier & Steyn, 2009:96). Companies ranging from small local specialist consulting engineering firms to large international mining houses form the landscape that harness the potential value of the natural resources. The more value that can be added locally increases the potential yield from the available natural resources.

Another big international focus is energy/power generation and effective harnessing of the generated power while conserving the environment. Locally, Eskom is developing the world's largest dry cooled power station (Medupi) (Eskom, 2013a) and one of the world's largest coal-fired power stations (Kusile, more than R170 billion project) (Eskom, 2013b). These mega-projects will be constructed in a dynamic international environment where sustainable development is required (environment conservation and social responsibility) in addition to economic considerations (IOD, 2009). The last power stations built in South Africa in the late 1980's were not subject to these constraints. Eskom plans to grow its capacity expansion projects to more than a trillion Rand by 2026 (Eskom, 2013c).

For African countries to attract international investments and to competitively engage the international market, successful project completion/delivery is essential in this dynamically changing environment. Marnewick and Labuschagne (2010:249) developed a holistic framework to assist in understanding the factors that influence organizations to successfully deliver projects through applying project management. Two of the guiding organizational mechanisms for project managers are the Project Management Office (PMO) and the current project management maturity level of a company (Pinto, Cota & Levin, 2010; Crawford, 2006).

LITERATURE REVIEW
Nature of engineering consulting
Consulting engineering is defined by the Association of Consulting Engineering Companies in Canada as a professional service that provides independent expertise in engineering, science and related areas to governments, industries, developers and construction firms (ACEC-Canada, 2013:1). The engineering services industry is predominantly labour intensive with low levels of capital intensity. The service is highly
dependent on fundamental engineering knowledge and the need this industry satisfies is engineering design, assessment and technical management services (IBISWorld, 2013).

From the literature study it is evident that consulting engineering industry functions in a dynamic project environment with high uncertainty. In order to be successful, organizations need to be strategically aware of the environment they are competing in. The nature of the consulting engineering business is service orientated and project success is not merely dependent on the delivery of quality on time and within budget. The customer should be the focal point of all processes, actions and decisions made in a service organization such as a consulting engineering company (Jacobs & Chase, 2011:254). The perception of quality by the client is essential to enable a sustainable competitive business. Technical performance of professional service companies can be improved by properly managing the projects and resources (Heineke, 1995:255). Human resources are the backbone of the consulting engineering service offering. One of the challenges faced by consulting engineering companies include professional technical resources that are normally left to monitor and control themselves and are challenging to manage (Heineke, 1995:266; Mocke, 2012:24).

Some of the key success factors for consulting engineering firms include (Hecker, 1997:63; Mocke, 2012:24):

- Established pre-emptive project management reputation.
- Building good relationships with the client in addition to the actual technical service delivered.
- Marketing of previous track record.
- PM's ability to fully utilise resource team skills, capability and capacity.
- Operations management to systematically align resources and projects, since the service delivered by a consulting engineering firm can generally not be stored and if demand is higher than the service capacity, it may equate to lost revenue.

**Successful project delivery/ project performance**

Success can be defined as achieving results or positive results wanted, hoped for or aimed at (CAEOD, 2013; OOD, 2013). There is, however, no agreement on a standard for assessing project success or a generic framework for all projects (Lehtonen & Martinsuo, 2006:6). A project delivered successfully is usually measured/ evaluated in terms of the so-called iron triangle of time, cost and quality (Julian, 2008:43; Lehtonen & Martinsuo, 2006:6):

- Cost: Project is delivered within budget.
- Time: Project is delivered on time without compromising delays.
- Quality: Project deliverables meet the client expectations.

Project success may also be evaluated based on how well it contributes towards organizational governance and how well it is aligned with organizational strategies in addition to the other project success factors defined in Section 2.1 (PMI, 2013:15). Atkinson (1999:341) advocates that apart from the iron triangle of project management, there are other success factors that should also be considered:

- The information system (maintainability, reliability, validity, quality of information).
- Organizational benefits (improved efficiency and effectiveness, increased profits, strategic goals and organizational learning, reduced waste).
- Stakeholder community benefits (satisfied users, social and environmental impact, personal development, professional learning, contractors profits, capital suppliers, content project team, economic impact to surrounding community).

A project management office (PMO) has the ability to co-ordinate the information gathered through project reviews and manage diverse project portfolios accordingly. PMOs therefore have a high impact on performance in a high uncertainty environment (Liu & Yetton, 2007:797). Companies succeeding in project management use some form of systematic project management methodology. This includes setting goals and making systematic decisions during the project. Failing in one of these two areas of project management success may lead to subsequent failures elsewhere (Lehtonen & Martinsuo, 2006:6). Organizations in the project environment that consistently apply a structured project management best practices method to their dynamic environment produces better performing projects with lower cost, faster delivery times, less surprises during project execution, better communication between all stakeholders and superior customer satisfaction (Zandhuis & Stellingwerf, 2013:13).

**Project Management (PM)**

Project management is an integrated part of consulting engineering companies that typically manage a whole portfolio of projects simultaneously in different project life cycle stages. PM is defined as the use of
knowledge, skills, tools and procedures in project activities to meet project requirements as a generic recipe alone is not always effective (PMI, 2004a:5; PMI, 2013:5; Jacobs & Chase, 2011:373). PM is guided by PM standards and methodologies such as PMBOK and PRINCE2, and lately the proclaimed first universally accepted PM guideline, ISO 21500 13 (Labuschagne & Steyn, 2010:71; Zandhuis & Stellingwerf, 2013:5).

The Project Management Institute (PMI) has three areas of focus (Baltzan & Phillips, 2010:260):

- Ethics: The distinctive characteristics of a practicing professional project manager.
- Standards: The content and organization of the project management body of knowledge.
- Accreditation: Recognition of professional achievement.

PM has nine knowledge areas according to the project management guide issued by the Project Management Institute (PMI, 2004a:8):

Project integration management: Integration is primarily concerned with effectively selecting and integrating the applicable PM processes to achieve the project objectives within the organization’s defined procedures.

- Project scope management: Identify and control the applicable processes required to ensure the work required (and nothing more or less) is delivered to successfully complete the project.
- Project time management: Includes all processes to complete the project on time.
- Project cost management: Includes processes involved in planning, estimating and governing costs to enable the project to be completed within the approved budget.
- Project quality management: Includes all activities that govern the quality procedures, objectives and responsibilities to accomplish the project quality objectives.
- Project human resource management: Includes all processes that arrange and manage the project team and clearly assigns roles and responsibilities.
- Project communication management: Includes the processes that ensure timely and applicable generation, gathering, spreading, storage and disposition of project information. This provides the essential link between the project information and resources that ensure successful communication.
- Project risk management: Includes the processes concerning risk management planning, identification, analysis, responses, monitoring and control on a project that is regularly updated during the project execution.
- Project procurement: Includes the processes to purchase or acquire the products, services or results needed from outside the project team to perform the work required. This includes contract management and change control processes.

In the newest version of PMBOK® 5 (PMI, 2013:423) a tenth knowledge area was introduced:

Project stakeholder management: Includes the processes to identify, plan, manage and control stakeholder engagement of all individuals or groups that could impact or be impacted by the project.

The tenth knowledge area was introduced to take into consideration the comments received motivating that the knowledge area of project communication management be focused on project specific communication and that stakeholder management be grouped on its own (PMI, 2013:469).

**Project management maturity**

The organization’s maturity in respect of the project management coordination, principles, values, organizational structure and project management office can all influence the project and its outcome (PMI, 2004b:27). Maturity is generally defined as a very advanced or developed form or state (CAEOD, 2013). Organizational maturity evaluation models have the objective to provide a structured systematic approach based on industry best practice to guide the maturity process and continuous improvement (Pinto, Cota & Levin, 2010:2). There are more than 30 PM maturity models to measure and progressively improve a company’s PM performance, maturity and service. The PM maturity models all make use of questionnaire surveys or interviews to assess the company PM maturity (Beset, 2007:25). Evaluating the current company project management maturity and comparing it to the required maturity level can be used to identify any gaps and develop a strategy to close these gaps (Craig-Jones, 2007:3). Not one of the PM maturity models are accepted worldwide as the best or most preferred (Pretorius, Steyn & Jordaan, 2012:2).

In this study the PM maturity were measured against the nine PMBOK®4 knowledge areas as a maturity model presented by Crawford (2006). The five levels of project management maturity according to five maturity levels are shown in Table 1.

In a previous study, engineering and construction industries showed a higher project management maturity than the IT industry (Ibbs & Kwak, 2000:32). Cooke-Davies and Arzymanow (2003:478) found that PM maturity differs between the different industries and tend to be more mature in industries where project management originated. The engineering industries tend to be more mature than industries that adopted PM

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13 The ISO 21500 is still only a guideline and not yet a standard when this study was performed.
more recently like pharmaceutical research and development and IT industries. Organizations involved in business critical and safety systems such as in the defense or aircraft manufacturing industry typically strive towards a level 5 (maximum possible) maturity (Craig-Jones, 2007:3).

Table 1: Levels of project management maturity.

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 5</td>
<td>Continuous improvement/optimized process: Proactive problem management.</td>
</tr>
<tr>
<td>Level 4</td>
<td>Managed process: Projects managed according to future plans. Metrics to evaluate PM performance.</td>
</tr>
<tr>
<td>Level 3</td>
<td>Defined/organizational standardization: All PM processes are in place and institutionalised. Process modified according to project. Process stakeholders act as one project team.</td>
</tr>
<tr>
<td>Level 2</td>
<td>Planned/repeatable: Many different PM processes applied, no standardisation or systematic application of management activities</td>
</tr>
<tr>
<td>Level 1</td>
<td>Initial: No formal practices and standards. Ad-hoc solutions. Awareness of PM processes.</td>
</tr>
</tbody>
</table>

Source: (Crawford, 2006:5).

Pretorius, Steyn and Jordaan (2012:2) conducted a study where they tried to relate project success in the engineering and construction industry to the PM maturity of Southern Africa companies. There seems to be no consensus whether the PM maturity of a company directly relates to more successful projects delivered (Pretorius et al., 2012:2). Pretorius et al. (2012:2) found that project success does not automatically depend on PM maturity and that a project can be successful despite the PM maturity level. The study showed that companies with the following more mature PM knowledge areas tend to be more successful:

- Project integration management.
- Project scope management.
- Project time management.
- Project cost management.
- Project human resource management.

Project success may therefore depend on other factors than only standardized processes implemented by a PMO (Pretorius et al., 2012:9). The PMO is one instrument that is used to assist a company to mature the PM processes from one level to the next (Marnewick & Labuschagne, 2010:257).

**Project management office (PMO)**

The primary objective of the study is to determine what contribution a project management office (PMO) can make towards successful project delivery using PM maturity as departure point. The PMO concept started in the 1930 to 1950s to administer large projects but only really took shape during the 1990s (Aubry, Hobbs & Thuillier, 2007:330; Pinto et al., 2010:1). PMOs were created with one collective goal of obtaining better results in projects developed by a company (Pinto et al., 2010:2). The PMO is an organizational unit with a variety of mandates depending on the specific organizational need. The PMO can be created for a single large project, or for managing a multitude of smaller projects and programmes. PMOs in general are implemented to improve project management performance/effectiveness and to reduce the number of poor/failed projects (Julian, 2008: 43; Pinto et al., 2010:3). The PMO is typically a centralized division or management structure that implements PM procedures (standardizes project governance) and provides support in the form of applying PM tools and techniques effectively (Pinto et al., 2010:3; PMI, 2013: 10). One of the primary objectives of the PMO is to educate the organization on techniques and procedures to run successful projects (Baltzan & Phillips, 2010:260). There can also be more than one PMO per company, for example one for each programme or region (Hill, 2006:46). The project management office is also known by the name program management office, project office, program office, project support office (PMI, 2004a:17).

The PMO is seen by many as a support department similar to the finance, marketing or IT department (Pinto et al., 2010:4). However, the critical requirement that a PMO should generate value differentiates it from
traditional support department functions. The benefits of the value generation are not always noticed or measurable.

The PMO has been shown to be an unstable structure (being formed and restructured regularly). In three surveys conducted between 2002 and 2007 the average age of PMO’s were found to be 2 years (Aubry, Müller, Hobbs & Blomquist, 2010:767). The sustainability of PMOs can even be considered to be fragile in nature should they not have the ability to adapt, evolve and continuously mature with the company (Pinto et al., 2010:2).

The PMO functions as defined by these different authors (Hill, 2006:48, Hobbs & Aubry, 2007:82; Pinto et al., 2010:27) are grouped and categorized differently but essentially point to the same functionality as can be seen in the qualitative comparison and mapping of the different functions in Table 2. Hill (2006:51) states that it is unlikely that a single PMO will implement all the PMO functions and that variation of the different functions will be at the order of the day.

**Table 2: Project management office function comparison and mapping according to different authors.**

<table>
<thead>
<tr>
<th>PMO functions according to Hobbs &amp; Aubry (2007:82); Pinto, Cota &amp; Levin (2010:27)</th>
<th>PMO functions according to Hill (2004:48)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide advice to the senior management</td>
<td>Practice Management</td>
</tr>
<tr>
<td>2. Coordinate and integrate the organisation’s portfolio</td>
<td>1. Project management methodology</td>
</tr>
<tr>
<td>3. Develop and maintain a strategic framework of projects and programs (Scoreboard)</td>
<td>2. Project management tools</td>
</tr>
<tr>
<td>4. Promote project management awareness in the organisation? (Max = 3)</td>
<td>3. Standards and metrics</td>
</tr>
<tr>
<td>5. Monitor and control its own performance</td>
<td>4. Project knowledge management</td>
</tr>
<tr>
<td>6. Participate in the strategic planning process</td>
<td>Infrastructure Management</td>
</tr>
<tr>
<td>7. Manage one or more Portfolios</td>
<td>5. Project governance</td>
</tr>
<tr>
<td>8. Identify, select and prioritise new projects and programs</td>
<td>6. Assessment</td>
</tr>
<tr>
<td>9. Manage the benefits of the projects and programs organisation</td>
<td>7. Organisation and structure</td>
</tr>
<tr>
<td>11. Develop and implement the project management methodology</td>
<td>8. Facilities and equipment support</td>
</tr>
<tr>
<td>12. Develop skills in project management</td>
<td>Resource Management</td>
</tr>
<tr>
<td>13. Implement and manage project information systems</td>
<td>9. Resource management</td>
</tr>
<tr>
<td>14. Manage interfaces with customers</td>
<td>10. Training and education</td>
</tr>
<tr>
<td>15. Provide a set of tools for project management</td>
<td>11. Career development</td>
</tr>
<tr>
<td>16. Allocate and share resources between projects</td>
<td>12. Team development</td>
</tr>
<tr>
<td>17. Implement and manage the lessons learned database</td>
<td>Technical Support</td>
</tr>
<tr>
<td>18. Implement and manage the risk database</td>
<td>13. Mentoring</td>
</tr>
<tr>
<td>19. Select, manage and evaluate project managers</td>
<td>14. Planning support</td>
</tr>
<tr>
<td>20. Provide specialised services for the project manager</td>
<td>15. Project auditing</td>
</tr>
<tr>
<td>21. Provide information to the senior management of the status of projects under way</td>
<td>16. Project recovery</td>
</tr>
<tr>
<td>22. Monitor and control project / program performance</td>
<td>Business Alignment</td>
</tr>
<tr>
<td>23. Provide mentoring for the project managers</td>
<td>17. Project portfolio management</td>
</tr>
<tr>
<td>24. Manage and collect project files and documentation</td>
<td>18. Customer relationships</td>
</tr>
<tr>
<td>25. Manage one or more programs or projects</td>
<td>19. Vendor/contractor relationships</td>
</tr>
<tr>
<td>27. Conduct the post-reviews of project management (Lessons learned)</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Van der Merwe, 2014:48).

The value that a PMO brings to a company should be measurable in the following three items (Kendall & Rollins, 2003:316):

- On average projects should be completed faster.
- More projects should be completed per year with the same number of resources.
- Some financial indicator such as improved ROI, reduced costs, etc.

The success of a PMO implicates its capacity to understand who its customers are, what their needs are, and how to meet those needs by creating clear and sufficient benefits and generating traceable and measurable value (Pinto et al., 2010:4).

**PMO maturity models**

PMO maturity evaluation models have the generic objective to assist the maturity process by providing an organized route based on best practices and to nurture continuous improvement (Pinto et al., 2010:2). The development of different levels/stages/types of PMO is intended to follow an incremental evolution from a low level to an advanced level model (Aubry et al., 2010:767).
Although there is a strong correlation between the maturity of the company and the PMO maturity, it is possible for a relatively immature PMO to exist in a mature company should that be the required level of sophistication to achieve its goals (Pinto et al., 2010:3). The evolution of a more mature company will normally require more and increasingly sophisticated needs from the PMO, indicating a continuous evolution of the PMO to align and adapt to evolving company needs (Pinto et al., 2010:4).

Figure 1: The nine quadrants resulting from the relationship between scope and approach.

The PMO maturity cube model typifies PMOs according to two dimensions: scope and approach (Pinto et al., 2010:5) (see Figure 1) and evaluates the maturity according to the 27 functions of a PMO as defined by Hobbs & Aubry (2007:82).

The scope of a PMO is summarized on three mutually exclusive levels determined by how far reaching the PMO actions are within the organization (Pinto et al., 2010:5):
- Project/program: Covers only one project or program within the organization.
- Departmental: Covers only part or area of the organization such as a department or business unit.
- Enterprise/Corporate: Covers the organization as a whole.

In this specific questionnaire for each scope, the model identifies which services are offered under each different approach and will determine the level of sophistication/maturity of their implementation. The approach is defined from the way in which the PMO interacts with its customers or the PMO mission. For the approach the following definitions apply (Pinto et al., 2010:5):
- Strategic: Deliver service that are related to organization strategy such as how to manage a portfolio of projects and programs, decision making information provision to top management, monitor and implement strategy, prioritise projects, etc.
- Tactical/directional: Supply service for a group of projects or individuals such as cultivating a project management methodology, developing project management tools, offering training for managers and teams, etc.
- Operational/support: Provides service to a project or individual such as supporting project planning and control, coaching/mentoring, managing a strategic project, recovering a troubled project, etc.

A specific PMO may operate on an operational, tactical and strategic approach at any given time, depending on the specific scope. In effect there are twenty one (21) types of PMOs. With the three mutually exclusive PMO scopes, there are a possible seven (7) combinations of the three PMO approaches that can be offered by a PMO as service (Pinto et al., 2010:9):
- Strategic.
- Strategic-tactical.
• Strategic-operational.
• Tactical.
• Tactical-operational.
• Operational.
• Strategic-tactical-operational.

Hill (2006:46) states that not every company requires a stage five or most mature PMO to achieve their organizational objectives. The PMO can even contribute to the improvement of company PM maturity and effectiveness by being used to train and distribute knowledge of lessons learned (Do Valle, e Silvia & Soares, 2008:1).

PROBLEM INVESTIGATED
Internationally it is estimated that between 2010 and 2020, one fifth of the world’s annual gross domestic product (GDP) will be spent on projects. Furthermore, more than 60% of companies worldwide will be affected if experienced practitioners of project management leave the workforce due to retirement. These facts highlight the importance and dependence of organizations world-wide on effective project management (Zandhuis & Stellingwerf, 2013:5).

It seems that there is not a “one size fits all” methodology for successful project management (Labuschagne & Steyn, 2010:71; Liu & Yetton, 2007:789). The maturity of project management in a company can be measured to evaluate the current state and to identify possible growth/development areas to ensure an improved project success rate and the resulting larger market share opportunity (Mittermaier & Steyn, 2009:97). Individual companies can be compared or a company can be compared to industry standards to benchmark its project management maturity and its ability to deliver projects successfully and repeatedly (under similar conditions) (Mittermaier & Steyn, 2009:97). Project management maturity models can be used by a company to persistently and progressively develop its capability to deliver successful projects (Mittermaier & Steyn, 2009:97).

The lack of project management knowledge and project management maturity prevents the successful implementation of a project management methodology (Labuschagne & Steyn, 2010:69). In addition, continuous criticism is raised against project management theory for not being relevant as it is implemented in practice today, and therefore not resulting in improved performance (Winter et al., 2006:638). Project management is therefore not always perceived as useful (Winter, Smith, Morris & Cicmil, 2006:646), good investment of resources (Ibbs & Kwak, 2000:32) or implemented correctly (Mittermaier & Steyn, 2009:97).

Companies function in a dynamic environment where competition, increased rates of innovation and time to market requirements are at the order of the day (Hobbs et al., 2008:547). The consequence is that multiple projects are undertaken simultaneously with the resulting complexity of managing these projects (Aubry et al., 2007:328). Due to these challenges and strategic importance of projects, companies have resorted to implementing an organizational entity called a Project Management Office (PMO). PMOs vary significantly in terms of function and form across industry (Hobbs et al., 2008:547).

It seems that a PMO structure is moulded by economic, political, client relationship, standardization / flexibility and resource allocation tensions within a company. The PMO structure is also influenced by one of two key areas: accountability and a focus on process vs. business (Hobbs et al., 2008:553). A PMO is therefore closely related to the organization it functions in and will co-evolve with its host company (Hobbs et al., 2008:554). There is also no standardized PMO structure evident in the industry (Hobbs et al., 2008:554; Desouza & Evaristo, 2006:415), since the development of a successful PMO is customized for a company and is an unrelenting effort (Desouza & Evaristo, 2006:415). The PMO function/structure is dependent on the organizational size, structure and the intended function of the PMO (Andersen, Henriksen & Aarseth 2007:98). PMO implementation can take anything from 3 months on a project level to 7 years on a corporate PMO level (Andersen, Henriksen & Aarseth, 2007:98).

From the above background it is therefore clear that proper understanding of the relationship between a PMO and a company PM maturity is essential to ensure these two tools are utilized efficiently and effectively in a specific company or industry sector.

The aim of this study is therefore to investigate the relationship between the project management maturity of a company and the possible contribution of an applicable PMO in order to deliver projects successfully, sustainably and repeatedly. The elements investigated will be applied to medium sized (10 to 100 employees) consulting engineering firms.
Since the PMO seems to be a dynamic structure that changes continuously or regularly, the insight gained from the study could guide medium sized consulting engineering companies to strategically structure their PMO based on the current PM and PMO maturity. Furthermore, not all companies need to attempt to achieve a stage five PMO and therefore the study also aims to identify the factors that influence what stage PMO is required for medium sized engineering consulting companies with a multitude of projects.

**RESEARCH OBJECTIVES**

The primary objective of this research is formulated as follows:
Assess and identify how a PMO, for a medium sized consulting engineering company in South Africa (as selected by the researcher), can contribute to successful project delivery using project management maturity as starting point.

The secondary research objectives are formulated as follows:
Investigate the concepts of project management, project management maturity, project management office and successful project delivery from the literature.
Make use of a literature review to relate the concepts mentioned above to the consulting engineering industry.
Conceptualize the typical maturity level of a PMO based on structure, responsibility and function for medium sized organizations from the literature review.
Select a project management maturity measurement questionnaire from literature to measure the current level of project management maturity as well as the required level of project management maturity to deliver projects successfully in a medium sized consulting engineering company.
Select a project management office maturity measurement questionnaire from literature to measure the current level of PMO maturity as well as the required level of PMO maturity to deliver projects successfully in a medium sized consulting engineering company.
Identify one or more consulting engineering firm/s that are willing to participate in this study and gather information of the study elements by using the selected PM and PMO maturity questionnaires.
Determine if there is a relation between the level of PMO and PM maturity for medium sized consulting engineering organisations from both the literature and empirical study.

**RESEARCH METHODOLOGY**

The research will make use of the Delphi technique (Cuhls, 2010:93) due to the nature of the study of investigating a projected or future required maturity level. The Delphi survey method consists of both quantitative and qualitative research with predictive, explorative and normative elements. The Delphi technique consists of a survey performed in two or more rounds where an anonymous summary of the first round results are distributed the second time round. Participants may change their initial answers based on the results from the panel.

The PM and PMO maturity of the author’s company will be assessed and compared to a number of medium sized consulting engineering organizations and also companies working with medium sized consulting engineering companies. The PMO and PM maturity were assessed using existing, standardized self-assessment PM and PMO maturity models selected from literature.

**Measuring instruments**

The self-assessment survey provided by Crawford (2006) was selected and used to measure the PM maturity in all nine the knowledge base areas of project management. The maturity of each knowledge area was assessed and the lowest level of maturity is then the organization maturity level. The questionnaire was used to gather the current and required project management maturity for successful delivery of projects within the consulting engineering companies. The well developed PMO maturity cube model of Pinto et al. (2010:2) was selected due to its generality and wide application in industry. The self-assessment questionnaire measured the current and required level of PMO maturity to deliver projects successfully for mutually exclusive different scope PMOs.

Based on the fact that the selected PM and PMO maturity models are well developed and validated and the fact that the required PM and PMO maturity needs to be determined from a group of experts based on their

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14 In the newest version of PMBOK® 5 (PMI, 2013:423) a tenth knowledge area was introduced (Project stakeholder management). For the purposes of this study, however, the previous version of PMBOK 4 applying nine knowledge areas was used since the latter version was in use while this study was being conducted.
experience, the Delphi research approach was used. Previous researchers have used this same technique (Labuschagne & Steyn, 2010; Mittermaier & Steyn, 2009).

**Research procedure**

Applying the Delphi technique, described in Mittermaier and Steyn (2009:100), the following stages are planned:

**Stage 1: Defining the Delphi questionnaire:** *What are we interested in our study?* This study will assess the current PM and PMO maturity of medium sized consulting engineering companies and the maturity required to deliver projects successfully. *What do you need to know that you do not know now?* The gap between the current and required maturity level of PM and PMOs for successful project delivery and the potential role the PMO can play in closing the gap. It is not known what the required PM and PMO maturity levels are for medium sized consulting engineering companies to contribute towards successful project delivery in a consistent fashion. *How will the results from the Delphi influence decision-making once the study is completed?* The required PM and PMO maturity levels will be identified to assist in the successful delivery of projects specific for medium sized consulting engineering companies. For a specific PMO maturity level, different levels of PMO functions can be derived to guide the PMO to reach the required PMO maturity applicable.

**Stage 2: Selection of participants:** The selected population consisted of project managers, PMO managers and employees involved in PM and PMOs in medium sized consulting engineering organizations with relevant experience in delivering projects, both successful and unsuccessful. This is not a large population and participants usually have limited time to complete questionnaires not related directly to their work. Due to this constraint caused by the narrow definition of the research title, the PM and PMO maturity questionnaire will be distributed to as many engineers/project management engineers in medium consulting engineering organizations that can be located and are willing to participate.

**Stage 3: Sample size:** For a national projection on a specific research subject a value of 100 responses are proposed by Cuhls (2010:104) depending on the size of the country and the pool of available experts. From previous related studies using the Delphi technique (Labuschagne & Steyn, 2010; Mittermaier & Steyn, 2009) it seems that a sample size of at least ten was considered sufficient. The second questionnaire will only be sent to the participants who took part in answering the first questionnaire.

**Stage 4: First questionnaire:** The first survey is divided into five sections of information relevant to this study. The first section contained general demographic information on the participant, their position, experience and the size and nature of the engineering company they work for. The second section contains the instructions and PM maturity model questionnaire to assess the current state of project management maturity in the organization. The third section contains a repeat of the project management maturity model questionnaire but with the instruction to give the participant's perception of the required PM maturity to deliver projects successfully. The fourth section contained a survey of the current PMO maturity in the company. The fifth section contained the same questionnaire as section four but with the instruction to give the participant's perception of the required PMO maturity to manage the project management maturity gap to ensure consistent successful project delivery.

**Stage 5: Analysis of first questionnaire:** The current level of PM and PMO maturity in medium sized consulting engineering companies and the required maturity to deliver projects successfully were analyzed and summarized. Only the averaged required PM and PMO maturity levels were sent out with the second round of the survey.

**Stage 6: Second questionnaire:** The second questionnaire gathered the respondents' perception of the required PM and PMO maturity levels similar to the first round of the survey. The only difference was that the summary of the round 1 required PM and PMO maturity levels were disclosed to the respondents in an effort to influence the group of respondents towards a consensus of the required maturity levels in a structured fashion.

**RESULTS**

The round 1 survey was distributed to 161 respondents (response rate of 53%). Round 2 was distributed to the 86 respondents that completed round 1 (response rate of 55%). The results in Table 3 indicate that there is a definite difference in the current and required maturity level for each of the knowledge areas and the respective knowledge area components. It furthermore indicates that for consulting engineering companies to produce more successful and consistent performance, the PM maturity needs to improve from the current maturity level to the required maturity level. In Table 3, for example, the project integration management knowledge area component of project plan development needs to increase from a structured process and standards (Level 2 maturity) to a managed process (Level 4).
Table 3: PM maturity summary for round 1 and round 2 surveys.

<table>
<thead>
<tr>
<th>PM Knowledge Area</th>
<th>Round 1 Current</th>
<th>Round 1 Required</th>
<th>Required Converted</th>
<th>Round 2 Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Integration Management</td>
<td>2.82</td>
<td>4.01</td>
<td>4</td>
<td>4.00</td>
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<td>Project Plan Development</td>
<td>2.75</td>
<td>3.96</td>
<td>3</td>
<td>3.66</td>
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<td>Change Control</td>
<td>2.61</td>
<td>4.02</td>
<td>4</td>
<td>3.79</td>
</tr>
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<td>Project Information System</td>
<td>2.80</td>
<td>3.86</td>
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<td>Project Office</td>
<td>2.82</td>
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<td>3.23</td>
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<td>Requirements Definition (Business)</td>
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<td>Deliverables Identification</td>
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<td>4</td>
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<td>Work Breakdown Structure</td>
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<td>3</td>
<td>3.28</td>
</tr>
<tr>
<td>Staff Acquisition</td>
<td>2.45</td>
<td>3.78</td>
<td>3</td>
<td>3.21</td>
</tr>
<tr>
<td>Team Development</td>
<td>2.27</td>
<td>3.76</td>
<td>3</td>
<td>3.17</td>
</tr>
<tr>
<td>Professional Development</td>
<td>2.32</td>
<td>3.80</td>
<td>3</td>
<td>3.28</td>
</tr>
<tr>
<td>Planning</td>
<td>2.42</td>
<td>3.91</td>
<td>3</td>
<td>3.43</td>
</tr>
<tr>
<td>Information Distribution</td>
<td>2.52</td>
<td>3.92</td>
<td>3</td>
<td>3.43</td>
</tr>
<tr>
<td>Performance Reporting</td>
<td>2.51</td>
<td>3.84</td>
<td>3</td>
<td>3.32</td>
</tr>
<tr>
<td>Issues Tracking and Management</td>
<td>2.45</td>
<td>3.85</td>
<td>3</td>
<td>3.40</td>
</tr>
<tr>
<td>Risk Identification</td>
<td>2.55</td>
<td>3.93</td>
<td>3</td>
<td>3.45</td>
</tr>
<tr>
<td>Risk Quantification</td>
<td>2.31</td>
<td>3.51</td>
<td>3</td>
<td>3.23</td>
</tr>
<tr>
<td>Risk Response Development</td>
<td>2.18</td>
<td>3.82</td>
<td>3</td>
<td>3.15</td>
</tr>
<tr>
<td>Risk Control</td>
<td>2.31</td>
<td>3.91</td>
<td>3</td>
<td>3.23</td>
</tr>
<tr>
<td>Risk Documentation</td>
<td>2.19</td>
<td>3.80</td>
<td>3</td>
<td>3.04</td>
</tr>
<tr>
<td>Procurement Planning</td>
<td>2.93</td>
<td>3.92</td>
<td>3</td>
<td>3.19</td>
</tr>
<tr>
<td>Requisition</td>
<td>3.00</td>
<td>3.91</td>
<td>3</td>
<td>3.15</td>
</tr>
<tr>
<td>Solicitation / Source Control</td>
<td>2.90</td>
<td>3.88</td>
<td>3</td>
<td>3.11</td>
</tr>
<tr>
<td>Contract Management / Closure</td>
<td>3.00</td>
<td>3.94</td>
<td>3</td>
<td>3.23</td>
</tr>
</tbody>
</table>

The average PM maturity for the project integration management knowledge area is calculated from the lowest maturity level for the components of the knowledge area. The current level of maturity for the project integration management knowledge area is therefore at a structured process and standards (level 2). The required maturity level for project integration knowledge area is at an organizational standard and institutional process level (level 3) for both round 1 and round 2 of the survey. The summary of the calculated average PM maturity levels currently in the consultation engineering industry represented by the respondents and their perceived maturity levels required in the consulting engineering industry is shown in Figure 2 for each of the nine PM knowledge areas.
Based on the lowest maturity level for the nine knowledge areas the current PM maturity level in the consulting engineering industry is at a level 2 (See Figure 2). A Level 2 PM maturity refers to a structured process and standards level. Although two of the knowledge areas had a required maturity level of 4
(managed process) in the round 1 survey, the required maturity level to achieve more successful project delivery consistently in consulting engineering industry is at a level 3 (See Figure 2) for both round 1 and round 2 of the survey.

The summary of the PMO maturity levels for the current and required levels for round 1 and 2 is shown in Table 4. From Table 4 it is seen that a small range of maturity percentages is visible across the scopes and approaches of the PMO (25% to 34% for the current maturity, 79% to 85% for required maturity round 1 and 58% to 65% for required maturity for round 2).

Regression analysis revealed practically significant relationships between the PM maturity and the nine PMO maturity averages. It was seen that between 22% and 51% of PMO maturity can be explained by the variation in PM maturity. Furthermore, the ranking of the PMO functions differ depending on the scope of the PMO. The PMO functions ranked according to the average ranking of the required maturity level of enterprise, departmental and program-project PMOs are listed in Table 5.

The fact that reporting to management is the number one ranked function of the PMO in the Hobbs and Aubry (2007:82) survey and ranked much lower in this survey, may be attributed to the fact that in medium size organizations the PMO, PM and executive managers are involved with day-to-day operations to such an extent that dedicated reporting to management is not always perceived as important as it happens naturally in medium sized companies. Furthermore, it may also be that the important functions for the PMO’s in the Hobbs and Aubry (2007:82) survey were not representative of medium sized companies investigated in this study.

Table 5: Ranking of PMO functions by Hobbs and Aubry (2007:82) compared to survey average required maturity status ranking.

<table>
<thead>
<tr>
<th>PMO functionalities</th>
<th>Hobbs &amp; Aubry Percentages</th>
<th>Hobbs &amp; Aubry rankings</th>
<th>Average required rankings</th>
<th>Average required percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a set of tools without an effort to standardize</td>
<td>42%</td>
<td>19</td>
<td>1</td>
<td>70%</td>
</tr>
<tr>
<td>Manage one or more programs</td>
<td>48%</td>
<td>16</td>
<td>2</td>
<td>69%</td>
</tr>
<tr>
<td>Manage archives of project documentation</td>
<td>48%</td>
<td>15</td>
<td>3</td>
<td>68%</td>
</tr>
<tr>
<td>Develop and maintain a project scoreboard</td>
<td>59%</td>
<td>8</td>
<td>4</td>
<td>66%</td>
</tr>
<tr>
<td>Allocate resources between projects</td>
<td>40%</td>
<td>21</td>
<td>5</td>
<td>65%</td>
</tr>
<tr>
<td>Benefits management</td>
<td>29%</td>
<td>25</td>
<td>6</td>
<td>67%</td>
</tr>
<tr>
<td>Implement and operate a project information system</td>
<td>60%</td>
<td>5</td>
<td>7</td>
<td>65%</td>
</tr>
<tr>
<td>Conduct project audits</td>
<td>45%</td>
<td>17</td>
<td>8</td>
<td>65%</td>
</tr>
<tr>
<td>Implement and manage database of lessons learned</td>
<td>34%</td>
<td>23</td>
<td>9</td>
<td>64%</td>
</tr>
<tr>
<td>Monitor and control project performance</td>
<td>65%</td>
<td>3</td>
<td>10</td>
<td>64%</td>
</tr>
<tr>
<td>Promote project management within organisation</td>
<td>55%</td>
<td>9</td>
<td>11</td>
<td>63%</td>
</tr>
<tr>
<td>Conduct post project reviews</td>
<td>38%</td>
<td>22</td>
<td>12</td>
<td>65%</td>
</tr>
<tr>
<td>Provide advice to upper management</td>
<td>60%</td>
<td>6</td>
<td>13</td>
<td>64%</td>
</tr>
<tr>
<td>Execute specialized tasks for project managers</td>
<td>42%</td>
<td>20</td>
<td>14</td>
<td>64%</td>
</tr>
<tr>
<td>Report project status to upper management</td>
<td>83%</td>
<td>4</td>
<td>15</td>
<td>63%</td>
</tr>
<tr>
<td>Participate in strategic planning</td>
<td>49%</td>
<td>11</td>
<td>16</td>
<td>62%</td>
</tr>
<tr>
<td>Develop and implement a standard methodology</td>
<td>76%</td>
<td>6</td>
<td>17</td>
<td>61%</td>
</tr>
<tr>
<td>Implement and manage risk database</td>
<td>29%</td>
<td>24</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>Coordinate between projects</td>
<td>59%</td>
<td>7</td>
<td>19</td>
<td>59%</td>
</tr>
<tr>
<td>Manage customer interfaces</td>
<td>45%</td>
<td>18</td>
<td>20</td>
<td>59%</td>
</tr>
<tr>
<td>Identify, select and prioritise new projects</td>
<td>48%</td>
<td>14</td>
<td>21</td>
<td>59%</td>
</tr>
<tr>
<td>Provide mentoring for project managers</td>
<td>49%</td>
<td>12</td>
<td>22</td>
<td>58%</td>
</tr>
<tr>
<td>Develop competency of personnel, including training</td>
<td>65%</td>
<td>4</td>
<td>23</td>
<td>57%</td>
</tr>
<tr>
<td>Networking and environmental scanning</td>
<td>25%</td>
<td>26</td>
<td>24</td>
<td>55%</td>
</tr>
<tr>
<td>Recruit, select, evaluate and determine salaries for project managers</td>
<td>22%</td>
<td>27</td>
<td>26</td>
<td>53%</td>
</tr>
<tr>
<td>Monitor and control performance of PMO</td>
<td>50%</td>
<td>10</td>
<td>26</td>
<td>54%</td>
</tr>
<tr>
<td>Manage one or more portfolios</td>
<td>43%</td>
<td>13</td>
<td>27</td>
<td>53%</td>
</tr>
</tbody>
</table>

Source: (Van der Merwe, 2014:107).

CONCLUSIONS

From the survey results and literature study it was found that there is a definite increase in PM and PMO maturity required in order for medium sized consulting engineering organizations to deliver more successful projects in the mining and energy sector. It was also seen that the maturity levels required for both PM and
PMO are not the maximum maturity levels possible. From the empirical study, a definite relationship between PMO and PM was confirmed and it was seen that generally an organization with a PMO tends to have higher PM maturity levels. For a PMO to be successful, from literature it was seen that the PMO needs to adapt to the organization and environment it functions in. It was also discovered that a PMO is successful if it reaches the goals it set for itself. The PMO also contributes by systematically and continuously improving and adapting the PM of the company to add the most value to both internal and external customers of the PMO.

It is the researcher's opinion that the study is not representative of all medium sized consulting engineering organizations in SA and further research is required to determine industry specific PM and PMO maturity levels and to determine the resulting contribution a PMO can make in this regard.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The contribution the PMO can make towards the successful project delivery can be summarized / concluded from the literature and empirical study as follows:

Continuous improvement of PM by implementing and communicating process improvements and customizations based on lessons learned to avoid previous mistakes and build on previous successes.

PMO should be actively aware of changing needs within the company as well as the environment the company functions in to ensure that the PMO is aware of the company needs and adapts accordingly.

Depending on the scope of the PMO (either enterprise, departmental or program-project), the PMO needs to work out a plan on how to reach an intermediate level of maturity for a PMO in terms of strategic, tactical and operational approach.

By systematically using the required maturity levels summarized in Table 4, the PMO in the consulting engineering industry can identify what functions it needs to fulfill to reach the required maturity level.

For a start the PMO can only focus on the top three functions of a PMO identified in the survey that relate to:

- Providing a set of tools without an effort to standardize.
- Managing one or more programs.
- Managing archives or project documentation.

The 27 functions of a PMO all contribute towards assisting and enabling better PM, since PM is defined as making use of skill, knowledge, tools and procedures to achieve project goals. In the process the PMO contributes towards delivering more successful projects.

**REFERENCE LIST**


Van der Merwe, J. 2014. The contribution of the project management office to project delivery in the consulting engineering industry. Potchefstroom: NWU (Dissertation - MBA).


CUSTOMERS’ PERCEPTIONS OF RESTAURANT EXPERIENCE IN GAUTENG

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ABSTRACT
The experience economy is the necessary evolution of a services-based economy. This study investigates the relationship between the three dimensions of restaurant experience (food quality, employee service quality and the quality of the physical environment) and overall customer satisfaction. The results provide insights of the investigation of customers’ perceptions of restaurant experience to understand where restaurants have opportunities to improve customer satisfaction. A survey of customers in casual restaurants found that positive correlations occurred between the restaurant experience dimensions and overall customer satisfaction. In addition, food quality was found to be the most important predictor of overall customer satisfaction, followed by employee service quality and the quality of the physical environment. Restaurant managers should therefore focus on all three of these dimensions to improve customers’ perceptions of their restaurant experience as well as their restaurant’s overall customer satisfaction.

Key words: customer perception, restaurant experience, customer satisfaction, casual restaurants.

INTRODUCTION
The fundamental process in marketing is consumption and the essential concepts are satisfaction, value and utility. If there is a “new” concept in the digital age of information, knowledge, products and the service economy, it is that of consumer experiences (Achrol & Kotler, 2012:37). Pine and Gilmore (1999:25) stated that the experience economy is necessary in a service economy as those businesses that relegate themselves to the diminishing world of products and services will be portrayed irrelevant. Experience design and development are becoming exceptional disciplines (Alcántara, Artacho, Martínez & Zamora, 2014:1074). People do not really desire products but satisfying experiences as they want the experience to bring services which they hope the products will provide (Abbott, 1995:40).

A shift has been noticed from the service-orientated paradigm to the customer experience-orientated paradigm through customers’ senses, networks and a macro domain which cover the global commons (Achrol & Kotler, 2012:50). The paradigm shift evolves from the focus on the customer and services to the focus on consumer experiences and sensory marketing (Achrol & Kotler, 2012:36). The way consumer products and services are developed, provided and consumed has changed significantly as marketing are distributed between consumption networks, marketing networks, innovation networks and production networks.

Little existing literature is conducted on customers’ perception of restaurant experience in the restaurant industry in South Africa and more specifically casual restaurants in Gauteng. Experience can be defined as a customers’ internal response to restaurant-related stimuli (Zarantonello & Schmitt, 2010:533) which can be used to target customers’ emotions as customers now want a real, authentic and intriguing interaction with the product or service (Schmitt, 2009:417). Casual restaurants can be defined as restaurants that serve reasonably priced food and generally provide customers with table service, where food and drinks are served by a waitron (employee) at the customers’ table (Wall & Berry, 2007:81).

Previous studies (Ha & Jang, 2010; Namkung & Jang, 2008; Ryu & Jang, 2008; Wall & Berry, 2007; Matzler, Renzi & Rothenberger, 2006) have been conducted on the separate influences of restaurant experience (including food quality, employee service quality and quality of the physical environment) on customer satisfaction. The main purpose of this study is to investigate customers’ perceptions of restaurant experience in the casual restaurant industry in Gauteng by examining the relationships between the three dimensions of restaurant experience and the influence of these dimensions on customer satisfaction.
LITERATURE REVIEW

Relationship between restaurant experience and customer satisfaction

Customer satisfaction is an evaluation the customer makes after an experience with a product, service or brand (Jahanshahi, Gasti, Mirdamadi, Nawaser & Khaskar, 2011:255). A customer’s restaurant experience can positively influences customer satisfaction with the restaurant (Sahin, Zehir & Kitapci, 2011:1296; Brakus et al., 2009:66). Sensory, emotional, intellectual and behavioural stimuli contribute to the overall experiential value which enhances customers’ positive restaurant experience when customers interact with the service provider (Brakus et al., 2009:54). The more a customer engages with the product through the restaurant experience dimensions, the more favourable the customers’ perceptions will be about restaurant experience. Thus, customers are more satisfied with the brand or product (Brakus et al., 2009:63). It can therefore be hypothesised that:

Restaurant experience dimensions

In a casual restaurant setting, there are many quality aspects that could influence customers’ perception of their restaurant experience. Previous research has suggested that food quality, employee service quality and the physical environment are the three major dimensions of the restaurant experience (Antun, Frash, Costen & Runyan, 2010; Ha & Jang, 2010; Ryu & Han, 2009; Namkung & Jang, 2008). In addition, food quality, employee service quality and the physical environment are the major elements in increasing the accuracy of customer assessments of their restaurant experience (Andersson & Mossberg, 2004:171). Thus, the investigation of customers’ perceptions of their restaurant experience can be explored to understand where restaurants have opportunities to improve customer satisfaction. All three dimensions are discussed below.

Food quality: Food quality is perceived as a main restaurant product that significantly influences the dining experience (Ryu & Lee, 2013:7). While there is no consensus concerning the individual elements that represent food quality, a review of the literature reveals that the common depiction of food quality among researchers focuses on presentation, healthy options, taste, freshness, temperature and portion size.

Presentation may be defined as how attractively the food is presented and garnished. This serves as a tangible indicator of customer perception of quality (Namkung & Jang, 2008:144). Healthy options refer to nutritious and nourishing food options. Healthy options may have a significant effect on customer perception of the restaurant experience. According to Namkung and Jang (2008:144), many restaurant customers are health conscious. Thus, the availability of healthy food items is becoming progressively more important as one of the key ingredients of customer satisfaction.

Taste is seen as a core attribute in food that greatly influences customer satisfaction and future behaviour intentions (Antun et al., 2010:373; Ha & Jang, 2010:528; Namkung & Jang, 2008:144). Freshness refers to the fresh state of the food and is associated with its crispness, juiciness and aroma (Namkung & Jang, 2008:144). Temperature, together with other sensory properties, including taste, smell and sight, affects how the flavour of the food is evaluated (Namkung & Jang, 2008:145). The portion size of the meal can greatly influence customer satisfaction (Antun et al., 2010:373; Ha & Jang, 2010:521).

Food is the most fundamental part of the overall restaurant experience and is an unconditional requirement in satisfying the needs and expectations of restaurant customers (Namkung & Jang, 2008:144). Food quality is considered the most essential component of customers’ dining experience that affects customer satisfaction (Ha & Jang, 2010:520; Ryu & Han, 2010:312). It can thus be hypothesised that:

H1: The food quality is positively correlated with customer satisfaction.

Employee service quality: According to Ha and Jang (2010:521), service quality is a critical factor influencing brand experience which, in turn, influence customer satisfaction and future behaviours. Service quality is typically defined as the customer’s judgement of the overall excellence of the service. Therefore, it is the customer’s personal evaluation, formed by comparing expectations and perceived performance (Ha & Jang, 2010:521). Taking this into consideration, service quality can be conceptualised as the “gap” between customers’ expectations and their perceptions of the actual performance of the service (Chang, 2009:258-259; Ladhari, 2009:173; Chowdhari & Prakash, 2007:494). A distinction can be drawn between perceived service quality, which involves an overall impression of a service, and objective service quality, which involves an objective assessment on the basis of predetermined standards. Perceived service quality is defined by Stevens, Knutson and Patton (1995:60) as “a function of the interaction among three independent variables: normative expectations, predictive expectations, and actual service quality”.

In this study, service quality refers to the level of service provided by the restaurant employees. Employee services should largely determine the degree of overall customer satisfaction as well as the loyalty generated by the restaurant visit (Ryu & Han, 2011:1). A lack of consensus exists on whether service quality is an antecedent of customer service or vice versa. Since perceived levels of employee service in restaurants are based on the relationship between customers and employees, customers' perceptions and evaluation of service quality influences the restaurant experience and in turn, customer satisfaction (Ha & Jang, 2010:521). Therefore it can be hypothesised that:

H₂: Employee service quality is positively correlated with customer satisfaction.

**Quality of the physical environment:** Physical surroundings significantly influence customers’ restaurant experiences. Therefore, an attractive and unique physical environment design is extremely noticeable and viewed as common signature of an upscale restaurant (Ryu & Lee, 2013:8). Various aspects of the physical environment are used by customers as tangible cues in order to evaluate the quality of services provided. These aspects include facility layout, facility aesthetics, ambiance and lighting (Ryu & Han, 2011:2).

*Facility layout* refers to the way in which objects are arranged within the environment (Ryu & Han, 2011:3; Namkung & Jang, 2008:145; Ryu & Jang, 2008:1155). The location of tables in restaurants may have an impact on the customer's overall dining experience. According to Ryu and Han (2011:3), table placement has the ability to transmit a sense of privacy, portray the desired functionality and operate as a boundary for the customer. *Facility aesthetics* refer to the architectural design, including the interior design, the colours used in the facility and decor that contribute to the attractiveness of the dining environment (Ryu & Han, 2011:2; Ryu & Jang, 2008:1153). According to Ryu and Han (2011:1153-1154), once customers enter the dining area, they may spend hours, consciously or subconsciously, observing the interior. These evaluations are likely to affect their attitude towards the restaurant. Colour schemes and decor achieve similar effects (Namkung & Jang, 2008:145).

*Ambiance* aspects are intangible background characteristics that include music, temperature, odours and noise levels (Ryu & Han, 2011:3; Antun et al., 2010:373; Namkung & Jang, 2008:145; Ryu & Jang, 2008:1155). These characteristics can greatly influence customer satisfaction. The type of lighting used by a restaurant may influence an individual's perception of the quality of the space, which may consequently change his or her awareness of physical, emotional and psychological aspects of the space and accordingly alter customer satisfaction and behaviour intentions (Ryu & Han, 2011:3; Ryu & Jang, 2008:1155).

According to Ryu and Han (2010:313), the impact of the physical environment in creating an image and influencing customer behaviour is particularly important in the restaurant industry. The physical environment itself may produce feelings of excitement, pleasure and relaxation, thereby influencing a customer's dining experience (Namkung & Jang, 2008:145). It can therefore be hypothesised that:

H₃: The quality of the physical environment is positively correlated with customer satisfaction.

**PROBLEM INVESTIGATED**

This study investigated customers' perceptions of their restaurant experience in the casual restaurant industry in Gauteng by examining the relationships between the three dimensions of restaurant experience (food quality, employee service quality and the quality of the physical environment) and customer satisfaction.

**RESEARCH OBJECTIVES**

The study will be guided by the following specific research objectives:

- To determine customers' perceptions of food quality in casual restaurants in Gauteng.
- To determine customers' perceptions of employee service quality in casual restaurants in Gauteng.
- To determine customers' perceptions of the physical environment in casual restaurants in Gauteng.
- To examine the extent to which the quality of the food, employee service quality and the physical environment predicts overall customer satisfaction.

**RESEARCH METHODOLOGY**

**Sampling and data collection**

A quantitative study was conducted on customers' perceptions of restaurant experience in Gauteng. The target population for this study was restaurant customers who visited casual restaurants in Gauteng including Spur, Cappuccinos, Mugg and Bean, Ocean Basket and Cape Town Fish Market, where customers sat down at a table to enjoy a meal and were served by a waitron. Probability sampling was used to select the groups (clusters) to participate in the survey as cluster sampling was done as the population was divided
into discrete groups (clusters) prior to sampling and can be based on any naturally occurring grouping (Zikmund, Babin, Carr & Griffin, 2010:401). For the purpose of this study clusters were identified as family dining and casual dining restaurants within malls. A subset of these identified clusters was randomly selected. The actual sampling units of this study were the individual customers who visited casual restaurants including Spur, Cappuccinos, Mugg and Bean, Ocean Basket and Cape Town Fish Market where customers sat down at a table to enjoy a meal and were served by a waitron. The sampling units of this study were selected through random sampling.

The sample therefore consisted of the entities within each of the chosen clusters. Self-administered questionnaires were used to collect primary data. The initial questionnaire was pre-tested using a convenience sample of 10 restaurant customers. The questionnaires were delivered to the various restaurants where, in the case of family dining restaurants, the staff was requested to hand out the questionnaires when the customer was ready to pay. With regards to the casual dining restaurants, the staff was asked to hand out the questionnaires while the customer’s meal was being prepared. No changes were made to the questionnaire after conducting the pre-test.

A convenience sample consisting of 280 restaurant customers in Gauteng was selected. After the treatment of missing values, a total of 265 questionnaires were analysed. Data for the main study were collected at respondents’ homes during July and August 2011, using a structured questionnaire. Two screening questions were asked to the respondent before completing the questionnaire which determined that the respondent meets the characteristics of the target population for this study. The two screening questions requested whether the respondent was 18 years old or older and whether the respondent was a customer at one of the selected restaurants (Spur, Cappuccinos, Mugg and Bean, Ocean Basket and Cape Town Fish Market).

In addition, online questionnaires were also sent out via e-mail to various respondents as there were not enough data collected from respondents at their homes. No incentives were offered to respondents to encourage them to complete the questionnaire and a consent form was used to inform and ensure respondents about their anonymity and freely given choice to participate in the survey. Table 1 provides a socio-demographic profile of the respondents who participated in the study.

### Table 1: A socio-demographic profile of the respondents

<table>
<thead>
<tr>
<th>Gender:</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>113</td>
<td>42.80</td>
</tr>
<tr>
<td>Female</td>
<td>151</td>
<td>57.20</td>
</tr>
<tr>
<td>Total</td>
<td>264</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age:</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 – 25 years</td>
<td>60</td>
<td>22.64</td>
</tr>
<tr>
<td>26 – 35 years</td>
<td>70</td>
<td>26.42</td>
</tr>
<tr>
<td>36 – 45 years</td>
<td>58</td>
<td>21.89</td>
</tr>
<tr>
<td>46 – 55 years</td>
<td>47</td>
<td>17.74</td>
</tr>
<tr>
<td>56 and older</td>
<td>30</td>
<td>11.32</td>
</tr>
<tr>
<td>Total</td>
<td>265</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: The totals for gender and age differ because of missing responses.

### Measurement

The questionnaire used in this study was based on previous research conducted on satisfied restaurant (Ha & Jang, 2010; Ryu & Han, 2011; Ryu & Han, 2010; Namkung & Jang, 2008; Ryu & Jang, 2008). The questionnaire commenced with an open-ended question in which respondents were requested to record the specific casual restaurant chosen as reference for the questionnaire. The three dimensions of restaurant experience (food quality, employee service quality and quality of the physical environment) were measured thereafter with 22 items. All of these items were measured on a five-point Likert scale ranging from 1 = “Strongly disagree” to 5 = “Strongly agree”.

The breakdown per dimension was as follows:

- **Food quality** – seven items (adapted from Antun et al., 2010; Ha & Jang, 2010; Namkung & Jang, 2008; Ryu & Han, 2010).
- **Employee service quality** – six items (adapted from Antun et al., 2010; Ha & Jang, 2010; Ryu & Han, 2010; Namkung & Jang, 2008).
Quality of the physical environment – nine items (adapted from Ryu & Han, 2011; Ryu & Han, 2010; Antun et al., 2010; Namkung & Jang, 2008; Ryu & Jang, 2008).

Overall customer satisfaction was measured by a single item. Price fairness and revisit intention were also measured by a single item, but were not used for further statistical analyses. The remainder of the questionnaire was used to collect demographic data, including the gender of the respondent and the respondent’s age.

RESULTS

From a practical perspective, the findings of the study may aid restaurateurs to gain a better understanding of the service quality perceptions and satisfaction levels of restaurant patrons. The respondents provided responses with reference to 72 different casual restaurants. The most frequently listed restaurants included Spur (56), Ocean Basket (34), Cappuccinos (28), Mugg and Bean (19) and Cape Town Fish Market (11). Before the data were analysed, the discriminant validity and reliability of the scales measuring food quality, employee service quality and the quality of the physical environment were assessed by means of exploratory factor analysis and Cronbach Alpha respectively.

Dimensionality analysis

Principal Components Analysis with Varimax rotation was performed on the items to measure food service quality using the Statistical Package for the Social Science (SPSS version 19). The Kaiser-Meyer-Olkin (KMO) was 0.909 (>0.06) and the significant value was 0.000 (<0.05), which meant the data were adequate to be factor analysed. The factor analysis demonstrated sufficient discriminant validity which indicated that each item loaded on one factor to a significant extent of 0.4 as shown in Table 2. This analysis was performed in order to confirm the dimensionality and discriminant validity of the three sub-scales measuring food quality, employee service quality and quality of the physical environment respectively and to remove any items with insufficient factor loadings. To determine the number of factors to be extracted, a scree plot, the eigenvalue-greater-than-unity rule of thumb and interpretability of the resulting factors were used.

The initial factor analysis revealed four components with eigenvalues exceeding one and three items (food temperature, restaurant noise level and lighting) loading on more than one factor. After removing food temperature, the factor analysis revealed three components with eigenvalues exceeding one and one item (restaurant noise level) loading on more than one factor. After both items (food temperature and restaurant noise level) had been removed, the factor analysis revealed three components with eigenvalues exceeding one, explaining 23.7%, 18.4% and 17.1% of the variance respectively. In addition, no items loaded on more than one factor (see Table 2). The three components correspond to the three food service quality dimensions, namely employee service quality (component 1), food quality (component 2) and quality of the physical environment (component 3).

Table 2: Rotated component matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick and prompt service</td>
<td>0.869</td>
<td>0.176</td>
<td>0.225</td>
</tr>
<tr>
<td>Staff did not keep me waiting</td>
<td>0.835</td>
<td>0.225</td>
<td>0.192</td>
</tr>
<tr>
<td>Staff willing to help</td>
<td>0.781</td>
<td>0.264</td>
<td>0.193</td>
</tr>
<tr>
<td>Staff had knowledge to answer questions</td>
<td>0.748</td>
<td>0.311</td>
<td>0.174</td>
</tr>
<tr>
<td>Friendliness and appearance of staff</td>
<td>0.717</td>
<td>0.211</td>
<td>0.304</td>
</tr>
<tr>
<td>Meal served within reasonable time</td>
<td>0.712</td>
<td>0.211</td>
<td>0.244</td>
</tr>
<tr>
<td>Staff knowledgeable about menu items</td>
<td>0.663</td>
<td>0.340</td>
<td>0.155</td>
</tr>
<tr>
<td>Fresh food</td>
<td>0.249</td>
<td>0.789</td>
<td>0.192</td>
</tr>
<tr>
<td>Tasty food</td>
<td>0.271</td>
<td>0.771</td>
<td>0.277</td>
</tr>
<tr>
<td>Meal exactly as ordered</td>
<td>0.308</td>
<td>0.691</td>
<td>0.180</td>
</tr>
<tr>
<td>Presentation of food</td>
<td>0.336</td>
<td>0.658</td>
<td>0.195</td>
</tr>
<tr>
<td>Amount of food</td>
<td>0.161</td>
<td>0.652</td>
<td>0.147</td>
</tr>
<tr>
<td>Healthy options</td>
<td>0.141</td>
<td>0.621</td>
<td>0.148</td>
</tr>
<tr>
<td>Colours</td>
<td>0.131</td>
<td>0.269</td>
<td>0.746</td>
</tr>
<tr>
<td>Interior design</td>
<td>0.194</td>
<td>0.303</td>
<td>0.737</td>
</tr>
<tr>
<td>Lighting</td>
<td>0.332</td>
<td>0.106</td>
<td>0.691</td>
</tr>
<tr>
<td>Facility layout</td>
<td>0.094</td>
<td>0.011</td>
<td>0.643</td>
</tr>
<tr>
<td>Background music</td>
<td>0.283</td>
<td>0.140</td>
<td>0.616</td>
</tr>
<tr>
<td>Inside temperature</td>
<td>0.104</td>
<td>0.183</td>
<td>0.541</td>
</tr>
<tr>
<td>No unpleasant odours</td>
<td>0.197</td>
<td>0.277</td>
<td>0.473</td>
</tr>
</tbody>
</table>
Reliability and quantification of dimensions

The next step in the data analysis phase was to assess the reliability of the sub-scales measuring each underlying dimension of food service quality. The results in Table 3 indicate that the instrument used to measure food service quality in restaurants is reliable as all the dimensions (excluding customer satisfaction) had a Cronbach Alpha above 0.7 which is adequate for internal consistency. The reliability of the customer satisfaction dimension could not be calculated as the customer satisfaction had only item. Employee service quality had the highest Cronbach Alpha of 0.92.

Table 3 includes the Cronbach Alpha (α) for each food service quality dimension, the total scores for the three food service quality dimensions as well as the mean (M) and standard deviation (SD) of each sub-dimension. On average, food quality (M = 4.08) was the highest-rated factor, followed by quality of the physical environment and employee service quality (M = 3.88 and 3.68 respectively).

<table>
<thead>
<tr>
<th>Food service quality dimensions</th>
<th>α</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy options</td>
<td>0.86</td>
<td>3.81</td>
<td>0.85</td>
</tr>
<tr>
<td>Presentation of food</td>
<td></td>
<td>4.00</td>
<td>0.71</td>
</tr>
<tr>
<td>Fresh food</td>
<td></td>
<td>4.06</td>
<td>0.80</td>
</tr>
<tr>
<td>Amount of food</td>
<td></td>
<td>4.08</td>
<td>0.78</td>
</tr>
<tr>
<td>Meal exactly as ordered</td>
<td></td>
<td>4.20</td>
<td>0.80</td>
</tr>
<tr>
<td>Tasty food</td>
<td></td>
<td>4.30</td>
<td>0.70</td>
</tr>
<tr>
<td>Employee service quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff did not keep me waiting</td>
<td>0.92</td>
<td>3.68</td>
<td>0.79</td>
</tr>
<tr>
<td>Quick and prompt service</td>
<td></td>
<td>3.49</td>
<td>1.04</td>
</tr>
<tr>
<td>Meal served within reasonable time</td>
<td></td>
<td>3.57</td>
<td>1.02</td>
</tr>
<tr>
<td>Friendliness and appearance of staff</td>
<td></td>
<td>3.67</td>
<td>0.93</td>
</tr>
<tr>
<td>Staff willing to help</td>
<td></td>
<td>3.74</td>
<td>0.97</td>
</tr>
<tr>
<td>Staff had knowledge to answer questions</td>
<td></td>
<td>3.75</td>
<td>0.91</td>
</tr>
<tr>
<td>Staff knowledgeable about menu items</td>
<td></td>
<td>3.88</td>
<td>0.87</td>
</tr>
<tr>
<td>Physical environment quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Background music</td>
<td>0.81</td>
<td>3.88</td>
<td>0.57</td>
</tr>
<tr>
<td>Facility layout</td>
<td></td>
<td>3.49</td>
<td>1.00</td>
</tr>
<tr>
<td>Lighting</td>
<td></td>
<td>3.67</td>
<td>0.92</td>
</tr>
<tr>
<td>Inside temperature</td>
<td></td>
<td>3.89</td>
<td>0.86</td>
</tr>
<tr>
<td>Interior design</td>
<td></td>
<td>3.96</td>
<td>0.76</td>
</tr>
<tr>
<td>Colours</td>
<td></td>
<td>3.96</td>
<td>0.80</td>
</tr>
<tr>
<td>No unpleasant odours</td>
<td></td>
<td>4.03</td>
<td>0.78</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction with dining experience</td>
<td></td>
<td>4.02</td>
<td>0.78</td>
</tr>
</tbody>
</table>

Notes: Scale values range from 1 (Strongly disagree) to 5 (Strongly agree); the higher the mean score, the higher the level of agreement.

Multiple regression analysis

In order to test the hypotheses, a multiple regression analysis was conducted. The dependent variable was customer satisfaction. The independent variables consisted of the three dimensions of restaurant experience, namely food quality, employee service quality and quality of the physical environment. Two outliers were identified by means of a scatterplot and were subsequently excluded from the analysis. After the exclusion of the two outliers, the distribution of the residuals did not differ significantly from a normal distribution. The assumption of normality was therefore not contravened.

The variance inflation factor (VIF), with the benchmark value of 10, was used to assess multicollinearity. Since all variables had low VIF values (food quality = 1.95, employee service quality = 1.85 and physical environment quality = 1.64), the assumption on multicollinearity was not violated. The level of significance used in the study was 0.05. The results indicated a p-value of the F-test < 0.0001 (see Table 4). The model
is thus statistically significant. It can therefore be concluded that the independent variables (food quality, employee service and quality of the physical environment) contribute significantly towards explaining the dependent variable (customer satisfaction).

The overall explanatory power of the regression model is determined by interpreting $R^2$, which is the ratio that measures the variance of the dependent variable that is explained by the independent variables. Thus, 59% ($R^2 = 0.59$) of the dependent variable is explained by the three independent variables. Taking this into consideration, as well as the fact that the F-test value is significant, it can be concluded that a significant relationship is present between the dependent variable and the independent variables. In addition, the results (see Table 4) indicate that food quality ($t$-value = 6.72) and employee service quality ($t$-value = 5.90) impacted positively on overall customer satisfaction followed by quality of the physical environment ($t$-value = 3.83).

Table 4: Regression analysis results

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Beta coefficients</th>
<th>t-values</th>
<th>Level of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food quality</td>
<td>0.37</td>
<td>6.72</td>
<td>0.00*</td>
</tr>
<tr>
<td>Employee service quality</td>
<td>0.33</td>
<td>5.90</td>
<td>0.00*</td>
</tr>
<tr>
<td>Physical environment quality</td>
<td>0.20</td>
<td>3.83</td>
<td>0.00*</td>
</tr>
</tbody>
</table>

Notes: * p < 0.001  $R^2 = 59%$

Each hypothesis stated below is followed by a concise conclusion on whether the particular hypothesis was supported or not supported:

$H_1$: Quality of food is positively correlated with customer satisfaction.

With reference to the p-value (< 0.0001) and t-value (6.72), food quality is a positive predictor of customer satisfaction. Therefore $H_1$ is supported.

$H_2$: Quality of employee service quality is positively correlated with customer satisfaction.

With reference to the p-value (< 0.0001) and t-value (6.72), food quality is a positive predictor of customer satisfaction. Therefore $H_2$ is supported.

$H_3$: Quality of the physical environment is positively correlated with customer satisfaction.

With reference to the p-value (< 0.0001) and t-value (6.72), food quality is a positive predictor of customer satisfaction. Therefore $H_3$ is supported.

Discussion and summary of results

This study investigated customers' perception of restaurant experience in Gauteng by investigating the influence of the dimensions of restaurant experience, namely food quality, employee service quality and quality of the physical environment, on customer satisfaction. This research contributes to marketing literature by demonstrating the importance of the quality of restaurant experience dimensions which, in turn, result into customer satisfaction in restaurants. Most previous research focused on only one dimension of restaurant experience such as the physical environment of the restaurant. In addition, most studies have focused on only one or a few elements of the physical environment dimension (e.g. facility layout).

In this study the most widely used sub-dimensions in previous research were combined to examine the relationship between restaurant experience dimensions and customer satisfaction and to determine which dimensions customers experience as the most important determinant of satisfaction. This study makes contributions towards understanding where restaurants have opportunities to improve their customers' restaurant experiences. The study could provide restaurateurs with various insights into the important role of food quality, employee service quality and quality of the physical environment in creating a satisfying restaurant experience.

CONCLUSIONS

Firstly, the empirical results revealed that the proposed instruments for measuring customers’ experience in restaurants demonstrate sufficient discriminant validity (Table 2) and reliability (Table 3). Secondly, this study tested three hypotheses by means of a multiple regression analysis. All three hypotheses were supported, indicating that the restaurant dimensions (food quality, employee service quality and physical environment quality) are all positively correlated with overall customer satisfaction. Lastly, the results showed that food
quality was the strongest predictor of customer satisfaction, followed by employee service quality and quality of the physical environment.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

As the results indicated, customers perceive food quality, employee service quality and quality of the physical environment as determinants of overall customer satisfaction. Restaurant managers have to focus their attention on all three of these dimensions to enhance restaurant experience to result into customer satisfaction. Food quality was identified as the most important predictor of customer satisfaction followed by employee service quality and quality of the physical environment.

Since food is a fundamental element of restaurant experience, there can be no doubt that food quality has, and will continue to have, a significant influence on customer satisfaction. Therefore, restaurants should focus on customers’ taste, smell and sight senses to ensure that tasty, fresh and garnished food dishes are provided that exceeds customer standards. Food dishes should be garnished to enhance the presentation of the food. The presentation of food is important as it will satisfy customers with a sense of aesthetics. Since customers are becoming more health conscious, healthy meal options are thus essential to include on restaurants’ menus.

Furthermore, what takes place during the interaction between customers and staff (waiters) can have a considerable impact on the experience that customers experience as customers spend time to interact with staff, which is crucial that service providers in restaurants pay close attention to training staff in customer relations. For example, a restaurant’s staff needs to provide prompt service, be knowledgeable about menu items, read situations and their appearance should be appealing. The importance of the staff’s responsiveness should be emphasised to be always available when customers need assistance.

Service providers’ opportunities to co-create value with customers during direct interactions have an effect on the value creation of customers as well as on their future purchasing and consumption behaviour as co-creation is a function of interaction (Grönroos & Voima, 2013:147). A restaurant should make an effort to recruit the type of people who will be able to help create a positive service climate for both employees and customers. Positive customer relationships should be created and managed as it is an important element in the success of a restaurant (Jacob, Guéguen & Boulbry. 2014:50).

Management should be sensitive to the role of the physical environment in attracting customers. This study shows that facility layout, interior design, colours used, music, lighting and interior temperature are essential features in stimulating customers’ senses to create a positive restaurant experience. Paying attention to the selection of appealing interior design, including the colours used inside and outside the restaurant, can upgrade the image of the restaurant setting and help establish the overall atmosphere and tone. Regarding the facility layout, restaurant managers should recognise the fact that customers value both functionality and privacy. Lighting and music are other important elements which can create atmosphere when used appropriately.

The management of customers’ perceptions of physical environments should be understood by restaurant marketers as each part of the physical environment has an effect on customers’ senses and plays a role in the customer’s dining experience. Promises should also be fulfilled to create a satisfying experience for a restaurant’s customer. When redesign for a restaurant is consider, the perceptions of customers need to be evaluated regarding the facilities and interior design of the restaurant such as the colour or furniture before any investments are made. However, customers’ individual differences such as first-time visitors versus repeat visitors, as well as different time periods should be taken into account as their perceptions can vary.

**LIMITATIONS OF THE STUDY**

This study had several limitations. The first limitation is that overall customer satisfaction was measured by using a single item. More accurate responses might have been recorded if a multiple-item measure had been used with a five or seven-point Likert scale. More statements regarding customer satisfaction could have been included. The second limitation is that the sub-dimension “the friendliness and appearance of the staff was appealing” was initially added under the dimension of quality of the physical environment, rather than quality of employee service. In addition, the statement the respondents were asked to rate was double-barreled and should have been split into two separate statements. Lastly, the study was limited to only use specific restaurants in Gauteng. A greater variety of restaurants in different regions could be used.

**REFERENCE LIST**


ENTREPRENEURIAL LEADERSHIP IN DYNAMIC MARKETS:
A SOUTH AFRICAN EXPLORATION

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University of Johannesburg  
D. Groenewald  
University of Johannesburg

ABSTRACT
Entrepreneurial leadership has become an important source of sustainable competitive advantage in dynamic markets. The dynamic nature of the South African business environment, low entrepreneurial activity and the high failure rate of small and medium-sized businesses in the country suggest that (i) the importance of Entrepreneurial leadership is not recognised, (ii) Entrepreneurial leadership capabilities are insufficient, and (iii) perceptions about the business environment are not clear. The study was conducted amongst leaders and managers of small and medium-sized businesses in Johannesburg using survey methodology. The objectives were to answer the following research questions: Is Entrepreneurial leadership regarded as important? Are Entrepreneurial leadership capabilities exhibited? Is the business environment regarded as dynamic? The findings suggest that leaders and managers of small and medium-sized businesses operating in Johannesburg: (a) perceive Entrepreneurial leadership as significantly important; (b) perceive that they exhibit Entrepreneurial leadership capabilities and (c) appear indifferent about market dynamics.

Key words: Entrepreneurial leadership, Entrepreneurial management, Corporate entrepreneurship, Entrepreneurship

INTRODUCTION
Organisations in South Africa face numerous challenges including the imperative to develop Entrepreneurial leadership and the need for local organisations to improve their global competitiveness and in general the country’s capacity for innovation (Scheepers & Hough, 2008:22). The nature of business has been transformed in this fast-paced, highly threatening and increasingly global environment. Dramatic and ongoing changes compel business leaders to regularly reassess the basic purpose of organisations and to become much more flexible in serving multiple stakeholders. Organisations must redefine markets continually, restructure operations and modify business models (Kuratko, 2009:421). In the light of this ongoing turbulence, markets are consequently being described as dynamic (Tarabishy, Solomon, Fernald & Sashkin, 2005:20).

According to McGregor (2008) in Kuratko (2009:421), as the rules of competitive business keep on changing, organisations begin to realise that sustainable competitive advantage is short-lived. Allee (2000) in Scheepers and Hough (2008:20), confirms that in the new globalised knowledge economy value is created by intangible assets such as knowledge, creativity and Entrepreneurial leadership. Various authors concur with the notion of Entrepreneurial leadership, for example Kempster and Cope (2010:5), Gupta, MacMillan and Surie (2004:242) and Tarabishy et al. (2005:20) suggest that a new type of entrepreneurial leader is required in the turbulent and competitive environment that organisations face today.

Covin, Sleevin and Heely (2000) in Kuratko (2009:421), state that the early 21st century has been a time when entrepreneurial actions have been acknowledged widely as the avenue to competitive advantage and success in organisations of all types and sizes. Achieving entrepreneurial actions is not something that business leaders and managers can simply decide to implement. Corporate innovation requires considerable time, investment and continuous reinforcement. By its nature the organisation imposes constraints on entrepreneurial behaviour. In order to be sustainable the entrepreneurial spirit must be integrated into the mission, goals, strategies, structure, processes and values of the organisation. In this regard flexibility, speed, innovation and Entrepreneurial leadership are the cornerstones (Kuratko, 2009:422).

Tarabishy et al. (2005:20) caution that organisational strategies and structures that proved to be effective in stable markets in the past will limit the survival of organisations attempting to compete in current dynamic markets. Considering the discussion thus far, an entrepreneurial imperative clearly exists for organisations to innovate, transform and to adapt to change or face obsolescence and ruin (Kyrgidou & Hughes, 2010:45).

Entrepreneurial leadership has become an important source of sustainable competitive advantage according to Scheepers and Hough (2008:21), and it is for this reason that this study seeks to investigate the
importance of Entrepreneurial leadership in the dynamic South African business environment (Visser, De Coning & Smit, 2005:52).

LITERATURE REVIEW

The literature review begins with an introductory discussion on dynamic markets, followed by a discussion on the definition of Entrepreneurial leadership. Further the nature of Entrepreneurial leadership is explored, the review concludes with a discussion on the importance of Entrepreneurial leadership.

Dynamic markets

Markets are described as dynamic with characteristics of innovation-based competition, price or performance rivalry, increasing returns and the creative destruction of existing competencies. The pace, scale and direction of change constantly accelerate in emerging markets creating complex and volatile environments (Tarabishy et al., 2005:21).

In a dynamic market situation a distinction can be made between environmental factors that present opportunities or create hostility. Opportunity-rich environments stimulate entrepreneurial activities since businesses perceive turbulence (continued change of market), technological opportunities (perceived availability of new niches in the market for new or existing technologies) and demand for new products in an industry, as presenting potential for growth. Hostility in environments stimulate entrepreneurial activities since businesses perceive unfavourable changes (e.g. declining demand for a business’s products, limited resources, loss of investor confidence and regulatory changes) and competitive rivalry (the nature of competitive dynamics in an industry) as threatening and hence businesses respond by formulating entrepreneurial responses to overcome these perceived threats (Scheepers & Hough, 2008:25).

Ensley, Pearce and Hmieleski (2006:247) confirm that dynamic environments are characterised by unpredictable and fast change, which increases uncertainty for individuals and organisations operating within these conditions. Uncertainty is described as the difference between projected and actual results and is the product of limited information for decision-making.

According to Mintzberg (1973:49) certain types of organisations that operate in uncertain environments, in particular entrepreneurial organisations, tend to take more risks than other types of organisations and would also proactively look for new business opportunities. Miller and Friesen (1982:5) further argued that entrepreneurial organisations are characterised as being bold and regular innovators as well as considerable risk-takers with regard to product-market strategies, thus entrepreneurial organisations that exhibit such characteristics, appear more adept and thrive in dynamic markets. Brown and Eisenhardt (1998) and Brettis and Hitt (1995) in Tarabishy et al. (2005:21) found that ineffective organisations that used traditional approaches to strategy in dynamic markets discovered the need to utilise entrepreneurial approaches to improve performance. This need for entrepreneurial strategies, has arguably led to the prominence and importance of Entrepreneurial leadership in dynamic markets (Zahra, 1991:277).

Tarabishy et al. (2005:21) further state that an entrepreneurial strategic posture is a strategic orientation that organisational leaders adopt to implement a strategy to compete in dynamic markets. Entrepreneurial orientation represents the leaders’ and managers’ strategic orientation, instead of the shared values, beliefs and norms of organisational members.

Defining Entrepreneurial leadership


Due to the many definitional problems (Crute, 2010:209; Hunt-Oxendine, 2010:104; Jones & Crompton, 2009:334; Huynh; 2007:31; Fynn, 2005:134) underlying the Entrepreneurial leadership construct, the leadership theory (Wang, Lee-Davies, Kababde & Xie, 2011:18; De Beer, 2009:15; Serfontein, 2008:60; Cogliser & Brigham, 2004:780) was explored extensively to shed light on the construct.
For the purpose of this study the definition by Chen (2007:242) was adopted: “Entrepreneurial leadership is the style of leadership of the entrepreneurial leader when engaged in an effective combination of risk-taking, proactiveness and innovativeness: (a) risk-taking: willingness to absorb uncertainty and take the burden of responsibility for the future, (b) proactiveness: encouraging entrepreneurial initiatives that nurture and support innovation, (c) innovativeness: encouraging team members to think out-of-the-box and enhancing creative thinking.” This definition resonates with the notion of strategic entrepreneurial orientation as contemplated by Tarabishy et al. (2005:21) in the preceding discussion.

**Nature of Entrepreneurial leadership**

Literature suggests that entrepreneurial leaders should be preoccupied with vision enactment, team enactment and leading innovation:

**Vision enactment:** Employing a case study approach, D'Intino, Boyles, Neck and Hall (2008:42) provide a relevant and useful theory of visionary Entrepreneurial leadership based on the Boeing Company’s history of visionary Entrepreneurial leadership practice. Nanus (1992) in D'Intino et al. (2008:42), stated that visionary leadership provides clear and compelling directions for an organisation, to a certain extent providing both strategy and culture that communicate to everyone what to do and why. According to D'Intino et al. (2008:42), extending the scope from visionary leadership of an organisation to the leadership of an industry, results in what is termed industry visionary Entrepreneurial leadership, a theory based on the Boeing Company’s history of industry innovation and leadership. The industry visionary Entrepreneurial leadership theory incorporates a combination of visionary focus on product or service design and development, with the courage to recognise an organisation’s resource limitations and a willingness to risk financial ruin to achieve innovative performance and product or service goals. Mintzberg et al. (1998), in D'Intino et al. (2008:42), describe visionary leadership as style and strategy coupled together and requires more than just a vision. Kababadsse et al. (2005), in D'Intino et al. (2008:42), state that the leap from vision to visionary leadership entails working to create the future envisioned and incorporating the strategic direction and planning necessary to achieve it. Furthermore Tellis and Golder (2001), in D'Intino et al. (2008:42), suggests that it requires more than technological change, visionary leadership and commitment to create a future envisioned. It also takes strategic direction by organisations’ leaders to achieve long-term organisational survival and success. Enduring market leaders focus relentlessly on innovation and creating the best product possible for potential emerging markets, and are willing to cannibalise their current assets to realise that future. Boeing’s history helps explain the extension of Entrepreneurial leadership theory to a more expensive theory of visionary industry leadership. The relentless focus of leaders at Boeing on developing the future of aircraft at the risk of immediate financial success, captures both the ability of leaders to envision the future and the willingness to develop the vision and create the future (D’Intino et al., 2008:52).

**Team enactment:** The ability and skill to attract key followers, managers or team members, is one of the most valued capabilities of entrepreneurial leaders. There are numerous qualities that the entrepreneurial team needs to have, including relevant experience and skill, creativity, opportunity obsession and interpersonal skills (Chen, 2007:239). Deschamps (2005:31) postulates that entrepreneurial leaders facing the challenge of stimulating innovation, must select one or more champions to entrust with that critical mission. Selecting the right manager (innovation leader) who will have the leadership skills, charisma and determination to lead a major innovation initiative is one of the most important decisions an entrepreneurial leader has to make. Innovation leaders - those senior executives who create and lead the innovation process in the organisation, develop and coach innovators and promote an innovation culture - all have distinctive characteristics, especially when compared with other excellent, but more traditional business leaders. Six traits distinguish innovation champions from other types of leaders:

- An unusual combination of creativity and process discipline in bringing new product or service to market;
- An acceptance of risks and failures, coupled with an urge to make their staff learn from projects that go wrong;
- The courage to stop projects, not just start them, and discernment on when to persist versus when to pull the plug;
- A talent for building and steering winning teams and a knack for attracting and retaining innovators;
- Openness to external technologies or ideas and a willingness to experiment with these;
- High degree of passion for the mission and for innovation, as well as zeal for sharing passion with staff.

In reality the entrepreneurial leader plays the vital role of hiring the right people to manage each kind of innovation effort. It follows that top management must fully understand the importance of matching the skills of innovation leaders with the specific challenges and roles they will face in specific situations (Deschamps, 2005:37).

**Leading innovation:** De Jong and Den Hartog (2007:58) explored particular leader behaviours that are likely to enhance employees’ innovative behaviour. Innovative behaviour is described as behaviour directed...
towards the initiation and application of new and useful ideas, processes, products or procedures. De Jong and Den Hartog (2007:58) identified thirteen leader behavioural constructs that influence either idea generation or application behaviour or both. In terms of the findings of this research entrepreneurial leaders who want to enhance individual innovation among their employees could (a) consult them more, (b) ensure they have sufficient autonomy in deciding how to go about their task, and (c) support and recognise their initiatives and innovative efforts. Creating a positive and safe atmosphere that encourages openness and risk-taking appears to encourage idea generation and application. Although too much monitoring is likely to have a negative effect, some form of monitoring may be necessary to secure the effectiveness and efficiency of the organisation’s operations. Behaviours shown by leaders with the explicit purpose of influencing individual innovation were identified. For example, communicating an attractive vision that explicitly incorporates the role and preferred types of innovation may guide idea generation and application behaviour. Idea generation and opportunity exploration seem to also be enhanced by directly stimulating and probing employees to generate ideas (De Jong & Den Hartog, 2007:58).

In conclusion, the three essential tasks of Entrepreneurial leadership can be summarised as:
Vision enactment - providing outcomes contemplated by the “industry visionary Entrepreneurial leadership theory” which calls for a visionary focus on product or service design and development.
Team enactment - selecting the right innovation leaders.
Leading innovation - creating a positive and safe atmosphere for innovation.

The importance of Entrepreneurial leadership
Tarabishy et al. (2005:27) argue that much needs to be done to clarify the role and characteristics of future leaders, new organisational designs, new thinking patterns and new information systems will require new leadership styles. Thus Entrepreneurial leadership may offer an answer to the leadership challenges faced by future leaders.

Gupta et al. (2004:242) state that the business environment is increasingly turbulent and competitive, hence a type of entrepreneurial leader is required who is distinct from the traditional behavioural forms of leaders. Scheepers and Hough (2008:21) argue that within the rapidly changing economy Entrepreneurial leadership has become an important source of competitive advantage. Kuratko (2007:8) also asserts that Entrepreneurial leadership is becoming a global necessity and that the more understanding is created around the elements comprising this concept, the more the concept itself can be understood.

Ling and Jaw (2011:14) examined the relationships among top management teams’ Entrepreneurial leadership, international human capital management (IHCM) and global competitiveness and found that Entrepreneurial leadership was directly related to IHCM practices such as global selection, human capital investment, global leadership development and normative integration. The results further showed that Entrepreneurial leadership has indirect positive impacts on human capital return, global marketing, global learning and global innovation. The key conclusions were (i) the prevalence of Entrepreneurial leadership in the top management team is critical to a multinational company’s global competitiveness in dynamic environments, and (ii) entrepreneurial leaders are better at taking advantage of global opportunities and managing human capital for contributing to the organisation’s overall goals in the global context.

According to Gupta et al. (2004:257) the entrepreneurial leader may be more effective in competitive, change-orientated situations. Employees at every level of the organisation need to lead, that is to conceptualise and instigate change. However, what is needed more than ever before in organisations is Entrepreneurial leadership because it is essential for the future of organisations (Cohen, 2004:16).

Swiercz and Lydon (2002:388) confirmed that the entrepreneurial leader plays a critical role in the success of a new business venture and suggests that an increased understanding of the construct may eventually contribute to the reduction of the high failure rate of start-ups and more importantly, keep the talented entrepreneurs engaged in the business for the long term. Similarly, Yang (2008:272) found that leadership and management skills such as financial management, communication, motivation of others, vision, and self-motivation play important roles in determining the growth rate of especially a small business.

Organisational strategies and structures that might have worked in relatively stable markets in the past, will constrain the survival of organisations trying to compete in dynamic markets. Hence, Entrepreneurial leadership is necessary to assist a traditional organisation to change and adapt for sustainability and success. The increasing ineffectiveness of traditional strategy calls for an entrepreneurial approach to enhance an organisation’s performance, its capacity for transformation, and its chances for long-term survival (Tarabishy et al., 2005:20).
By means of a case study, Santora et al. (1999:106) investigated the need for Entrepreneurial leadership to transform non-profit organisations so that they can survive in highly competitive markets in the twenty-first century. Some of the results of this study highlight the importance of Entrepreneurial leadership, and how it can benefit non-profit organisations in a number of ways:
Entrepreneurial leadership establishes direction, aligns people, motivates and inspires. It produces change often to a dramatic degree and has the potential of producing very useful change.
Community-based non-profit organisations require a new breed of leadership- an entrepreneurial and visionary leader- in order to avoid organisational maturity and eventual decline. The leader articulates the vision and inculcates it through the entire organisation, from the bottom of the organisation to the chairperson of the board at the top.
Entrepreneurial leadership must be present in non-profit organisations because of the specific characteristics of the entrepreneurial leader.
Tarabishy et al. (2005:25) reason that entrepreneurial leaders can assist organisations by implementing an organisational strategy that is entrepreneurially orientated, thus an organisation that exhibits proactiveness, innovation and risk-taking. Chen (2007:239) found that the entrepreneurial leader is central to the entrepreneurial team- this leader is the one who has to create visionary scenarios that are necessary for selecting and mobilising a supporting team of interdependent team members who commit to and enact the vision to achieve strategic value creation.

A deeper understanding of Entrepreneurial leadership can also be useful in practice. According to Tarabishy et al. (2005:25), practitioners of high-risk lending may be interested in methods of assessing the business leaders' entrepreneurial capabilities and tendencies that can be moderated. Venture capitalists can recommend to business leaders to be less risk-taking and more proactive or innovative. This approach of influencing the organisation's strategy by moderating the various leadership tendencies of the business leader through consultation, training, and mentoring can influence and potentially improve the likelihood of higher returns on investments. This approach can also be used to find the top management team of an organisation who can make unique contributions to the organisation's strategy. Tarabishy et al. (2005:25) further state that by finding and identifying certain leadership traits and behaviours that are related to company success will help organisations understand what is required to compete in dynamic markets. A private company that is expanding may require a balanced approach between innovation, risk-taking and proactiveness in the pre-initial public offering (IPO) phase, whilst in the post-IPO stage the organisation may require an approach that promotes more innovation than risk-taking.

PROBLEM INVESTIGATED
The Global Entrepreneurship Monitor (GEM) survey in which South Africa has participated since 2001 provides useful insight into the extent and nature of entrepreneurial activity in South Africa. In 2010 South Africa ranked 27th out of 59 countries with its total entrepreneurial activity (TEA) rate of 8.9% which is below the average of 11.9% of all participating countries. South Africa's performance in terms of relative position or ranking has consistently been below the median in all previous GEM surveys, however 2010 is the first year that this trend has been reversed- an encouraging finding. The 2010 report further shows that a lack of human capacity is one of the key obstacles to increasing entrepreneurial activity in South Africa (Herrington, Kew & Kew, 2010:5).

In 2013 South Africa ranked 35th out of 68 countries with a total entrepreneurial activity rate of 10.6% which is below that of participating Sub-Saharan African countries. Although South Africa's TEA rate has been slowly growing since 2006, it has, accept for 2010 remained below the median for all GEM countries. The TEA rate decreased significantly below the median in 2012 but showed a slight improvement ahead of the median in 2013. Based on South Africa's stage of economic development, the latest GEM data suggests that the expected TEA for the country should be 14% to 16%; this figure is significantly more than South Africa's current TEA rate of 10.6% (Herrington, Kew & Kew, 2013:24).

Small and medium-sized businesses have been recognised as a nucleus of growth in all economies. These organisations however face numerous and complex challenges affecting performance and eventual survival (Pansiri & Temtime, 2010:46).

Small, medium and micro businesses form an important part of the economy. With more that 80% of all businesses in South Africa labelled as small, medium and micro businesses and contributing about 40% of all economic activity in the country, the survival of these entities is thus vital. Small, medium and micro businesses have the ability to: reduce unemployment and poverty through job creation, improve economic growth and income creation, minimise income inequality; encourage competition between businesses, ensure innovation in new product and service development, contribute to black economic empowerment,
provide employees with comprehensive learning experiences and higher levels of job satisfaction (Rootman & Krüger, 2010:109).

Thus, if the small, medium and micro businesses sector is adequately equipped to improve business performance, then a developing country such as South Africa could achieve its goals of improving economic growth and development and the creation of wealth and employment. However, the small, medium and micro business failure rate in South Africa is currently too high. 80% of small, medium and micro businesses fail within the first five years of existence (Rootman & Krüger, 2010:109).

Many businesses closed down in the economic crisis period 2007-2009, and this has led to heightened awareness of the importance of small, medium and micro businesses in the economy. Organisations were battling to access funds from banks because of strict credit terms and a general decrease in the production of products and services caused by the lack of consumer spending due to the prevailing economic conditions. Small, medium and micro businesses face various challenges: an abrasive legal environment, lack of access to markets and procurement, lack of access to finance and credit, low levels of managerial skills, lack of access to business information, and shortage of effective supportive institutions providing financial and training support. In addition, the difficult trading conditions pose an even larger challenge to small, medium and micro businesses, namely the struggle to survive in competitive industries (Rootman & Krüger, 2010:109).

According to Visser et al. (2005:53), given the inability of South Africa’s large-scale businesses to sustain the economic growth rate established in the 1960s and early 1970s, the focus shifted to the small and medium business sector to increase economic activities. Research evidence (Anderson, 2003:3; CEML, 2002:2; Davies, Hides & Powell, 2002:407; Hisrich & Dmovsek, 2002:174; Ibrahim & Soufani, 2002:421; Hodgetts & Kuratko, 2000:15-17; Henriksen, 1999:215) in Visser et al. (2005:53), suggest that inadequate leadership and management skills are the main reasons for the failure of small and medium businesses.

Peterson et al. (1983) in Pansiri and Temtime (2010:49), concluded that whatever their size or location, managerial expertise and leadership factors are crucial for the survival of small and medium-sized businesses.

In order to survive and compete in local and global markets, small and medium businesses will have to manage through times of incremental and also revolutionary change. Thus if South African small and medium businesses were to grow and expand, the leaders of these organisations will have to recognise the need for revitalisation, to create new visions and to institutionalise the changes within these organisations (Visser et al., 2005:52).

A study by Scheepers and Hough (2008:31) that focussed on gaining an understanding of the entrepreneurial orientation in established South African organisations operating in turbulent environments, found amongst other outcomes that:

Turbulent, opportunity rich environments lead to increased levels of entrepreneurial behaviour.
Organisations with Entrepreneurial leadership abilities are able to exploit the dynamic opportunities in the environment, however it appears that as the environment changes and becomes hostile and filled with threats, an entrepreneurial strategy is not seen as a viable approach by the organisations participating in this study.
Entrepreneurship theories formulated in developed countries need to be assessed and adapted in a developing country context such as South Africa before the validity of these theories is accepted. In South Africa unfavourable change and competitive rivalry showed divergent relationships with entrepreneurial orientation compared with Slovenia and the United States.

Thus the call to South African businesses is clear: organisations must transform perceptions of the business environment and improve Entrepreneurial leadership capabilities in order to exploit opportunities in hostile environments (Scheepers & Hough, 2008:32).

This study attempts to address the following problems: given the generally dynamic business environment, low entrepreneurial activity in the country and the high failure rate of small and medium-sized businesses there appears to be (i) a lack of understanding the importance of Entrepreneurial leadership, (ii) insufficient Entrepreneurial leadership capabilities in South Africa, and lastly (iii) unclear perceptions about the business environment.
RESEARCH OBJECTIVES

The preceding literature study has put the focal point on Entrepreneurial leadership as a new requirement for competitive advantage and sustained organisational success in dynamic environments. One may assume that there are many examples of leaders and managers in South African small and medium-sized businesses who recognise the dynamic market conditions in which businesses are operating today. These leaders and managers have overcome the current and unfolding realities and challenges faced by almost all business leaders in dynamic markets.

Hence, in line with the problem statement presented above, the primary objective of this study is to investigate perceptions of leaders and managers of small and medium-sized businesses operating in the South African business environment about the importance of Entrepreneurial leadership. The secondary objectives are to investigate (i) perceptions about Entrepreneurial leadership capabilities exhibited by leaders and managers of small and medium-sized businesses operating in South Africa and (ii) perceptions of leaders and managers of South African small and medium-sized businesses about the nature of the markets in which the businesses operate.

RESEARCH METHODOLGY

Stemming from the literature the following research questions can be formulated: Is Entrepreneurial leadership regarded as important? Are Entrepreneurial leadership capabilities exhibited? Is the business environment regarded as dynamic?

To answer these questions the following null-hypotheses have been formulated:
(H0)1: Leaders and managers of small and medium-sized businesses operating in the South African business environment do not regard Entrepreneurial leadership as important.
(H0)2: Leaders and managers of small and medium-sized businesses operating in the South African business environment do not exhibit Entrepreneurial leadership behaviours.
(H0)3: Leaders and managers of small and medium-sized businesses in South Africa do not regard the environment in which businesses operate as dynamic.

This is an empirical, descriptive study, quantitative in nature; it made use of a cross-sectional survey design. The study is also explorative because the Entrepreneurial leadership construct is in an early stage of development. The population included all formal small and medium-sized businesses operating in Johannesburg. A sample frame consisting of 706 small and medium-sized businesses was obtained from the Johannesburg Chamber of Commerce and Industry website.

The measurement instrument consists of three sections: Section A seeks biographic information about the participant and organisation, Section B contains a leadership style questionnaire (LSQ) to determine the participant's leadership style, and Section C asks the participant's views on Entrepreneurial leadership and the business environment. The questions in sections A were developed by the researcher, whilst section B contains an existing 20-item leadership style questionnaire (LSQ) developed by Preziosi and Gooden (2003:21) which has both high validity (0.775) and high reliability (0.955). According to Preziosi and Gooden (2003:21) the LSQ is derived from four principles: vision originates from the interaction amongst people in the organisation; information must be plentiful in organisations to enable change; chaos is necessary for organisations to grow and relationships form a binding force that produces interdependence and synergy. Considering the essence of Entrepreneurial leadership a measurement instrument was sought that measured vision enactment, team enactment, leading innovation and change. The LSQ was found to be the most suitable fit for measuring these constructs. The scale used in section C of the questionnaire is adapted from the Miller and Friesen (1982) five-item scale of environmental dynamism (Naman & Slevin, 1993:143). The measurement scales used in sections B and C are 5-point Likert scales. Due to the exploratory nature of the study the measurement instrument was not pretested.

Data was collected by means of a self-administered questionnaire that was mailed via the South African Post Office to the key contact persons of the 706 small and medium-sized businesses in the sample frame. The key contact person was typically the business owner or founder or the business manager. Any other person who received the questionnaire was requested not to complete the document and to return it.

The data obtained from the questionnaires was coded, captured and edited by the Statistical Consultation Services (STATKON) of the University of Johannesburg. Data was analysed using the Statistical Package for Social Sciences (SPSS).
Descriptive statistics were used to present the position of the respondents in the business, age and gender of participants, level of education, managerial experience, time business has been in operation, annual turnover of the business, number of employees in the business, the economic sector in which the business operates, statistics on the leadership style scale, the importance scale and the environmental scale. With regards the last mentioned three scales the characteristics of central tendency, variability or dispersion and shape were key tools that were observed and utilised in this study. The mean and standard deviation were crucial for analysis.

RESULTS
A total of 706 questionnaires were distributed, 83 of those returned were usable. This represents a response rate of 11.8%. The internal consistency of the constructs was tested empirically and theoretically using the Cronbach Alpha coefficient. For the purpose of this study the reliabilities of the theoretically defined constructs are reported. The construct Leadership style-perception (Entrepreneurial leadership), Leadership style-importance (Importance) and Environment (Market dynamism) respectively yielded the following Cronbach Alpha coefficients: 0.834, 0.854 and 0.734.

Mostly business owners/founders participated in the study, 74% of the respondents who participated in the survey were business owners/founders, 25% business managers and 1% other. Respondents that indicated “other” on the questionnaire would have been any person other than the owner/founder or business manager, these respondents were requested to not complete the questionnaire and to return it. Most of the participants were above 50 years, 36.6% of the respondents were between the ages 50-59 and 37.8% were 60 years and older. More males responded, and 84% were male respondents and 16% female respondents. Most of the respondents (37.8%) have a post-graduate degree, whilst 63.4% of the respondents have managerial experience in excess of 20 years. Most of the participating businesses (64.6%) were in operation for more than 20 years.

More than half (51.2%) of the participating businesses have an annual turnover of more than 15 million rand. Further 6.1% have a turnover between 0-1 million rand, 19.5% between 1-5 million rand, 11.0% between 5-10 million rand and 11.0% have an annual turnover of between 10-15 million rand. The size of businesses based on the number of employees varied. 18.3% employed between 0-5 employees, 57.3% employed between 6-50 and 24.4% employed between 51-200 employees. Businesses from across all the economic sectors participated in the survey, amongst others 26.8% from the finance and business services sector, 22.0% from the manufacturing sector and 19.5% from the wholesale, commercial agents and allied services sector.

The perceived Entrepreneurial leadership of the participants, the respondents’ perceived importance of Entrepreneurial leadership and the perceptions of leaders and managers about the markets in which the businesses operate are shown in Figure 1.

Figure 1: Entrepreneurial leadership style profile

Source: Researcher’s own construct.
The results indicate the following:
Overall, the Entrepreneurial leadership of participating leaders and managers was 78%. Four dimensions describe the Entrepreneurial leadership construct: vision, informs and communicates, accepts chaos and builds relationships. Vision determines to what extent participants embraced a vision that emerged from the interaction amongst people in the organisation and this dimension was reported to be 83% which is relatively high. Informs and communicates which assess the abundance of information in organisations scored a high 86%. Building relationships reflects the extent to which relations form the binding force that produces interdependence and synergy, and was rated 82%. Accepts chaos provides an indication of how open respondents are to accept chaos as an essential process for organisational growth. This dimension yielded the lowest score of 62%, suggesting possible reluctance on the side of participants to accept chaos as a necessity for the renewal and revitalisation of businesses. Scheepers and Hough (2008:31) provide a possible explanation for this situation, stating that businesses with Entrepreneurial leadership abilities are able to exploit the dynamic opportunities in the environment. However, as the environment changes and becomes hostile and filled with threats, an entrepreneurial strategy is seen not to be viable.

Leaders and managers who participated in this study viewed Entrepreneurial leadership overall important rating it 77%. Vision was considered important and scored 82%, which is relatively high. Informs and communicates was rated very high with a score of 86%. Chaos yielded the lowest importance rating of 61%, an indication that respondents possibly do not regard chaos as a key process for organisational growth.

An interesting observation in the means scores of overall Entrepreneurial Leadership and overall Importance is how the scores, even those of the underlying dimensions, mirror each other, suggesting that the perceptions about leadership style and perceptions about its importance are strongly aligned. Respondents viewed market dynamics that reflect the extent of market turbulence in business environments as moderate with a score of 64%, suggesting that respondents were indifferent about the business environment.

A further interesting observation in the data set is the possible link between the Accepts chaos (62%), Chaos importance (61%) and Market dynamism (64%) scores. This observation could possibly suggest that if respondents regard the business environment as not dynamic, chaos is not regarded as important and it is also not embraced in the leadership style as a mechanism for change.

The mean scores indicated in Figure 2 represent the ratings of all the respondents in the study with regard to perceptions about Entrepreneurial leadership, perceptions about the Importance of Entrepreneurial leadership and perceptions about the operating Environment.

![Figure 2: Comparison of mean scores](image)

Source: Researcher’s own construct.

The results of the mean score analyses suggest that:
Respondents regard Entrepreneurial leadership as important, this is evident in the mean rating of 77%. This finding supports previous research cited in the literature study that suggests that Entrepreneurial leadership is generally important and in particular for the survival of businesses operating in dynamic markets.
Respondents are of the view that they exhibit Entrepreneurial leadership behaviours as suggested in the mean score of 78%. This finding is in line with findings in the literature which state that Entrepreneurial leadership is exhibited in dynamic markets. Contrary to the common view held in the literature that vision is the main priority of the entrepreneurial leader, Informs and communicates were rated highest on Entrepreneurial leadership and Importance.

Respondents are indifferent about the nature of the business environment as suggested in the rating of 64%. The literature study revealed that the South African business environment is dynamic. This finding suggests that participants possibly perceive opportunities in the market, but prefer to exploit it through adopting a moderate Entrepreneurial leadership style due to the perceived hostility in the business environment.

The research questions were answered satisfactorily, thus all three the null hypotheses are rejected.

CONCLUSIONS
The nature of Entrepreneurial leadership is complex (Crute, 2010:11; Hunt-Oxendine, 2010:19; Jones & Crompton, 2009:332; Serfontein, 2008:177; Darling et al., 2007:53; Vecchio, 2003:320; Burrows, 2002:191; Swiercz & Lydon; 2002:381). However, three key roles of Entrepreneurial leadership were identified namely vision enactment (D’Intino et al., 2008:42), team enactment (Chen, 2007:239; Deschamps; 2005:31) and leading innovation and change (Chen, 2007:246; De Jong & Den Hartog, 2007:58). The generally dynamic nature of the South African business environment (Pansiri & Temtime, 2010:46; Rootman & Krüger, 2010:109), low entrepreneurial activity in the country (Herrington et al., 2010:5) and the high failure rate of small and medium-sized businesses (Scheepers & Hough, 2008:31; Visser et al., 2005:53) suggest that (i) the importance of Entrepreneurial leadership is not understood, (ii) Entrepreneurial leadership capabilities are insufficient in South Africa, and lastly (iii) perceptions about the business environment are not clear.

The primary objective of this study was to investigate the perceptions of leaders and managers of small and medium-sized businesses operating in the South African business environment about the importance of Entrepreneurial leadership. This study found that leaders and managers of small and medium-sized businesses operating in the South African business environment perceive of Entrepreneurial leadership as significantly important.

The secondary objectives were to investigate:
(i) perceptions about Entrepreneurial leadership capabilities exhibited by leaders and managers of small and medium-sized businesses operating in South Africa; and
(ii) perceptions of leaders and managers of South African small and medium-sized businesses about the nature of the markets in which the businesses operate.
This study found that:
(i) the perceptions of leaders and managers of small and medium-sized businesses operating in South Africa are that they exhibit Entrepreneurial leadership capabilities;
(ii) leaders and managers of medium-sized businesses operating in South Africa perceive business environment as indifferent.

This study contribute to the body of knowledge in the business and business-related science and practice through understanding how Entrepreneurial leadership is perceived by leaders and managers of small and medium-sized businesses and further assessing the current level of leadership competency can possibly be a first step in attempts to increase entrepreneurial activity; the early identification, development and growth of entrepreneurial leaders; and improving the success rate of small and medium-sized businesses in South Africa.

LIMITATIONS
The major limitation of the study is the sample size. The small sample size created limitations for the factorability of data. In this study a few assumptions with regard to factor analysis and reliability analysis were violated due to the small sample size. The leadership style questionnaire (LSQ), the measurement instrument that was used in this research to measure the leadership style of the participants, is a diagnostic tool that provides only self-rated responses of the participants. Thus, in this study leadership style was assessed narrowly by relying on only the self-perception of the leaders and managers who participated in the survey. A further limit of this research is the fact that the findings of this study cannot be generalised to all the leaders and managers of small and medium-sized businesses in South Africa. The empirical factor and reliability assessments of the measurement instrument suggest room for improving and refining the measurement tool.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The findings of this research demonstrated that leaders and managers who participated in the study exhibit Entrepreneurial leadership and regard Entrepreneurial leadership as important. The participants are indifferent about the business environment. The following recommendations are proposed:

Participants in this study seem to be indifferent about the value locked up in chaos (the freedom to take risks and to challenge the status quo) as a mechanism of change and growth. However, chaos was presented in the literature as a necessity for growth and renewal. In order to improve understanding around the value of chaos- leaders and managers are encouraged to improve awareness of entrepreneurial strategy through appropriate educational programmes.

The high ratings on Vision, Communication and Relationship building combined with the high educational levels, high managerial experience, and the generally long period businesses have been in operation suggest a wealth of leadership and management knowledge, skills and expertise amongst respondents. This finding suggest a reach pool of mentors that is well positioned to assist in addressing the high failure rate of small and medium sized businesses in the crucial first five years of existence.

Although Entrepreneurial leadership is perceived as important, however participants are indifferent about the external environment. Clearly more robust environmental assessments will put leaders and managers in a better position to consider more appropriate strategic responses to the environmental challenges.

Future research making use of this particular measurement instrument can possibly yield better results if a bigger sample size is achieved. A key observation of this study is the general neutrality of respondents around chaos, the importance of chaos, as well as market dynamism. The questions arise whether there is a possible link between these three dimensions and also why this trend is visible. A possible area of focus for future research could be to explore the relationship between Entrepreneurial leadership and environmental dynamism and the effect of this on organisational performance. It is proposed that future research examine whether there are differences between Entrepreneurial leadership in established small and medium sized businesses and small and medium sized businesses in emerging markets, and how these differences impact the survival rate of the respective small and medium sized businesses.

REFERENCE LIST


ESTABLISHING TRUST IN AUTOMOTIVE SUPPLY CHAINS: A SOUTH AFRICAN CASE

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ABSTRACT

The automotive industry is recognised as an important sector and has thus been prioritised by the South African government. The success of automotive manufacturers depends on the efficiency and effectiveness of their supply chains. As these supply chains can consist of a large number of suppliers, trust is a necessary component of the inter-organisational relationship to ensure sustained competitiveness of the supply chain. It stands to reason that inter-organisational systems play an important role in managing these relationships. However, inappropriate use of these systems can negatively affect the trust relationship between supply chain partners. If trust is lacking, then the efficiency and effectiveness of supply chain operations will be negatively affected. Thus, the focus of this paper is to investigate the requirements for establishing a trust area in the supply chain relationship by examining the attributes of both the supply chain partner and inter-organisational systems. Case studies and questionnaires were the primary data collection techniques for this paper. From these findings, a trust area consisting of the philosophical, supply chain partner trustworthiness characteristics and the practical, system trust characteristics is proposed.

Key words: Inter-organisational relationships; Supply Chains; Trust

INTRODUCTION

Globally, governments are recognising the potential impact that automotive manufacturers can have on an economy and have become dedicated to attracting automakers to their countries and regions. For South Africa, attracting automotive manufacturers and their suppliers to invest in the economy has become increasingly important (Barnes & Morris, 2008). The automotive sector accounts for seven percent of South Africa’s Gross Domestic Product and provides employment to more than 120 000 workers (Barnes & Morris, 2008). Thus, the South African government has made the automotive industry a priority through various policy adjustments, including the move from an import substitution policy to one of export-led growth (Barnes & Morris, 2008). These policies are all aimed to convince multinational automotive manufacturers and suppliers to strengthen and deepen their South African operations (Lorentzen, 2006). As these automotive manufacturers depend on a substantial network of suppliers which can consist of over 200 suppliers, including first, second and third tier suppliers, the automotive supply chain is the focus of this paper.

As the nature of business evolves, business relationships are becoming increasingly important. In the supply chain context, nurturing external business relationships with supply chain partners is a central concern (Covey, 2006). In recent years there has been an increased interest in the role of trust in facilitating supply chain partnerships (Sahay, 2003). This paper seeks to establish the determinants of trust between supply chain partners. This is important, as insufficient trust among supply chain partners leads to inefficient and ineffective performance (Chu & Fang, 2006). Ensuring a sufficient level of trust in an inter-organisational relationship can reduce costs and save time (Covey, 2006). Thus, trust emerges as an essential element in governing inter-organisational relationships in supply chains (Ghosh & Fedorowicz, 2008).

As Information Technology (IT) has an important role in the management of inter-organisational relationships, IT can also affect trust between supply chain partners. Various forms of IT play a role in reducing the impact of a lack of trust in the supply chain (Gao & Lee, 2005). However, these technologies also have negative effects; for example, inappropriate trust in forecasting technology can lead to incorrect decisions, which in turn may signal an intent to compete with other supply chain partners (Gao & Lee, 2005). Merely ensuring IT is used in supply chain management will not ensure that the supply chain is effective and efficient (Singh, Lai & Cheng, 2007). It is therefore necessary to ensure that the IT systems have been implemented appropriately.

Thus, this paper sets out to propose characteristics of supply chain partner trustworthiness and system trust in order to establish a trust relationship between supply chain partners. These elements are derived from an extensive literature survey of relevant literature, including the Proposed Model of Trust (Mayer, Davis & Schoorman, 1995), Initial Trust Model (McKnight, Choudhury & Kacmar, 2002), Initial Trust Formation Model (Li, 2004) and the Relationship Among Trust Concepts (Sun, Han, Yu & Liu, 2006). In addition, case studies
of two automotive suppliers were conducted and questionnaires were distributed to 50 automotive suppliers to establish the empirical base for this research paper. From these findings, a Model of the Supply Chain Trust Area is proposed to cover both the philosophical (supply chain partner trustworthiness) and practical (system trust) components of a trust relationship.

This paper first outlines the relevant theoretical findings with regards to trust determinants in a supply chain. Specifically, the four models mentioned previously are critiqued. In addition, system trust as a necessary component of supply chain trust is described. The empirical work relating to supply chain trustworthiness and system trust is then described, which leads to the proposed model of a supply chain trust area.

PROBLEM INVESTIGATED
The success of the automotive manufacturers depends on the efficiency and effectiveness of their supply chains, and due to the large number of suppliers involved in these supply chains, enhancing trust in the inter-organisational relationships can ensure the competitiveness of the supply chain. It stands to reason that inter-organisational systems will play an important role in maintaining these relationships between supply chain partners. However, inappropriate use of these systems can negatively affect the trust relationship between supply chain partners. Thus, in order to enhance trust in supply chain relationships, two elements of trust need to be addressed, namely: Supply Partner Trustworthiness and System Trust. The factors affecting these two elements of the trust area of supply chain relationships is explored in this paper.

RESEARCH OBJECTIVES
This paper aims to investigate the establishment of trust in inter-organisational relationships through the appropriate use of IT. This includes the consideration of supply chain partner attributes and inter-organisational elements which contribute to the formation of a trusting relationship in the supply chain. Several factors have been identified as determinants of the level of trust between supply chain partners, including perceived satisfaction, the reputation of supply chain partners and the level and quality of communication between these supply chain partners. Additionally, several key trust models have emerged in literature in recent years, which are critiqued in this paper with regard to their relevance in supply chain relationships.

Empirical findings resulting from case studies of two automotive suppliers and questionnaires distributed to key personnel at automotive suppliers are provided to establish relevance of the included trust constructs. The questionnaire primarily focused on supplier perceptions of trust and the role of IT in the inter-organisational relationships.

LITERATURE REVIEW
Several factors have been identified as determinants of the level of trust between supply chain partners, including the level of asset investment and information sharing structures (Chu & Fang, 2006). Significantly, information sharing is found to play a very important role in reducing uncertainty in the supply chain relationship, thereby improving the level of trust (Kwon & Suh, 2005). Specifically, in terms of the relationship with suppliers, the supplier’s performance history which is an indicator of their reliability and competence; cumulative interactions used to predict the supply chain partners' behaviour; demonstrations of the supplier’s good intentions that create goodwill trust in the relationship; and a transference process based on other firms’ opinions of the supplier's trustworthiness are proposed as indicators of trustworthiness (Naensens, Pintelon & Taillieu, 2007). A key factor for successful supply chain relationships is establishing an appropriate means of communication and management through IT (Covey, 2006). For this reason, the effect of system trust on supply chain relationships also needs to be considered.

System Trust is defined as: “The subjective probability by which organisations believe that the underlying technology infrastructure is capable of facilitating transactions according to their confident expectations” (Cripps, Salo & Standing, 2009, p. 187). Important aspects of System Trust are authentication, verification, non-repudiation and reliability (Kleist, 2004). These aspects of System Trust are significant for enhancing trust in the inter-organisational relationship. If these aspects are satisfied, a supply chain partner is more likely to be willing to share information through the IT system. This in turn assists in the formation of a trust relationship with supply chain partners. Trust in the inter-organisational systems is seen to be an important factor in the optimal use of these systems to create supply chain competitive advantage (Cripps, et al., 2009). However, it also needs to be considered that using IT in inter-organisational relationships impersonalises the relationship, which can have a resultant negative affect on trust in the relationship. Thus, a balance between trust and IT-enablement of the supply chain is needed (Lee & See, 2004).
In order to investigate the establishment of trust in supply chains, the determinants of trust need to be understood. Several trust models have remained prominent in trust research. These models will be discussed in the sections that follow with particular focus on those aspects which determine supply chain partner trustworthiness and system trust.

**Mayer, Davis and Schoorman's Proposed Model of Trust**
The Proposed Model of Trust (Figure 1) has been predominantly used to research trust (Mayer, et al., 1995). The model was based on literature research and developed within the management domain (Rusman, Van Bruggen & Valcke, 2009). The key critique of this model is that the selection of the components for the model was based on a conceptual analysis and common sense approach (Rusman, et al., 2009). In the model, trustor and trustee characteristics that foster a trusting relationship are identified.

![Figure 1: Proposed Model of Trust](image)

As the focus of this paper is on supply chain partner trustworthiness, only the factors of perceived trustworthiness are considered. Three characteristics are proposed by the model that forms a foundation for the development of trust (Mayer, et al., 1995). These characteristics, namely: ability, benevolence and integrity are discussed below. Additionally, a continuum of trustworthiness is discussed below to illustrate how these characteristics determine the level of trust in a supply chain partner.

**Ability:** Ability is defined as the skills, competencies and characteristics that ensure the trustee has influence in the relationship (Mayer, et al., 1995). This ability must be relevant to the relationship. A number of authors have referred to ability or similar concepts such as competence or perceived expertise. Important to the supply chain context, competence implies credibility, which indicates the ability to perform the functions required efficiently and reliably (Mallalieu, 2005). In the supply chain context, this would be the supply chain partner’s ability to perform the responsibilities assigned to them in a timely and appropriate fashion.

**Benevolence:** Benevolence is defined as the extent to which the trustee is believed to want to act in the trustor’s best interests (Mayer, et al., 1995). A number of researchers have attributed similar characteristics, such as motivation to lie, intentions or motives, altruism and loyalty to a trustworthy party. This benevolence implies helpfulness, concern and cooperation (Mallalieu, 2005). In the supply chain context, benevolence is the extent to which a supply chain partner cooperates in order to ensure mutually beneficial gains.

**Integrity:** Integrity is defined as a perception that the trustee prescribes to the principles that the trustor finds acceptable (Mayer, et al., 1995). A number of researchers have used similar terms such as value congruence, consistency, fairness, character and openness. In the supply chain context, integrity refers to the belief that the supply chain partner will act in the best interests of the entire supply chain.

**A Trustworthiness Continuum:** The three characteristics discussed previously affect the perception of the trustworthiness of a supply chain partner (Mayer, et al., 1995). Each of these can vary individually, but this does not mean they are not related, thus trustworthiness can be viewed as a continuum. The level of ability, benevolence and integrity would determine the supply chain partner’s position along the continuum. A perceived deficiency of any of the factors has the potential to undermine trust in a supply chain partner (Mayer, et al., 1995). If the level of Ability, Benevolence and Integrity of the trustee are perceived to be high, the level of perceived trustworthiness will be high, as seen in the example of trust in Figure 2. If the level of Ability, Benevolence and Integrity are perceived to be low, the level of perceived trustworthiness will be low,
as seen in the example of distrust in Figure 2. If the levels of Ability, Benevolence and Integrity vary along the continuum, the perceived level of trustworthiness can be placed along this continuum, as seen in the example of complex trust in Figure 2. This provides a valuable means of assessing supply chain partner trust, which is necessary in this paper.

**Figure 2: Trustworthiness Continuum**

![Trustworthiness Continuum Diagram]

Source: Adapted from Stahl and Sitkin (2010)

A second model of trust, McKnight, Choudhury and Kacmar’s Initial Trust Model (McKnight, et al., 2002), points to additional trust determinants and is discussed in the next section.

**McKnight, Choudhury and Kacmar’s Initial Trust Model**

The Initial Trust Model was proposed in an electronic commerce context, and thus is appropriate as it considers an IT-enabled relationship between two parties (McKnight, et al., 2002). The model also incorporates the concepts of trust from other disciplines, including those from the Proposed Model of Trust (Mayer, et al., 1995) discussed in the previous section. The initial trust referred to is trust in an unfamiliar partner, where the trustor has no prior knowledge of, or interactions with, the trustee (Li, Valacich & Hess, 2004). This model (Figure 3) is believed to be one of the most cited models in trust research.

**Figure 3: Initial Trust Model**

![Initial Trust Model Diagram]

Source: McKnight, Choudhury and Kacmar (2002)

In this model, the component relevant to supply chain partner trustworthiness is Trusting Beliefs which refers to the trustor’s belief that the supply chain partner has attributes beneficial to the trustor (Li, et al., 2004). These attributes are based on the factors of perceived trustworthiness discussed previously, namely Competence (equivalent to Ability), Benevolence and Integrity. In addition, institution-based trust is described as one of the precursors to the trusting beliefs. This institution-based trust is the belief in structural conditions that need to exist to improve the probability of a successful outcome in the relationship, based on: **Structural Assurance**, which is a belief that structures such as guarantees, regulations, legal recourse or procedures, promote success in the relationship; and **Situational Normality**, which refers to a belief that the environment in which the interaction occurs is in the necessary state to ensure success (McKnight, et al., 2002).

It is important to note the inclusion of structural assurance which points to the need to achieve a balance between trust and controls. This is discussed further in relation to System Trust later in this paper.
Additionally, components suggested by the Proposed Trust Model (Mayer, et al., 1995) were confirmed by an empirical study, which negates the primary critique of the Proposed Model of Trust (McKnight, et al., 2002). A third model, the Initial Trust Formation Model (Li, 2004) discussed below, also considers the establishment of trust without considering prior interactions.

**Li’s Initial Trust Formation Model**
The Initial Trust Formation Model is based on the Theory of Reasoned Action (TRA) and Theory of Reasoned Behaviour (TRB) (Li, et al., 2004). This model is relevant as it considers trust in inter-organisational relationships, rather than in inter-personal relationships as the previous two models did. Thus, organisational factors are also considered. This model is depicted in Figure 4.

**Figure 4: Initial Trust Formation Model**

Source: Li (2004)

The TRA states that every construct can be separated into beliefs, attitudes, intentions and behaviours. Thus, this model provides a composite definition of trust which encompasses different definitions of trust from prior research (Li, 2004). This definition establishes trust as having four aspects, namely: Trusting Behaviour, Trusting Intention, Trusting Attitude and Trusting Belief.

The Trusting Belief aspect is of relevance to this paper as it represents the trustor’s perceptions of the supply chain partner based on information available. In this model, this trusting belief consists of: behavioural beliefs about the consequences of performing a behaviour and the evaluation of these consequences; normative beliefs about the likelihood that supply chain partners will approve or disapprove of the behaviour; and control beliefs about the presence or absence of required resources or opportunities (Li, et al., 2004). These trusting beliefs are formed by the external variables shown in Figure 4, namely Personality Trusting Base, Institution Trusting Base, Cognitive Trusting Base and Calculative Trusting Base.

**Personality Trusting Base:** This is directly related to disposition to trust in the Initial Trust Model (McKnight, et al., 2002) which is the basis for the Trusting Belief discussed previously. This is based on faith in humanity and the trustor’s trusting stance (Li, et al., 2004).

**Institution Trusting Base:** This is based on situational normality and structural assurance, thus it is similar to the constructs proposed in the Initial Trust Model (McKnight, et al., 2002). This requires guarantees, regulations and other control mechanisms to be in place in order to ensure successful interactions. Thus, this is an important trust determinant as it recognises the need for controls in order to ensure trust formation in inter-organisational relationships.
Cognitive Trusting Base: This recognises that initial impressions affect trust formation. The cognitive trusting base consists of two sub-components, namely: Categorisation and Perceived Control in the Situation. Categorisation is the manner in which the trustor categorises the supply chain partner affects the level of trust they have in that organisation (Li, et al., 2004). This may be moderated by the Perceived Control in the Situation. If the trustor cannot obtain sufficient direct knowledge about the trustee, their perception of their level of control in the relationship will affect their willingness to trust (Li, et al., 2004).

Calculative Trusting Base: This refers to economic principles and calculations that affect trust (Li, et al., 2004). This trusting base refers to a party in the inter-organisational relationship calculating and considering the outcome of entering into a trusting relationship with another supply chain partner. This Initial Trust Formation Model recognises factors of supply chain trustworthiness as well as controls (in the form of the institution trusting base) which are relevant for this paper. The final model discussed in this paper is the Relationship Among Trust Constructs (Sun, et al., 2006).

Han, Liu, Sun and Yu’s Relationship Among Trust Constructs
This model is based on the definitions of trust adopted by the social sciences. The determinants of trust in distributed networks are viewed as the offer of incentives for good behaviour, predictions of future behaviour and the detection of selfish and malicious entities (Sun, et al., 2006). Supply chains are an example of these distributed networks, making this model relevant to this paper. The model is depicted in Figure 5.

Figure 5: Relationship Among Trust Constructs

![Figure 5: Relationship Among Trust Constructs](source: Sun, Han, Yu and Liu (2006))

The Relationship Among Trust Constructs (Kwon & Suh, 2005) is based on six components, namely: Trusting Behaviour, Trusting Intention, Trusting Belief, Situational Decision to Trust, Dispositional Trust and System Trust. Of these, Trusting Belief, Dispositional Trust and System Trust are relevant to this paper.

**Trusting Belief** is the belief that the supply chain partner is willing and able to act in the trustor’s best interests.

**Dispositional Trust** refers to the expectation of trustworthiness that everyone inherently possesses.

**System Trust** aims to ensure that there are sufficient impersonal structures in place to facilitate the relationship. In particular, it is of great importance to ensure that appropriate inter-organisational systems are in place in order for sufficient sharing of information to occur.

As this model recognises the importance of system trust in the establishment of trust in inter-organisational relationships, it is significant to this research paper which aims to establish the elements necessary for trust formation in a supply chain, including both supply chain partner and system characteristics. System trust is largely ignored in trust models related to supply chain relationships and thus requires further discussion in the next section.

**System Trust**
The key components of System Trust in supply chain technology required in order to achieve appropriate reliance and avoid unintended competitive behaviour caused by inappropriate use of technology are summarised as purpose, performance and process (Gao & Lee, 2005). Singh, et al. (2007) proposed similar concepts, such as: nature of use (performance), nature of processes (process), and nature of IT (purpose).
(Singh, et al., 2007). In addition to these components of System Trust, the use of controls to manage the use of IT in a supply chain relationship has been advocated in the models discussed previously.

**Purpose:** The purpose of IT used can often be misunderstood, thus all supply chain partners need to ensure a common understanding of the purpose and intended use of the technology managing the relationship (Gao & Lee, 2005). If the purpose is not understood by all supply chain partners, this can lead to poor decision making based on information provided by the IT system. Thus, communicating the purpose of the IT system and the information provided by it is essential to efficient and effective supply chain operations.

**Performance:** Feedback regarding the performance of the IT managing the relationship can promote appropriate reliance (Gao & Lee, 2005). This element of System Trust is related to the competence construct of trust formation. All supply chain partners need to be confident in the performance of the IT system and the information shared by it. This assists in establishing trust in the inter-organisational relationship.

**Process:** The process that needs to be followed in using the technology needs to be communicated and adhered to by all supply chain members (Gao & Lee, 2005). This requires business processes to be adjusted according to those required by IT systems.

**Controls:** As establishing trust in inter-organisational relationships using IT systems can be complicated by the lack of personal contact, an element of risk in the relationship is established. Controls can be used to manage the level of risk in the supply chain relationship. Although costly to implement, controls reduce the likelihood of supply chain partners acting contrary to the supply chain’s best interests, despite the lack of inter-personal contact in the supply chain. When trust does not exist within an inter-organisational relationship, substitutes need to be established (Kramer, 1999). However, such substitutes, which include control measures, often result in inefficiency and additional costs. It is, however, acknowledged that the existence of trust in supply chain relationships reduces the need for formal control mechanisms which are costly to implement, monitor and enforce (Dyer & Chu, 2002).

In relation to controls, there has been much enthusiasm exhibited in the use of IT to remedy existing trust-related issues in inter-organisational relationships. Evidence of this includes electronic monitoring of supplier activities. Adopting such technologies is advocated in order to ensure compliance with regulations and deter misbehavior (Kramer, 1999). However, some authors have found that these technologies may actually serve to hinder trust rather than promote it (Dyer & Chu, 2002; Gao & Lee, 2005). Thus, where System Trust is not established in an inter-organisational relationship, control mechanisms need to be implemented to mitigate the risk in the relationship. This, however, does not result in effective and efficient supply chain operations, thus for optimal supply chain performance a balance between System Trust and controls needs to be established. This is an important consideration in the formation of the model in this paper.

**RESEARCH METHODOLOGY**

Case studies and questionnaires were the primary data collection techniques for this paper. The case studies took place at two East London-based automotive component suppliers to both local and international automotive manufacturers. These organisations were selected because of the researcher’s involvement in the Programme for Industrial Manufacturing Excellence, which gave initial access to the organisation. Subsequent involvement with the suppliers was, however, independent of this programme. These organisations are considered to be representative of issues faced in similar component suppliers.

The second research instrument is a formal, web based questionnaire investigating supplier perceptions of trust, information sharing and the role of IT in inter-organisational relationships. The 50 supplier companies who completed the questionnaire each operate at different levels of the supply chain, in different automotive supply chains and supply different components. These respondents were chosen using convenience sampling.

Various levels of suppliers exist in automotive supply chains. These are described as first tier, second tier, third tier and so on. First tier suppliers supply components directly to the automotive manufacturer. Second tier suppliers are those who supply components or materials to the first tier suppliers. Thus, second tier suppliers are supplied by third tier suppliers. For the purposes of this study, only suppliers up to the third tier were asked to participate as the level of interaction between supply chain partners at lower tiers of the supply chain are not relevant for this paper. The findings relevant for supply chain partner trustworthiness and system trust from the observations and questionnaires are discussed in the sections that follow.
FINDINGS
Findings: Supply Chain Partner Trustworthiness
General findings about trust in the supply chain were obtained through the questionnaire. A central theme of this paper is concerned with the extent to which supply chain partners trust each other. For this reason, the respondents’ perception of having a good trusting relationship was sought. These results are reported per supply chain tier in Table 1. The mean for this category is 2.08 with a median of 2 (disagree). The participants perceived a trusting relationship to not exist with supply chain partners. This response was true for each of the supply chain tiers, as well as the overall response. Thus, proximity of the supplier to the OEM does not ensure trust in the inter-organisational relationship, and the issue of trust is exacerbated further down the supply chain tiers. This finding is consistent with previous studies that point out the lack of trust in supply chain relationships.

Table 1: Summary of Responses for Trusting Relationship with Supply Chain Partners

<table>
<thead>
<tr>
<th>Supply Chain Tier</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tier</td>
<td>28.6</td>
<td>33.3</td>
<td>28.6</td>
<td>9.5</td>
</tr>
<tr>
<td>Second Tier</td>
<td>28.6</td>
<td>38.1</td>
<td>23.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Third Tier</td>
<td>50.0</td>
<td>37.5</td>
<td>12.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>32.00</td>
<td>36.0</td>
<td>24.0</td>
<td>8.0</td>
</tr>
</tbody>
</table>

In this paper a lack of trust is viewed as contributing to poor organisational and supply chain performance. For this reason, the participants were asked whether a lack of trust in supply chain partners hindered organisational and supply chain performance. These results are reported per supply chain tier in Table 2. The mean for this category is 3.39 with a median of 4 (strongly agree). The participants believe the lack of trust between supply chain partners affects the overall performance of the organisation and the supply chain. This response was true for each of the supply chain tiers, as well as the overall response. This is consistent with the observations made at Company B (discussed below) and the discussion of the literature surveyed.

Table 2: Summary of Responses for Lack of Trust Hindering Performance

<table>
<thead>
<tr>
<th>Supply Chain Tier</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tier</td>
<td>4.8</td>
<td>9.5</td>
<td>14.3</td>
<td>71.4</td>
</tr>
<tr>
<td>Second Tier</td>
<td>9.5</td>
<td>14.3</td>
<td>28.6</td>
<td>47.6</td>
</tr>
<tr>
<td>Third Tier</td>
<td>0.0</td>
<td>0.0</td>
<td>25.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Total</td>
<td>6.0</td>
<td>10.0</td>
<td>22.0</td>
<td>62.0</td>
</tr>
</tbody>
</table>

At Company B the lack of trust in the supply chain resulted in production shutting down temporarily at the automotive manufacturer and the supplier incurring costs of shipping components from an overseas-based partner and penalties associated with halting production at the automotive manufacturer. This lack of trust was affected by perceptions of benevolence and integrity of the automotive manufacturer. Company B feared that the automotive manufacturer would switch to another supplier should they be made aware of the potential production issue, thus they decided not to share required information with the supply chain. Thus, the lack of trust had a significant negative effect on the supply chain.

In order to investigate the trust relationship among supply chain partners, respondents were asked to indicate barriers to trust in their supply chain relationships. The questionnaire findings pointed out that the supplier’s reputation has an effect on the establishment of trust in the supply chain. This corresponds to the Ability construct discussed in the theoretical findings. In order to assess the importance of the benevolence and integrity components of the model, the respondents were asked to answer about the extent to which they agreed or disagreed that supply chain partner’s honesty and the history of interactions with the supply chain partner affected the amount of trust attributed to the supply chain partner. These responses are summarised in Table 3.

Table 3: Summary of Responses for Supply Chain Partner Attributes

<table>
<thead>
<tr>
<th>Supply Chain Partner Attributes</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Honesty</td>
<td>4.0</td>
<td>6.0</td>
<td>42.0</td>
<td>42.0</td>
</tr>
<tr>
<td>History of Interactions with Supply Chain Partner</td>
<td>4.0</td>
<td>38.0</td>
<td>24.0</td>
<td>34.0</td>
</tr>
</tbody>
</table>

As can be seen in Table 3, both these supply chain partner attributes contribute to a perception of the supply chain partner and hence the amount of trust established. These two attributes of supply chain partners have been established in literature previously described. If a supply chain partner is perceived to act dishonestly,
a trusting relationship cannot be established. Additionally, prior interactions with supply chain partners provide evidence of a supply chain partner’s trustworthiness. Thus it is important for establishing trust in the inter-organisational relationship. In addition to supply chain partner trustworthiness, the findings relevant to Systems Trust were investigated and are discussed in the next section.

Findings: System Trust

The general questionnaire findings established costs related to implementing IT systems to manage the inter-organisational relationship as being the primary barrier to effective use of IT in this regard. These potential costs were discussed in the literature and attributed to implementation, training and configuring business processes (Jharkharia & Shankar, 2005). This establishes the need to include the process and performance components in the model.

IT is necessary in order to support the sharing of information between supply chain partners and the effective management of supply chain relationships. The respondents were asked whether adequate infrastructure is available for information sharing with their supply chain partners. These results are reported per supply chain tier in Table 4. The mean for this category is 2.42 with a median of 2 (disagree). The participants believe that the infrastructure for information sharing in the supply chain is inadequate. This response was true for each of the supply chain tiers, as well as the overall response. The literature points to the existence of adequate infrastructure in automotive supply chains for information sharing, which highlights the existence of other issues contributing to the poor flow of information. Thus, this confirms the need to ensure that the purpose of systems used in the inter-organisational relationship is understood by all supply chain partners to promote effective use of IT systems in place.

Table 4: Summary of Adequacy of Infrastructure for Information Sharing

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tier</td>
<td>9.5</td>
<td>42.9</td>
<td>42.9</td>
<td>4.7</td>
</tr>
<tr>
<td>Second Tier</td>
<td>4.8</td>
<td>47.6</td>
<td>42.9</td>
<td>4.7</td>
</tr>
<tr>
<td>Third Tier</td>
<td>25.0</td>
<td>25.0</td>
<td>50.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>10.0</td>
<td>42.0</td>
<td>44.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

The respondents’ view of IT impact on trust in the supply chain was sought. The most significant responses included: improving trust will ensure supply chain efficiency and enhance decision making; IT will allow for better, more honest communication between supply chain partners, which will in turn lead to trust formation between supply chain partners; and IT will enable supply chain partners to share information and integrate processes, thereby reshaping the inter-organisational dynamics and resulting in a more efficient supply chain. A few respondents had more adverse views of the impact of IT on trust; these include concerns about the risks of confidentiality breaches, and concerns about the lack of guarantee of information integrity. These responses point to trust issues within the supply chain and the need to establish controls to reduce this risk for supply chain partners. Based on the theoretical and empirical findings described thus far, a proposed model to improve supply chain trust is proposed and discussed in the next section.

Discussion: The Proposed Trust Area

This paper set out to establish the elements necessary for trust to exist in a supply chain. Through the literature study and the empirical study, the required elements for the establishment of a supply chain trust area are the philosophical, supply chain partner trustworthiness characteristics and the practical, system trust characteristics. Together these two components assist in establishing the trust area in the supply chain relationship. This trust area is depicted in Figure 6. As trust in supply chain partners is necessary for efficient and effective supply chain operations and IT is required to manage the complex network of suppliers, both elements are necessary. If trust is lacking in one of these elements, then supply chain effectiveness and efficiency will be negatively affected. The two elements of the proposed trust area and a discussion of the model are outlined in the sections that follow.
Supply Chain Partner Perceived Trustworthiness: This is the philosophical aspect of trust which is concerned with deciding whether or not each individual supply chain partner can be trusted. Based on the theoretical and empirical findings outlined previously, the determinants of supply chain partner perceived trustworthiness are Ability, Benevolence and Integrity:

**Ability:** This determinant relates to the competence of the supply chain partner to fulfill their role in the relationship. In the supply chain context this would be the supply chain partner’s ability to perform the responsibilities assigned to them in a timely and appropriate fashion. This component was proposed in the Proposed Model of Trust (Mayer, et al., 1995) and the Initial Trust Model (McKnight, et al., 2002). This was confirmed in the questionnaire findings which indicated that a supplier’s reputation has an effect on perceived trustworthiness.

**Benevolence:** This determinant relates to the loyalty of supply chain partners to the best interests of the entire supply chain. In the supply chain context benevolence is the extent to which a supply chain partner cooperates in order to ensure mutually beneficial gains. This component was proposed in the Proposed Model of Trust (Mayer, et al., 1995) and the Initial Trust Model (McKnight, et al., 2002). Benevolence is also a factor in the formation of a Trusting Belief in the Initial Trust Formation Model (Li, 2004) and the Relationship Among Trust Constructs (Sun, et al., 2006). This was confirmed by findings from observations at a supplier where a lack of trust resulting from negative perceptions of benevolence resulted in production losses at both the supplier and automotive manufacturer. The questionnaire findings confirmed that the history of interactions with a supply chain partner informed the perceived trustworthiness of that partner.

**Integrity:** This determinant relates to the honesty of the supply chain partner. In the supply chain context integrity refers to the belief that the supply chain partner will act in the best interest of the entire supply chain. This component was proposed in the Proposed Model of Trust (Mayer, et al., 1995) and the Initial Trust Model (McKnight, et al., 2002). This was confirmed by findings from observations at a supplier where a lack of trust resulting from negative perceptions of the automotive manufacturer’s integrity resulted in production losses at both the supplier and automotive manufacturer. The questionnaire findings confirmed that the perception of a supply chain partner’s honesty was a determinant of the perceived trustworthiness of that partner.

System Trust: This element of the trust area represents the more practical aspects of establishing trust in the supply chain relationship. Based on the theoretical and empirical findings outlined previously, the determinants of System Trust are Purpose, Performance, Process and Controls:

**Purpose:** This determinant relates to the need to ensure common understanding of the intended use of IT in the supply chain. Purpose, or nature of IT, is proposed in the theoretical findings (Gao & Lee, 2005), (Singh, et al., 2007). The questionnaire findings indicated that there was not adequate infrastructure for information sharing in contradiction to literature findings. This confirms the need to ensure the purpose of the system is understood by all supply chain partners.

**Performance:** This determinant relates to ensuring feedback of the performance of the IT used in order to promote appropriate reliance. Performance, or nature of use, is proposed in the theoretical findings (Gao & Lee, 2005), (Singh, et al., 2007). The questionnaire findings established that costs related to implementation of IT and training in its use were a significant barrier in the effective use of IT.

**Process:** This determinant relates to ensuring business processes are implemented to match the IT use. Process, or nature of processes, is proposed in the theoretical findings (Gao & Lee, 2005), (Singh, et al., 2007). The questionnaire findings established that costs related to configuring business processes were a significant barrier in the effective use of IT.

**Controls:** This determinant relates to ensuring appropriate controls are used to manage the level of risk in the supply chain. Controls are a factor in the formation of Institution-Based Trust in the Initial Trust Model.
(McKnight, et al., 2002) and the Initial Trust Formation Model (Li, 2004). The questionnaire findings revealed trust issues within the supply chain, including concerns about the risk of confidentiality breaches and concerns about information integrity. This confirms the need to establish controls in order to reduce this risk for supply chain partners.

**CONCLUSION**

The Supply Chain Trust Area Model proposes that supply chain partners need to trust each other based on an assessment of Ability, Benevolence and Integrity of the supply chain partner, and knowledge of the Purpose, Process, Performance and Controls related to the IT system used to manage the inter-organisational relationship. As inter-organisational relationships are largely impersonal, the enhancement of trust in the IT systems used to manage the relationships is important.

The inclusion of System Trust in this model is important as the systems used to manage the inter-organisational relationship (in terms of facilitating information sharing and trust) are key to efficient and effective supply chain operations. This has not been adequately covered in previous research of supply chain trust, and is thus an important contribution of this paper. If the supply chain partner trustworthiness and system trust elements are satisfied, this leads to trusting behaviour in the supply chain relationship.

This is key to supply chain success, as trust in supply chain partners ultimately leads to effective and efficient supply chain operations. Thus, if trust in either the supply chain partner or the systems managing the inter-organisational relationship is lacking, then the effectiveness and efficiency of the supply chain will be negatively affected.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

This paper aimed to investigate the elements of trust necessary to ensure efficient and effective supply chain operations. As established through theoretical findings, trust between supply chain partners is essential for the success of inter-organisational relationships. In order to manage the inter-organisational relationships, supply chain partners rely on IT, and thus trust in these systems is necessary. Where trust is lacking in either the supply chain partner or the systems managing the inter-organisational relationship, then the supply chain operations are compromised.

Based on the trust models reviewed and the empirical findings, a model of the trust area of a supply chain relationship was proposed which includes both the practical elements of trust related to System Trust and the philosophical aspects of trust related to Supply Chain Partner Trustworthiness. The inclusion of these two aspects will ensure the efficient operation of the supply chain to the benefit of all parties in the supply chain. The inclusion of System Trust is an important consideration as trust research in supply chain has largely focused on the philosophical interpersonal or inter-organisational elements of the relationship. As these relationships are managed by IT, the need for system trust is significant.

**REFERENCE LIST**


ETHICAL BELIEFS AND INTENTIONS AMONGST UNIVERSITY STUDENTS – A CULTURAL PERSPECTIVE

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ABSTRACT
The focus of this study was to determine whether there are discrepancies between the ethical beliefs and ethical intentions amongst commerce students of different ethnic backgrounds at a university in Gauteng. The research approach applied to the study was quantitative, supported by a descriptive research focus. The target population was all full-time students, registered for a commerce degree at the university. Probability sampling was used, and the convenient sampling technique applied to select the sample. The measuring instrument was a self-administered questionnaire which presented seven ethical scenarios to respondents to which they provided a yes/no response to each part of the question. Chi-squared analysis was performed on the data to test the stated null hypotheses at a 95% confidence level. The imminent conclusion that flows from the study is that differences do exist between ethical beliefs and ethical intentions, but these differences seem to be fairly similar across different ethnic groups.

Key words: Online shopping, benefits, behaviour, consumers, Gauteng

INTRODUCTION
Ethics in business organisations has generated interest for a tenable period of time now, in both academic and applied circles (Ruiz-Palomino and Martines-Canas, 2011). This interest seems to stem from a sense to prevent negative consequences for the business organisation and for society in general. Although organisations generally aspire to do what is right and exhibit honest and fair dealings on a daily basis (Abratt, Bendixen and Drop, 1999; Harvey 2002), errors in ethical conduct occur just as frequently (Clark, 2006). This stems from inter alia competitive pressures, resulting in extreme demands on employees to meet goals that are not realistic. This in turn leads to ‘cutting corners’ and acting unethically.

Most ethical decision-making models purport that ethical judgment, ethical intent and ethical behaviour are vital in a multistage ethical decision-making process (Jones, 1991; Rest, 1986). During these three phases, the individual moves from a cognitive evaluation between the ethical acceptability of courses of action to a priority of ethical acceptability of the different courses, and finally to a decision to enact the decided upon course of action (Nguyen and Biderman, 2008; Trevino, 1992; Jones, 1991). One could easily assume that ethical judgment, ethical intention and ethical behaviour should directly follow on from each other, but ethical decision-making models warn that moderators appear between these steps, which cause incongruence between ethical judgment, ethical intent and ethical behaviour (Trevino, 1986; Farrell and Gresham, 1985). Thus, as far as business ethics are concerned, one can observe that organisations aspire to be fair and honest in their endeavours, but certain moderating factors often cause such behaviour to be questionable at the end of the day.

Literature abounds with examples of corporate scandals and instances where ethics within the sphere of business is seriously questioned (Nguyen and Biderman, 2008; Tang and Weatherford, 2004; Armstrong, Ketz and Owsen, 2003). Such literature paints business people who act unethically as either selfish and acting in their own best interests, or using the business case as veil for justification for unethical behaviour. However, the 2008 financial crisis has brought the discourse around business ethics to the fore and has highlighted the importance of ethics training in management and commerce courses and degrees (Armstrong et al., 2003). Thus, one could speculate that this increased discourse around business ethics will trickle down to the managers of the future. It is this train of thought that has served as impetus for this research, namely to explore the extent to which ethical intent coincides with ethical behaviour amongst commerce students at a residential university in Johannesburg.

LITERATURE REVIEW
This literature review will briefly introduce the broader term of ethics and highlight the emergence of business ethics as a substream of the study of ethics. In particular, ethical decision-making will be expounded upon in order to establish a theoretical framework for this research.
The emergence of business ethics

In order to comprehend what ethics means in a business sense, Holme (2008) offers some guidance by purporting that business ethics is a set of ethical principles used for arriving at a decision within the values of the organisation. Continuing on this subject, Crane and Matten (2004) further postulate that business ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed. This view seems to coincide with Lewis (1985) who views business ethics as rules, standards, codes, or principles which provide guidelines for ethical behaviour and truthfulness in precise situations. Nieman and Bennett (2006) further attest that business ethics is applicable when the duties of ethics apply to the activities and goals of an organisation.

It can thus be assumed that business ethics seemingly refers to:

The value system of a business;
Management principles and behavioural norms which regulate the business organisation, expressing its ethical culture.

This sentiment is also echoed by Comite (2009). What is interesting to note about the definitions cited is that, although they all view business ethics as an ethical endeavour, business ethics is seen as something subservient to the organisation and something that should be considered only when the need arises. Although it does not fall within the scope of this research to debate these issues, it is pertinent to point out that the definitions cited here lead one to deduce that business ethics seemingly operates from a platform of ethical relativism, where the ethical norms of one grouping (such as a business organisation) will be decided by that grouping, with little consideration for broader societal ethical norms (Nieman and Bennett, 2006).

However, irrespective of these relative norms, organisations still have a duty to regard all those affected in every decision that they take (Hertz, 2006). Performing activities and taking decisions that are ethically questionable may have enabled a firm to acquire a competitive advantage in days gone by, but today such questionable dealings could force organisations out of business. As already mentioned, temptations and pressures abound that could result in dishonesty, focusing on short-term benefits and compromising quality in return for expediency (Harvey, 2002). Competition in the corporate environment is a normal phenomenon. Most companies are geared for competition and some thrive on it. But when competition starts having a harmful effect on the company and on profitability, it can force people into situations that may lead them to compromise their values and ideals (Svensson, Wood and Callaghan, 2009; Sethi, 2003; Cohan, 2002).

Cragg (2000) however states that commerce without conscience is a formula for human exploitation, not development. Svensson et al., (2009) concur, stating that there cannot be sustainable business without focusing on ethical practice. Thus, if you place ethical behaviour as paramount in everything the business does, it should logically contribute to being sustainable in the long term. This seems to bear witness to a rising movement of ethical universalism amongst scholars of business ethics, supporting the notion that ethics should be seen as comprised of universal protocols, irrespective of context or situation.

Ethical decision-making

As good and evil, right and wrong, just and unjust, and fair and unfair have different meanings to different people (not only between individuals, but also across cultures), it would stand to reason that there is not one fixed set of ethical principles. Instead, different views on ethics are apparent. Hence, when confronted with a situation that requires ethical judgment, a person is confronted with choices. Firstly the choice is to act in an ethically correct fashion or not. Plato first considered this question when Glaucon laid down the Ring of Gyges challenge to Socrates in Plato’s Republic (White, 1991). The Ring of Gyges granted its wearer the power of invisibility at will, and the question posed by Plato was whether a person will be ethical if he did not have to fear being caught and punished. In the event that a person has decided to act ethically, a decision now has to be made in terms of which ethical course to pursue (White, 1991).

Goodpaster (1983) offers an operationalised framework for decision-making, which also illuminates the conception of decision-making in ethics in the first instance. For Goodpaster (1983), ethical decisions rest on respect and rationality. Here, the rationality concept is process orientated and involves four aspects, namely: lack of impulsiveness, care in mapping out alternatives and consequences, clarity about goals and purposes, and attention to details of implementation (Goodpaster, 1983; Zsolnai, 2010). Respect refers to a special awareness of, and concern for, the effect of one person’s decisions on others. For Goodpaster, respect implies something beyond seeing other people as merely instrumental in the attainment of personal goals, thus moving away from self-centredness and functioning in a more shared environment (Goodpaster, 1983).
Ascribing to the notion that being ethical involves making a choice, it stands to reason that making the decision would unfold in accordance to a process, hence the notion of an ethical decision-making process. Early attempts to understand ethical decision-making in the organisational context, tended to emphasise either the individual or the role of situational factors in the choice of an ethical (or unethical) plan of action (Trevino, 1986). Trevino was arguably the first scholar to propose an Interactionalist Model to ethical decision-making within organisations (Trevino, 1986). The Interactionalist Model of Trevino posits that ethical dilemmas in organisations are the result of the interaction between both individual and situational components. According to Trevino, ethical dilemmas force people to react with cognitions based on their stage of cognitive development, which determines how a person is likely to think about the ethical dilemma (Trevino, 1986). However, Trevino points out that these cognitions alone are not enough to predict or explain ethical decision-making behaviour (Trevino, 1986). Additional situational and individual components interact with the cognitive component to determine how an individual is likely to behave when confronted with an ethical dilemma. The individual components of ego strength, field dependence, and locus of control, as well as the situational components of the immediate job context, the broader organisational culture, and the characteristics of the job itself, influence the likelihood of an individual acting upon cognitions of what is right or wrong (Trevino, 1986). Thus, Trevino’s Interactionalist Model suggests a cognition/behaviour relationship that is restrained by the influence of individual and situational components.

Although it is a purely conceptual model, Trevino’s Interactionalist Model suggests that there is a difference between people’s thoughts and opinions about ethics on the one hand, and people’s actual ethical behaviour on the other. Other ethical decision-making models also suggest this disparity between ethical cognition and ethical behaviour (Bass, Barnett and Brown, 1999; Jones, 1991; Dubinsky and Loken, 1989; Rest, 1986), although earlier scholars suggest in part that attitude towards a behaviour leads to the formation of behavioural intentions, and that actual behaviour is likely to be consistent with intentions (Fishbein and Ajzen, 1975). Arguably, the most notable model on ethical decision-making is that of Jones (1991), based on the work of Rest (Haines, Street and Haines, 2008). Rest proposes that ethical decision-making is the result of a four-stage process, namely: Recognition of the ethical issue
Making an ethical judgment
Resolution to place ethical concerns above all other concerns (i.e. establish ethical intent)
Act on the ethical concerns

Rest further asserts that success in one stage of the process does not necessarily guarantee success in the next and subsequent stages. Thus, even though a person has sound ethical reasoning and can make good ethical judgments (Step B), it does not mean the person necessarily possesses a propensity to act ethically (Step C).

Jones (1991) builds on Rest’s work and proposes a widely cited model of ethical decision-making. For Jones, the process starts with environmental factors (such as the organisation, culture and society) from which ethical issues emanate. Being mindful that an issue has ethical implications, moves the person(s) concerned with the issue to a state of Ethical Awareness. Once an ethical issue is recognised as such, the next step is for the ethical decision-maker to form an Ethical Judgment. An Ethical Judgment is a cognitive process where individuals assess which course of action is ethically right. After the judgment has been made, individuals consider which course of action to take. This is known as the Ethical Intention, and gives priority to what is right over all other considerations. Finally, the ethical decision-maker needs to engage in the chosen behaviour. Once this action is undertaken, the final stage of the process, Ethical Behaviour, is entered. This behaviour needs to be legal and ethically acceptable to the greater society.

Jones’ model includes moderators, which originate from individual and situational spheres. Moderators originating from individual characteristics include personality, locus of control, significant others, values and opportunities. Moderators emanating from situation characteristics include organisational culture and job context. According to Jones (1991), it is these moderators that cause actual behaviour to be inconsistent with ethical intentions and ethical judgment. In Jones’ model, these moderators impact in two areas, namely when moving from ethical judgment to ethical intention and when moving from ethical intention to ethical behaviour. Jones’ work is widely regarded as the primary force currently driving research on the ethical decision-making process in business (Haines et al., 2008). Jones’ issue-contingent model of ethical decision-making provided the business ethics literature with a much-needed sense of order and a dominant framework that could guide future research. According to Jones, issues high in ethical intensity are expected to have a greater impact on the ethical decision-making process than are issues low in ethical intensity (Leonard et al., 2004).
The role of ethnicity/culture in ethical decision-making

Cultural diversity, generally understood as the quality of diverse or different cultures, often concerns many businesses. This diversity may typically include differences in ethnicity (also inclusive of race), ethics, age, gender, religion and cultural background, although the list of factors reflecting diversity could, in fact, be wider (das Neves and Mele, 2013). Weaver (2010) states that various researchers (Yasui and Dishion, 2007; Arrington and Wilson, 2000; Garcia Coll and Magnuson, 2000; Lerner and Galambos, 1998) have argued that the ethnicity or culture of adolescents influences the manner in which they deal with a particular situation. Sue and Sue (2003) in Weaver (2010) state that “people's worldviews, largely influenced by their ethnic or cultural background, can have a powerful influence on their ability to successfully adapt to the environment”. These authors state that “worldviews are composed of our attitudes, values, opinions and concepts, and affect how we think, define events, make decisions, and behave”.

In the last three decades, business organisations have become increasingly diverse and some are attempting to create multicultural organisations (das Neves and Mele, 2013). Different cultural backgrounds lead to different ways of perceiving the world and those cultural differences affect both the individual’s identification of an ethical problem and the individual’s ethical reasoning. Cultures differ in their sensitivity to ethical situations, values and ethical behaviours (Kirsten, King, Nelson, Geller and Bowes-Sperry, 2013). Ho (2010) proposes that culture can influence ethical perception because different cultural backgrounds are likely to produce different values, which can lead to differences in whether an issue is identified as an ethical dilemma. The concept of cultural diversity is not only relevant to the field of business management, but also has relevance to policy makers and business ethics. Kluckhohn and Strodtbeck (1961) stated that when culture is deliberated, one of the dimensions used to capture the meaning of culture is values. Values, the central tenets of a society's culture, relates to what is explicitly or implicitly desirable to an individual or a group, and that influences the selection of behaviour from available modes, means and ends of action. Hofstede (1991) refers to values as “broad feelings, often unconscious and not discussable, about what is good and what is evil, clean or dirty, beautiful or ugly, normal or abnormal, natural or unnatural, logical or paradoxical, decent or indecent”. He further states that these feelings are present in the majority of the members of a culture. As values serve as the criteria for determining what is good and bad, for choosing between available alternatives, they can have a huge influence on how individuals think, behave and relate to people and perform their daily tasks (Ho, 2010). Values influence a person's priorities and attitudes and therefore influence the form of behaviour expected and considered appropriate in any given situation (Elashmawi and Harris, 1984).

Nevertheless, many researchers have found that business degree programmes do not seem to instil ethical behaviours in their students (Wolfe, 1993; Bunn, Caudill and Gropper, 1992; Kumar, Borycki, Nonis and Yauger, 1991; Roderick, Jelley, Cook and Forcht, 1991; Peters, 1989). Most recently, Cole and Smith (1995) found that completion of an ethics course did little to influence the beliefs of a sample of students (Ludlum and Mascaloinov, 2004). Therefore, considering that professional ethics continues to be a growing concern for businesses globally, interest has surfaced about the ethics of university students who are tomorrow’s business leaders (Smyth, Davis and Kroncke, 2009). Chapman and Lupton (2004) further noted that much research on business ethics has been conducted in the USA, but that future research needs to be conducted in the developing world as uncertainty avoidance is very low.

RATIONALE FOR THE STUDY AND METHODOLOGY EMPLOYED

From the preceding literature it is apparent that ethical decision-making in business is under the spotlight, especially in the wake of numerous corporate scandals and the 2008 global economic crisis. Many of these scandals, as well as the crisis, are associated with questionable business dealings, especially as far as the ethics of business is concerned. Within the realm of the ethical decision-making process, it is recognised that inconsistencies exist between ethical judgment (or belief), ethical intention and ethical behaviour. Also, issues high in ethical intensity are expected to have a greater impact on the ethical decision-making process than are issues low in ethical intensity. In the midst of ethically questionable business dealings, scholars need to scrutinise how students view (or define) ethical practices, especially as these students are likely to be the business leaders and business decision-makers of the future.

In line with the problem statement presented, the primary objective of this paper is:
To analyse the differences that exist between ethical beliefs and ethical intentions of commerce students.

Forthcoming thus from literature, the following research question can be formulated:
Are there discrepancies between the ethical beliefs and ethical intentions amongst commerce students of different ethnic backgrounds at a university in Gauteng?
To answer this question the following null hypotheses have been formulated:

Ho1: The intent (would) to report a cheating incident will not differ from the belief (should) that the incident should be reported amongst different ethnic groups.

Ho2: The intent (would) to report giving out free food at a restaurant will not differ from the belief (should) that the incident should be reported amongst different ethnic groups.

Ho3: The intent (would) to report a R200 theft from an employer will not differ from the belief (should) that the theft should be reported amongst different ethnic groups.

Ho4: The intent (would) to report an erroneous R1 500 credit to the student’s account will not differ from the belief (should) that the error should be reported amongst different ethnic groups.

Ho5: The intent (would) to report the error that a student’s account is overdrawn will not differ from the belief (should) that the error should be reported amongst different ethnic groups.

Ho6: The intent (would) to report an error that a student’s account is overdrawn will not differ from the belief (should) that the error should be reported amongst different ethnic groups.

Ho7: The intent (would) to report a company that is illegally dumping hazardous materials will not differ from the belief (should) that the incident should be reported amongst different ethnic groups.

Ho8: The intent (would) to report a company that is hiring undocumented workers will not differ from the belief (should) that the hiring practice should be reported amongst different ethnic groups.

The empirical investigation was exploratory, quantitative in nature and employed a cross-sectional survey design. The population for this study included all the full-time undergraduate and postgraduate students in business sciences at a public university in South Africa. The target population for this study was 15 000 students of whom 500 participated in the study. Students were selected through the application of a non-probability sampling approach and the convenience sampling technique. To ensure a measure of representivity, only commerce students were targeted for this study as the study was interested in surveying business practitioners of the future. The questionnaires were distributed in the lecture hall environment and care was taken to select a popular major subject in commerce students’ curriculum to distribute the questionnaire to ensure an equitable spread of different fields of study. The measuring instrument used was an adaptation of a structured questionnaire and was developed and validated by Kiser, Rauschhuber and Parker (2011:4). The measuring instrument was a self-administered questionnaire which presented seven ethical scenarios to respondents.

Data was collected through the use of questions measuring nominal data (yes/no questions) pertaining to each scenario. A total of 500 questionnaires were distributed. The data obtained from the questionnaires was coded, captured and edited by the Statistical Consultation Service of the University of Johannesburg. The Statistical Package for Social Sciences (SPSS) was used to analyse the results. Chi-squared analysis was performed on the data to test the stated null hypotheses at a 95% confidence level.

FINDINGS AND RESULTANT DISCUSSION

Of the 500 questionnaires distributed, 471 were returned, all of which were usable. This represents a 94.2% response rate. Table 1 reflects the demographic data applicable to the sample:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Relative frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>48.8</td>
</tr>
<tr>
<td>Female</td>
<td>51.2</td>
</tr>
<tr>
<td>Level of study</td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>66.1</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>33.9</td>
</tr>
<tr>
<td>Ethnicity</td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>43.9</td>
</tr>
<tr>
<td>White</td>
<td>32.8</td>
</tr>
<tr>
<td>Indian</td>
<td>18.7</td>
</tr>
<tr>
<td>Coloured</td>
<td>4.6</td>
</tr>
</tbody>
</table>

It can be seen from Table 1 that the majority of respondents were female, undergraduate students of African descent. The scenarios presented in the questionnaire will now be analysed in turn according to gender and ethnicity. The scenarios will not be analysed against level of study, as it is felt that this demographic variable will have no bearing on the outcome of the findings.

Scenario 1: You discover that one of your fellow students cheated in a test

A total of 37.8% of African respondents, 52.3% of white respondents, 40.9% of Indian respondents, and 32.3% of coloured respondents indicated that they would report the incident, while 62.2% of African respondents, 47.7% of white respondents, 59.1% of Indian respondents, and 67.7% of coloured respondents would not report the incident, indicative of people’s ethical intent on the issue. The results of the Pearson chi square test \( (\chi^2) \) conducted to determine whether a significant association exists between the
variables, indicate that a statistically significant association exists between students’ ethnic background and whether or not they would report the abovementioned incident, as p=0.028, thus p<0.05. Cramer’s V was 0.140, indicating that the practically significant association between the variables is weak. Furthermore, 83.2% of African respondents, 91.2% of white respondents, 84.1% of Indian respondents, and 80.6% of coloured respondents indicated that one should report the incident (indicative of ethical belief), while 16.8% of African respondents, 8.8% of white respondents, 15.9% of Indian respondents, and 19.4% of coloured respondents indicated that one should not report the incident. χ² indicates that a statistically significant association does not exist between students’ ethnic background and whether or not one should report the incident, as p=0.135, thus p>0.05.

Table 2: Scenario one- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>χ²</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>5.568</td>
<td>3</td>
<td>0.135</td>
<td>No Value</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>19.133</td>
<td>3</td>
<td>0.028</td>
<td>0.140</td>
</tr>
</tbody>
</table>

Scenario 2: You work at a fast-food restaurant and regularly observe one of your fellow employees giving out free food to friends

Regarding scenario 2, it was found that 50.5% of African respondents, 63.5% of white respondents, 53.4% of Indian respondents, and 64.5% of coloured respondents indicated they would report the incident, while 49.5% of African respondents, 36.5% of white respondents, 46.6% of Indian respondents, and 35.5% of coloured respondents indicated that they would not report the incident. χ² indicates that a statistically significant association does not exist between students’ ethnic background and whether or not they would report the abovementioned incident, as p=0.071, thus p>0.05. Furthermore, 83.2% of African respondents, 92.6% of white respondents, 83% of Indian respondents, and 80.6% of coloured respondents indicated that they should report the incident (indicative of ethical belief), while 16.8% of African respondents, 7.4% of white respondents, 17% of Indian respondents, and 19.4% of coloured respondents indicated that they should not report the incident. χ² indicates that a statistically significant association does exist between students’ ethnic background and whether or not one should report the incident, as p=0.045, thus p<0.05. Cramer’s V was 0.131, indicating that the practically significant association between the variables is weak.

Table 3: Scenario two- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>χ²</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>8.027</td>
<td>3</td>
<td>0.045</td>
<td>0.131</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>7.029</td>
<td>3</td>
<td>0.071</td>
<td>No value</td>
</tr>
</tbody>
</table>

Scenario 3: You find out that someone you know has stolen R200 from his/her employer

For scenario 3, 52.5% of African respondents, 70.5% of white respondents, 62.5% of Indian respondents, and 64.5% of coloured respondents indicated that they would report the incident, while 47.5% of African respondents, 29.5% of white respondents, 37.5% of Indian respondents, and 35.5% of coloured respondents indicated that they would not report the incident (indicative of ethical intent). χ² indicates that a statistically significant association exists between students’ ethnic background and whether they would or would not report the abovementioned incident, as p=0.007, thus p<0.05. A Cramer’s V of 0.160 indicates that the practically significant association between the variables is, however, weak. 87.7% of African respondents, 90.5% of white respondents, 89.8% of Indian respondents, and 93.5% of coloured respondents indicated that one should report the incident, while 12.2% of African respondents, 9.5% of white respondents, 10.2% of Indian respondents, and 6.5% of coloured respondents indicated that one should not report the incident. The χ² indicates that no statistically significant association exists between students’ ethnic background and whether or not one should report the incident, as p=0.726, thus p>0.05.

Table 4: Scenario three- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>χ²</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>1.314</td>
<td>3</td>
<td>0.726</td>
<td>No value</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>12.011</td>
<td>3</td>
<td>0.007</td>
<td>0.160</td>
</tr>
</tbody>
</table>

Scenario 4: You realise that your university has mistakenly credited your account with R1 500-00

The results for scenario 4 indicated that 45% of African respondents, 61.7% of white respondents, 50% of Indian respondents, and 51.6% of coloured respondents indicated that they would report the incident, while 55% of African respondents, 38.3% of white respondents, 50% of Indian respondents, and 48.4% of...
coloured respondents indicated that they would not report the incident. $\chi^2$ indicates that a statistically significant association exists between students’ ethnic background and whether or not they would report the above-mentioned incident, with $p=0.021$, thus $p<0.05$. A Cramer’s V of 0.144 indicates that the practically significant association between the variables is weak. Furthermore, 77.8% of African respondents, 87.9% of white respondents, 79.5% of Indian respondents, and 80.6% of coloured respondents indicated that one should report the incident (indicative of ethical belief), while 22.2% of African respondents, 12.1% of white respondents, 20.5% of Indian respondents, and 19.4% of coloured respondents indicated the one should not report the incident. $\chi^2$ indicates that a statistically significant association does not exist between students’ ethnic background and whether or not one should report the incident, with $p=0.105$, thus $p>0.05$.

Table 5: Scenario four- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>$\chi^2$</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>6.141</td>
<td>3</td>
<td>0.105</td>
<td>No Value</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>9.700</td>
<td>3</td>
<td>0.021</td>
<td>0.144</td>
</tr>
</tbody>
</table>

Scenario 5: At the end of the semester, you study your marks online and notice that the module for which you know you should have received a mark of 65% is allocated a mark of 80%

Scenario 5 found that 31.7% of African respondents, 51.7% of white respondents, 34.1% of Indian respondents, and 32.3% of coloured respondents indicated that they would report the incident, while 68.3% of African respondents, 48.3% of white respondents, 65.9% of Indian respondents, and 67.7% of coloured respondents indicated that they would not report the incident. $\chi^2$ indicates a statistically significant association between students’ ethnic background and whether or not they would report the incident, as $p=0.001$, thus $p<0.05$ (indicative of ethical intent). A Cramer’s V of 0.185 indicates that the practically significant association between the variables is weak. Furthermore, 68.7% of African respondents, 79.9% of white respondents, 65.9% of Indian respondents, and 80.6% of coloured respondents indicated that one should report the incident (indicative of ethical belief), while 31.3% of African respondents, 20.1% of white respondents, 34.1% of Indian respondents, and 19.4% of coloured respondents indicated that one should not report the incident. The $\chi^2$ indicates that a statistically significant association exists between students’ ethnic background and whether one should or should not report the incident with $p=0.037$, thus $p<0.05$. A Cramer’s V of 0.135 indicates that the practically significant association is weak.

Table 6: Scenario five- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>$\chi^2$</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>8.492</td>
<td>3</td>
<td>0.037</td>
<td>0.135</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>16.123</td>
<td>3</td>
<td>0.001</td>
<td>0.185</td>
</tr>
</tbody>
</table>

Scenario 6: You discover that the organisation you are employed at, is dumping hazardous material in public trash bins

In terms of scenario 6, 65.3% of African respondents, 81.2% of white respondents, 76.1% of Indian respondents, and 74.2% of coloured respondents indicated that they would report the incident, while 34.7% of African respondents, 18.8% of white respondents, 23.9% of Indian respondents, and 25.8% of coloured respondents indicated that they would not report the incident. The $\chi^2$ indicates that a statistically significant association exists between students’ ethnic background and whether or not they would report the abovementioned incident, as $p=0.009$, thus $p<0.05$. Cramer’s V is 0.157, indicative of a weak practically significant association between the variables. Furthermore, 88.4% of African respondents, 96.6% of white respondents, 93.2% of Indian respondents, and 87.1% of coloured respondents indicated that one should report the incident (indicating ethical belief), while 11.6% of African respondents, 3.4% of white respondents, 6.8% of Indian respondents, and 12.9% of coloured respondents indicated that one should not report the incident. The $\chi^2$ indicates that a statistically significant association exists between students’ ethnic background and whether or not one should report the incident, as $p=0.032$, thus $p<0.05$. A Cramer’s V of 0.137 indicates that the practically significant association is weak.

Table 7: Scenario six- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
<th>$\chi^2$</th>
<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>8.819</td>
<td>3</td>
<td>0.032</td>
<td>0.137</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>11.552</td>
<td>3</td>
<td>0.009</td>
<td>0.157</td>
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</tbody>
</table>
Scenario 7: You discover that the organisation you work for is hiring illegal immigrant workers

Scenario 7 found that 56.7% of African respondents, 57.7% of white respondents, 54% of Indian respondents, and 61.3% of coloured respondents indicated that they would report the incident, while 43.3% of African respondents, 42.3% of white respondents, 46% of Indian respondents, and 38.7% of coloured respondents indicated that they would not report the incident (indicative of ethical intent). The $\chi^2$ indicates that no statistically significant association exists between students’ ethnic background and whether or not they would report the abovementioned incident, with $p=0.901$, thus $p>0.05$. Furthermore, 86.1% of African respondents, 84.6% of white respondents, 81.6% of Indian respondents, and 87.1% of coloured respondents indicated that one should report the incident (indicating ethical belief), while 13.9% of African respondents, 15.4% of white respondents, 18.4% of Indian respondents, and 12.9% of coloured respondents indicated that one should not report the incident. $\chi^2$ indicates that no statistically significant association exists between students’ ethnic background and whether or not one should report the incident, as $p=0.784$, thus $p>0.05$.

Table 8: Scenario seven- Chi-squared analysis

<table>
<thead>
<tr>
<th>Association between</th>
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<th>df</th>
<th>p value</th>
<th>Cramer’s V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic differences and ethical belief (should)</td>
<td>1.073</td>
<td>3</td>
<td>0.784</td>
<td>No value</td>
</tr>
<tr>
<td>Ethnic differences and ethical intent (would)</td>
<td>0.580</td>
<td>3</td>
<td>0.901</td>
<td>No value</td>
</tr>
</tbody>
</table>

IMMINENT CONCLUSIONS

Based on the findings presented above, conclusions drawn regarding the stated hypotheses will now be presented:

**Ho1:** The intent (would) to report a cheating incident will not differ from the belief (should) that the incident should be reported amongst different ethnic groups: There was no statistically significant association between ethnic background and ethical belief, but there was a statistically significant association between ethnic background and ethical intent to report the incident. $\chi^2 >$ critical value for the association between ethnic background and ethical intent.

The difference between ethical belief and ethical intent was greatest amongst coloured respondents (47.9%), followed by African respondents (45.4%), Indian respondents (43.2%) and white respondents (38.9%). Thus the null hypothesis Ho1 cannot be rejected.

**Ho2:** The intent (would) to report giving out free food at a restaurant will not differ from the belief (should) that the incident should be reported amongst different ethnic groups: There was a statistically significant association between ethnic background and ethical belief, but there was no statistically significant association between ethnic background and ethical intent to report the incident. $\chi^2 >$ critical value for the association between ethnic background and ethical belief.

The difference between ethical belief and ethical intent was greatest amongst African respondents (32.7%), followed by Indian respondents (29.6%), white respondents (29.1%) and coloured respondents (16.1%). Thus the null hypothesis Ho2 cannot be rejected.

**Ho3:** The intent (would) to report a R200 theft from an employer will not differ from the belief (should) that the theft should be reported amongst different ethnic groups: There was no statistically significant association between ethnic background and ethical belief, but there was a statistically significant association between ethnic background and ethical intent to report the incident. $\chi^2 >$ critical value for the association between ethnic background and ethical intent.

The difference between ethical belief and ethical intent was greatest amongst African respondents (35.2%), followed by coloured respondents (29%), Indian respondents (27.3%) and white respondents (20%). Thus the null hypothesis Ho3 cannot be rejected.

**Ho4:** The intent (would) to report an erroneous R1 500 credit to the student’s account will not differ from the belief (should) that the error should be reported amongst different ethnic groups: There was no statistically significant association between ethnic background and ethical belief, but there was a statistically significant association between ethnic background and ethical intent to report the incident. $\chi^2 >$ critical value for the association between ethnic background and ethical intent.

The difference between ethical belief and ethical intent was greatest amongst African respondents (32.8%), followed by Indian respondents (29.5%), coloured respondents (29%) and white respondents (26.2%). Thus the null hypothesis Ho4 cannot be rejected.
**Ho5**: **The intent (would) to report a mark increase error to one’s own final marks will not differ from the belief (should) that the error should be reported amongst different ethnic groups**: There was a statistically significant association between ethnic background and ethical belief, as well as a statistically significant association between ethnic background and ethical intent to report the incident. 

$\chi^2$ critical value for both associations.

The difference between ethical belief was greatest amongst coloured respondents (48.3%), followed by African respondents (37%), Indian respondents (31.8%) and white respondents (28.2%). Thus the null hypothesis Ho5 is rejected.

**Ho6**: **The intent (would) to report a company that is illegally dumping hazardous materials will not differ from the belief (should) that the incident should be reported amongst different ethnic groups**: There was a statistically significant association between ethnic background and ethical belief, as well as a statistically significant association between ethnic background and ethical intent to report the incident. 

$\chi^2$ critical value for both associations.

The difference between ethical belief and ethical intent was greatest amongst African respondents (23.1%), followed by Indian respondents (17.1%), white respondents (15.4%) and coloured respondents (12.9%). Thus the null hypothesis Ho6 is rejected.

**Ho7**: **The intent (would) to report a company that is hiring undocumented (illegal) workers will not differ from the belief (should) that the hiring practice should be reported amongst different ethnic groups**: There was no statistically significant association between ethnic background and ethical belief, nor was there a statistically significant association between ethnic background and ethical intent to report the incident. 

The difference between ethical belief was greatest amongst coloured respondents (37%), Indian respondents (31.8%) and white respondents (28.2%). Thus the null hypothesis Ho7 cannot be rejected.

As is evident, two of the seven stated null hypotheses can be rejected. Thus, statistically, there would not be enough evidence forthcoming from this study that supports literature in terms of observing a discrepancy between ethical judgment (or belief), ethical intent and ethical behaviour (Jones, 1991; Rest, 1986). However, the descriptive findings present overwhelming support for this notion. In all instances, respondents indicated a higher likelihood that one should report these incidents (thus, the ethical belief that it should be reported), as opposed to whether one would report these incidents (the ethical intent to report the incident). In fact, closer scrutiny reveals that difference between “should report” and “would report” ranges from 12.9% to as much as 48.3%. Furthermore, it is interesting that in terms of all scenarios, the average discrepancy between “should report” and “would report” is greatest amongst African respondents (33.7%), followed by coloured respondents (30%), Indian respondents (29.4%) and white respondents (27.7%). This indicates that the average discrepancy, although high, falls within a range of 6% across different ethnic backgrounds.

The research question of this study sought to ascertain whether differences exist between students of different ethnic background at a Gauteng-based university regarding both ethical belief and ethical intent. Based on the evidence presented, differences do exist between ethical belief and ethical intent, but these differences seem to be fairly similar across different ethnic groups.

**IMPLICATIONS**

Baxter and Boblin (2007) state that ethical development theory provides a theoretical basis for understanding the reasons for unethical behaviour among students and for developing strategies to address this issue. Considering that the students in the study are the business leaders of tomorrow, it is disconcerting that there are large discrepancies between ethical belief and ethical intent (ranging between 13% and 48%). The implication of this is that future decision-makers could easily be swayed in their ethical approach to decision-making, eroding on the ethical value of the decision made. The discrepancy further indicates that business students could easily be influenced to make decisions that do not support their ethical beliefs, but rather that enhance their personal intentions, promoting a culture of personal gain. Considering the reality of corrupt decisions made in the post-1994 democratic South Africa, the results of this study paints a bleak future as far as decision-making in business is concerned. In the wake of the 2008 economic crisis, ethical decision-making has become more topical, not only in the South African business environment, but globally. Therefore, it is imperative to create standards of ethical integrity, not only in the workplace, but also in the classroom. This will empower students, as future business leaders, to develop a greater awareness for ethical behaviour.

This study has provided evidence that African business management students reflect a lower propensity for being ethical, both in terms of belief and in terms of intent, followed by Indian students and coloured
students, with white students showing the greatest propensity for being ethical. This finding should not be interpreted as being demeaning towards certain ethnic groups at the expense of other ethnic groupings. What this does necessitate, however, is a rethink of the universal applicability of the concept of ethics. One must take cognisance of the fact that the overwhelming majority of business ethics is written from a western perspective and, as such, uses a western value system as point of departure. One has to ask the question whether “ethics” in the African context (as well as the Asian context) has the same meaning. Perhaps focused research on African value systems could provide meaningful insights into alternative denotations of the concept of business ethics.

On the other side of the coin, it has been mentioned that the average discrepancy between “would” and “should” differs by a mere 6% between African, whites, coloured and Indian respondents. It could be argued that this could be indicative of an overarching “South African ethos” that may be emerging. Individual ethnic groups’ frequency distributions of “would” as opposed to “should” responses vary greatly. This could be indicative of differences in outlook between value systems represented by different ethnic groups. However, the close grouping of the mean discrepancies between “would” and “should” could represent similarities in cultural value systems between different ethnic groups.

The future business leaders of tomorrow are developed and educated in the classroom. Therefore, the basis of ethical values and its importance to decision-making, is developed in the lecture venue, by lecturers. Universities can play an important role in the shaping of ethical thinking and debate by providing, for example, training and development in corporate codes of ethics and conduct.

LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

A limitation of this study was the use of students from only one public university in South Africa. Students were furthermore also not requested to motivate their beliefs and intentions. This information would assist university lecturers in creating and implementing a stronger ethics programme. A future study could extrapolate the reasoning information so that the intended issues are addressed within the university classrooms. Future research should also include a measurement of the aspect of ethical intensity and the effect this has on ethical belief, ethical intent and ethical behaviour.

REFERENCES

Zsolnai, L. 2010. Ethical decision making. Working paper B-09-1, Corvinus University, Budapest.
FACTORS INFLUENCING PICK ‘n PAY AND SHOPRITE CHECKERS STORE CARD AND COUPON LOYALTY IN NELSON MANDELA BAY

N Oosthuizen
Nelson Mandela Metropolitan University

ABSTRACT
Loyalty programmes are a well-known concept and widely used by consumers globally and offer benefits to consumers through repeat purchasing. Despite the high cost to retailers, loyalty programmes are believed to be beneficial in providing retailers with a gateway to access priceless consumer information and to build store loyalty. However, the value of loyalty programmes to generate store loyalty is contended amongst researchers. With the increasing number of loyalty programmes becoming available, the primary objective of this exploratory study was to investigate factors influencing store loyalty as a result of the Pick ‘n Pay Smart Shopper Card and Shoprite and Checkers Eezi Coupons. The primary findings of this study revealed that customer relationship management has an influence on Pick ‘n Pay store card loyalty. In contrast, technology used influences Shoprite Checkers Eezi Coupons loyalty. Based on the findings, it is evident that Pick ‘n Pay should ensure that their technology are up-to-date to communicate effectively with consumers, while Shoprite Checkers needs to focus on building consumer relationships to increase their consumers loyalty towards their store and to make consumers more positive towards the Eezi Coupons.

Key words: loyalty programmes, coupon loyalty, customer relationship management

INTRODUCTION
The fundamentals and roots of consumer loyalty date back to a period of time whereby small grocery store owners built strong relationships with their consumers by displaying personal attention to each individual. It was not uncommon for these small grocery store owners to know every consumer by name, their family members and even assist consumers by carrying groceries and parcels to their vehicles. Mass chain supermarkets have replaced these small grocery stores and, through the use of technology, retailers have been able to build consumer relationships on a large scale through the use of effective customer relationship management (CRM) (Rajagopalan & Nath, 2005:399).

The first loyalty programme launched was by American Airlines in 1981 in order to reward frequent travellers using the business. The programme was designed to reward travellers with points which could be accumulated and be redeemed for a discount on an American Airline ticket in the future. This concept designed by American Airlines has proved to be successful and is prevalent in a number of other industries today including the retail industry (Liu, 2007:19).

Loyalty programmes have become a major marketing tool for businesses to use to reward existing consumers as well as to build and maintain profitable relationships with the consumer (Shimp, 2010:552). It is assumed that loyalty programmes generate consumer loyalty. Previous research, however, has shown that this is not the case (Nunes & Dreze, 2006:125). These programmes have shown to be relatively ineffective in establishing loyal consumers, but in fact are a way for consumers to have an extra incentive to repeat purchase despite their perception of the business or brand (Nunes & Dreze, 2006:125).

According to Furinto, Patwitra and Balqiah (2009:308), loyalty programmes not only create value and added incentives for consumers, but also generate invaluable data which businesses can utilise to facilitate effective CRM. Digital technology and rapid advances of technology has assisted in modernising this concept. Technology is playing a vital role in giving the consumer power as technology is continuously making relevant and up-to-date information available to consumers. It is important to note that businesses cannot just attend to consumers’ current needs, but also have to foresee future needs to maximise profitability (Shoprite and Checkers announce an African first with Instant Shopping Discounts on Cellphones, 2013:1).

LITERATURE REVIEW ON LOYALTY CARDS
Clarification of concepts
One of the most comprehensive definitions with regards to consumer perception is provided by Kotler and Armstrong (2010:159-160), who state that consumer perception is the process whereby a consumer will view, pick, control and act according to external stimuli in a significant way. Loyalty programmes is defined by Shimp (2010:552) as being a reward system by which consumers are rewarded with a type of discount or promotion for buying a particular brand or shopping at a particular store.
Pick ‘n Pay Smart Shopper Card and Shoprite and Checkers Eezi Coupons

Pick ‘n Pay Holdings Limited and Pick ‘n Pay Stores Limited (Pick ‘n Pay) as well as the Shoprite Group of Companies (Shoprite and Checkers) have established loyalty programmes to reward their consumers. Pick ‘n Pay have introduced the Smart Shopper Card which rewards consumers with loyalty points that can be transferred into cash to create value for their consumers (About Smart Shopper - Pick ‘n Pay, 2013:1). Shoprite and Checkers implemented a loyalty programme through the use of mobile coupons, giving their consumers discounts on numerous products through the use of a mobile phone or tablet (Shoprite and Checkers announce an African first with Instant Shopping Discounts on Cellphones, 2013:1).

Pick ‘n Pay began toying with the idea of launching a consumer loyalty programme since 2000. However, due to the insufficient technology available in South Africa at the time the business was only able to launch the programme in 2011 (Makholwa, 2011:30). The Pick ‘n Pay Smart Shopper Card is a loyalty programme designed to reward loyal Pick ‘n Pay consumers in a process whereby the consumer earns points by purchasing specified products. For every Rand spent in Pick ‘n Pay the consumer earns one smart point which is equivalent to one cent, therefore one-thousand smart points are equivalent to ten Rand. These points are added up every time the consumer swipes his/her Smart Shopper Card and a discount is rewarded to the consumer based on the number of points accumulated. The consumer is able to view the number of smart points accumulated at the Smart Shopper kiosk in-store and these points may either be exchanged for cash back on a future purchase, a donation to charity or vouchers to enhance the current points balance (About Smart Shopper- Pick ‘n Pay, 2013:1).

In November 2012, Shoprite and Checkers launched the Eezi Coupons, which is a loyalty programme designed to offer instant shopping discounts to consumers through the use of mobile phones. Shoprite and Checkers have used technology to introduce mobile coupons, creating convenience and valuable discounts for their consumer. With the use of smartphones, such as the iPhone and Blackberry platforms, the coupons can be accessed through the downloaded Shoprite and Checkers Eezi Coupons or the coupons can be accessed by typing in a specified number for Checkers (*120*885#) or Shoprite (*120*569#) or viewing the Checkers mobile website (http://m.checkers.co.za) or the Shoprite mobile website (http://shoprite.mobi). Once the coupons have been accessed, the consumer will purchase those products containing a coupon and then enter a unique seven digit code - called a Wicode - into the till's pin pad in the store, which will give access to the discount. Not only does this tool allow consumers to save, it also gives them relevant and useful information instantly such as special offers and store locations. (Shoprite and Checkers announce an African first with Instant Shopping Discounts on Cellphones, 2013:1).

Importance of loyalty cards

Rewarding consumers in a competitive market place has become a vital and challenging aspect within the marketing- and business environment. This is due to a shift in strategic focus from being product- to consumer centric (Driggs, 2007:48). One of the marketing tools enabling these rewards is through the use of loyalty programmes, implementing CRM (Shimp, 2010:552). The main objective of loyalty programmes is to create consumer loyalty which helps to give businesses an advantage over their competitors. Even though consumer loyalty is the primary goal of loyalty programmes, Nunes and Dreze (2006:125) indicate that consumer loyalty is not actually a result of these popular programmes. However, the concept of loyalty programmes has still been largely accepted by consumers as they have an increased desire to save and be more budget conscious (Nunes & Dreze, 2006:125).

Factors influencing consumer loyalty

Consumer relationship management: In the retail sector, it is important to generate consumer loyalty, although this is not always easy to achieve (Turner & Wilson, 2006:959). It has been established that loyalty programmes are an incentivised form of loyalty, with the loyalty generated being based upon certain rewards and benefits which the consumer receives (Bellizzi & Bristol, 2004 and Jenkinson, 1995 in Turner & Wilson, 2006:959). CRM has also become significantly more important in the economic downturn as retailers must find ways to encourage consumers to return in order to remain profitable (Mclroy & Barnett, 2000: 347). It is used by retailers in order to develop long-term relationships with consumers. For CRM to be successful all business processes involved with CRM need to be aligned and incorporated to primarily focus on meeting consumer needs and building and maintaining consumer relationships (Berndt & Tait, 2012:173; Brink & Berndt, 2009:177). CRM can aid businesses in collecting and processing invaluable data to establish comprehensive consumer profiles, which enables businesses to build and maintain positive relationships through the main aspect of satisfying consumer needs (Berndt & Tait, 2012:20; Roomi & Mojibi, 2011:667). CRM entails treating consumers fairly and creating additional value by providing customised service to the consumer (Berndt & Tait, 2012:2). Trust and satisfaction stemming from consumer-business relationships affect consumer loyalty (Aminu, 2012:1251; Brink & Berndt, 2009:41). Therefore, to remain competitive
within this overcrowded market, businesses need to maintain a high quality product or service and gain the trust of the consumers resulting in consumer loyalty (Rehman, Shareef & Ishaque, 2012:607).  

**Store value perception:** Research has also found that marketing stimuli used by retailers are perceived differently by every consumer due to the different psychological make-up and expectations which are found in each consumer (Du Plessis & Rousseau, 2009:161). Hendler and Latour (2008:108) add that emotions are also an important aspect in understanding consumer loyalty towards loyalty card programmes, as emotions are a significant contributing factor to relationship building. Smyczek and Matysiewicz (2012:48) state that consumer store card loyalty is linked to a consumer’s attitude towards a business. Loyalty cards are also used to collect information and understand consumer behaviour (Garcia-Gomez, Gutiérrez-Arranz & Gutiérrez-Cillán, 2012:552; Mahajar & Yunus, 2010:200; Shimp, 2010: 552). When consumers use their loyalty card while shopping, the retailer has access to consumer data immediately and with no other restrictions (Smith-Chandler, 2011:1). Consumers believe that loyalty programmes are a way for retailers to show that they care, are considerate and are concerned about them as people and understand their needs (Uncles, 1994 in Turner & Wilson, 2006:959).

**Types of rewards offered:** According to Omar, Azrin and Sarah (2009:72) the types of rewards offered to consumers can either be “hard” or “soft” and influence consumers’ attitude towards loyalty cards. Rewards such as discounts and gifts are classified as hard rewards, and benefits such as regular communication and special treatment are classified as soft rewards. Omar et al. (2009:72) continue to explain that there needs to be a combination of soft and hard rewards in order to ensure that consumers gain maximum satisfaction through the use of the loyalty programme. Although soft rewards have been found to be more beneficial in generating consumer loyalty due to the emotional aspect they offer, the most successful retailers tend to focus primarily on hard rewards and less on the soft rewards (Nunes & Dreze, 2006 in Omar et al., 2009:72). It is assumed that consumers perceive loyalty cards as a way to save money and be rewarded for particular purchases (Smith-Chandler, 2011:1).

**Role of technology:** Technology in terms of mobility is increasing in popularity. Herzlich (2013:1) mentions that there are many different ways in which a business can utilise mobile technology, for example, mobile websites that are easy to navigate, applications on smartphones, mobile couponing, loyalty programmes and SMS or email campaigns to name a few. Mobile coupons are initiated by a manufacturer or retailer to try and encourage consumers to purchase their product or service or shop at their store. Mobile coupons are virtual coupons, accessed via a mobile device and exchanged for a cash discount or refund on a particular product or service. Mobile coupons are distributed through mobile means, such as SMS, MMS, Smartphone applications and mobile websites and can be exchanged for cash in store or online. Mobile coupons are used as an incentive to attract consumers to a particular cause (Introduction to Mobile Coupons, 2007:1). Simmons in Herzlich (2013:1) indicates that mobile technology does not only attract attention which is converted into sales, but can also be used to gain valuable information about potential consumers, which is a vital aspect in the process of CRM as it enables the business to communicate with the consumer on a more personal level. The increase in the use of the Internet has enabled the incorporation of traditional marketing with e-marketing, as well as creating an environment and culture to generate faultless business strategies (Brink & Berndt, 2009:176; Strauss & Frost 2009:5; Winer, 2001:2). It is also recommended that businesses acquaint themselves with evolving technology in order to bring consumers more convenience and improved experiences, as well as unique and interesting forms of communication on a level at which consumers will be able to understand and positively respond.

**PROBLEM INVESTIGATED**

Businesses construct standardised loyalty programmes for their particular industry and consumer base. However, it is important to be aware that every consumer will perceive the loyalty programme differently due to their past experiences, expectations, values and beliefs. This indicates that it is important to understand consumer perception towards loyalty programmes in order to customise rewards to satisfy consumer needs more effectively. This will enhance relationships with consumers and help to gain more knowledge on consumer’s buying behaviour and preferences (Du Plessis & Rousseau, 2009:159).

Internationally research has been done with regard to the different aspects of consumer loyalty programmes. Smith and Sparks (2009:204-218) examined reward redemption behaviour in retail loyalty schemes. Furinto et al., (2009:307) explored the design of competitive loyalty programmes. Liu (2007:19) conducted research on the long-term impact of loyalty programmes on consumer purchases and the issues thereof. The evaluation of loyalty card effectiveness has also been extensively researched (Nunes & Dreze, 2006: 124; Acatrinei & Puiu, 2012:153).

South African consumers have a sceptical attitude towards loyalty programmes as they do not fully grasp the concept that there is no cost involved in being a part of a loyalty programme (Rewards must not Remain Virtual, 2005: 47). The idea of gaining and maintaining consumer loyalty is an important task. However it is not easy for retailers to achieve loyalty (Turner & Wilson, 2006: 959). The difficulty of generating consumer
loyalty exists due to the fact that even though consumers may be satisfied with a product or service they receive from a retailer, they will continue to go elsewhere if they believe that they are able to receive better value, convenience or quality by a competitor (Berndt & Tait, 2012: 27; McIlroy & Barnett, 2000: 349).

Limited research is available of factors impacting store card loyalty. No studies on store loyalty in Nelson Mandela Bay of the Pick ‘n Pay Smart Shopper Card and Shoprite and Checkers Eezi Coupons could be found. It is therefore clear that there is a gap in research regarding factors influencing store card loyalty of these two selected loyalty programmes.

**RESEARCH OBJECTIVES**

In line with the problem statement, the primary objective is to explore the factors influencing store card loyalty of the Pick ‘n Pay Smart Shopper Card and the Shoprite Checkers Eezi Coupons in Nelson Mandela Bay. To give effect to the primary objective of this study, secondary research objectives were to:

- Conduct a literature review on loyalty cards and the various factors influencing consumers’ perception towards retail loyalty programmes in general;
- Empirically explore the factors influencing store card loyalty of the Pick ‘n Pay Smart Shopper Card and the Shoprite Checkers Eezi Coupons in Nelson Mandela Bay;
- Provide suggestions to Pick ‘n Pay and Shoprite and Checkers on how they can go about increasing consumer loyalty within their respective loyalty programmes.

**RESEARCH METHODOLOGY**

This study utilised the quantitative research method. Quantitative research is defined as a research method whereby numbers or facts are used to objectively test a theory (Greener, 2008:17). According to Du Plessis and Rousseau (2009:21), quantitative research focuses on collecting data analytically and directly through well prepared and accurate research tools (Dahlgberg & McCaig, 2010:23). The study also followed an exploratory and descriptive research approach as the factors influencing the perceptions of consumers of the two selected loyalty programmes will be explored and described.

With regards to this study, the population is defined as all consumers using loyalty cards in Nelson Mandela Bay. The sampling frame established for the purpose of this study are consumers who shop at Pick ‘n Pay and/or Shoprite and Checkers in Nelson Mandela Bay. The sample consisted of 200 randomly selected consumers shopping at the two selected retailers in Nelson Mandela Bay. Both convenience- and snowball sampling were utilised. A requirement for inclusion of the sample was that consumers must participate in either of these loyalty programmes.

In order to collect the necessary secondary data required for this study, external sources were consulted, such as books, articles published in journals as well as in magazines. In addition, the Internet was used to source information in particular on the two selected retailers. According to Robbins (2009:65), data which has been collected by the researcher for the purpose of the study is classified as primary data. Primary data was collected using a survey.

A structured questionnaire consisting of three sections was formulated as follows:

Section A consisted of questions relating to factors that influence store loyalty on a five point-Likert type scale;

Section B contained questions relating to Pick ‘n Pay Smart Shopper card and Shoprite and Checkers Eezi Coupons loyalty on a five point-Likert type scale;

Section C canvassed general information pertaining to the respondents on a nominal scale.

Due to the quantitative nature of this study, data was captured using Microsoft Excel; where after the data was analysed using the statistical programme, Statistica 11 (2013). The statistical analysis assisted in performing exploratory factor analyses to confirm the validity of the constructs in the measuring instrument. A cut-off point of 0.5 was used to indicate validity of the factor loadings. Cronbach’s alpha coefficients were calculated to determine reliability of the constructs, whereby a Cronbach-alpha of 0.7 was deemed acceptable for the purpose of this study. In addition, the use of simple descriptive statistics such as the mean and standard deviation were used to analyse the data. Pearson’s correlation coefficients were calculated to explore the relationships between the variables. In order to test the proposed hypotheses multiple regression were utilised.

**RESULTS**

Effects of the biographical data

Table 1 depicts the results of the biographical data of the respondents.
Table 1: Results of the biographical data of the respondents

<table>
<thead>
<tr>
<th>Biographical data</th>
<th>%</th>
<th>Biographical data</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>33</td>
<td>Grade 11 or equivalent</td>
<td>3</td>
</tr>
<tr>
<td>Female</td>
<td>67</td>
<td>Grade 12 or equivalent</td>
<td>28</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td>National Certificate or Diploma</td>
<td>25</td>
</tr>
<tr>
<td>18-25</td>
<td>28</td>
<td>Bachelors Degree</td>
<td>32</td>
</tr>
<tr>
<td>26-35</td>
<td>25</td>
<td>Postgraduate Degree (Honours/Masters/MBA/ PhD)</td>
<td>11</td>
</tr>
<tr>
<td>36-45</td>
<td>19</td>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>46-55</td>
<td>16</td>
<td>Student</td>
<td>22</td>
</tr>
<tr>
<td>56+</td>
<td>12</td>
<td>Employed Part-Time</td>
<td>10</td>
</tr>
<tr>
<td>Ethnical affiliation</td>
<td></td>
<td>Employed Full-Time</td>
<td>52</td>
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<tr>
<td>Black</td>
<td>22</td>
<td>Unemployed</td>
<td>5</td>
</tr>
<tr>
<td>Coloured</td>
<td>9</td>
<td>Retired</td>
<td>4</td>
</tr>
<tr>
<td>White</td>
<td>66</td>
<td>Self-Employed</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>0-5000</td>
<td>32</td>
</tr>
<tr>
<td>Language</td>
<td></td>
<td>5001-12000</td>
<td>24</td>
</tr>
<tr>
<td>English</td>
<td>72</td>
<td>12001-20000</td>
<td>9</td>
</tr>
<tr>
<td>Xhosa</td>
<td>15</td>
<td>20001-30000+</td>
<td>7</td>
</tr>
<tr>
<td>Afrikaans</td>
<td>12</td>
<td>Not willing to disclose</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 1, it is clear that the majority of the respondents (67%) were female. More than half of the respondents (53%) were 35 years and younger. The majority of the respondents (66%) were white and English speaking (72%). Of the other respondents, 15% spoke Xhosa and a small minority (12%) spoke Afrikaans. More than a quarter (32%) of the respondents has attained a Bachelor's degree, 28% of the respondents have a Grade 12 education or equivalent and a further quarter (25%) of the respondents are qualified with a National Certificate or Diploma. Only 11% of the respondents have obtained a Postgraduate education. This indicates that the majority of the consumers in the sample had basic education.

Over half (52%) of the respondents are employed full-time, with 22% of the respondents currently studying and ten percent of the respondents employed part-time. Only 4% of the respondents are retired. More than a quarter (32%) of the respondents earns a monthly income of less than R5 000 whereas only 7% of the respondents earned between R20 001 to R30 000 per month. Of the 200 respondents, just under a quarter (24%) earned between R5 001 and R12 000 per month and 9% of the respondents earn between R12 001 and R20 000 per month.

Results of the validity of the measuring instrument

Table 2 shows the factor matrix of the factors influencing store card loyalty towards Pick ‘n Pay Smart Shopper card and Shoprite Checkers Eezi Coupons. Only factor loadings of 0.5 or higher were considered as valid and are shown in the matrix.

Table 2: Exploratory factor matrix for factors influencing the perceptions of consumers on Pick n Pay and Shoprite Checkers loyalty programmes

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Factor 1 CRM</th>
<th>Factor 2 TECH</th>
<th>Factor 3 REWTYPE</th>
<th>Factor 4 STOREVAL</th>
<th>Factor 5 PNP</th>
<th>Factor 6 SHOPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM1</td>
<td>0.7301</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM2</td>
<td>0.7394</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM3</td>
<td>0.5332</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM4</td>
<td>0.5215</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.5347</td>
</tr>
<tr>
<td>CRM5</td>
<td>0.6443</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM6</td>
<td>0.7162</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM7</td>
<td>0.6549</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM9</td>
<td>0.6566</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM10</td>
<td>0.7752</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM11</td>
<td>0.7207</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM12</td>
<td>0.7188</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As can be seen in Table 2, a total of six factors were extracted. If items had cross-loadings, the item was discarded. Only factor loadings above 0.5 were considered to be valid. CRM8, REWTYPE4, REWTYPE5, REWTYPE7, REWTYPE8, STOREVAL4, STOREVAL5, STOREVAL6, PNP5 and SHOPC5 were not deemed valid as their factor loadings were below 0.5. Two of the type of rewards items loaded onto the CRM factor. Factor 3 (rewards type) were eliminated from further analysis as one of the loadings also loaded onto CRM4 resulting in only two retained items. Costello and Osborne (2005:5) indicated that a factor is weak and unstable if less than three items are retained. A total of five factors, namely CRM, technology used, store value perceptions, Pick ’n Pay Smart card loyalty and Shoprite Checkers Eezi Coupon loyalty were thus retained and further analysed.

Results of the descriptive statistics and reliability
Table 3 provides a summary of the results of the descriptive statistics and reliability of the constructs measured for the store card loyalty of the two selected loyalty programmes.
Table 3: Results of the descriptive statistics and reliability of the constructs

<table>
<thead>
<tr>
<th>Factors</th>
<th>Number of items retained</th>
<th>Means</th>
<th>Standard deviations</th>
<th>Cronbach’s alphas</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>15</td>
<td>3.433</td>
<td>0.940</td>
<td>0.909</td>
</tr>
<tr>
<td>Store value perception</td>
<td>3</td>
<td>3.585</td>
<td>0.685</td>
<td>0.296</td>
</tr>
<tr>
<td>Technology used</td>
<td>8</td>
<td>3.658</td>
<td>0.587</td>
<td>0.770</td>
</tr>
<tr>
<td>Pick ‘n Pay (PNP) Smart card loyalty</td>
<td>10</td>
<td>3.675</td>
<td>0.686</td>
<td>0.988</td>
</tr>
<tr>
<td>Shoprite Checkers Eezi Coupon loyalty</td>
<td>10</td>
<td>3.248</td>
<td>0.930</td>
<td>0.992</td>
</tr>
</tbody>
</table>

As can be seen in Table 3, three of the factors had mean scores tending towards 4 (agree) indicating respondents’ agreement that store value perception, technology and Pick ‘n Pay Smart card loyalty play a role in store card loyalty. However, Shoprite Checkers Eezi Coupon loyalty as well as CRM could not be confirmed. It was interesting to note that there was not much variation in responses for CRM and Shoprite Checkers Eezi Coupon loyalty (0.94 and 0.93) respectively. With the average tending towards 3, respondents seem undecided regarding their store card loyalty towards the Shoprite Checkers Eezi Coupon or whether these stores focus on CRM. The Cronbach alpha value for store value perception is below the threshold and not deemed reliable and will be excluded from further analyses. All the other factors have Cronbach’s alpha values above the acceptable 0.7 level, indicating internal inter-item reliability of the instrument.

Correlations results

Tables 4 and 5 depict the results of the correlations between the factors influencing consumers’ card loyalty of the two selected loyalty programmes.

Table 4: Pearson’s Correlation Coefficients for the Pick ‘n Pay Smart Shopper card loyalty

<table>
<thead>
<tr>
<th>Factors</th>
<th>Pick ‘n Pay</th>
<th>CRM</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick ‘n Pay Smart card loyalty</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td>0.521244</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Technology used</td>
<td>0.218825</td>
<td>0.443133</td>
<td>1</td>
</tr>
</tbody>
</table>

$p<0.05$

It is evident from Table 4 that there is a positive correlation between both CRM efforts and technology used and loyalty towards the Pick ‘n Pay Smart Shopper Card. The highest correlation was between CRM ($r=0.521$) and loyalty towards the Pick ‘n Pay Smart Shopper Card. It seems that this store card assist in building consumer relations. The lowest correlation was between technology used and loyalty towards the Pick ‘n Pay Smart Shopper Card ($r=0.219$). As it is a tangible card it makes sense that technology did not play that much of a role.

Table 5: Pearson’s Correlation Coefficients for the Shoprite and Checkers Eezi Coupon loyalty

<table>
<thead>
<tr>
<th>Factor</th>
<th>SHOPC</th>
<th>CRM</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoprite Checkers Eezi Coupon loyalty</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td>0.460256</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Technology used</td>
<td>0.511455</td>
<td>0.621084</td>
<td>1</td>
</tr>
</tbody>
</table>

$p<0.05$

It is evident from Table 5 that there is a positive correlation between both CRM efforts and technology used and loyalty towards the Shoprite Checkers Eezi Coupons. The highest correlation was between technology used ($r=0.621$) and CRM. It seems that technology plays a role in ensuring better customer relations. The lowest correlation was CRM between and loyalty towards the Shoprite Checkers Eezi Coupons ($r=0.460$). However, all correlations are moderately to strong.

Results of the multiple regression analysis

Tables 6 and 7 show the results of the multiple regression analysis of the independent variables (factors influencing card loyalty) and dependent variables (loyalty towards Pick ‘n Pay Smart shopper card and Shoprite Checkers Eezi Coupons).
Table 6: Multiple regression of factors influencing loyalty of Pick ‘n Pay Smart shopper card

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Beta</th>
<th>t-value</th>
<th>Sig. (p)</th>
<th>Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>0.645954</td>
<td>6.323945</td>
<td>0.000000</td>
<td>H₁</td>
</tr>
<tr>
<td>Technology used</td>
<td>-0.020410</td>
<td>-0.181176</td>
<td>0.856512</td>
<td>H₂</td>
</tr>
</tbody>
</table>

*p<0.001

As can be seen in Table 6, about 27% of the variance in Pick ‘n Pay Smart card loyalty can be explained by the variances in the independent variables. Evidence was found of a significant statistical relationship between CRM and Pick ‘n Pay Smart card loyalty. This implies that CRM highly predict Pick ‘n Pay Smart card loyalty. The path coefficient of CRM was positive and moderately strong. There was no relationship found between technology used and Pick ‘n Pay Smart card loyalty.

Table 7: Multiple regression of factors influencing Shoprite Checkers Eezi Coupon loyalty

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Beta</th>
<th>t-value</th>
<th>Sig. (p)</th>
<th>Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>0.276421</td>
<td>1.352967</td>
<td>0.183858</td>
<td>H₅</td>
</tr>
<tr>
<td>Technology used</td>
<td>0.562107</td>
<td>2.140433</td>
<td>0.038630</td>
<td>H₆</td>
</tr>
</tbody>
</table>

As can be seen in Table 7, about 29.5% of the variance in Shoprite Checkers Eezi Coupon loyalty can be explained by the variances in the independent variables. Evidence was found of a significant statistical relationship between the technology used and Shoprite Checkers Eezi Coupon loyalty. This implies that technology used highly predict Shoprite Checkers Eezi Coupon loyalty. The path coefficient of technology used was positive but relatively weak. There was no relationship found between CRM and Shoprite Checkers Eezi Coupon loyalty.

CONCLUSIONS AND RECOMMENDATIONS

The primary objective of this study was to investigate factors influencing store card loyalty of the Pick ‘n Pay Smart card and Shoprite Checkers Eezi Coupon loyalty programmes. As was indicated in literature, CRM, store value perception, technology used and the type of reward play a role in store card loyalty. The following conclusions are based on the multiple regression analysis between the independent variables (factors influencing store card loyalty) and the dependent variable (store card loyalty) and the literature study.

There appears to be a significant relationship between CRM and Pick ‘n Pay Smart Shopper card store loyalty. According to the empirical study, it seems this store’s loyalty card has been successful in ensuring that they build a relationship with their card holders as it makes consumers feel valued through regular communication and adding value to their shopping experience. Having this loyalty card also provide them with more benefits than other stores and enhance their shopping experience. Consumers indicated that they make repeat purchases and visit the store more frequently, especially if the proximity of the store is within easy access. It must be noted that consumers’ visits are however related to the benefits offered. Owning this loyalty card has influenced consumers’ attitude towards the store and they regard this business as trustworthy. Frequent use of the loyalty card enables consumers to save money. It has been confirmed in literature that regular communication can increase consumer loyalty, especially if a store communicate specials to consumers. Literature indicated that advertising specials also makes consumers feel valued and visit the store more often. Furthermore, having a loyalty card also makes the business appears more legitimate and therefore more trustworthy, thereby resulting in a positive attitude towards a store.

There appears to be a significant relationship between technology used and Shoprite Checkers Eezi Coupons store loyalty. Consumers of this store like the idea of mobile couponing as a loyalty programme as it gives them access to this loyalty programme via a mobile device and they can search for more information about the loyalty programme. It also enables them to access the store’s apps on their smartphone. They also confirm that technology makes it easier for them to join this loyalty programme. They like the idea that they can receive SMSs or emails about specials via their mobile device. Using mobile technology ensures they receive frequent communication from the store. The use of technology has been confirmed in literature, especially using mobile devices.

It is recommended that Pick ‘n Pay continue or even better, increase their efforts of CRM towards their existing loyal consumers in order to retain them or to create consumer equity, thereby ensuring their
consumers’ continuous loyalty. As they are using a tangible card, technology does not play as much of a role than when using a mobile device. However, technology can enable them to communicate with their consumers to retain them.

It is recommended that Shoprite and Checkers actively pursue CRM as their consumers do not seem to be as loyal as e.g. the Pick ‘n Pay Smart shopper card consumers. This can be implemented by communicating regularly with the Shoprite and Checkers Eezi Coupons' subscribers and by providing more benefits and value-added offers than other stores in satisfying consumers’ needs. Even though it seems that they used the correct technology to reach their consumers, they could extend the programme to tangible cards to create a platform for all consumers. This way they will even further reach potential consumers who have limited use and knowledge of technology. They should also increase their advertising and marketing efforts to create greater awareness about the Shoprite and Checkers Eezi Coupons.

As indicated in literature using the right technology to reach their loyalty card holders can increase customer relations. These stores should utilise new technology when becoming available to retain their consumers. They should also pay attention to ensure they offer different types of rewards to consumers. A need analysis of the types of the rewards consumers expected should be conducted. This could lead to more consumer satisfaction and lead to consumer equity. Both stores should also ensure that the store value perception appeal to consumers as indicated in literature.

LIMITATIONS AND FUTURE AREAS OF RESEARCH
With regards to the sample selection, only consumers within Nelson Mandela Bay were selected for the purpose of the research. For a better insight into consumer perception regarding retail loyalty programmes, it is suggested that research be done across other regions in South Africa. Furthermore, in order to generate more conclusive findings, a comparison should be done using retail loyalty programmes other than the Pick ‘n Pay Smart Shopper Card and the Shoprite and Checkers Eezi Coupons.

The sampling technique utilised in the study, namely convenient and snowball sampling, may have impacted the results of this study as respondents from the same social groups and networks might have been included in the sample and were likely to share similar interests. An increased sample size using mall intercept as a data collection method might render different results.

ACKNOWLEDGEMENTS
The author of this paper would like to thank Robynne Klee and Kerryn Stapleton for their contribution to the literature review and empirical survey in the completion of this study.

REFERENCE LIST


CONSUMERS’ ATTITUDES TOWARDS, AND MARKETING-RELATED BELIEFS REGARDING ORGANIC FOOD

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ABSTRACT
The growing worldwide awareness of food safety, health issues and concerns about the environment has fuelled the increase in the demand for organic food. However, it is predicted that organic food sales will decrease due to the worldwide economic downturn. Marketers of organic food will therefore have to better understand organic food consumers and their behaviour if they wish to stay profitable. This paper determined South African consumers’ attitudes towards the consumption of organic food together with their marketing-related beliefs regarding organic food. Data was obtained from 221 respondents through non-probability convenience sampling. Results indicate that, although consumers have positive attitudes towards the consumption of organic food, they do not hold particularly positive marketing-related beliefs of organic food. Marketers of organic food should thus establish trust in their brands names, packaging and labelling by conveying the quality of their produce along with important, relevant and credible information to organic food buyers.

Key words: Organic food, attitude, marketing-related beliefs, consumption

INTRODUCTION
Although the organic food market is still small compared to the overall food market (Stolz et al, 2011:67), growing awareness of food safety, health issues and concerns about the environment has resulted in a continuous increase in the demand for organic food (Haghjou et al, 2013:191; Hoefkens et al, 2009:1063; Paul & Rana, 2012:412; Suh et al, 2012:49). Fuelled by a number of consumer perceptions and beliefs, including that organic food is healthier, more nutritious, tastes better, is free of pesticides, safer and more environmentally friendly than non-organic food (Chen & Lobo, 2012:293; Nielsen, 2010; Paul & Rana, 2012:422; Stolz et al, 2011:67), the global organic food market grew to reach between $54.9 billion (Organic Trade Association, 2011) and $60 billion (Nutraceuticals World, 2010) in 2009. The significance of organic market on the African continent is becoming apparent when considering that Uganda is believed to be the world’s leading organic-production country, with Ethiopia, Tanzania and Zambia also being ranked among the top 10 organic-production countries in the world (Naidoo, 2012). Although South Africa is not ranked among the leading organic-production countries in Africa, the predicted revenue from organic products appear to be significant as the South African organic market is estimated to amount to R 100 million per annum (Naidoo, 2012; Buffee in Barrow, 2006).

While many definitions exist, it is generally agreed that the term organic refers to the production and processing of food, as organic food is characterised by the fact that no commercial chemicals, fertilisers, pesticides, hormones or synthetic substances are used in the production process (Farlex, 2012; Food Marketing Institute, 2008:1-2; Paul & Rana, 2012:413; Ngobo, 2011:90). Any food product complying with the principles for organic production and processing can therefore be labelled as ‘organic’ (Janssen & Hamm, 2012:336). This results in an on-going debate concerning the healthiness and safety of organic food since the definition of organic food relates to the production process, thus comprising a process claim and not a product claim (Zakowska-Biemans, 2011:124). Poulston and Yiu (2011:184) concur by explaining that regulations regarding organic food are based on how they are produced and not the final produced product as there are no scientific tests to verify whether food is organically grown.

Consumers’ beliefs that organic food is healthier and safer than non-organic food is therefore worrying as consumers cannot verify the basic assumption, either during purchase or after consumption of the product, of the process-related attributes which are supposed to characterise organic food (Jahn et al, 2005:55). Consumers, therefore, have no choice but to trust marketers of organic food regarding the production processes and labelling claims; in other words, consumers have to trust marketers’ claims and communication used for organic food (Janssen & Hamm, 2012:350; Sirieix et al, 2011:677; Tung et al, 2012:1011).
The purpose of this paper is to determine South African consumers’ attitudes toward the consumption of organic food together with their marketing-related beliefs regarding organic food. Studying consumers’ attitudes toward organic food is important as it is believed that once consumers become aware of health and environmental issues, this awareness often leads to a change in consumers’ attitudes toward organic food, which ultimately results in a change in consumption behaviour (Banks, 2009:30; Stolz et al, 2011:67). The following section provides a literature overview, followed by a literature review undertaken to formulate the hypotheses to be tested in the study. This is followed by the problem statement, objectives and research methodology followed. Results from the study are provided, followed by conclusions and recommendations based on the study. The paper concludes by listing the limitations of the study and offering recommendations for future research.

LITERATURE OVERVIEW

Consumer behaviour and consumer decision-making

Consumer behaviour refers to the behaviour consumers display in searching for, purchasing, using, evaluating, and disposing of products and service that they expect will satisfy their needs (Babin & Harris, 2012:6; Kardes et al, 2011:8; Schiffman et al, 2010:23). Of particular importance when studying consumer behaviour is the consumer decision-making process as consumers make a decision every time they buy and consume a product or service (Jansson-Boyd, 2010:131). Various authors agree that consumer decision-making can be viewed as a five-stage process through which consumers try to satisfy their needs (Babin & Harris, 2012:248; Kardes et al, 2011:71; Noel, 2009:135; Peter & Olson, 2010:164). The consumer decision-making process begins with the recognition of an unsolved problem or an unmet need which is followed by the search for alternative solutions to satisfy this need. All the alternatives that can fulfil the need are evaluated in the third stage of the decision-making process. Fourthly, the best alternative is chosen for purchase (or the consumer can decide not to purchase at all) and finally, consumers re-evaluate the chosen alternative after purchase and consumption. This process highlights that a decision requires a choice between alternatives (Babin & Harris, 2012:248; Webb, 2010:28).

During the decision-making process, external forces like culture, social class, reference groups and the family (Hoyer & MacInnis, 2010:13-14; Schiffman et al, 2010:37) along with internal forces of the consumer, also referred to as psychological forces, such as motivation, personality, perception, learning and attitude (Hoyer & MacInnis, 2010:10-11; Kardes et al, 2011:11; Schiffman et al, 2010:37) are at play.

Since consumers’ attitudes can influence their purchase intention and behaviour (Tung et al, 2012:998), this study focusses on consumer attitudes which help consumers to simplify the decision-making process by fulfilling a knowledge function: attitudes are stored and consumers can simply recall their attitudes to approach desirable situations while avoiding all others (Babin & Harris, 2012:126-127). Marketers should therefore attempt to influence consumer decision-making and change consumer behaviour by trying to change consumer attitudes (Hoyer & MacInnis, 2010:122). Babin and Harris (2012:135-136) explain that marketers can change consumers’ attitudes by changing consumers’ beliefs, adding beliefs about new attributes, or changing the evaluation of attributes and therefore beliefs.

Consumer attitudes

An attitude is considered to be a learned inclination to behave in a consistently favourable or unfavourable way with respect to a given object (Schiffman et al, 2010:246). Fishbein (1963:238) established that a consumer’s attitude towards any object is a function of beliefs about that object and the evaluative aspect of those beliefs. Wilkie and Pessemier (1973:428) ascertained the advantage of multi-attribute attitude models relating to the overall affect reflecting consumers’ beliefs that a given object possesses certain attributes to a degree weighted by the importance of each attribute as considered by the individual. Using the aforementioned as foundation, nowadays it is argued that three key elements must be determined and considered to understand and predict consumer attitudes, namely the beliefs consumers have with regard to a salient attribute, the strength of the belief, and an evaluation of the importance of the attribute in question (Babin & Harris, 2012:130; Kardes et al, 2011:162, 168). According to Kardes et al (2011:164) attitudes are thus evaluative in nature and can be described in terms of direction (positive, negative or neutral) and extremity (weak, moderate or strong). Consumers have favourable attitudes towards those product categories that they believe have an adequate level of attributes that they evaluate as positive, and vice versa (Schiffman et al, 2010:252). In summary, consumers form and change attitudes based on the beliefs or knowledge they have about an object or action and their evaluation of these particular beliefs (Hoyer & MacInnis, 2010:128).
By using multi-attribute attitude models as proposed by Fishbein (1963:238) as well as Wilkie and Pesssemier (1973:428) in this study, an understanding of attitudinal structure with regard to organic food will be gained as the consumption of organic food is significantly influenced by consumer attitude towards organic food (Aertseens et al, 2011:1374; Banks, 2009:30; Kim & Chung, 2011:44; Stolz et al, 2011:67).

**Consumer beliefs**

Consumer beliefs can be viewed as ratings concerning product attributes and benefits and for this reason, beliefs are consumers’ assessments of a specific relationship between a brand and an attribute or benefit (Kardes et al, 2011:161). Beliefs regarding concrete brand attributes therefore impact beliefs related to abstract brand benefits (Sharpe, 2006:36).

Is should be noted that beliefs constitute the probability that the object is related to other objects, concepts, values or goals (Fishbein, 1963:238). When considering the influence of consumers’ attitudes (shaped through beliefs) on purchasing behaviour, consumers with more favourable environmental attributes are more willing to purchase environmentally friendly products (Cheah & Phau, 2011:464) such as organic food. Beliefs associated with organic food include that organic food is healthier, more nutritious, taste better, is free of pesticides, safer and more environmentally friendly than non-organic food (Chen & Lobo, 2012:293; Nielsen, 2010; Paul & Rana, 2012:422; Stolz et al, 2011:67; Żakowska-Biernars, 2011:134). For this reason, consumers believe that organic food is better than non-organic food (Hoefkens et al, 2009:1074). The purchase and consumption of organic food may therefore be considered as a strategy to improve health and reduce food safety risks (Żakowska-Biernars, 2011:134).

By considering the literature overview, the following section is dedicated to formulating hypotheses for the study by specifically considering organic food literature.

**HYPOTHESES FORMULATED FOR THE STUDY**

Consumers perceive food safety risk in terms of microbiological, chemical and technological factors (Yeung & Morris, 2001:182). According to Grebitus et al (2011:197) and Sirieux et al (2011:677) trust in the producer or brand name is of critical importance to consumers when buying organic food, therefore necessitating the need for trusted certificates or brands. Brands are used to infer evidence that the correct production process for organic certification was used. The following alternative hypotheses can therefore be formulated:

H1: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that the brand name of the organic food is important.

H2: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that well-known organic brand names should be bought.

Consumers use information presented on the product label, such as the manufacturer’s details and the date which the product was manufactured to determine whether they can trust and purchase organic food (Suh et al, 2012:58). The label therefore acts as certification of organic food (Żakowska-Biernars, 2011:134). For this reason, heavy users of organic food place more importance on the label and packaging of organic food than non-users. This focus on the label also includes other unobserved preference attributes (Mondelaers et al, 2009:1133), such as the belief that organic food tastes better than non-organic food (Aertseens et al, 2011:1371; Thøgersen & Zhou, 2012:327-328; Urâla & Lähteenmäki, 2003:157), or that the appearance of organic food is associated with the label (Mondelaers et al, 2009:1133). Hjelmar (2011:343) emphasises the importance of organic food packaging and labelling by suggesting that organic food had to be clearly visible and easy to find if marketers wanted it to become routinely purchased. The label and packaging of organic food are thus important elements to consider when studying consumer attitudes towards organic food. The following alternative hypotheses can therefore be formulated:

H3: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that an attractive packaging is an important consideration in buying organic food.

H4: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that organic food labels should be examined before the food is bought.

Kim and Chung (2011:44) are of the opinion that specific research into consumers’ attitudes and purchase intentions towards stores selling organic products is necessary. This is necessitated by the belief that a negative attitude exists towards organic food since it is not readily available (Chakrabarti, 2010:911; Hjelmar, 2011:340; Suh et al, 2012:56). Stolz et al (2011:67) emphasises the importance of organic food packaging and labelling by suggesting that organic food had to be clearly visible and easy to find if marketers wanted it to become routinely purchased. The label and packaging of organic food are thus important elements to consider when studying consumer attitudes towards organic food. The following alternative hypotheses can therefore be formulated:

H5: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that organic food labels should be examined before the food is bought.
production method, nutritional information, and origin, influence consumers’ trust in the term ‘organic’ (lop et al, 2006:900; Suh et al, 2012:58). The following alternative hypotheses can therefore be formulated:

H5: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that one should be more loyal to the store selling organic food than the brand of organic food.

H6: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that one should be loyal to locally produced organic food.

H7: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that the country where organic food is produced, is important.

Price plays a dominant role with regard to organic food beliefs and the quality association with organic food (Aertsen et al, 2011:1372; Chakrabarti, 2010:911; Food Marketing Institute, 2008:5; Suh et al, 2012:56, 60). This quality association is of extreme importance to organic food sellers as consumers’ quality experiences both before and after the purchase of organic food influence their future purchase and consumption choices (Mondelaers et al, 2009:1120). Unfortunately, it is the belief that organic food is very expensive and not readily available that act as deterrent to more consumers buying these products (Aertsen et al, 2011:1372; Chakrabarti, 2010:911; Food Marketing Institute, 2008:5; Hjelmar, 2011:343; Suh et al, 2012:56, 60). Occasional organic consumers could therefore be prompted to buy more regularly if these items are offered on sale or offered at reduced prices. Therefore the following alternative hypotheses are formulated:

H8: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that price is closely associated with the quality of organic food.

H9: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that one should buy organic food on sale when possible.

Organic food consumers not only believe that non-organic food is perceived to be less nutritional than organic food, but also that organic food improves their health (Chakrabarti, 2010:910; Hoefkens et al, 2009:1073; Suh et al, 2012:55; Urala & Lähteenmäki, 2003:157) due to the superior nutritional value of organic food (Hoefkens et al, 2009:1073; Suh et al, 2012:59). Therefore the following alternative hypothesis is formulated:

H10: A significant and positive relationship exists between consumers’ attitudes towards the consumption of organic food and the belief that modern foods are nutrient deficient.

PROBLEM STATEMENT AND OBJECTIVES

Despite the organic food market's double-digit growth during the past decade (Banks, 2009:30) and estimates that the market will grow to $96.5 billion in 2014 (Nutraceuticals World, 2010), it is predicted that organic food sales will decrease due to the worldwide economic downturn (Nielsen, 2010). Possible reasons for decreased sales include consumers’ environmental and health issues taking a back seat due to organic food often being more expensive (Nielsen, 2010), infrequent organic food buyers reducing their organic food purchases, and the growth rate of new organic food buyers declining (Greene et al, quoted in Gonzalez, 2012:6).

Facing the potential decrease in sales, marketers of organic food will have to work harder to justify their products on retailers’ shelves (Banks, 2009:33). Thogersen and Zhou (2012:328-329) are of the opinion that marketers should use research to form an understanding regarding beliefs relating to organic food which, in turn, form attitudes and ultimately influence purchasing behaviour. As marketers control the physical characteristics and associated images of the brand, assessment of beliefs regarding, and attitudes towards organic food, offers an opportunity to formulate aspects of the marketing strategy through relevant information in accordance with, or in order to direct such beliefs and attitudes (Wilkie & Pessemier, 1973:428) to help consumers make informed purchase decisions (Chung et al, 2012:144). An understanding of beliefs and attitudes concerning the purchase and consumption of organic food could therefore empower organic food marketers to design effective marketing strategies (Chakrabarti, 2010:910; Ozimek & Żakowska-Biemans, 2011:139; Żakowska-Biemans, 2011:133).

Although the majority of South African consumers will still opt for basic food with cheaper prices, a growing segment of consumers with higher disposable incomes are increasingly focussing on healthier and organic foods and will therefore continue to fuel the demand for healthier and organic food (Scott, 2012). As previous research relating to organic food was predominantly conducted in the United States and European countries (De Maya et al, 2011:1767; Eden, 2011:179; Lobley et al, 2011:1; Nie & Zepeda, 2011:29; Zakowska-Biemans, 2011: 122), research applicable to a South African context is required.
The aim of this study is therefore to determine South African consumers’ attitudes towards the consumption of organic food, together with their marketing-related beliefs regarding organic food. The following objectives were formulated to achieve this aim:

To measure consumers’ attitudes toward the consumption of organic food;
To uncover consumers’ marketing-related beliefs regarding organic food; and
To determine the relationship between consumers’ attitude towards the consumption of organic food and their marketing-related beliefs regarding organic food.

RESEARCH METHODOLOGY

In order to achieve the objectives formulated for this study, a quantitative approach was followed. More specifically, the researchers opted for a descriptive research design. The study population targeted for this study included individuals who reside in South Africa’s North-West Province and who have bought organic food during a six-month-period prior to the fieldwork. In the absence of a suitable sampling frame, the researchers were compelled to make use of a non-probability sampling technique namely, convenience sampling to select respondents to take part in the study. Potential respondents were approached by trained fieldworkers in the business centres of major regional towns in the province and requested to participate in the study.

The questionnaire used in the study was designed to be self-administered and included only structured questions. As for the design and layout of the questionnaire, a preamble introduced the respondent to the questionnaire and specified the aim of the research. Furthermore, the rights and the obligations of the respondent, as well as the time required to complete the questionnaire were explained. A screening question was also included to ensure the potential respondent had indeed purchased organic food within a period of six months prior to the survey being conducted. A demographic section followed the preliminaries and another section contained an unlabelled multi-item Likert-type scale that measured the attitude towards the consumption of organic food and marketing-related beliefs regarding organic food. Items were measured on a 10-point scale (where 1 represented ‘strongly disagree’ and 10 represented ‘strongly agree’). The items were drawn from extant literature and insights gained from focus group sessions. Focus groups were conducted for the purpose of developing items for the questionnaire since using focus groups to generate beliefs for measure in a quantitative study, is considered appropriate (Wilkie & Pessemier, 1973:429). Tables 2 and 3 provide an exposition of the items included in the multi-item Likert-type scale.

The questionnaire was pre-tested among the target population to ensure all possible design issues were addressed and that a good quality questionnaire was finally being fielded. Once a fieldworker found an eligible and willing respondent, the respondent was required to complete the questionnaire and hand it back to the fieldworker. A total number of 221 useable questionnaires were collected from respondents. Since these respondents had bought organic food during a six-month-period prior to the survey being conducted, it could be assumed that they had clearly manifested attitudes and beliefs towards organic food.

The data was subsequently entered and analysed with the aid of the Statistical Package for Social Sciences (SPSS). The data analysis strategy involved the calculation of frequencies to describe the demographic profile of the typical respondent. Subsequently, descriptive statistics (means and standard deviations) were calculated for each item included in the multiple-item Likert-type scale.

The construct validity of the scale used to measure attitude towards the consumption of organic food was assessed means of a confirmatory factor analysis. Furthermore, face or content validity of the individual items measuring the marketing-related beliefs regarding organic food was also assessed by the researchers.

The calculation of an overall mean score for the construct ‘attitude towards the consumption of organic food’ was also preceded by assessing the internal consistency reliability of the scale measuring the attitude towards the consumption of organic food construct. This was done by calculating a Cronbach’s alpha-value for the scale (Pallant, 2010:6). The closer the Cronbach’s alpha-value is to 1.00, the more reliable the scale, while 0.7 is considered as the lower limit of acceptability (Pallant, 2010:6).

Since the data concerned meet several assumptions (a suitable level of measurement was used to measure the variables, observations are independent of one another, the data is normally distributed, the relationships between variables are linear and equal variances can be assumed) a parametric test, namely the Pearson product moment correlation was subsequently used to test the hypotheses formulated for the study (Pallant, 2010:125126). This test is used to determine whether a significant relationship exists between two normally distributed interval-scaled variables. The researchers relied on a 95% confidence level that renders a significance level or p-value of 0.05. Once a significant relationship has been established, it is necessary to determine the direction (positive or negative) and strength of the relationship between the two variables.
concerned by assessing the correlation coefficient (Pallant, 2010:134). According to Cohen (1988) as cited in Pallant (2010:134), a correlation coefficient of 0.10 to 0.29 is indicative of a weak correlation, a correlation coefficient of 0.30 to 0.49 is indicative of a moderate correlation, and a correlation coefficient of 0.50 to 1.00 is indicative of a strong correlation.

RESULTS OF THE STUDY

Validity and reliability
The items included in the scales were based on extant literature and focus group results. The confirmatory factor analysis undertaken to assess construct validity of the attitude towards the consumption of organic food scale realised a RMSEA of 0.10, indicating a moderate fit, and a CFI of 0.902, indicating a good model fit (Meyers, Gamst & Guarino, 2006:560&562). With respect to beliefs regarding the marketing of organic food, face or content validity was confirmed since it appeared to the researchers that the items adequately measure different beliefs regarding the marketing of organic food (Malhotra, 2007:286).

Concerning reliability, a Cronbach’s alpha-value of 0.726 was calculated for the scale (five items) measuring the attitude of consumers towards organic food consumption. Since an alpha-value of 0.7 and above indicates acceptable reliability, the researchers were able to calculate an overall mean score for the construct (Pallant, 2010:6).

Sample profile
The majority of respondents who participated in the study were between the ages of 20 to 29 (34.9 per cent), 40 to 49 (21.1 per cent) and 50 to 59 (20.4 per cent). The majority of respondents were female (72.8 per cent) and either married (51.9 per cent) or single (36.7 per cent).

Attitude towards the consumption of organic food
Table 1 provides an exposition of the frequencies, means and standard deviations for each of the items included in the measurement set measuring the construct ‘attitude towards the consumption of organic food’. The overall mean score for the measurement set is also provided since the scale proved reliable and therefore an overall mean score could be calculated.

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Standard deviation</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic food is important for a healthy lifestyle</td>
<td>201</td>
<td>2.055</td>
<td>7.69</td>
</tr>
<tr>
<td>Organic food makes me feel healthier</td>
<td>221</td>
<td>2.338</td>
<td>6.81</td>
</tr>
<tr>
<td>The benefits of organic food outweighs its costs</td>
<td>221</td>
<td>1.993</td>
<td>6.38</td>
</tr>
<tr>
<td>Any organic food is better than no organic food</td>
<td>201</td>
<td>2.301</td>
<td>6.28</td>
</tr>
<tr>
<td>By not eating organic food, I increase my chances of becoming ill</td>
<td>221</td>
<td>2.361</td>
<td>5.61</td>
</tr>
<tr>
<td><strong>Overall mean score</strong></td>
<td></td>
<td></td>
<td><strong>6.53</strong></td>
</tr>
</tbody>
</table>

The item that realised the highest mean was ‘Organic food is important for a healthy lifestyle’ with a mean of 7.69, followed by ‘Organic food makes me feel healthier’ with a mean of 6.81. All the items realised a mean higher than the midpoint of the scale. The items that respondents agreed with the least were ‘By not eating organic food, I increase my chances of becoming ill’ with a mean of 5.61 and ‘Any organic food is better than no organic food’ with a mean of 6.28. An overall mean score of 6.53 was realised for the construct, indicating a positive, although not overtly so, attitude towards the consumption of organic food amongst respondents.

Beliefs regarding the marketing of organic food
Table 2 provides an exposition of the frequencies, means and standard deviations for each of the marketing-related beliefs of organic food that was measured.

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Standard deviation</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price is closely associated with the quality of organic food</td>
<td>221</td>
<td>2.180</td>
<td>6.93</td>
</tr>
<tr>
<td>One should be loyal to locally produced organic food</td>
<td>201</td>
<td>2.545</td>
<td>6.78</td>
</tr>
<tr>
<td>Modern foods are nutrient deficient</td>
<td>221</td>
<td>2.338</td>
<td>6.64</td>
</tr>
<tr>
<td>One should be more loyal to the store selling organic food than the brand of organic food</td>
<td>201</td>
<td>2.558</td>
<td>6.19</td>
</tr>
<tr>
<td>Organic food labels should be examined before the food is bought</td>
<td>201</td>
<td>2.631</td>
<td>6.18</td>
</tr>
</tbody>
</table>
Overall, respondents did not strongly agree with most of the items measuring the marketing-related beliefs of consumers regarding organic food. The marketing–related belief with the highest mean score was ‘Price is closely associated with the quality of organic food’ with a mean of 6.93, followed by ‘One should be loyal to locally produced organic food’ with a mean of 6.78. Two items realised a mean of less than the mid-point of the scale namely ‘Well-known organic brand names should be bought’ with a mean of 4.39 and ‘The brand name of the organic food is important’ with a mean of 4.64. Based on the results, it is evident that respondents do not hold particularly positive marketing-related beliefs towards organic food.

Hypotheses testing
The hypotheses formulated for this study aimed to uncover a relationship between consumers’ attitudes towards the consumption of organic food and their marketing-related beliefs regarding organic food. Table 3 provides an exposition of the results of the hypotheses testing.

<table>
<thead>
<tr>
<th>Marketing-related beliefs regarding organic food</th>
<th>Frequency</th>
<th>p-value</th>
<th>Correlation coefficient</th>
<th>Strength of relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>The brand name of the organic food is important</td>
<td>201</td>
<td>0.000*</td>
<td>0.427</td>
<td>Moderate</td>
</tr>
<tr>
<td>Well-known organic brand names should be bought</td>
<td>201</td>
<td>0.000*</td>
<td>0.363</td>
<td>Moderate</td>
</tr>
<tr>
<td>An attractive packaging is an important consideration in buying organic food</td>
<td>201</td>
<td>0.013*</td>
<td>0.174</td>
<td>Weak</td>
</tr>
<tr>
<td>Organic food labels should be examined before the food is bought</td>
<td>201</td>
<td>0.000*</td>
<td>0.468</td>
<td>Moderate</td>
</tr>
<tr>
<td>One should be more loyal to the store selling organic food than the brand of organic food</td>
<td>201</td>
<td>0.000*</td>
<td>0.249</td>
<td>Weak</td>
</tr>
<tr>
<td>One should be loyal to locally produced organic food</td>
<td>201</td>
<td>0.046*</td>
<td>0.141</td>
<td>Weak</td>
</tr>
<tr>
<td>The country where organic food is produced is important</td>
<td>201</td>
<td>0.000*</td>
<td>0.282</td>
<td>Weak</td>
</tr>
<tr>
<td>Price is closely associated with the quality of organic food</td>
<td>201</td>
<td>0.000*</td>
<td>0.342</td>
<td>Moderate</td>
</tr>
<tr>
<td>One should buy organic food on sale when possible</td>
<td>201</td>
<td>0.000*</td>
<td>0.259</td>
<td>Weak</td>
</tr>
<tr>
<td>Modern foods are nutrient deficient</td>
<td>201</td>
<td>0.000*</td>
<td>0.506</td>
<td>Strong</td>
</tr>
</tbody>
</table>

* Indicates statistical significance (p ≤ 0.05)

From Table 3 the following conclusions can be drawn:

**Hypothesis 1:** A significant and moderate positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that the brand name of the organic food is important; with a p-value of less than 0.05 and a correlation coefficient of 0.427. H1 can therefore not be rejected.

**Hypothesis 2:** A significant and moderate positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that the well-known organic brand names should be bought; with a p-value of less than 0.05 and a correlation coefficient of 0.363. H2 can therefore not be rejected.

**Hypothesis 3:** A significant and weak positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that an attractive packaging is an important consideration in buying organic food; with a p-value of 0.013 and a correlation coefficient of 0.174. H3 can therefore not be rejected.

**Hypothesis 4:** A significant and moderate positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that organic food labels should be examined before the food is bought; with a p-value of less than 0.05 and a correlation coefficient of 0.468. H4 can therefore not be rejected.

**Hypothesis 5:** A significant and weak positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that one should be more loyal to the store selling organic food.
than the brand of organic food; with a p-value of less than 0.05 and a correlation coefficient of 0.249. H5 can therefore not be rejected.

**Hypothesis 6:** A significant and weak positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that one should be loyal to locally produced organic food; with a p-value of 0.046 and a correlation coefficient of 0.141. H6 can therefore not be rejected.

**Hypothesis 7:** A significant and weak positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that the country where organic food is produced is important; with a p-value of less than 0.05 and a correlation coefficient of 0.272. H7 can therefore not be rejected.

**Hypothesis 8:** A significant and moderate positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that price is closely associated with the quality of organic food; with a p-value of less than 0.05 and a correlation coefficient of 0.342. H8 can therefore not be rejected.

**Hypothesis 9:** A significant and weak positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that one should buy organic food on sale when possible; with a p-value of less than 0.05 and a correlation coefficient of 0.259. H9 can therefore not be rejected.

**Hypothesis 10:** A significant and strong positive relationship exists between respondents’ attitudes towards the consumption of organic food and the belief that modern foods are nutrient deficient; with a p-value of less than 0.05 and a correlation coefficient of 0.506. H10 can therefore not be rejected.

### CONCLUSIONS AND RECOMMENDATIONS

There is an on-going debate concerning the healthiness and safety of organic food since the definition of organic food relates to the production process, thus a process claim and not a product claim (Żakowska-Biemans, 2011:124). Consumers’ beliefs that organic food is healthier and safer than non-organic food are therefore worrying as consumers cannot verify the basic assumption, either during purchase or after consumption of the product, of the process-related attributes which are supposed to characterise organic food (Jahn et al., 2005:55).

Consumer attitudes can influence purchase intention and behaviour (Tung et al., 2012:998) and this study focussed on consumers’ attitudes towards organic food. An understanding of beliefs and attitudes concerning the purchase and consumption of organic food could therefore empower organic food marketers to design effective marketing strategies (Chakrabarti, 2010:910; Ozimek & Żakowska-Biemans, 2011:139; Żakowska-Biemans, 2011:133).

The first secondary objective set for this study was to determine consumers’ attitudes towards the consumption of organic food. From the results it could be concluded that respondents overall had a positive attitude towards the consumption of organic food. This finding should be encouraging to organic food marketers as without a positive attitude towards organic food, marketers would find it difficult to convince consumers to buy organic food, especially since it is usually sold at higher prices than non-organic food.

The second objective set out to uncover consumers’ marketing-related beliefs regarding organic food. Results indicated that respondents did not hold particularly positive marketing-related beliefs towards organic food. This finding should be disconcerting to organic food marketers since, although consumers have a positive attitude towards their products, consumers may be reluctant to buy organic foods due to the lack of trust in marketing messages or even the brand names themselves. Marketers should thus focus on establishing brand names that can be trusted. This strategy should be supported by creating packaging and labels that convey important, relevant and credible information to organic food buyers.

The final objective of the study was to determine the relationship between consumers’ attitudes towards the consumption of, and their marketing-related beliefs regarding organic food. From the literature review it was established that food safety greatly influences consumers’ likely purchase of organic food (Grebitus et al., 2011:197), thereby emphasising the need for trusted organic food brand names. Results from this study support this view since statistically significant relationships were found between consumers’ attitudes towards the consumption of organic food, and the belief that the brand name of the organic food is important as well as the belief that well-known organic brand names should be bought. It can therefore be recommended that organic food marketers should invest in establishing brand names that can be trusted for both the quality of the product as well as providing the assurance that the brand is synonymous with an organic production process being followed.

Results from this study furthermore indicate that statistically significant relationships exist between consumers’ attitudes towards the consumption of organic food and the belief that an attractive packaging is an important consideration when buying organic food, as well as that organic food labels should be examined before the food is bought. This finding supports the view that consumers use information...
presented on the product label (Suh et al., 2012:58) and that organic food labels serve as certification of authenticity when determining whether organic food can be trusted (Suh et al., 2012:58; Żakowska-Biemans, 2011:134). It can therefore be recommended that marketers of organic food develop attractive and uniform packaging across organic product items or product lines. Packaging should also include labels containing information sought by organic food users. By doing so, organic food users could be encouraged to buy a wider range of organic foods while non-users could be persuaded to start buying these items.

Literature suggests that the origin of organic food (the store where organic food is sold, the country of origin, and whether it was locally produced), and the production method and nutritional information influence consumers’ attitude towards organic food and their trust in the term ‘organic’ (Iop et al., 2006:900; Suh et al., 2012:58). This study supports literature in that statistically significant relationships were found between respondents’ attitude towards the consumption of organic food and the belief that one should be more loyal to the store selling organic food than the brand of organic food, the belief that one should be loyal to locally produced organic food, and the belief that the country where organic food is produced is important. It can therefore be recommended that marketers of organic food should foster relationships with the outlets where they sell their produce since consumers could be more loyal to the store selling these items than the brand itself. Marketers should also highlight the country where the organic food was produced and, if applicable, emphasise that it was locally produced.

Price is often used to infer the quality of organic food (Aertsens et al., 2011:1372; Chakrabarti, 2010:911; Food Marketing Institute, 2008:5; Suh et al., 2012:56, 60). This view was supported by findings from this study indicating a statistical significant relationship between consumers’ attitude towards the consumption of organic food and the belief that price is closely associated with the quality of organic food. Literature, however, also suggests that it is an unfortunate belief that organic food is very expensive and not readily available, thereby acting as a deterrent to more consumers buying these products (Aertsens et al., 2011:1372; Chakrabarti, 2010:911; Food Marketing Institute, 2008:5; Suh et al., 2012:56, 60). Findings from this study support this view as a statistical significant relationship was found between the attitude of consumers towards the consumption of organic food and the belief that one should buy organic food on sale when possible. It can therefore be recommended that marketers of organic food carefully determine their prices since, although price is associated with quality, setting a price that is too high could result in fewer consumers purchasing these products, thereby resulting in a smaller market to serve. Organic food marketers should, however, consider to occasionally offer their products on sale (at reputable outlets) to encourage first-time purchases and to try to convert occasional buyers into regular buyers. Kim and Chung (2011:44) support this view by suggesting that more affordable prices might change consumers’ beliefs about too high prices of organic food, to a belief where consumers consider themselves capable of paying for organic food.

Finally, a statistical significant relationship was found between consumers' attitudes towards the consumption of organic food and the belief that modern foods are nutrient deficient. This finding supports results from previous studies suggesting that organic food consumers not only believe that non-organic food is perceived to be less nutritional than organic food, but also that organic food improves their health (Chakrabarti, 2010:910; Hoefkens et al., 2009:1073; Suh et al., 2012:55; Urala & Lähteenmäki, 2003:157). It can therefore be recommended that organic food marketers emphasise the belief that organic food not only improves health, but also that non-organic food is less nutritional in all marketing messages, packaging and labels. By doing so, marketers could encourage non-organic users to do trial purchases and to encourage occasional users to become regular users.

LIMITATIONS AND FUTURE RESEARCH

A number of limitations relating to the study should be highlighted. Firstly, a non-probability, convenience, sampling method was used. Results can therefore not be generalised, but are applicable to those respondents who participated in the study. Secondly, all respondents who participated in the study were already organic food users. Results could have been significantly different if non-users’ attitudes towards organic food was determined, or if those who cannot afford organic foods’ attitudes were determined.

Future research could replicate the study in other organic markets since non-food organic products such as organic clothing, household cleaning products and pet food are also experiencing growth (Reportlinker, 2012). There could be an organic lifestyle consumption pattern as the use of organic personal care products is influenced by past experience with other organic products (Kim & Chung, 2011:43), and previous experience with purchasing organic food also positively influences the future purchase of organic food (Thøgersen & Zhou, 2012:327-328). Finally, the combination of beliefs and values in attitude formation and how knowledge may influence the formation of consumers’ beliefs with regard to organic products (Aertsens et al., 2011:1374) in South Africa deserve attention.
REFERENCES


AN ETHICALLY FRAMED BODY LOTION AND SOUTH AFRICAN FEMALES’ WILLINGNESS TO PAY

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ABSTRACT
Consumers are increasingly exposed to products which contain ethical attributes, such as environmentally friendly products and body lotions not tested on animals. As a result, consumers use ethical product attributes as evaluation criteria in the buying process. However, many consumers still rely on price as the deciding factor in a purchasing situation. Therefore, understanding consumers’ price perceptions towards ethically framed products will assist organisations in developing the correct pricing and marketing strategies. This study used experimental research to determine whether the use of attribute framing as a marketing strategy could increase consumers’ price perceptions and willingness to pay for ethically framed products. The sample consisted of South African females and a total of 202 respondents completed an online self-administered survey. The results of the study indicated that price perceptions towards products which have been ethically framed are higher compared to ordinary products which are not framed.

Keywords: ethical products; attribute framing; willingness to pay; price perceptions

INTRODUCTION
Consumers’ willingness to pay for a product is negatively influenced if a product is priced too high, which directly affects a firm’s profits (Smith, 2012:3). Pricing strategies are therefore key in influencing consumers’ buying behaviour, as a product presented at the correct price will increase consumers' willingness to pay (Feng & Li, 2011:2). As such, measuring consumers’ willingness to purchase a product at a certain price is required to align a product’s price to consumers’ price expectations (Stanforth & Hauck, 2010:617). Although this makes a lot of sense, developing the correct pricing strategy and optimal price are complex processes that require internal and external information (Nagle & Hogan in Ingebleek, Frambach, & Verhallen, 2010:1035). Thus, examining price in isolation is not sufficient; one must study consumers’ overall buying behaviour (Kopalle, Biswas, Chintagunta, Fan, Pauwels, Rathcford & Sills, 2009:61) and their willingness to pay for products.

An area that has become a contemporary management issue is the concept of sustainability. It seems as though organisations are perceived as ethical or not based on the stance that is taken on social matters (Brunk, 2010:256). Organisations are increasingly pressurised to communicate the ethical values and attributes of their product offerings. Therefore, using attribute framing to communicate unique product attributes (Hannah & Cafferty, 2006:2994; Levin et al., 1998:150) could assist in convincing consumers to choose ethical products above ordinary products (Lee et al., 2011:1). Marketers need to persuade consumers of the personal value and quality of a product (Bertini & Wathieu, 2010:86) so as to increase their price perceptions of and willingness to pay for products. This study used experimental research and a set of price ranges to investigate consumers’ price perceptions towards ethically framed products, ultimately asking the consumer about their willingness to pay for these products.

LITERATURE REVIEW
Consumers’ willingness to pay for a particular product serves as a good indication of the demand for that product (Ahmad & Juhdi, n.d.:4; Aryal, Chaudhary, Pandit & Sharma, 2009:13). As such, an understanding of consumers’ price expectations is prudent as it forms the basis of the “total economic value” (Nagle & Hogan, 2006:28) consumers attach to a product. This value indicates the most consumers are willing to pay for the value a product provides. Consumers often use price as an indicator of the monetary trade-off that needs to be made to obtain a product, as well as an indicator of a product’s quality (Bertini & Wathieu, 2010:91; Monroe, 1990:72). Stanforth and Hauck (2010:617) state that price is used in all future purchases as a reference point for comparing similar products, also known as a reference value. Consumers use the reference prices stored in their memory to compare alternatives on a single variable, namely price. Total economic value thus constitutes the price of the closest alternative, also known as the reference value (Stanforth & Hauck, 2010:617), plus the differential value, the value of that which differentiates the product...
from alternatives (Nagle & Hogan, 2006:28). The combination of these two values indicates the most consumers are willing to pay and relate to the value marketers need to determine. Monroe (1990:74) argues that in addition to consumers’ reference value two additional values need to be considered to understand consumers’ willingness to pay, namely acquisition and transaction value:

**Acquisition value:** Acquisition value indicates a trade-off between the perceived benefits consumers see in a product, in exchange for the perceived monetary sacrifice of obtaining the product, also known as the exchange value (Nagle & Hogan, 2006:28). A higher perceived acquisition value (indicating higher benefits to the consumer) is expected to increase consumers’ perceived value of a product and will in turn lead to increased willingness to pay. However, consumers do not only evaluate the perceived value of purchasing a product, but also the actual transaction value (Monroe, 1990:74).

**Transaction value:** This value is determined by examining the difference between the reference price and the actual price of the product being evaluated. Consumers compare the perceived monetary value of a reference product to the actual price of the product to determine the fairness of the purchase. Consumers’ willingness to purchase a product increases when the actual price of a product is less than the reference price which leads to a positive transaction value and a fair price perception (Monroe, 1990:76).

Based on the above, marketers need to determine how much value a product provides to the consumer (Ingebleek et al., 2010:1035) so as to correctly price a product. Various strategies exist to influence consumers’ price perceptions and eventual willingness to pay.

**Increasing consumers’ perceived value**

Understanding the perceived value consumers have of a product is important; however understanding how to increase this value, in favour of increasing consumers’ willingness to pay, is even more essential. Vohra and Krishnamurth (2012:30-33) refer to seven factors which could be leveraged to increase consumers’ perceived value, some of which can be applied to ethical products:

**Product uniqueness:** The greater the uniqueness of a product, the lower consumers’ price-sensitivity towards a product and the higher consumers’ willingness to pay (Vohra & Krishnamurth, 2012:30). The ethical product attributes, such as no animal testing, could be used to communicate product uniqueness in comparison to ordinary products. Consumers could then be more likely to find the product’s price justifiable based on these ethical attributes and express an increased willingness to purchase these products.

**Knowledge of available products:** Consumers’ knowledge of alternative products, as well as reference products (Stanforth & Hauck, 2010:617) enable an increased awareness of the price of similar products. Consumers who are aware of a number of comparative products are more price sensitive as the ability exists for consumers to compare products and select the best priced alternative.

**Product complexity:** Consumers will use price as the main differentiating factor if products’ other attributes are similar, for example the ingredients of personal care products or the size of the bottle. However if products have quite different attributes, such as one personal care product not being tested on animals whereas others are, price becomes less important in the comparison process and in the purchasing decision (Vohra & Krishnamurth, 2012:30).

**Urgency of the purchase situation:** Consumers are less concerned with price in an urgent purchasing situation. The more urgent, the more likely consumers are to pay a higher price for a product (Vohra & Krishnamurth, 2012:31).

**Nature of the purchase environment:** A purchasing environment which creates an enjoyable shopping experience will lead to less price-sensitive consumers as they view this great experience as added value (Vohra & Krishnamurth, 2012:31). The purchasing situation also encompasses the way in which a product is presented to consumers and frames consumers’ evaluation of a product (Monroe, 1990:72). When the ethical attributes are used as the basis for advertising, which is known as attribute framing (Hannah & Cafferty, 2006:2994; Levin et al., 1998:150), it can increase the perceived value of a product.

**Actual price of the product:** A higher price could inhibit consumers’ willingness to pay for a product, especially if the perceived benefits are not clear (Vohra & Krishnamurth, 2012:32). Marketers need to determine the price consumers are willing to pay for ordinary products as these prices could be generalised as the reference value. From this point, marketers are able to establish an acceptable price premium based on the additional attributes and uniqueness of the ethical versions of these products, as this together with the reference value indicates the most that consumers will pay for a product (Nagle & Hogan, 2006:28).

**Perceived quality:** Consumers are often uncertain of the quality of new products and will turn to price as an indication of the product’s quality (Vohra & Krishnamurth, 2012:33). When marketing ethical products, the price could be used as an indication of product quality as well as the attributes and benefits these products hold for consumers.

Setting the correct price for products is a complex task, even more so for ethical products as some consumers might be sceptical about the value that these products could potentially offer (Bray et al.,
2010:603). In addition to the factors discussed above, a key marketing strategy used to increase consumers’ price perceptions is value communication.

Value communication to increase consumers’ willingness to pay
A correctly constructed value communication message can convince consumers that the product’s value in relation to the price paid for it is a good deal (Nagle & Hogan, 2006:82-83). Value communication also assists in reducing consumers’ price-sensitivity through explaining the end-benefits of the product in relation to competitive offerings (Nagle, Hogan & Zale, 2011:28). This is often done through framing the attributes of a product in a specific manner aimed at a particular consumer group.

Framing is commonly described as portraying product information, such as attributes and values, in different ways, through the use of wording (Fagley, Coleman & Simon, 2010:264) with the aim of influencing consumer choice (Biswas & Grau, 2008:400) whether it be through positive (gain) or negative (loss) framing (Ferguson & Gallagher, 2007:667). The framing technique used in marketing was first studied and documented by Tversky and Kahneman (1981) who demonstrated that consumers’ product choices can be greatly influenced by the framing, that is the wording, of product attributes and values (Tversky & Kahneman in Fagley et al., 2010:264). These authors explain that different frames result in consumers’ viewing products from different vantage points or from different perspectives. As such, marketers aim to use varying product descriptions in advertisements to influence the perceptions consumers have towards a particular product (Keller, 1991:42). Branding and framing techniques have proven to be effective tools for manipulating consumers’ product perceptions (Pickett-Baker & Ozaki, 2008:282), and therefore marketers use framing techniques to emphasise a product’s uniqueness, more specifically its ethical properties (Stanforth & Hauck, 2010:616). The framing technique is becoming increasingly popular (Biswas & Grau, 2008:400) and has recently gained heightened interest in marketing communication research (Orth, Koenig & Firbasova, 2007:329).

Within the marketing discipline three types of framing techniques are used to influence consumers’ product perceptions and choices, namely risky choice framing, goal framing and attribute framing (Biswas & Grau, 2008:402). The focus will be turned to attribute framing as this type of communication is used to position a single product and typically leads to favourable associations in consumers’ minds (Biswas & Grau, 2008:402). Marketers rely on this technique to focus on the quality of a product (Ferguson & Gallagher, 2007:668) through emphasising a specific characteristic of a particular product (Hannah & Cafferty, 2006:2994; Levin et al., 1998:150). It is important to note that attribute framing is the process whereby only one product characteristic is emphasised to consumers (Levin et al., 1998:158), for example the fact that a specific body lotion is not tested on animals.

This study used attribute framing by explicitly stating in an advertisement that no animal testing was used during the manufacturing of a body lotion. This was used to investigate if this type of communication might influence female consumers’ willingness to pay for the product. Though the main goal of attribute framing is to emphasise a specific product feature to make the product more desirable to consumers (Fagley et al., 2010:265), there are a number of additional reasons why marketers use this type of framing: Product messages can be organised in a particular way so that it appeals to a specific target audience (Nelson, Oxley & Clawson, 1997:223). An example of this is stating that no animal testing is used directly next to the product’s price to be immediately visible to price-sensitive consumers who mainly look at a product’s price; The use of attribute framing is an effective method of justifying the product’s price in consumers’ minds (Stanforth & Hauck, 2010:617), especially for ethically framed products which usually carry a price premium; and Attribute framing is used to educate consumers about the ethical attributes of a product so as to reduce consumers’ cynicism about these products (Bray et al., 2011:603).

Price perceptions and willingness to pay
According to Stanforth and Hauck (2010:617), consumers form mental prices (prices formed based on expectations of what a product should cost) while shopping. Three levels of mental pricing exist and will be measured in this study:
Consumers’ reference price is internal and constructed in a consumer’s mind and forms the basis for evaluating alternative products’ prices (Schindler, 2012:145-149). It includes consumers’ expectations of what a product should cost and is related to what consumers previously paid for that, or a similar, product (Stanforth & Hauck, 2010:617). Understanding consumers’ reference price is an important aspect as it enables setting prices which are aligned to the most consumers’ are willing to pay (Nagle & Hogan, 2006:28). This is also referred to as reservation price.
A fair price refers to a price which is both beneficial to the business making profit and to the consumer’s wallet (Stanforth & Hauck, 2010:617). Furthermore, consumers tend to compare the value of the reference product to the actual price of the product to determine the merits and fairness of the purchase, which is the transaction value. If the actual price falls below a consumer’s reference price, the consumer will see the transaction value as fair (Monroe, 1990:76). Pollin (in Stanforth & Hauck, 2010:617) explains that consumers might feel that it is fair to pay higher prices for ethically framed products due to higher production costs.

Consumers’ reservation price perceptions refer to the maximum that a consumer is willing to pay for a product (Vohra & Krishnamurth, 2012:13). In addition, it refers to the point at which a consumer starts ignoring the differences between the reference and the new product’s price (Monroe, 1990:97) as a ceiling has been reached on the maximum consumers will pay for that product. Reservation price can thus also be regarded as the difference between the willingness to pay for a product with an additional attribute and the willingness to pay for an identical product without the attribute (Olesen, Alfnes, Rora & Kolstad, 2010:219).

Consumers who do not believe in the ethical value of products might feel that ethically framed products are not worthy of a price premium (Stanforth & Hauck, 2010:617), and as such the reservation price will be closely related to the reference price of ordinary products. Marketing could influence the product used as the reference product and through doing this influence consumers’ reservation price (Vohra & Krishnamurth, 2012:35). Framing the ethical attributes of products is one way of doing this and could make it more desirable to consumers and lead to a higher reservation price (Stanforth & Hauck, 2010:617). However, the question still remains, will attribute framing positively influence consumers’ willingness to pay and increase their price perceptions?

**Measuring consumers’ willingness to pay**

Jedidi and Jagpal in Rao (2012:37) explain that understanding a consumers’ reservation price (the most a consumer is willing to pay for a product) is central to any pricing strategy and has important managerial impacts. Determining consumers’ willingness to pay addresses key questions such as how pricing affects demand for a product, what are the prices that should be charged for a product and how will demand be influenced at different price levels. The most common research technique used to address these questions and truly aim to understand consumers’ willingness to pay in different purchasing situations is done through experimental research. Jedidi and Jagpal in Rao (2012:37-40) stipulate that experimental research is useful in determining consumers’ reservation price for new products of which the attributes have not yet been made available to the market. Experimental research in which consumers’ willingness to pay for ethical products is examined is often executed through survey research. The aim of such research is to either elicit information about an acceptable price for the product or to examine consumer behaviour to enable drawing conclusions about consumers’ preferences towards these goods (Casadesus-Masanell, Crooke, Reinhardt, Vasisht, 2009:205). Experimentation is thus a common method to measure price sensitivity towards products set at different price levels as well as a practical way in which consumers’ price responses can be estimated (Vohra & Krishnamurth, 2012:18).

**PROBLEM INVESTIGATED**

Organisations have come to realise that in order to increase their customer base, the values of the organisation must be centred on doing good for the community as well as the environment and should continuously be communicated to consumers. This means marketing the ethical values and attributes of the products they provide in such a way that consumers will ultimately choose their products (Lee et al., 2011:1). This is often done through attribute framing in which the unique attributes of a product are emphasised (Hannah & Cafferty, 2006:2994; Levin et al., 1998:150). However, consumers come with their own set of values and norms which drive the types of products they are interested in, and as such might not be willing to pay for ethical products.

Though various studies have aimed at understanding consumers’ willingness to pay (Bray et al., 2011:597-608; Neale & Fullerton, 2010:476-486; Szmigin et al., 2009:224-231; Tustin & De Jongh, 2008:24-49; Vitell & Muncy, 2005:287-275), no clarity has been reached on the actual price or price range that consumers are willing to pay for these products. Understanding their willingness to pay could contribute to existing bodies of knowledge on this topic and provide insight into South African consumers’ attitudes and perceptions towards these products. This study aimed to investigate the extent to which attribute framing as a marketing strategy influenced consumers’ price perceptions towards and willingness to pay for ethically framed products. More specifically, understanding if South African females have higher price perceptions towards ethically framed products, could shed light on effective ways of marketing such products.

**HYPOTHESES**

The following hypotheses have been formulated for this study:
H₁ Attribute framing significantly increases the willingness to pay for ethically framed personal care products compared to ordinary personal care products.

H₂a There is a difference in consumers’ reference price perceptions for ethically framed personal care products compared to ordinary personal care products.

H₂b There is a difference in consumers’ fair price perceptions for ethically framed personal care products compared to ordinary personal care products.

H₂c There is a difference in consumers’ reservation price perceptions for ethically framed personal care products compared to ordinary personal care products.

RESEARCH METHODOLOGY

An experimental research design was used for this study in which respondents completed an online self-administered survey. A cross-over design was followed to support the experimental nature of this study which entails a research project in which a change or “cross-over” occurs in the actual data collection instrument (Ryan, 2007:429). This study used two questionnaires (A and B) which contained the exact same sections and questions but was presented in a different sequence in each of the questionnaires. The control section (reflecting an ordinary body lotion) and the experiment section (reflecting a body lotion which was ethically framed, emphasising that the product was not tested on animals) were presented to all respondents. The sequence in the two respective questionnaires differed. The purpose of the cross-over design was to ensure that the order in which the questions were presented to respondents did not impact the way in which respondents interpreted or answered the questions. This ensured that the results found were due to the experiment, or the manipulation of the variable (the body lotion), and not due to the order in which the questions were asked. This was essential for ensuring internal validity for this study, which is particularly important when conducting experimental research (Burns & Bush, 1998:128).

Sampling

The target population of this study was South African females aged 21 and older with access to the Internet and an e-mail account who make their own purchasing decisions. Female respondents were selected for this study as they were deemed more appropriate for the type of product under investigation. A nonprobability, purposive sampling method was used to invite an initial group of respondents via an email invitation with a link to the online survey. The initial group of respondents was requested to refer individuals who they thought would also be interested in participating in the study, as part of snowball sampling. Following this, a second email invitation was sent to all referrals as an attempt to increase the sample and responses.

A total of 432 individuals were invited to participate where 235 formed part of the initial sample and 197 were referrals. In support of the cross-over design, the responses for both questionnaires were managed to maintain an equal spread between the two questionnaires. Therefore, a total of 216 surveys were distributed for each type of questionnaire, resulting in a total of 432 distributed invitations. The realised sample of 202 was included in the analyses of this study.

Qualtrics, an online survey tool, was used to develop and administer the self-administered survey of this study. Prior to data collection, the questionnaire was pretested in both paper-based and online formats. The first pre-test was to ensure that the questions were clearly understood before the questionnaire was developed in the online format. The second pre-test was to ensure that no technical difficulties occurred in the online version. Two panels were created for the two different questionnaires and were managed by the researcher in terms of an equal completion of both questionnaire A and B.

Questionnaire design

The study conducted by Stanforth and Hauck (2010) was used as a basis for this study. The original questionnaire was obtained from the researchers (Stanforth and Hauck) via email and was adapted to ensure that all the questions were relevant to a South African context. Firstly, a particular and relevant ethical issue had to be identified which South African respondents were familiar with to enable respondents to effectively answer questions relating to the identified issue. Secondly, the price ranges used to determine respondents’ reference, fair and reservation price perception questions had to be changed from US Dollars to South African Rand. Lastly, the price ranges adapted to South African Rand constituted the scale points for each of the three price perception questions in the questionnaire. These price ranges had to coincide with the actual prices of products in South African retail outlets and were therefore identified as follows: R12-R15; R16-R19; R20-23; R24-R27; R28-R31; R32-35; R36-R39; R40-R43 and R44-R47, resulting in a 9-point nominal scale. The willingness to pay question was measured on a 7-point Likert type scale.

Each questionnaire consisted of three sections, a control section, an experiment section, a section that measured respondents’ awareness of the ethical issue (animal testing) and a demographic section. As noted...
earlier, the order of the control and experiment sections for the questionnaires (A and B) were different. However, each of the questionnaires included three questions related to how much the respondent was prepared to pay for the personal care product in terms of each of the three price perceptions. Immediately after these three questions, respondents were asked to indicate how likely they were to purchase this particular product, if the price was right.

RESULTS

Demographic profile
The demographic profile in this study included the budget respondents have available on a monthly basis to purchase personal care products, age, ethnicity and education. The majority (61.20%) of respondents had up to R550 available for the purchase of personal care products on a monthly basis. The average age of females who participated in this study was 35.43 years. The majority (83.06%) of respondents who participated in this study were Caucasian. Just more than half (50.55%) of respondents had postgraduate (Honours and/or Masters) degrees.

Control and experiment sections
The main aim of the control section was to determine respondents’ fair, reference and reservation price perceptions towards ordinary personal care products and in the context of this study an ordinary body lotion. Furthermore a single item question was included to measure the willingness to pay for such a product. When referring to the mean values, the following is evident:

- Respondents' fair price perception towards ordinary personal care products was R29.38;
- Respondents' reservation price perception was slightly higher at R29.90;
- Respondents' reference price perception was R30.56; and
- Most respondents (18.23%) selected a fair price perception of R28-R31, whilst 19.79% of respondents selected R24-R27 as their reservation price perception and 18.23% also selected R24-R27 for their reference price perception.

For the control section a seven point behavioural differential scale (1 indicated very unlikely and 7 very likely) was used to assess the future likelihood, or willingness, of respondents to purchase the ordinary body lotion. The mean of 3.96 and standard deviation of 1.82 indicated that overall respondents' likelihood to purchase the ordinary body lotion is very close to undecided. This is interesting when considering that a large group of respondents (46.36%) were on the likely side of the scale (when combining somewhat likely, likely and very likely) and 41.67% of respondents expressed an unlikelihood to purchase the product.

The experiment section contained the exact same questions as the control section discussed above, however, the body lotion was advertised through attribute framing and it emphasised that no animal testing was used. The following was found:

- On average, respondents’ fair price perceptions were R32.26;
- Respondents’ reservation price perceptions were R33.17; and
- Respondents’ reference price perceptions were R33.60. A total of 21.13% respondents selected a fair price perception of R32-R35, whilst 17.53% respondents selected a reservation price perception of R32-R25; and 17.01% respondents’ reference price perceptions for ethically framed products were between R44-R47 (the highest scale option).

In terms of the responses to the likelihood to purchase question in the experiment section, a mean of 4.68 and standard deviation of 1.76 was found. These results indicate that respondents are between undecided and somewhat likely to purchase the ethically framed body lotion. Furthermore, when combining likelihood (the somewhat likely, likely or very likely) a total of 65.80% indicated that they would purchase the ethically framed body lotion, whilst 24.39% indicated an unlikelihood to purchase the ethically framed product. A total of 9.84% respondents were undecided.

Data analysis
The cross-tabulation in Table 1 contains the data that was used for the McNemar-Bowker Test by providing the frequencies for the likelihood to purchase the product of both the control and experiment sections. In Table 1, the grey indicates the 70 respondents that shifted in their responses once they were exposed to the experiment section. The diagonal line represents the 102 respondents that indicated a neutral likelihood and below the diagonal line the 11 respondents with a lower likelihood after being exposed to the experiment section. To determine if the increased likelihood to purchase is significant, thus to investigate whether respondents’ shift in likelihood from the ordinary body lotion to the ethically framed body lotion was significant, the McNemar-Bowker Test was used.
Table 1: Shift in respondents’ likelihood to purchase the ethically framed body lotion

<table>
<thead>
<tr>
<th>7-point Likert-type scale</th>
<th>Experiment section (ethically framed body lotion)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very unlikely</td>
<td>Unlikely</td>
</tr>
<tr>
<td>Control section (ordinary body lotion)</td>
<td>Very unlikely</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Unlikely</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Some-what unlikely</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Undecided</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Somewhat likely</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Likely</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Very likely</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>21</td>
</tr>
</tbody>
</table>

A significance level of 0.05 was applied. The nonparametric McNemar-Bowker Test was used to test how the two groups (responses to the control and experiment sections) measured on the same information (Field, 2009:552; Pallant, 2010:221). Using this data, the McNemar-Bowker Test resulted in a value=47.917, df=19 and p<0.0001. These results indicate a significant shift from respondents’ likelihood to purchase the ordinary body lotion to the ethically framed body lotion. These results indicate support for hypothesis 1.

Upon further investigation and to determine if this shift was significant, Table 2 combines the data into two groups for the experiment section namely, unlikely and likely and the same for the control section.

Table 2: Likelihood and unlikelihood to purchase the ordinary and ethically framed body lotion

<table>
<thead>
<tr>
<th>Control section (ordinary body lotion)</th>
<th>Grouping based on likelihood to purchase</th>
<th>Experiment section (ethically framed body lotion)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unlikely</td>
<td>Likely</td>
<td></td>
</tr>
<tr>
<td>Unlikely</td>
<td>57</td>
<td>41</td>
<td>98</td>
</tr>
<tr>
<td>Likely</td>
<td>5</td>
<td>80</td>
<td>85</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>121</td>
<td>183</td>
</tr>
</tbody>
</table>

The results in Table 2 indicate that 41 respondents shifted in their response from unlikely in the control section to likely in the experiment section. It further indicates that this particular group of respondents (41) was positively affected after exposure to the experiment section. This shows that 22.4% of the respondents’ shift was positive (from unlikely to likely to purchase the ethically framed body lotion) and five respondents (2.7%) shifted negatively (from likely to unlikely) after being exposed to the experiment section.

One can therefore state that most females do not express an increased likelihood to purchase ethically framed personal care products compared to ordinary personal care products. However, females that did move to the ‘likely to purchase’ category after being exposed to the experiment, did in fact express an increased willingness to purchase ethically framed personal care products. This indicates that attribute framing to some extent influenced South African females’ willingness to pay for this particular product.

**Attribute framing and respondents’ willingness to pay:** Using the descriptive data provided in the control and experiment sections of the survey, respondents’ responses to their likelihood to purchase the ordinary and ethically framed body lotion was compared. Figures 1 and 2 indicate respondents’ likelihood to purchase the ordinary and ethically framed body lotion respectively.

When referring to the results presented in Figure 1 and 2 it is noticeable that the mean values have increased from 3.96 in the likelihood to purchase the ordinary body lotion to a mean of 4.68 in the likelihood to purchase the ethically framed body lotion. Based on the descriptive statistics it seems as though respondents’ likelihood to purchase shifted slightly favourably from the ordinary to the ethically framed body lotion. However, in order to determine whether there are any statistical differences between respondents’ likelihood for these two types of products, the responses to the above questions were combined, resulting in a scale that runs from -7 to +7 and is presented in Figure 3.
The negative side of the scale indicates the likelihood to purchase the ordinary body lotion whereas the positive side indicates the likelihood to purchase the ethically framed body lotion. Zero on the scale no preference for either of the two products. The combined scale’s mean of 0.73 and standard deviation of 1.482 indicates that despite the slight increase shown in Figures 1 and 2, only a very slight increase in respondents’ likelihood to purchase the ethically framed body lotion occurred. This can also be seen in Figure 3 which clearly indicates that 55.74% of responses lie at the centre (0) of the bar chart. It can be concluded that more than half of respondents showed a neutral likelihood to purchase the ordinary or ethically framed body lotions. When investigating significant differences in the likelihood to purchase the ordinary and ethically framed body lotions, the neutral group (55.74%) was excluded.

When referring to Figure 3, excluding the neutral group, it is evident that there are slightly more respondents (38.25%) who expressed a likelihood to purchase the ethically framed body lotion, as collectively indicated by 70 respondents and only 11 respondents (6.02%) showed a greater likelihood to purchase the ordinary body lotion. These findings illustrate that even though the majority of respondents did not show an increased
likelihood to purchase the ethically framed product, a small group (70 respondents) showed an increased likelihood.

**Respondents’ price perceptions:** The nonparametric McNemar-Bowker Test was used to identify significant differences between respondents’ price perceptions towards the ethically framed and ordinary body lotions. The significance level at which the hypotheses were tested was 0.05. All three the price perceptions, reservation price (resulted in a value=75.759, df=24 and p<0.0001), reference price (resulted in a value=68.063, df=24 and p<0.0001) and fair price (resulted in a value=68.687, df=24 and p<0.0001) indicated significant differences. These results indicate support for hypotheses 2a-c. When referring to the descriptive data in Table 3 it is evident that all three price perceptions for the ethically framed body lotion are higher or indicate an upwards shift than the price perceptions for the ordinary body lotion.

<table>
<thead>
<tr>
<th>Reference price perceptions</th>
<th>Fair price perceptions</th>
<th>Reservation price perceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control section mean</td>
<td>Experiment section mean</td>
<td>Control section mean</td>
</tr>
<tr>
<td>R30.56</td>
<td>R33.60</td>
<td>R29.38</td>
</tr>
</tbody>
</table>

According to the results of this study one can therefore conclude that South African females’ price perceptions are significantly higher for ethically framed personal care products compared to ordinary personal care products. More specifically it can be stated that female South African consumers’ reference, fair and reservation price perceptions are significantly higher than the price perceptions towards ordinary personal care products.

**CONCLUSIONS**

Even though a small group of respondents showed a significant increase in their likelihood to purchase the ethically framed body lotion, most (55.74%) respondents showed no difference in their willingness to purchase the ethically framed body lotion when compared to the ordinary body lotion. The reasons for this are plentiful and could be due to respondents feeling that if the body lotion was not tested on animals there is no guarantee that it is safe to use. Furthermore, the advertisement or product might not have appealed to respondents and therefore there was no increase in respondents’ likelihood to purchase the ethically framed body lotion. However, respondents’ fair, reference and reservation price perceptions towards ethically framed personal care products were found to be significantly higher than the price perceptions towards ordinary personal care products. It can therefore be argued that the framing technique did positively influence respondents’ price perceptions.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The results of this research study provide marketers with insight into the effects of framing ethical products. The research results indicated that females’ price perceptions of ethically framed personal care products are significantly higher than of ordinary personal care products. This supports the argument that the framing technique was successful in this research study. Marketers could thus leverage attribute framing as a technique when communicating the value of personal care products not tested on animals. This is especially important for marketers who aim to use value communication as a strategy to influence consumers’ willingness to pay.

Possibly one of the most interesting findings is that most (55.74%) respondents showed no difference in their willingness to purchase the ethically framed body lotion. This finding could suggest that South African female consumers are not yet sensitive ethical consumers and organisations that would like to focus on this aspect will probably have to educate the market in greater detail on these issues. It might also be that an attitude-behaviour gap exists in this regard, which would require additional marketing efforts from organisations to affect the actual buying behaviour of the customers.

For marketers to even more effectively execute value communication, the following studies could assist in identifying other strategies to be leveraged:

- Investigating which external factors influence consumers’ decision-making processes for ethically framed products the most so as to develop strategies to increase willingness to pay.
- Understanding which product attributes are most important to females through executing conjoint analysis in support of identifying the importance of price versus ethical and other product attributes. This will assist in identifying the most appropriate attributes to frame in a value communication message.
- A study focusing on ecoliteracy in terms of determining the level of such literacy as well as the degree to which this may influence buying decisions.
Future studies could focus on including a different ethical issue, different products and focus on specific demographic factors. A similar study with male respondents could also provide interesting results. A laboratory study where respondents actually interact with the product could also provide interesting results. A qualitative study getting more in-depth insight into the respondents’ actual perception and attitude towards these products and the pricing thereof will also provide valuable insight.

LIST OF REFERENCES


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GENERATION Y: A SEARCH FOR DIFFERENCES IN DECISION-MAKING STYLES BASED ON GENDER AND ETHNICITY

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Acknowledgements  
The assistance of Robert A. Maruszewski, Chené Smith, Sixolile V. Gege, Yhorgo-Savva Ladikos and Kelsey van der Merwe is gratefully acknowledged.

ABSTRACT  
There are a variety of characteristics that influence a consumer’s approach to making a choice. Consumers are different and make use of different decision-making styles. Demographic variables are among the factors that influence a consumer’s decision-making style. This study aimed to explore the decision-making styles of Generation Y, as well as investigate possible demographic differences in Generation Y decision-making styles, based on gender and ethnicity. A better understanding of Generation Y is necessary, since they are a large and lucrative market segment. This survey was conducted on consumer decision-making styles, using the Consumer Styles Inventory (CSI) technique. Four hundred self-completion questionnaires were distributed to Generation Y consumers. The results confirm that Generation Y males and females differ in terms of their overall consumer decision-making styles, especially regarding recreation and shopping enjoyment, novelty-fashion consciousness and confusion from over-choice. The results also revealed that ethnic groups differ in terms of their overall consumer decision-making styles.

Key words: Consumer decision-making styles, Generation Y, gender, ethnicity

INTRODUCTION  
Many factors exist which could potentially influence the ways in which consumers shop and make purchase decisions. Demographic variables, such as age, gender, ethnicity and income are among the factors which influence consumers’ purchase and consumption behaviour (Lamb, Hair, McDaniel, Boshoff, Terblanche, Elliott & Klopper, 2010:182).

Generation Y, also known as the “Millennium Generation” (Heaney, 2007:198), are currently the largest demographic group in many developed countries (Foscht, Schloffer, Maloles & Chia, 2009:219). Generation Y represent a group of nearly 70 million people in the United States and just over 10 million people (20.04%) in South Africa and are therefore an important consumer segment (Oxygenz, 2010:7; Kumar & Lim, 2008:569). Generation Y consumers represent an even larger proportion of the population globally. The large size of this generational cohort means that these consumers will have a significant influence on the world in which we live and work (Erickson, 2010).

Generation Y consumers think, feel and act differently to any other generation and have been brought up in an era where shopping is not regarded as a simple act of purchase (Lehtonen & Maenpaa in Hanzaee & Aghasibeig, 2008:523). According to Oxygenz (2010:7), generation Y consumers in South Africa are transformational, techno-savvy, challenging and agile- multi-taskers. The proliferation of retail and product choice has resulted in a retail culture in which shopping has taken on new entertainment and/or experiential factors (Bakewell & Mitchell, 2003:97). An increased understanding of this segment’s decision-making styles can enable organisations to capitalise on new opportunities since marketing to this generation will require different approaches (Hanzaee & Aghasibeig, 2008:523).

Prior studies provide convincing evidence that consumers’ decision-making styles vary according to gender (Jain & Sharma, 2013; Potgieter, Wiese & Strasheim, 2013; Solka, Jackson & Lee, 2011:401; Kuruvilla, Joshi & Shah, 2009:716; Mokhlis & Salleh, 2009:581; Radder, Li & Pietersen, 2006). Bakewell and Mitchell (2004:225) suggest that males conduct, and relate to shopping very differently from females. Furthermore, women have been known to shop for longer periods than men and are more likely to visit stores frequently (Kuruvilla et al., 2009:716). Research has shown that consumers who come from different ethnic backgrounds exhibit different shopping motivations, however, there are a limited number of studies that have considered ethnicity’s role in shopping behaviours and motivations (Potgieter et al., 2013; Wong, Osman, Jamaluddin & Yin-Fah, 2012:240; Radder et al., 2006).
There is limited research focusing on the shopping styles of Generation Y consumers, despite the differences in their approach to shopping (Katti yapornpong, 2009:2). A study conducted in an Iranian setting indicated that Generation Y male and female consumers indeed differ in their decision-making styles (Hanzaee & Aghasibeig, 2008:521). Most literature regarding consumer decision-making styles and consumer shopping behaviour has been based on consumers’ reasons for shopping. However, little attention has been given to the question of gender, and whether there are distinctive male and female decision-making styles. Understanding decision-making styles unique to each gender could be of great interest to marketers and retailers given the degree to which many markets are segmented by gender (Bakewell & Mitchell, 2004:223). Furthermore, there is evidence that ethnicity has the potential to influence consumption, making it an important factor to consider in consumer decision-making styles (Potgieter et al., 2013; Radder et al., 2006).

LITERATURE REVIEW
Consumer decision-making styles
Consumers are different and make use of different decision-making styles. However, previous research indicates that when consumers shop, they consistently follow particular rules and strategies that guide their purchasing decisions (Potgieter et al., 2013:14). Decision-making styles are associated with the cognitive aspects of how consumers make their choices (Walsh, Hennig-Thurauc, Wayne-Mitchell & Wiedmann, 2001:117). A consumer decision-making style has been described as “a patterned, mental, cognitive orientation towards shopping and purchasing, which constantly dominates the consumer’s choices” (Sproles & Kendall, 1986:267). Consumers differ in their approach toward shopping and make use of certain decision making styles that are fundamental to their shopping engagement (Mokhlis & Salleh, 2009:575). These decision-making styles differ according to various characteristics that represent a consumer’s approach to making a choice (Radder et al., 2006:21).

The Consumer Styles Inventory (CSI) technique is an instrument/tool, developed by Sproles and Kendall (1986), which has been used to measure decision-making styles in a cross-cultural context. The 41-item instrument is used to measure consumer decision-making styles across eight sub-dimensions. CSI is useful to marketers to identify and focus on specific segments in order to meet their needs more effectively. It also enables behaviour researchers to understand the way consumers shop and acquire an in-depth understanding of their characteristics and shopping preferences (Bauer, Sauer & Becker, 2006:343). According to Sproles and Kendall (1986:271-274) consumers can be classified into eight different consumer style characteristics:

- Perfectionism: refers to consumers that look for the best quality. These consumers shop carefully and systematically to ensure that products purchased are of the very best quality.
- Brand conscious consumers: typically associate price with quality. Such consumers have a preference for department and specialty stores with brand names and higher prices.
- Novelty-fashion conscious consumers: enjoy the thrill of finding new things and variety. These consumers are up-to-date with the latest styles and trends.
- Recreational shopping conscious consumers: enjoy shopping and do it for fun.
- Price and value conscious consumers: want value for money and search for discounted prices.
- Impulsive consumers: do not plan purchases; are not price conscious when making unplanned purchases.
- Consumers that are confused by over-choice: experience difficulty in choosing brands and stores when a number of alternatives exist.
- Habitual or brand loyal consumers: have preferred brands and stores from which they constantly purchase.

A number of different studies (Mokhlis & Sellah, 2009; Hanzaee & Aghasibeig, 2008; Radder et al., 2006) have employed the CSI scale but there is a continuous debate concerning the generalisability of the scale within a particular country as well as across different countries. Previous research suggests that the CSI is more applicable to developing countries (Solka et al., 2011; Radder et al., 2006).

Generation Y
Generation Y has been described as the largest demographic consumer group in numerous developed countries, providing organisations with new opportunities to capitalise on in many different sectors (Foscht et al., 2009:219; Hanzaee & Aghasibeig, 2008:523). There are a number of different age groups that are reported as generation Y, but for the purpose of this study Generation Y are individuals aged between 18 and 33. They are also known as the Millenials, Generation Search, the Digital natives, the Dot.com generation and the Echo Boomers (Lamb et al., 2010:50; Van den Bergh & Behrer, 2013:7). It is the first generation to come of age in the new millennium (Van den Bergh & Behrer, 2013:7). Vast developments in the technological, socio-cultural, economic and retail sectors in the past two decades have caused Generation Y to have different values, attitudes and behaviours concerning their purchases than previous
generations. To Generation Y, purchases are not simply acts that are prompted by the desire to purchase but are seen as opportunities for new experiences and sources of entertainment for this segment (Bakewell & Mitchell, 2003:97). Generation Y consumers who are still studying have part-time jobs to enable them to spend money on entertainment (Bednall, Valos, Adam & McLoed, 2012:81). Generation Y love shopping and unlike previous generations, do not regard shopping as a routine task (Taylor & Cosenza, 2002:393). Thus it can be said that Generation Y has a positive attitude towards purchases.

Generation Y in the marketplace, that is individuals of Generation Y that are working, have a unique way of spending money as they have different financial commitments and are under less financial threats than previous generations (Oxygנצ, 2010:7). This working-class has more than 70% disposable income and enjoys spending money on travelling, entertainment and food (Hanzæe & Aghasibeig, 2008:523). The segment of Generation Y in the workplace is growing in size and their spending power continues to increase, thus giving them more opportunities and reasons to purchase (Bakewell & Mitchell, 2003:98). Since Generation Y has grown up in an environment where their immediate needs are catered for, members of Generation Y are at a disadvantage in terms of financial planning and goal setting skills (Foscht et al., 2009:223; Heaney, 2007:199). Generation Y’s lack of these skills has enabled marketers to capitalise on the impulse nature of the Generation Y segment.

Generation Y, as a segment, has been described as being very driven towards success and believe that they can achieve almost anything (Oxygנצ, 2010:7; Heaney, 2007:199). Generation Y consumers were indulged by their parents, the Baby Boomers, who had high disposable income, therefor, Generation Y consumers believe that material goods and wealth are desirable and worthwhile (Kim & Jang, 2014:40). Although members of Generation Y are highly brand conscious (Foscht et al., 2009:223; Heaney, 2007:199), they constantly look for opportunities to pay less on purchases where possible (Heaney, 2007:199). Furthermore, Generation Y is highly exposed to media and given their higher levels of education, they are a well-informed group. Generation Y in South Africa are knowledgeable on a wide variety of media and have grown up in the digital era.

**Gender and decision-making**

Gender is the sexual orientation of an individual, and classifies individuals as either male or female. There are a number of physical and physiological characteristics that are associated with the different gender roles, and gender also affects an individual's personality traits, attitudes and certain behaviours (Mitchell & Walsh, 2004:331).

Males and females differ in their purchase decision-making styles (Mitchell & Walsh, 2004:333). Females enjoy shopping and see it as a leisure activity as opposed to males who see this activity as an irritation and have a negative attitude towards shopping (Kuruvilla et al., 2009:716). Males perceive buying as something that needs to be done, not as something that they enjoy doing and they do not spend as much energy and time when shopping (Ellis, Abild, Buker, Park, & He, 2012:337).

Since males do not enjoy shopping and spend less time shopping than females, their involvement in purchasing products is low. High involvement shopping refers to individuals who take time to shop, considering different options and comparing options against one another. In order to reduce the risk of making the wrong purchase decision, males rely on cues such as brand name, price and advertising as a means of ensuring that what is purchased is of high quality, which is described as the utilisation theory (Hansen, 2005:421). On the other hand, females reduce the risk of choosing the wrong product by spending a great deal of time evaluating and searching for information on a product following the characteristics describing the information processing perspective (Hansen, 2005:421).

Although women spend more time shopping than men do, men spend more money than what women do as they are generally seen to be in charge of the finances in the family and also due to the fact that they spend money on merchandise other than fashion items (Kuruvilla et al., 2009:722). Although there is evidence that men do shop, the process is seen to be an activity that should be performed by females, which could explain why research on men's’ shopping behaviour is limited. In addition to females shopping more than males, they also shop differently (Otnes & McGrath, 2000:112-113).

Previous research suggests that consumer decision-making style differ based on gender (Hoyer & MacInnis, 2001:384). Mokhlis and Salleh (2009) found six common CSI decision-making styles in males and females where females were more price conscious and shopped for recreational purposes. Solka et al. (2011) also found gender differences in consumer decision-making styles where males and females differ on enjoyment, brand consciousness and shopping aversion. Furthermore, Potgieter et al. (2013) found that females use
more of a recreational decision-making style than males and that females are slightly more price conscious than males. It is, therefore, hypothesised:

H1: Males and females in Generation Y differ in their consumer decision-making styles.

Ethnicity and decision-making

The term ethnicity refers to “the genetic heritage group a person is born into” (Potgieter et al., 2013:17). Ethnic groups are said to form around different factors such as race, nationality, religion or geographic locations. For the purpose of this study ethnicity will refer to Black and Caucasian consumers. The increased ethnic diversity of South Africa provides a number of opportunities for marketers to appeal to different ethnic groups. Radder et al. (2006:28) discovered that different ethnic groups can employ different decision-making styles. Furthermore, consumers who share ethnicity share similar shopping behaviours and influence each other’s consumer decision-making styles (Wong et al., 2012:240-248; Burton, 2009:26). Therefore, ethnicity has the potential to influence marketing and consumption, making it an important factor to consider in consumer decision-making styles. It is, therefore, hypothesised:

H2: Ethnic groups differ in their consumer decision-making styles.

PROBLEM INVESTIGATED

The main aim of this study is to investigate gender and ethnic differences in the consumer decision-making styles of Generation Y.

RESEARCH OBJECTIVES

The study is yielded by the following research objectives:
To investigate gender differences in the consumer decision-making styles of Generation Y.
To investigate ethnic differences in the consumer decision-making styles of Generation Y.

RESEARCH METHODOLOGY

Sampling and data collection

For this quantitative study, the target population consisted of Generation Y consumers (that is, consumers aged 18 to 33). The questionnaire was pre-tested on a convenience sample of 10 respondents that fell within Generation Y. Data for the main study was collected during a one month data collection period, through a campus intercept survey using a self-completion questionnaire. Since there was no accurate sampling frame available, non-probability sampling was used in order to create a sample which accounted for gender and ethnic differences. The respondents, from a quota sample, were intercepted on the University of Pretoria’s main campus.

Measures

The demographics for the survey included a measurement of gender and ethnicity. Gender was measured by a dichotomous scale. Ethnicity was measured through a multiple-choice, single-response scale, including all population categories. Only (9%) of questionnaires were completed by coloured and Indian students, consequently it was felt that these cultural groups were not adequately represented and these questionnaires were therefore not used in the final analysis.

The main construct of the study, decision-making styles, was measured using the Consumer Styles Inventory (CSI) technique. Sproles and Kendall (1986:272-273) created a 41-item CSI scale which is divided into eight sub-dimensions. Each sub-dimension was measured using a five-point Likert scale, ranging from 1 (“Strongly disagree”) to 5 (“Strongly agree”). Table 1 below provides a summary of the eight CSI sub-dimensions, the number of scale items per sub-dimension and to which measurement instrument they pertain. The reverse-scored items, the original CSI Cronbach’s alpha values and the Cronbach alpha values for the current study are also indicated in the table.
Table 4: Consumer decision-making style sub-dimensions

<table>
<thead>
<tr>
<th>Sub-dimension</th>
<th>Number of items in scale</th>
<th>Items</th>
<th>Reverse scored items</th>
<th>Cronbach’s alpha according to Sproles &amp; Kendall (1986)</th>
<th>Cronbach’s alpha for current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perfectionism</td>
<td>8 items</td>
<td>Questions 2.1 to 2.8</td>
<td>Items 2.5, 2.7 &amp; 2.8</td>
<td>0.74</td>
<td>0.83</td>
</tr>
<tr>
<td>Brand consciousness</td>
<td>7 items</td>
<td>Questions 3.1 to 3.7</td>
<td>Item 3.7</td>
<td>0.75</td>
<td>0.77</td>
</tr>
<tr>
<td>Novelty-fashion consciousness</td>
<td>5 items</td>
<td>Questions 4.1 to 4.5</td>
<td></td>
<td>0.74</td>
<td>0.82</td>
</tr>
<tr>
<td>Recreation &amp; shopping enjoyment</td>
<td>5 items</td>
<td>Questions 5.1 to 5.5</td>
<td>Items 5.1, 5.3 &amp; 5.5</td>
<td>0.76</td>
<td>0.84</td>
</tr>
<tr>
<td>Price consciousness</td>
<td>3 items</td>
<td>Questions 6.1 to 6.3</td>
<td></td>
<td>0.48</td>
<td>0.48</td>
</tr>
<tr>
<td>Impulsiveness</td>
<td>5 items</td>
<td>Questions 7.1 to 7.5</td>
<td>Items 7.4 &amp; 7.5</td>
<td>0.48</td>
<td>0.57</td>
</tr>
<tr>
<td>Confusion from over-choice</td>
<td>4 items</td>
<td>Questions 8.1 to 8.4</td>
<td></td>
<td>0.55</td>
<td>0.81</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>4 items</td>
<td>Questions 9.1 to 9.4</td>
<td>Item 9.4</td>
<td>0.53</td>
<td>0.68</td>
</tr>
</tbody>
</table>

As indicated in Table 1, the Cronbach’s Alpha for price consciousness (0.48) and impulsiveness (0.57) are below the acceptable 0.7 cut-off. For this reason, price consciousness and impulsiveness will be disregarded from further data analysis. The six remaining consumer decision-making style sub-dimensions are further analysed below.

RESULTS

Hypothesis 1

Table 2 below shows the means and standard deviations of the gender sub-groups on the remaining six sub-dimensions. The means and standard deviations for the total sample are also shown for each sub-dimension.

Table 5: Consumer decision-making styles by gender

<table>
<thead>
<tr>
<th>Sub-dimension</th>
<th>Male</th>
<th>Female</th>
<th>Total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>M</td>
<td>SD</td>
</tr>
<tr>
<td>Perfectionism</td>
<td>212</td>
<td>3.98</td>
<td>0.61</td>
</tr>
<tr>
<td>Brand consciousness</td>
<td>212</td>
<td>3.10</td>
<td>0.68</td>
</tr>
<tr>
<td>Novelty-fashion consciousness</td>
<td>212</td>
<td>3.13</td>
<td>0.86</td>
</tr>
<tr>
<td>Recreation &amp; shopping enjoyment</td>
<td>212</td>
<td>2.93</td>
<td>0.86</td>
</tr>
<tr>
<td>Confusion from over-choice</td>
<td>212</td>
<td>2.68</td>
<td>0.87</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>212</td>
<td>3.71</td>
<td>0.87</td>
</tr>
</tbody>
</table>

The descriptive statistics in Table 2 above suggest that the two gender sub-groups have very similar mean scores for perfectionism, brand consciousness and brand loyalty. Both gender groups have a high preference for good quality products [perfectionism: males (M = 3.98) and females (M = 4.07)], with females being slightly more perfectionistic. Both groups are seemingly neutral (tend towards a mean of 3 respectively) in terms of brand consciousness with males having a slightly higher mean. Females (M = 3.70) keep up-to-date with fashion trends slightly more than males (M = 3.13), although males seem to be more neutral. Most notably the statistics suggest that females enjoy shopping more than males do, with mean scores of 3.70 and 2.93 respectively. Males (M = 2.68) disagree slightly more with the notion that having more choices confuses them, however, females (M = 2.92) tend towards being neutral in this regard. Both females (M = 3.66) and males (M = 3.71), tend towards being brand loyal.

H₁ focused on differences in the consumer decision-making styles of males and females in Generation Y. The sub-hypotheses are stated below:

H₁a Males and females in Generation Y differ in terms of the perfectionism dimension of consumer decision-making styles.

H₁b Males and females in Generation Y differ in terms of the brand consciousness dimension of consumer decision-making styles.
H₁c  Males and females in Generation Y differ in terms of the novelty-fashion consciousness dimension of consumer decision-making styles.
H₁d  Males and females in Generation Y differ in terms of the recreation and shopping enjoyment dimension of consumer decision-making styles.
H₁e  Males and females in Generation Y differ in terms of the confusion from over-choice dimension of consumer decision-making styles.
H₁f  Males and females in Generation Y differ in terms of the brand loyalty dimension of consumer decision-making styles.

These hypotheses were analysed using multiple analysis of variance (MANOVA). Table 3 summarises the mean values of the different groups as well as the results of the MANOVA test.

Table 3: Mean values and MANOVA results for gender groups and consumer decision-making styles

<table>
<thead>
<tr>
<th>Consumer decision-making styles</th>
<th>Perfectionism</th>
<th>Brand consciousness</th>
<th>Novelty-fashion consciousness</th>
<th>Recreation &amp; shopping enjoyment</th>
<th>Confusion from over-choice</th>
<th>Brand loyalty</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>3.98</td>
<td>3.10</td>
<td>3.13</td>
<td>2.92</td>
<td>2.68</td>
<td>3.71</td>
<td>21.63</td>
<td>0.000</td>
</tr>
<tr>
<td>Female</td>
<td>4.07</td>
<td>2.97</td>
<td>3.70</td>
<td>3.70</td>
<td>2.92</td>
<td>3.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Univariate analysis</td>
<td>0.177</td>
<td>0.88</td>
<td>0.000</td>
<td>0.000</td>
<td>0.006</td>
<td>0.596</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilks’ Lambda</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.63</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The significant Wilks’ Lambda (p=0.000) provided enough support for H₁, confirming that males and females differ in terms of their overall consumer decision-making styles. The subsequent univariate analyses revealed that the differences were mainly due to novelty-fashion consciousness, recreation and shopping enjoyment, and confusion from over-choice. In all three categories, the mean values were higher for females than males, indicating that females are more likely to keep 'up-to-date' with fashion and trends, enjoy shopping more than males and are of the opinion that more choices confuse them. With regard to perfectionism, brand consciousness and brand loyalty, both males and females have similar mean scores.

Hypothesis 2

Table 4 below shows the means and standard deviations of the ethnicity sub-groups on the six sub-dimensions. The means and standard deviations for the total sample are also shown for each sub-dimension.

Table 4: Consumer decision-making styles by ethnicity

<table>
<thead>
<tr>
<th>Sub-dimension</th>
<th>Caucasian</th>
<th>Black</th>
<th>Total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>M</td>
<td>SD</td>
</tr>
<tr>
<td>Perfectionism</td>
<td>209</td>
<td>3.94</td>
<td>0.65</td>
</tr>
<tr>
<td>Brand consciousness</td>
<td>209</td>
<td>2.98</td>
<td>0.72</td>
</tr>
<tr>
<td>Novelty-fashion consciousness</td>
<td>209</td>
<td>3.31</td>
<td>0.90</td>
</tr>
<tr>
<td>Recreation &amp; shopping enjoyment</td>
<td>209</td>
<td>3.12</td>
<td>0.83</td>
</tr>
<tr>
<td>Confusion from over-choice</td>
<td>209</td>
<td>2.73</td>
<td>0.83</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>209</td>
<td>3.72</td>
<td>0.85</td>
</tr>
</tbody>
</table>

The descriptive statistics in Table 4 suggest that there are only slight differences in the decision-making styles of the two ethnic groups. The two ethnic groups have similar mean scores for brand consciousness, confusion from over choice and brand loyalty. Black respondents have a high preference for good quality products [perfectionism: Blacks (M = 4.11) and Caucasian (M = 3.94). Most notably the statistics suggest that Blacks enjoy shopping more than Caucasians do, with mean scores of 3.50 and 3.12 respectively. Blacks (M = 3.50) also keep ‘up-to-date with fashion trends slightly more than Caucasians (M = 3.31).

Hypothesis 2 focused on differences in the consumer decision-making styles of individuals in different ethnic groups (Black and Caucasian) within Generation Y. The sub-hypotheses are stated below:
H₂a  The two ethnic groups differ in terms of the perfectionism dimension of consumer decision-making styles.
H\(_{2b}\) The two ethnic groups differ in terms of the brand consciousness dimension of consumer decision-making styles.

H\(_{2c}\) The two ethnic groups differ in terms of the novelty-fashion consciousness dimension of consumer decision-making styles.

H\(_{2d}\) The two ethnic groups differ in terms of the recreation and shopping enjoyment dimension of consumer decision-making styles.

H\(_{2e}\) The two ethnic groups differ in terms of the confusion from over-choice dimension of consumer decision-making styles.

H\(_{2f}\) The two ethnic groups differ in terms of the brand loyalty dimension of consumer decision-making styles.

Table 5 below summarises the mean values of the different groups as well as the MANOVA test result.

<table>
<thead>
<tr>
<th>Consumer decision-making styles</th>
<th>Perfectionism</th>
<th>Brand consciousness</th>
<th>Novelty-fashion consciousness &amp; recreation shopping enjoyment</th>
<th>Confusion from over-choice</th>
<th>Brand loyalty</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>3.94</td>
<td>2.98</td>
<td>3.31</td>
<td>3.50</td>
<td>2.73</td>
<td>3.72</td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>4.11</td>
<td>3.11</td>
<td>3.50</td>
<td>3.50</td>
<td>2.87</td>
<td>3.65</td>
<td></td>
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<tr>
<td>Univariate analysis</td>
<td>0.007</td>
<td>0.083</td>
<td>0.027</td>
<td>0.000</td>
<td>0.105</td>
<td>0.391</td>
<td></td>
</tr>
<tr>
<td>Wilks' Lambda</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.559</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

From Table 5 it is evident that the significant Wilks' Lambda (p=0.00) provided enough support for H\(_2\), namely that Caucasian and Black respondents differ in terms of their overall consumer decision-making styles at the significance level of p=0.05. The subsequent univariate analyses revealed that these differences were mainly due to perfectionism, novelty-fashion consciousness and recreation and shopping enjoyment. In all three categories, the mean values were higher for Black than for Caucasian consumers, indicating that Black consumers have a high preference for good quality products, like to keep up-to-date with fashion and trends and enjoy shopping more than Caucasians. Similar mean scores for brand consciousness, confusion from over-choice and brand loyalty were found for both Caucasian and Black respondents.

CONCLUSIONS

The main aim of this study was to investigate gender and ethnic differences in the consumer decision-making styles of Generation Y. The Generation Y consumer segment has been proven lucrative due to the segment's size and spending power (Bakewell & Mitchell, 2003:98). The insight gained from decision-making styles studies can provide researchers and organisations with an increased understanding of consumers.

Consistent with previous research (Potgieter et al., 2013; Solka et al., 2011; Kuruvilla et al., 2009: Mokhlis & Salleh, 2009:521; Radder et al., 2006) the findings indicate that males and females differ in terms of their overall consumer decision-making styles. Based on the revised six characteristics of decision-making styles, males and females differ on three of the six characteristics, indicating that there are significant differences. Furthermore, the findings indicate that females enjoy shopping and keep 'up-to-date' with fashion trends more than their male counterparts, in line with Kuruvilla et al. (2009) and Potgieter et al. (2013). Over-choice, increased levels of variety and ample product information tends to confuse females but not males. Both males and females have a high preference for good quality products, perfectionism, and are seemingly brand conscious and brand loyal when it comes to shopping.

Furthermore, the results of H\(_2\) revealed that ethnic groups do in fact differ in terms of their overall consumer decision-making styles, particularly in terms of perfectionism, novelty fashion consciousness and recreation and shopping enjoyment. Black consumers are more perfectionistic, make purchases more carefully and desire the best quality products, when compared to Caucasian consumers. Black consumers also enjoy shopping more than Caucasians and are more inclined to keep up-to-date with fashion trends. The above-mentioned differences indicate that Caucasians and Blacks differ on three of the six consumer decision-making styles.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The results of this study indicate that there are gender and ethnic differences in consumer decision-making styles which is important information for South African marketers whose focus is targeted towards Generation Y and decision-making styles.

Walsh et al. (2001:127-128) suggest that segmenting consumers according to their decision-making styles could be beneficial. When marketers understand the consumer decision-making styles of their current markets they will be able to serve them better. Understanding Generation Y's consumer decision-making styles will also assist marketers in segmenting markets more successfully. Organisations can start targeting the different segments in new and different ways. Since females enjoy shopping and like to stay fashionable, organisations that offer unique shopping experiences should target these females. Furthermore, blacks are perfectionistic and it is, therefore, important for organisations to focus on selling the best quality product and services to this market.

The insight gained from this study leads to a deeper understanding of Generation Y consumers, which organisations can make use of as opportunities to improve and to more directly serve their customers, since marketing to this generation will require different approaches.

Future research could consider segmentation based on other characteristics and/or using a combination of characteristics, for example, income. Foscht et al. (2009:219) suggest that examining the different characteristics of individual sub-groups within a segment is important.

LIMITATIONS

Firstly, a non-probability sampling method was used, since the researchers did not have access to a complete and accurate sampling frame. As a result, the main limitation of this study is that the generalisation of the results to the wider population of Generation Y in South Africa and beyond is not possible.

REFERENCE LIST


INVESTIGATING PERFORMANCE CULTURE PERCEPTIONS OF MIDDLE-LEVEL AND FIRST-LINE MANAGERS AT A LARGE FMCG COMPANY

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North-West University  
J. Kroon  
North-West University

ABSTRACT  
In pursuit of the latest technologies, processes and systems, managers often tend to neglect their business’s organisational culture although it has been proven that businesses who deliberately manage their organisational cultures, outperform others who do not manage their organisational cultures. The primary objective of this paper is to investigate performance culture perceptions at a large Fast Moving Consumer Goods (FMCG) company. Knowledge and current perceptions of first-line managers and middle-level managers regarding the business’s performance culture in terms of the associated business practices and employee characteristics were obtained. Descriptive research in the form of quantitative, self-administered questionnaires was used to collect the data. A total of 186 viable questionnaires, comprising of 73 middle-level manager and 113 first-line manager respondents, were analysed. Overall, it was uncovered that managers indeed perceive that a performance culture exists at the company concerned. The paper finally provides recommendations based upon the results.

Key words: Manager, Organisational culture, Performance culture

INTRODUCTION  
It is often asked why large businesses with long term success with sustainable delivery of quality products and services fail (Kaliprasad, 2006:27). Since delivery systems, products and services are quickly mimicked by competitors in an industry, Risher (2007:26) suggest that businesses should focus on their workforce’s acceptance and understanding that superior execution of agreed actions and good performance is a priority. In the 21st century, performance culture is at the heart for competitive advantage. Businesses can be exceedingly cash rich and have extensive capital, but they will not perform to their highest potential without the right people working together to create a culture of performance (Quappe, Samso-Aparici & Warshawsky, 2007:19).

Although it is the responsibility of managers at all the levels in a business to create a culture for performance, it is the middle managers who have the fundamental role of executing the strategies for enhancing the performance culture in a business (Daft & Marcic, 2013:76). Human-orientated middle-level managers play a fundamental role in culture development as they embed and convey culture in the thinking, feeling and behaviour of employees to ultimately enhance the performance culture in the business (Denhartog & Verburg, 2004:59). Managers should therefore lead and manage employees in such a way that they work willingly towards the achievement of the business’s goals as it subsequently contributes to the creation of a performance culture (Smith, 2011:96).

The main goal of this paper is to investigate the performance culture perceptions of middle-level managers (MLMs) and first-line managers (FLMs) at a large FMCG company. This paper therefore investigates performance as part of organisational culture and the advantages of a performance culture. It furthermore highlights best practices for the creation of a performance culture and considers these alternatives in response to the demands of the 21st century and argues that a managerial focus on performance culture provides an excellent vehicle for establishing sustainable competitive advantage.

LITERATURE REVIEW  
Performance as part of organisational culture  
Organisational culture comprises of the commonly accepted set of values, norms, beliefs, expectations and work routines that influence how employees work together and relate to one another in order to achieve business goals (Jones & George, 2013:61). Furthermore, organisational culture can be described as the learned assumptions on which employees base their daily behaviour in the workplace (Reid & Hubbel, 2005:1). A business’s effectiveness is influenced by its organisational culture (Booysen & Visser, 2012:53).
In the last three decades research studies have provided concrete evidence that businesses who deliberately managed their organisational cultures, outperformed similar businesses that did not (Kotter & Heskett, 1992:11; Rosenthal & Masarech, 2003:5). Martins and Terblanche (2003:6) highlight that organisational culture lies at the heart of innovation. Organisational culture affects the extent to which creative solutions are encouraged, supported and implemented. An organisational culture supportive of creativity encourages innovative ways of finding solutions to business problems (Martins & Terblanche, 2003:68).

In their efforts to change or improve their organisational culture, managers should strive to create a culture of performance in the business. A business with a performance culture shares common elements across the entire business and has a widely shared understanding of the business’s vision and mission (Kaliprasad, 2006:28). A mission and vision needs to be aspirational and clear enough to engage employees. Managers must use all available opportunities to talk to their employees about the organisational culture, core mission, values and goals (Rice, 2007:8).

Furthermore, employees of businesses which value and strive to create a performance culture are committed, motivated, creative and always willing to make an effort in achieving business goals (Shirley, 2007:48). Employees in businesses with a performance culture are encouraged and motivated to stretch for more, “go the extra mile” and do more than what is expected of them (Smith, 2011:149). Rosenthal and Masarech (2003:4) further elude that a performance culture has a clear, compelling corporate purpose that informs business decisions, generates customer loyalty, ignites employee passion and inspires discretionary effort. It has shared business values that guide employee behaviour, influence business practices and establish an environment where employees are encouraged to take ownership of the business’s performance.

From the discussion thus far it is evident that a performance culture comprises the shared beliefs, values, attitudes and goals of employees and managers (at all managerial levels) that result in the superior execution of agreed actions and the shared recognition that good performance is a business priority. Although the creation and maintenance of a performance culture in a business is challenging, the advantages thereof often outweigh the efforts of establishing a performance culture. The next section addresses the key advantages of having a performance culture in place.

**Advantages of performance culture**

**Engaged employees:** According to Rice (2007:2-3), a performance culture positively influences employee engagement in the following ways:
- It guides and inspires employee decisions in such a way that they perform their duties as expected without constant managerial supervision.
- It encourages trust, innovation and risk taking that are quality attributes of an environment that motivates employees to use their discretionary effort and talents.
- It attracts and retains star performers who have the required skills to achieve ambitious business goals and who give hundred per cent because they are invigorated by the business’s core beliefs.

**Employee commitment:** Increased employee commitment is one of the most compelling advantages of a performance culture. Commitment remains the key competitive advantage in a business environment that is widespread with cynicism and echoes of “what’s in it for me?” (Rosenthal & Masarech, 2003:3). According to Finnie and Early (2002:25), commitment at individual level means dedication and intentional engagement. Employees are proud to work for the business and they identify with its goals. Discretionary energy is the second measure of individual commitment and entails self-directed functioning without constant supervision because employees believe in the goals of the business.

**Disciplined employees:** A performance culture is based on discipline. Discipline ensures direct accountability, creates standards of excellence and promotes decisiveness among employees. The main reason for employee commitment and clear expectations in businesses with a performance culture can be attributed to such discipline (Reid & Hubbel, 2005:1). Highly disciplined businesses that demand results and have clear employee accountabilities create the impression that its organisational culture is overshadowed by hierarchy and rules. However, such demands have the opposite effect. When a business has disciplined employees, clearly articulated strategic intent and core values, it doesn’t need extreme hierarchy and rules. Moreover, businesses with a performance culture, coupled with strong leadership capability and disciplined action are capable of functioning effectively without excessive control systems in place (Reid & Hubbel, 2005:3).

**Performance management:** Management styles along with organisational culture influences the manner in which performance measurement systems are implemented and used (Bititci, Mendibil, Nudurupati, Garengo & Turner, 2006:1326). A systematic approach such as performance management is required to manage the
performance of individuals, teams and the business in order to create a performance culture. While discipline and leadership are some of the defining essentials of that approach, they are not the only elements (Reid & Hubbel, 2005:1). Even with performance management systems that are properly aligned with the business, competitive and technology-related pressures can affect organisational culture, making it compulsory to periodically determine whether the business is still heading in the desired direction. Therefore the business needs to have performance systems in place that measure actual corporate and individual performance against plans and objectives (Quappe et al., 2007:20). Performance measurement is essential and it can also be difficult, but it allows for course correction and reinforcement as needed. Although performance management is no easy task, it is one of the cornerstones of a performance culture and doing the right thing about performance management will produce the desired results over time (Smith, 2011:135). Managers who do not measure performance outcomes repeatedly and remove underperformers, will allow underperformers to influence colleagues, and subsequently any attempts to create a performance culture, in a negative way (Smith, 2011:127).

The creation of a performance culture
Managers of businesses that strive to create a performance culture often struggle with questions about the imitation of the performance culture practices of other businesses which can result in the enhancement of their own managerial practices (Cocks, 2012:16). Hence the importance of investigating how managers can create performance cultures in their businesses. For the purpose of this paper, best practices of creating a performance culture are identified from the contributions of Rosenthal and Masarech (2003), Quappe et al. (2007), Rice (2007) and Smith (2011).

Rosenthal and Masarech (2003:3) explain that building and sustaining a performance culture is a continuous cycle of six processes which include the clarification of the business’s mission and values, continuous communication, value modelling, alignment of business practices, employee engagement and monitoring results (Rosenthal & Masarech, 2003:8-17). Furthermore, Quappe et al. (2007:17-20) advise that managers must think before they embark on organisational cultural change, gather strength and reinforcement from organisational symbols and gestures (i.e. handshake when greeting customers/after a successful sale) and employee behaviour (i.e. treating the customer as if he/she is always right), build support through organisational systems (i.e. performance management systems) and measure outcomes repeatedly in order to enhance performance culture in businesses. Corresponding to Rosenthal and Masarech’s (2003:3) processes of building and sustaining a performance culture, Rice (2007:1) developed six strategies to sustain a performance culture. These strategies include the clarification of the business’s mission and values, assessing the organisational culture, frequent communication, modelling of values, inspiring employees, and aligning employee and business practices (Rice, 2007:4). Smith, (2011:69) argues that a business’s vision, mission and value statements do not necessarily assist a business to perform and identifies seven principles for building a performance culture. These principles include hiring for attitude (culture fit) and training for skill, honest and frequent communication, listening to employees, style of management and leadership, removing underperformers, giving recognition, and creating fun and a sense of community (Smith, 2011:42).

Given the aforementioned discussion, the following best practices for the creation of a performance culture in businesses can be identified (Rosenthal & Masarech, 2003; Quappe et al., 2007; Rice, 2007; Smith, 2011):
Assess the origin of the business culture (clarify mission and values).
Create honest and frequent communication between management and employees.
Model business values.
Align employee and business practices with core culture drivers.
Choose leadership and management styles that lead employees in the desired direction.
Listen to employees and encourage feedback.
Measure performance outcomes repeatedly and remove underperformers.
Recognise employee performance.
Create an enjoyable work environment and a sense of community.

Organisational culture creation is an incessant effort. Any attempt to build and sustain a performance culture must therefore be underpinned by the understanding that shaping organisational culture is a continuous cycle. Managers of businesses with a performance culture regularly return to their performance culture practices and continuously monitor results in order to sustain their success (Rice, 2007:4; Rosenthal & Masarech, 2003:8).
PROBLEM INVESTIGATED
Globalisation has forced managers to deal with new complexities such as communication technology, consumerism and social and political change (Cunningham & De Kock, 2012:113). In pursuit of the latest technologies, processes and systems, managers often tend to neglect their business’s organisational culture (Shirley, 2007:20). Quappe et al. (2007:17) are of the opinion that when managers manage organisational culture with an emphasis on the enhancement of the business's propensity to achieve or surpass its goals, it can bring about a performance culture and improved business results. However, only a few businesses worldwide are managed by the notion that a performance culture equates outstanding profits (Shirley, 2007:20).

According to Rogers and Meehan (2007:254), nearly 70 per cent of managers agree that a performance culture provides the greatest source of competitive advantage. Moreover, more than 80 per cent of managers believe that a business is doomed to mediocrity if lacking a performance culture. Creating a performance culture which distinguishes a business from competitors in terms of the way managers and employees relate to their work and choose to behave, is among the most powerful levers for superior business performance (Maly & Aiken, 2008). Managers who are able to create and sustain a performance culture and react to rapid change in markets and technologies, can maintain exceptional service and product quality levels despite unpredictable business environments (Winter, 2003:3).

A performance culture in a business is only possible if every employee supports this notion, but it is the managers of the business who need to strategise, actively drive and sustain a culture of performance in the business. It is therefore critical that managers believe in and buy into the importance of having a performance culture in place. Finally, in order to get their employees on board, managers must perceive their businesses to demonstrate business practices and display employee characteristics associated with a performance culture. The reason for undertaking this study is therefore to investigate the performance culture perceptions of middle-level managers (MLMs) and first-line managers (FLMs) at a large FMCG company.

RESEARCH OBJECTIVES
In order to address the identified problem at hand, the following objectives are formulated:

Primary objective
The primary objective of this study is to investigate performance culture perceptions of MLMs and FLMs at a large FMCG company.

Secondary objectives
The following secondary objectives are derived from the primary objective:

- determine the demographic profiles of first-line and middle-level manager respondents who participated in the study;
- assess the reliability and validity of the measuring scales that measure the performance culture perceptions;
- determine respondents’ perceptions regarding the performance culture concept; and
- determine whether practically significant differences exist between FLMs and MLMs in terms of their performance culture perceptions measured in this study.

RESEARCH METHODOLOGY
The study followed a descriptive research design that is quantitative in nature, surveying respondents with a self-administered questionnaire. Prior to this survey, the questionnaire was piloted amongst a convenience sample of 237 respondents (MLMs) in the retail industry. The target population of this study included all the FLMs and MLMs at a large FMCG company and a census of the target population was undertaken. The self-administered questionnaires were uploaded on the Survey Monkey website and subsequently all FLMs and MLMs in the target population were informed of the survey via an e-mail containing a cover letter and hyperlink to the relevant questionnaire. Of the 438 respondents included in the sampling frame of the study, a total of 186 participated in the study, which constitutes a 43% response rate. The 186 viable questionnaires, comprising of 73 MLM questionnaires and 113 FLM questionnaires, were subsequently used for statistical analysis. Data entry, tabulation and statistical analysis were done by the Statistical Consultation Services of the North-West University (Potchefstroom Campus). The data analysis strategy involved the calculation of frequencies and percentages for variables, the assessment of the validity and reliability of measuring scales used and the calculation of overall means scores for factors and constructs. Finally significance testing was undertaken to compare groups of respondents with each other.
Construct validity and internal consistency reliability of the measuring scales included in the questionnaires were assessed. The nine statements measuring performance culture perceptions of managers were subjected to an exploratory factor analysis (EFA) and subsequently to a confirmatory factor analysis (CFA) to confirm the factors uncovered. The reliability of the respective performance culture measurement scales were assessed by means of calculating the Cronbach’s alpha coefficient for each measuring scale. In this study, Cronbach’s alpha reliability coefficients ≥ 0.70 were used as cut-off point for indicating reliability. Finally comparisons were made between MLMs and FLMs with regard to their performance culture perceptions using independent samples t-tests to uncover statistically significant differences between the groups of respondents using a confidence level of 95%. In order to assess whether practically significant differences exist between the means of two or more groups of respondents, effect sizes were calculated. Practical significance was determined by means of effect sizes and in this study medium and large effect sizes (d ≥ 0.5) are reported.

Questionnaires were administered to two different target groups, which included FLMs and MLMs respectively. The questionnaires comprised of two sections. Firstly, demographic information of the respondents (FLMs and MLMs) was gathered. Secondly, respondents’ perceptions regarding the businesses’ performance culture were measured. Although the questions in both questionnaires were the same for Section A and B, in Section A of the FLM questionnaire, respondents were asked additional demographic questions related to their immediate manager (MLM). Furthermore, a five-point Likert scale (where 1 = strongly disagree and 5 = strongly agree) was used to indicate the extent to which respondents agreed with statements made in section B.

RESULTS

The following sections report the results of the study.

Demographic profiles of respondents

The demographic profiles of respondents assist in better understanding respondents’ (FLMs and MLMs) who participated in the study and also aid towards providing insight into, and facilitate comprehension of the results obtained from the questionnaires fielded amongst respondents. The demographic profile for FLMs was determined in terms of gender, age, years of service, region of work, and highest level of education, as well as their immediate managers’ (MLMs) demographic variables namely gender, age, race and department of work. The demographic profile for the MLMs was determined in terms of gender, age, years of service, race, department and region of work, and highest level of education.

Table 6.1 and Table 6.2 provide a summary of the demographic information used to construct the study population profile of FLMs and MLMs respectively.

Table 6.1: Demographic profile of FLM respondents

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>99</td>
<td>87.61</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>12.39</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-22</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>23-42</td>
<td>77</td>
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</tr>
<tr>
<td>43-62</td>
<td>36</td>
<td>31.86</td>
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<td>0</td>
</tr>
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<td>Years of service</td>
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</tr>
<tr>
<td>Up to 5 years</td>
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<td>25.66</td>
</tr>
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<td>More than 5 years</td>
<td>84</td>
<td>74.34</td>
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<td>Region of work</td>
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<td>North Region</td>
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<td>12.39</td>
</tr>
<tr>
<td>Central Region</td>
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<td>20.35</td>
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<td>*CIC/SSD/COF</td>
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<td>6.19</td>
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<tr>
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<td></td>
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<td>19.47</td>
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<td>Diploma / Degree</td>
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<td>10.62</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>4.42</td>
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</table>
Table 6.1 indicates that the FLM respondents mainly consisted of male respondents (87.61%). The majority of the FLM respondents were between the ages of 23 and 42 (68.14%). Most FLM respondents had more than five years of service at the company concerned (74.34%) and worked in the KZN region (38.05%). As far as their highest qualification was concerned, it was found that the majority of FLM respondents had a diploma or degree (65.49%). Concerning their direct managers’ (MLMs) demographic information, 78.76% of the FLM respondents reported to male managers between the ages of 23 and 42 (81.42%). Most direct managers were black (36.28%). With regard to the department of work, an equal number of direct managers worked in Sales and Marketing (24.78%) and Manufacturing (24.78%).

<table>
<thead>
<tr>
<th>Manager’s gender</th>
<th>Male</th>
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<table>
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<td></td>
<td>23-42</td>
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<tr>
<td></td>
<td>Indian</td>
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<td>29.20</td>
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<td>Other</td>
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</table>

<table>
<thead>
<tr>
<th>Manager’s department of work</th>
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<tr>
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<td>Support Function</td>
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<td>7.96</td>
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<tr>
<td></td>
<td>Other</td>
<td>9</td>
<td>7.96</td>
</tr>
</tbody>
</table>

*Abbreviations used: CIC = Customer Interactive Centre, SSD = Sales Services Division, COF = Central Office

Table 6.2: Demographic profile of MLM respondents

<table>
<thead>
<tr>
<th>MLM respondents</th>
<th>Demographic variable</th>
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<th>Percentage</th>
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<td>63+</td>
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<td>1.37</td>
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<td>Years of service</td>
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<tr>
<td></td>
<td>Indian</td>
<td>22</td>
<td>30.14</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Region of work</td>
<td>KZN Region</td>
<td>21</td>
<td>28.77</td>
</tr>
<tr>
<td></td>
<td>North Region</td>
<td>10</td>
<td>13.70</td>
</tr>
<tr>
<td></td>
<td>South Region</td>
<td>15</td>
<td>20.55</td>
</tr>
<tr>
<td></td>
<td>Central Region</td>
<td>11</td>
<td>15.07</td>
</tr>
<tr>
<td></td>
<td>*CIC/SSD/COF</td>
<td>16</td>
<td>21.92</td>
</tr>
<tr>
<td>Highest qualification</td>
<td>Grade 12</td>
<td>7</td>
<td>9.59</td>
</tr>
<tr>
<td></td>
<td>Diploma / Degree</td>
<td>46</td>
<td>63.01</td>
</tr>
<tr>
<td></td>
<td>Postgraduate degree</td>
<td>17</td>
<td>23.29</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>3</td>
<td>4.11</td>
</tr>
<tr>
<td>Department of work</td>
<td>Sales &amp; Marketing</td>
<td>32</td>
<td>43.84</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>11</td>
<td>15.07</td>
</tr>
</tbody>
</table>
Table 6.2 indicates that the MLM respondents mainly consisted of male respondents (68.49%). The majority of the MLM respondents were between the ages of 23 and 42 (65.75%). Most MLM respondents had more than five years of service at the company concerned (72.60%) and worked in the KZN region (28.77%). As far as their highest qualification was concerned, it was found that the majority of MLM respondents had a diploma or degree (63.01%) and 23.29% of the respondents had a postgraduate degree. Concerning the department of work, 43.84% of the MLM respondents were working in Sales and Marketing.

Assessing validity and reliability

Validity: With respect to the nine statements measuring performance culture, the EFA extracted two factors. The first factor was labelled as the business performance culture extent, since it measures the extent to which the business exhibits practices associated with having a performance culture. From the results of the subsequent CFA the first factor was confirmed and this factor includes five items explaining 71.26% of the variance. The second factor was labelled as the employee performance culture extent, since it measures the extent to which employees exhibit characteristics associated with businesses having a performance culture. From the results of the subsequent CFA the second factor was confirmed and this factor includes four items explaining 73.34% of the variance.

Reliability: The reliability statistics of the measurement scales measuring the two factors confirmed above are reported in Table 6.3.

Table 6.3: Section B: Cronbach’s alpha coefficients

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach’s alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLMs and MLMs</td>
<td></td>
</tr>
<tr>
<td>Business performance culture extent (5 statements)</td>
<td>0.90</td>
</tr>
<tr>
<td>Employee performance culture extent (4 statements)</td>
<td>0.88</td>
</tr>
</tbody>
</table>

It is evident from Table 6.3 that the Cronbach’s alpha coefficients are above 0.7 for both scales measuring performance culture perceptions amongst respondents and the measuring scales can be considered reliable. Subsequently, overall mean scores could be calculated for the two scales measuring performance culture perceptions amongst respondents.

Performance culture perceptions

Table 6.4 depicts the descriptive statistics (means and standard deviations) obtained for the five individual statements measuring the general perception of respondents towards the business performance culture extent.

Table 6.4: Section B: Respondents’ general perception of the business performance culture extent

<table>
<thead>
<tr>
<th>Statement</th>
<th>n = 186</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1: Business performance extent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company has systems in place to monitor corporate, service and individual performance</td>
<td></td>
<td>4.27</td>
<td>0.84</td>
</tr>
<tr>
<td>The company’s performance systems measure actual performance against plans and objectives</td>
<td></td>
<td>4.10</td>
<td>0.87</td>
</tr>
<tr>
<td>The company’s performance systems are structured to take corrective action where needed</td>
<td></td>
<td>4.01</td>
<td>0.91</td>
</tr>
<tr>
<td>The company has an understandable, compelling corporate mission, vision, values and goals</td>
<td></td>
<td>4.42</td>
<td>0.77</td>
</tr>
</tbody>
</table>
The company’s corporate mission, vision, values and goals are widely communicated  
Overall scores

<table>
<thead>
<tr>
<th>Statement</th>
<th>n</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company’s corporate mission, vision, values and goals are widely</td>
<td>186</td>
<td>4.19</td>
<td>0.90</td>
</tr>
<tr>
<td>communicated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall scores</td>
<td>186</td>
<td>4.20</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Based upon Table 6.4, respondents agreed most with the statement ‘The company has a understandable, compelling corporate mission, vision, values and goals’ (mean = 4.42). The statement with which respondents agreed least was ‘The company’s performance systems are structured to take corrective action where needed’ (mean = 4.01).

Table 6.5 depicts the descriptive statistics (means and standard deviations) obtained for the four individual statements measuring the general perception of respondents towards the employee performance culture extent. Based upon Table 6.5, respondents agreed most with the statement ‘There is an acceptance and understanding by all the company’s employees that superior execution of agreed actions and good performance are a business priority’ (mean = 4.15). The statement with which respondents agreed least was ‘The company’s employees are always willing to do more than what is expected of them’ (mean = 3.63).

<table>
<thead>
<tr>
<th>Statement</th>
<th>n = 186</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an acceptance and understanding by all the company’s employees</td>
<td>186</td>
</tr>
<tr>
<td>that superior execution of agreed actions and good performance are a</td>
<td>Mean</td>
</tr>
<tr>
<td>business priority</td>
<td>4.15</td>
</tr>
<tr>
<td>The company’s employees are committed and motivated in their outputs</td>
<td>3.71</td>
</tr>
<tr>
<td>The company’s employees are always willing to do more than what is</td>
<td>3.63</td>
</tr>
<tr>
<td>expected of them</td>
<td></td>
</tr>
<tr>
<td>The company’s employees understand and believe that they play an</td>
<td>3.88</td>
</tr>
<tr>
<td>important part in the overall success of the business</td>
<td></td>
</tr>
<tr>
<td>Overall scores</td>
<td>3.84</td>
</tr>
<tr>
<td>Mean</td>
<td>0.89</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.95</td>
</tr>
<tr>
<td>d-value</td>
<td>0.98</td>
</tr>
<tr>
<td>▲</td>
<td></td>
</tr>
<tr>
<td>Overall scores</td>
<td>3.84</td>
</tr>
<tr>
<td>Mean</td>
<td>0.93</td>
</tr>
<tr>
<td>d-value</td>
<td></td>
</tr>
</tbody>
</table>

Based upon Tables 6.4 and 6.5, respondents agreed more with the business performance culture extent (mean = 4.20) than with the employee performance culture extent (mean = 3.84). Pertaining to respondents’ (FLMs and MLMs) general perceptions regarding the statements used to measure the business performance culture extent of the business, it is evident that respondents agreed most with the statement that the company has an understandable, compelling corporate mission, vision, values and goals, and respondents agreed least with the statement that the company’s performance systems are structured to take corrective action where needed. Pertaining to respondents’ (FLMs and MLMs) general perceptions regarding the statements used to measure the employee performance culture extent of the business it is evident that respondents agreed most with the statement that there is an acceptance and understanding by all the company’s employees that superior execution of agreed actions and good performance are a business priority and, respondents agreed least with the statement that the company’s employees are always willing to do more than what is expected of them.

**Comparisons between MLMs and FLMs performance culture perceptions**

The following section reports on the results of the statistical test (independent samples t-tests) used to draw comparisons between the FLM and MLM groups based upon their business performance culture perceptions. Table 6.6 provides the results obtained from the independent samples t-test performed to compare the perceptions of FLMs and MLMs regarding the business’s performance culture.

Table 6.6: A comparison between FLM and MLM perceptions

<table>
<thead>
<tr>
<th>Competency</th>
<th>Group</th>
<th>N</th>
<th>Mean</th>
<th>Std Dev</th>
<th>p-value</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business performance culture extent</td>
<td>MLMs</td>
<td>73</td>
<td>4.38</td>
<td>0.62</td>
<td>&lt;0.05*</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>FLMs</td>
<td>113</td>
<td>4.08</td>
<td>0.76</td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>Employee performance culture extent</td>
<td>MLMs</td>
<td>73</td>
<td>3.90</td>
<td>0.76</td>
<td>0.41</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>FLMs</td>
<td>113</td>
<td>3.80</td>
<td>0.83</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Statistically significant at 0.05 level  ▲ Medium effect in practice
Based upon Table 6.6 with respect to the business’s performance culture (business performance culture extent and the employee performance culture extent), no practically significant differences were uncovered between FLMs and MLMs (d-values ≤ 0.4).

Pertaining to comparisons made between FLM and MLM groups regarding their perceptions of the business performance culture extent and the employee performance culture it is evident that FLMs and MLMs do not differ in practice regarding their view of the business performance culture extent and the employee performance culture extent of the business.

CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

FLM respondents are predominately males between the ages of 23 and 42, have a diploma or degree and have worked for more than five years at the company. The majority of FLM respondents reports to black, male MLMs between the ages of 23 and 42 who either work in the Sales and Marketing or Manufacturing departments. MLM respondents are predominately males between the ages of 23 and 42, have a diploma/degree or postgraduate degree, have more than five years of service at the company and work in the Sales and Marketing department. From this demographic information as well as the results of this study it is derived that businesses should focus on employing young, experienced and qualified managers, since they are the ideal candidates for the creation of a performance culture.

With respect to performance culture perceptions, two factors namely business performance culture extent and employee performance culture extent were uncovered. The scales measuring these factor were found to be reliable and valid. The study uncovered that when measuring performance culture perceptions, it is necessary to examine both perceptions regarding the performance culture practices of the businesses as well as the characteristics of its employees. The measuring scales can be used by managers to determine whether a performance culture exists within their businesses.

Regarding the business performance culture extent, respondents perceive the company to have an understandable, compelling corporate mission, vision, values and goals. However, although respondents disclosed a positive inclination towards the structure of the company’s performance systems to take corrective action where needed, they also indicate this aspect as a possible opportunity for improvement. With respect to employee performance culture extent, there is an acceptance and understanding by all the company’s employees that superior execution of agreed actions and good performance are business priorities. Furthermore, respondents relate to the fact that the company’s employees are always willing to do more than what is expected from them however, this facet may require additional attention. Pertaining to the general perceptions of FLMs and MLMs towards the two respective performance culture factors, although respondents have a positive inclination towards both factors, respondents agree more with the business performance culture extent than the employee performance culture extent of the business. It can therefore be said that respondents have a positive perception regarding the company’s performance culture; however, it is recommended that the company continue monitoring performance culture factors related to their business practices and employee characteristics in order to nurture and even enhance their existing performance culture.

Pertaining to comparisons made between the FLM and MLM groups, no practically significant differences were uncovered between FLMs and MLMs regarding their view of the business performance culture extent and the employee performance culture extent of the business. It can therefore be said that respondents perceive the company and employees to display practices and characteristics associated with a performance culture and it is recommended that different managerial levels (i.e. first-line and middle-level) should be taken into consideration when assessing employees’ perceptions of the performance culture of a business.

It is thus concluded that since middle-level managers (MLMs) and first-line managers (FLMs) contribute to a large extent to the creation of a performance culture of a business, they should be knowledgeable about the best practices for the creation thereof as well as employee characteristics associated with a performance culture. Ultimately a sound performance culture in a business is necessary for establishing a sustainable competitive advantage in an industry.

REFERENCE LIST


KEY FACTORS OF COMPETITIVENESS OF THE INNIBOS ARTS FESTIVAL IN SOUTH AFRICA

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North-West University

S. Griffel
North West University

ABSTRACT

The purpose of this paper is to examine the competitiveness factors of the Innibos National Arts Festival held annually in South Africa. The research was conducted by means of a structured questionnaire during July 2013. A total of 373 questionnaires were received and the data was used to compile a profile of each visitor. A factor analysis was conducted. The findings of this study revealed five competitiveness factors. This research made several contributions. Firstly, that culture as a dimension of destination competitiveness contributes to the growth of the South African tourism industry. Secondly, that competitiveness factors differ from event to event and festival to festival and must be managed accordingly. Thirdly, additional services have the largest impact on the competitiveness of the festival. Arts festivals have become important in the South Africa context and marketers and managers of festivals are required to understand the initiators and factors of being competitive.

Key words: Factors, competitiveness, arts, festivals

INTRODUCTION

The definition of tourism as it is stated by Saayman (2000:3), Foster (1985:7), McIntosh, Goeldner and Ritchie (1995:6) and Tribe (1997) as the total experience that originates from the interaction between tourist, job providers, government systems and communities in the process of attracting, entertaining, transporting and accommodating tourist that will spent money outside their usual environment for more than a day, include events as part of this industry. Tassiopoulos (2010:5) states that events are an integral part of tourism development and define events tourism as the systematic development, planning, marketing and holding of events as tourist attractions. Bowdin, Allen, O'Toole, Harris and McDonnel (2011:3) describe the importance and significance of events as important to culture development and local economic stimulation. Festivals are planned events, related to a particular time and space (McDowall, 2011:270).

Festivals and events have always been an important element in people’s lives and this is demonstrated by the rapid growth of the festivals and events sector in the tourism industry worldwide. Festival tourism has become one of the main tools the development strategies of many towns and cities and this is often aimed towards the economic development planning of urban and rural tourism developments (Law, 1996 in Visser, 2005, 155).

The increasing importance of festivals in South Africa during the last few years can also not be denied. This is attributed to the growing need of people for diverse forms of art to represent the great variety of cultures within the country (Pissoort & Saayman, 2007:2). Taking into account that South Africa’s tourism industry offers more than 600 festivals of different kinds, each one is unique in its characteristics due to its interactions with the setting, the people and the management system (Kruger & Saayman, 2012:147; Getz, 2007:404).

Organisers and marketers face various challenges to ensure the success of their festivals and to stay competitive (Kruger & Saayman, 2012:148). Research done by Kruger and Saayman, (2012), Slabbert and Viviers (2011) and Botha and Viviers (2012) indicated that the Afrikaans arts festivals are competing for the same market that comes primarily from Gauteng Province. Adding to this dilemma, organisers and managers of arts festivals face the fact that, in recent years, competition has increased. Also, as prices for tickets have increased, there have been significant changes in ticket purchase behaviour among arts attendees. This, in turn, influences the perceptions of visitors concerning the competitiveness of a particular festival. This notion has been confirmed by Kruger, (2009:3) and Saayman and Saayman, (2006:573).

Although still a fairly young festival, the Innibos arts festival is part of this competition and is a force to be recon with as a competitor to the more established festivals. The first Innibos National Arts Festival was held
in 2004, in 14 venues that are situated just outside the borders of the Kruger national Park in and around Nelspruit. It has grown from 25 000 visitors in 2004 to almost 90 000 in 2007 and is, in principle, an Afrikaans festival with Portuguese influences (Innibos Report, 2013). Nevertheless, since 2009 a gradual decline in visitor numbers has been recorded, which accordingly has a negative economic impact on the festival, which could be largely because of the increased competition and an increase in living costs (Kruger & Saayman, 2012:148). It is therefore the aim of this study to identify the factors contributing to the competitiveness of the Innibos arts festival in order to contribute to the sustainable growth of this event.

**LITERATURE REVIEW**

Events are being used to overcome challenges faced by most destinations, such as seasonality. In addition, events or festivals fulfill different purposes and are highly valued as attractions, catalysts, animators, place marketers, and image-makers, which differentiate events as a tourism product (Getz, 2008:406). The economic and social benefits of festivals and events have already been the topic of many researchers (Daniels & Norman, 2003; McHone & Rungeling, 2000; Crompton, Lee & Shuster, 2001; Goldblatt, 2002; Allen, O’Tool, McDonnell & Harris, 2005; van Niekerk & Coetzee, 2011:348), highlighting that festivals and events could represent a key element for infrastructure improvement and can also be used to foster local and organisational marketing capabilities (Getz, 2003:2). Festivals are one means to boost the economy and are able to turn around economic decline during off-seasons (van Niekerk & Coetzee, 2011:352). However, although festivals and tourism markets have been nationally and regionally isolated from one another, in recent decades the boundaries between national tourism businesses, products and destinations tend to disappear and all of these compete for the same market compromising a competitive advantage (Navikas & Malakauskaite, 2009:37). It is also clear that festivals have an important role to play in community building, urban renewal, cultural development or fostering national identities (Getz, 2008:403).

Festivals provide unique opportunities to celebrate culture and provide deep meaning for participants and attendees at the same time. Celebrating culture is one of the reasons why so many different festivals in South Africa developed. The cultural aspect ensured the success of the festivals over time and in the 1990s, Afrikaans festivals started to emerge, resulting from the fear of the extinction of the Afrikaans language (van Niekerk & Coetzee, 2011:349). Consequently, since 1995, nine Afrikaans arts festivals were launched and all of them are competing for the same target market (Afrikaans-speaking people), which highlights the concern towards the sustainability of these events. One way to address this concern is to have a greater understanding of the competitiveness factors which could give insight to managers as to how to balance demand and supply and produce a superior product or service. If one has to define it in layman’s terms, competitiveness is about staying in the race. Any destination has to remain a competitor. To achieve this in tourism, one has to keep track of changes in tourists’ needs and the demands of globalisation as well as those of a sophisticated industry and the various factors contributing to it (Ritchie & Crouch, 2000; Poon, 1993; Lickorish, 1991).

Global competitiveness is a comprehensive term, and researchers develop new strategies every day defining the models and strategies. These researchers are led by Michael Porter (1990) and, in the tourism industry, by Ritchie and Crouch (1993) who are considered to be the leaders in global competitiveness. They respectively defined competitiveness as the search for a favourable competitive position in an industry, to establish a profitable and sustainable position against the forces that determine industry competition (Porter; 1985). Crouch and Ritchie (2000) suggest that the most competitive destination is one that brings about the greatest success; that is, the greatest well-being for its residents on a sustainable basis. They go further to warn that, "Competitiveness is illusory without sustainability". To be competitive, a destination’s development of tourism must be sustainable, not just economically and not just ecologically, but socially, culturally and politically as well. It can therefore be argued that the most competitive destination is the one that most effectively creates sustainable wellbeing for its residents.

Factors of production described by Porter are nothing more than the inputs necessary to compete in any industry, and to sustain global competitiveness. Hence Porter makes it clear that the mix of factors employed differs among industries. Competitive advantages are gained if they possess low-cost or uniquely high-quality factors of the particular types that are significant to competition in a particular industry. Porter lists the factors as: human resources, physical resources, knowledge resources, capital resources and Infrastructure. Ritchie and Crouch (1993) based their research on these findings and established unique factors that contribute to tourism destinations, establishing this industry’s research in terms of competitiveness. Ritchie and Crouch (1993) discussed a few factors seen as important in determining global competitiveness; Value (Value for money, value and appropriateness), Quality (Quality of quality service, Quality and authenticity of the experience, Quality of the physical settings) and, perhaps the most important factor, understanding the context factors that distinguish tourists from one another and providing that which is desired (Hu & Richie, 1993).
The identification and evaluation of tourism and destination competitiveness factors are a common research problem of many scientific studies and papers dedicated to tourism management, marketing and economics (Navikas & Malakauskaite, 2009:37). As tourism markets grow and the significance of different sectors to tourism evolves, the aforementioned research problems become more significant and the need for more specific research approaches to the unique product or destination is essential. Although various studies focused on destination and tourism competitive factors, few were specifically directed towards the competitive factors of festivals and events. The only study that the authors found focused partly on the competitiveness of events was done by Getz in 2002. Hence there is still uncertainty towards the competitiveness factors of nontangible products within tourism and no study has been done within the South African context of festivals.

PROBLEM INVESTIGATED
Research within this field is diverse and complex and authors posited that among the several forces and motives that influence the competitiveness of a destination, customers and their needs are the ultimate driving force (Ritchie & Crouch, 2005:10) and will differ from destination to destination and product to product. These factors are often related to market conditions, the level of social development, environmental policy, the base of human resources, the quality of infrastructure, technological advancement, and other fields of development (Navikas & Malakauskaite, 2009:37). Tourism competitiveness factors capture many factors such as natural environment (geographic, location, climate, scenery to name but a few) artificial environment (tourism infrastructure, transport, supply of entertainment, stores, accommodation), provision of high quality products and service and asking relative prices (Poon, 1993, Van Hove, 2002, Dimanche, 2008, Ritchie & Crouch, 1993, 2005, Goeldner & Ritchie, 2010, Mangion, Durbary and Sinclair, 2005, Enright & Newton, 2005, Dwyer & Kim, 2003). It is clear from the literature that the identification of competitive factors could differ from study to study hence there happen to be various conceptual variances regarding the definition of competitiveness (Dimanche, 2008). To summarise the complexity of analysing competitiveness factors, Enright and Newton (2005:340) stated that a destination is competitive if it attracts and satisfies tourists and its “competitiveness is determined by both tourism specific factors and a much wider array of factors that influence tourism service providers”.

Managers are faced by better informed tourists and the assumption that tourists treat all destinations as homogeneous tourism products is unrealistic (Phakdisoth & Kim, 2007:226), highlighting the importance of paying attention to the visitor’s perceptions and preferences. Hence, for the purpose of being sustainable, it is important for the managers of the Innibos arts festival to acknowledge the unique factors for competitiveness based on the views and perceptions of visitors to the festival.

RESEARCH OBJECTIVES
This paper aims to identify those competitive factors and what isolates especially the Innibos festival from others.

RESEARCH METHODOLOGY
A survey was undertaken and questionnaires were distributed at the Innibos arts Festival held at the festivals grounds in Nelspruit (Mmbombela) the capital city of Mpumalanga Province in South Africa and neighbour to the globally famous Kruger National Park. To determine the profile and the perceptions of attendees towards the competitiveness of the festival, 400 questionnaires were distributed and 373 questionnaires were completed. In a population of 100 000 (N), 398 respondents (n) would be seen as representative and result in a 95% level of confidence with a ±5% sampling error (Israel, 2009:6). Therefore, since more than about 80 000 tickets were sold for the four day festival, the number of completed questionnaires (n=373) was more than adequate.

A questionnaire was used to achieve the aim of the research by data gathering It consisted of the following three sections: Section A focused on the demographic details (gender, home language, occupation, province, spending, marital status, level of education and number of tickets purchased). Section B (competitiveness factors) and C (quality factors) contained Likert scale type questions. Respondents were asked to indicate to what extent they agreed or disagreed with each of the statements describing competitiveness and quality factors (Tustin, Ligthelm, Martins and Van Wyk 2005:408). For the purpose of this study only section B were used for data analysis. From the literature, various competitiveness factors were identified and used to develop the questionnaire. The section on competitiveness was based on the work of Du Plessis (2002), Mangion et al. (2005) and Ritchie and Crouch (1993) and was adapted for Innibos. Thirty six (36) items on a 5-point Likert scale gave the attendees the opportunity to indicate the importance of various factors to the festival’s competitiveness.
Questionnaires were collected over four days of the Festival (26 to 29 June 2013). The questionnaires were distributed among the different venues and main festival grounds to ensure that all attendees had an equal opportunity to participate. Fieldworkers approached the respondents and explained the goal of the survey and the questionnaire to ensure that visitors participated willingly and responded openly and honestly.

**Statistical calculations**

The data was captured using Microsoft® Excel® and analysed using SPSS (SPSS Inc., 2007). The analysis was performed in two stages. Firstly, descriptive statistics were used to analyse the socio-demographic profile of respondents. Secondly, a factor analysis was conducted, focusing on competitiveness.

The factor analyses for competitiveness were done to identify smaller sets of exploratory factors that define the fundamental constructs assumed to underlie the original variables. Kaiser’s criteria for the extraction of all factors with eigenvalues larger than unity were used because they were considered able to explain a significant amount of variation in the data. All items with a factor loading greater than 0.3 were considered as contributing to a factor and all items with loadings less than 0.3 as not correlating significantly with this factor (Steyn, 2000). Any item that cross-loaded on two factors with factor loadings, of which both were greater than 0.3, was categorised in the factor where interpretability was best. A reliability coefficient (Cronbach’s alpha) was computed for each factor to estimate its internal consistency. All factors with a reliability coefficient above 0.6 were considered as acceptable in this study. The average inter-item correlations were also computed as another measure of reliability - these, according to Clark and Watson (1995), should lie between 0.15 and 0.55.

**RESULTS**

This section provides an overview of the profile of respondents and a discussion of the results of the factor analysis.

Most visitors to the Innibos Arts Festival were female (62%), between 18 and 25 years old (27%) and Afrikaans speaking (93%). They hold a professional occupation (20%) and reside in Mpumalanga Province (53%).

**Results from the factor analysis**

Using a principle axis factoring identified explaining 64.06% of the variance. The factor analysis identified five factors (Table 1) for competitiveness, which were labelled according to items that contributed to them. These factors were labelled as (factor 1: Destination attributes), (factor 2: Price), (factor 3: Additional services), (factor 4: Accessibility to destination through services) and (factor 5: Festival attributes). The highest mean value was obtained for factor 3: additional services which are important for attendees to the festival. The Cronbach’s coefficients were examined to check the reliability of the data and all these values were higher than 0.70.

**Table 1: Results of factor analysis of competitiveness factors of Innibos arts festival.**

<table>
<thead>
<tr>
<th>Competitiveness</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>offers the necessary support services (e.g. sufficient information and Computicket).</td>
<td>Destination attributes</td>
</tr>
<tr>
<td>is safe and offers sufficient security.</td>
<td>Price</td>
</tr>
<tr>
<td>has sufficient festival infrastructure</td>
<td>Additional service</td>
</tr>
<tr>
<td>is located in an environment with unique geographic properties (e.g. natural beauty)</td>
<td>Location and accessibility</td>
</tr>
<tr>
<td>is accessible (e.g. commuting service)</td>
<td>Festival attributes</td>
</tr>
<tr>
<td>offers value for money</td>
<td></td>
</tr>
<tr>
<td>is well situated</td>
<td></td>
</tr>
<tr>
<td>marketing is visible and effective</td>
<td></td>
</tr>
<tr>
<td>offers quality festival services (e.g. shows)</td>
<td></td>
</tr>
<tr>
<td>offers sufficient entertainment</td>
<td></td>
</tr>
</tbody>
</table>

|                      | .786 | .738 | .705 | .659 | .653 | .649 | .636 | .590 | .580 | .545 |


247
offers quality and variety of food | .520 |
possesses information on activities about the surroundings | .503 |
entrance fees are acceptable | .867 |
ticket prices are fair | .789 |
offers opportunities to purchase goods at fair prices (stalls) | .776 |
food and drinks prices are fair | .731 |
possesses sufficient technologies | -.539 |
the community is friendly | -.408 |
offers shopping opportunities | -.400 |
is presented in an environment with sport and recreational opportunities | .570 |
is close to my home town | .549 |
offers information on historic and cultural attractions in the surrounding area | .477 |
accommodation tariffs are competitive | .457 |
offers a variety of accommodation | .330 |
is presented at the right time of year | .652 |
attracts well-known artists | .608 |
promotes and focuses on music productions | .596 |
offers a variety of productions | .554 |
trade mark is well known | .527 |
is presented in a favourable climate | .527 |
offers me the opportunity to see well-known artists | .497 |
offers quality productions | .482 |
offers opportunities to purchase quality and variety products at the festival | .459 |
offers a unique experience | .401 |
makes provision for children’s needs | .273 |
manages risks effectively | .247 |
Mean value | 4.40 | 3.98 | 4.42 | 4.03 | 4.41 |
Cronbach’s alpha | .947 | .874 | .864 | .784 | .933 |

Bartlett’s test of sphericity also reached statistical significance (p < .001), supporting the factorability of the correlation matrix (Pallant, 2007:197). Factor scores were calculated as the average of all items contributing to a specific factor in order to interpret them on the original 5-point Likert scale of measurement. There were slight variations in the scores of the mean values as indicated between 3.98 and 4.42 which indicated the importance of all the factors identified.

**Factor 1: Destination attributes**: This factor had a mean value of 4.40, which is the third highest value. It is clear that tourists considered variables that are unique to the location as part of the experience such as safety, support services and the natural surroundings. This factor emphasises the sentiment of Navikas and Malakauskaite (2009) that summarised the views of various researchers by explaining that visitors to a certain destination and, in this case, a festival consider aspects that improve the direct environment where the tourists find themselves to add to the competitiveness of the festival.

**Factor 2: Price**: Price had the lowest mean value (3.98) and included perceptions of attendees towards competitiveness; that include that the entrance fees are acceptable, ticket prices are fair, opportunities to
purchase goods at fair prices (stalls) and that food and drinks prices are fair. According to Ritchie and Crouch (1995), Mangion et al. (2005) and Goeldner and Ritchie (2010) price is always a factor to reckon with when considering the competitiveness of a destination. Although this factor had the lowest mean value, the importance of it could not be denied and must be emphasized in the management process of events.

**Factor 3: Additional services:** Researchers such as Kim (1998:340) and Knowles (1994:89), identified additional services as an important factor of competitiveness. This is confirmed by this research. It may be regarded as crucial, since this factor had the highest mean value (4.42). Additional services include competitor’s variables such as sufficient technologies; the community being friendly and offering shopping opportunities to the attendees.

**Factor 4: Location and accessibility:** Location and accessibility as a factor influencing competitiveness has been identified by Cassidy and Guiding (2007:279), Mangion et al. (2005:56) and Botha, Faiser-Wessels and Lubbe (2006:18). Their findings are confirmed by this research where the factor of location has a mean value of 4.03. Location and accessibility included being presented in an environment with sport and recreational opportunities, being close to my home town, offering information on historic and cultural attractions in the surrounding area, accommodation tariffs being competitive and a variety of accommodation being offered.

**Factor 5: Festival attributes:** Saayman and Saayman (2008:184) concluded that festival attributes play an important role in determining the competitiveness of Innibos arts festivals. This factor has a mean value of 4.41, the second highest and included all attributes referring to the festival itself such as; the right time of year, artists, productions and opportunities to purchase quality and variety products at the festival. This factor highlights the fact stated by Porter (1990) that every product or service differs and that a unique set of factors contributes to the overall competitiveness of the product.

**CONCLUSIONS**

The purpose of this research was to determine the main factors for the competitiveness of the Innibos Arts Festival. It is clear that respondents regard additional services (technology, friendliness of the community and affordable goods and services) and destination attributes which include safety; sufficient infrastructure and especially accessibility and value for money as important. Visitors want to experience a wide variety of services and products that add value to their visit. The contribution of this research lies within the lessons learned. These lessons could be listed as follows; every tourism product is unique (the characteristics should be exploited and developed to be more competitive); different role-players could add to the success of a festival within a community; the location of an event (set in a nice surrounding, providing the opportunity for business and leisure activities), time of year (organised within school holidays where visitors have the opportunity to include other activities and extend their stay) and the availability of other products and services (business orientated and tourism related products and services) could provide arts festivals the opportunity to sustain a competitive advantage.

Arts festivals have become important in the South African context because of the growing need for art forms within specific cultures. To ensure the growth of these festivals and the heritage of cultures, future research should focus on establishing guidelines for managers as to how to involve various role-players in the planning and organisation of festivals. A limitation of this research lies in the fact that there is no benchmark of similar research. Hence more research is important to investigate festivals and other events to assist tourism authorities, managers, organisers and other role-players in the management and development of these events. The tourism industry could only make a positive impact if efficient networks are developed to promote and manage product and services.

Providing the five unique competitive factors to the Innibos art festival management could assist in identifying gaps, especially in terms of additional services which could further be exploited to use in the drive to be more competitive.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The key finding of this study is based on the unique competitiveness factors identified. These factors differ from the traditional factors of destination competitiveness as indicated by prominent researchers such as Ritchie and Crouch (1993); Hu and Ritchie (1996), Porter (1990) and Heath (2002). This finding is important for event planners to realise that every festival is unique and that a different management approach should be followed and for researchers to investigate this further. Current competitiveness models are primarily focused on permanent products within a destination. Very few competitiveness models have been developed for Africa and South Africa specifically and no competitiveness research has focused on products such as events and festivals. It is clear from the research that competitiveness models differ from permanent to once-off attractions. To overcome this gap, more research is necessary in analysing festivals. In gaining more
information, it would be possible to develop event and festival specific competitiveness models that would steer the management of these factors in a more sustainable direction.

The second finding from the research is that the three most important competitiveness factors of the Innibos arts festival focus on the attributes unique to the location, in other words, the city and surrounding area, festival and what it offers and the additional services of that area. Two of the three key factors are not directly related to the festival but it is clear that the visitors regard them as extremely important. The implication of this finding is that event managers must create more effective communication and consultation between management and the different role-players in the decision-making process and planning towards the art festival. Establishing a network of people could be a good starting point for managers of new festivals. Good relations in the management task could provide services and attributes such as sufficient technologies, the friendliness of the community and favourable shopping opportunities. Creating a forum that involved various role-players from the city such as the local municipality, business chambers and product owners of the area could create pride and ownership to the city and surrounding areas promoting the festival. The local press could also be used to communicate festival information and details to role-players and the community. The benefit that the community could receive from this partnership supports the views of Ritchie and Crouch (1993); and Porter (1990) which highlights the important role of the community in establishing competitiveness.

Thirdly, additional services have, according to this study, the largest impact and influence as a competitiveness factor. One could make the assumption that although the primary motive of attendees is to attend the festival, secondary motives are also evident, which include business and leisure activities and services. Therefore marketing could also include these aspects thereby promoting more than just the festival related information. This means that event planners need to look at the aspects such as the provision of technology (such as internet access and telecommunication efficiency), the positive attitude of the community (through community participation) and the involvement of product owners in collaboration with business chambers and associations that could supply the opportunity for shopping and other services. The importance of this factor gives the opportunity for other product owners to benefit as well. Including these additional services into the marketing campaign of the festival could add to the experience and lead to extended stays. Hence, when tourists spent more time at a destination it generally leads to higher spending which, in the end, has a greater economic impact on the community.

The fourth finding of the study is the provision of high quality services concerning festival attributes. High quality productions that are supported by quality sound, venues and technical support (just to name a few) could establish loyal attendees to the festival as indicated by Saayman, Kruger and Erasmus (2012). Festival organisers should take time in selecting artists and productions that will promote the festival. By providing and focusing on quality a well-known trade mark could be established in the industry. Innibos arts festival is unique in terms of location and the all-inclusive ticket to the festival grounds and the variety of music shows. This trade mark should be used to build a tradition and culture unique to the festival.

The last finding contradicts to a limited extent research by Dwyer, Forsyth and Rao (2000:9); Ritchie and Crouch (1993); Porter (1990), and Du Plessis (2000) that focused on the importance of price in order to be successful and increase market share. The results showed that as a competitive factor of the Innibos arts festival, price was perceived as the least important. A possible explanation for this could be that visitors to Innibos festival are familiar with prices charged at the festival hence they experience value for money that is supported by receiving quality for the price paid. Once again, this finding supports the notion that festivals require a different competitiveness model.

It is important for owners and managers of additional services like accommodation establishments, restaurants and others to keep prices affordable. Festival managers could further offer an all-inclusive ticket price that would have a positive effect for the festival. This implication must be further investigated to establish the viability of this pricing structure.

**REFERENCE LIST**


KNOWLEDGE RESOURCES AND ENTERPRISE INNOVATION CAPABILITY

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ABSTRACT

This article addresses the question whether knowledge resources can act as critical enablers for innovation in an enterprise in the South African communications technology industry. Data for the study was gathered through in-depth interviews with managers and company documents. The enterprise has defined their software development processes as agile processes and a very high premium has been placed on learning and knowledge transfer within these processes. The engineering division relies on small teams with good communication structures for knowledge resource sharing. The sales and marketing division collects information from agents and trade shows to transfer it into knowledge resources. The research division aims to identify solutions that are ahead of the market and employees in the division have regular discussions to share knowledge on lessons learnt from practice. The business services division ensures that structures and practices are in place to support and encourage an innovative culture. The support division provides operational support to the customers and employees and knowledge resources harnessed through these processes may enhance innovation of the product offering. Three learning for innovation models were created to increase the use of knowledge resources for innovation. It is recommended that the management of knowledge should be aligned with the business strategy to enhance innovation.

Key words: Case studies, Enterprises, Innovation, Knowledge management, Knowledge resources

INTRODUCTION

South African management is increasingly aware that knowledge resources are essential to the development of their enterprises. In the knowledge economy there is an increased reliance on knowledge and innovation (Al-Hawamdeh, 2003: 6). Without new knowledge there can be no innovation and enterprises get a competitive advantage by using knowledge resources and innovation (Deng, 2008: 174). According to Patalas-Maliszewka and Hochmeister (2011: 75) knowledge resources are critical resources in an enterprise represented by the knowledge, skills, and capabilities of employees. Knowledge has become a primary factor of production supporting the traditional economic resources land, labour and capital (IBM, 2004: 22). Acanda and Molina-Fernández (2002: 292), confirm that knowledge resources are a source of competitive advantage and knowledge is often regarded as an enterprise's most important resource (Wang, He & Mahoney, 2009: 1267).

Knowledge has become a primary factor of production supporting the traditional economic resources land, labour and capital (IBM, 2004: 22). The importance of knowledge as a resource of competitive advantage is higher in enterprises where innovation is continually implemented (Decarolis & Deeds, 1999: 954; Pisano, 1994: 96). Drucker (1999: 80) states that enterprises need creative and innovative knowledge workers in the knowledge economy.

Innovation is driven by acquired knowledge and access to new knowledge (Deng, 2008: 175). Davenport and Prusak (1998: 5) define knowledge as “a fluid mix of framed experience, values, contextual information, expert insight and grounded intuition that provides an environment and framework for evaluating and incorporating new experiences and information. It originates and is applied in the mind of knowers. It often becomes embedded in documents, repositories, processes, routines, practices and norms.” This definition indicates that knowledge includes both learning and information in other words to become a knower and to create new knowledge one has to use information in order to learn. One can know information as part of knowledge but one has to learn to create new knowledge. The end result of learning should therefore be unique and new knowledge that incorporates, on the one hand information and on the other hand ones’ own values and experiences. Various authors such as Badaracco (1991) and Nonaka (1994) categorise knowledge as being either tacit or explicit. Tacit knowledge is “knowing what things work” and also “how to make things work.” Explicit knowledge is “knowing why things work.” It is codified in terms of taxonomies and theories which establish cause and effect relationships. The process of codifying tacit knowledge to create empirical knowledge involves successive rounds of dialogue, often involving the use of metaphors to articulate individual perspectives and release trapped tacit knowledge which is otherwise hard to communicate.
Key to the knowledge economy is the ability to reinvest knowledge, re-invent the business, and innovate constantly. The concept of organisational knowledge and learning has been researched for many years and innovation and the creation of new knowledge are the most popular topics in today’s management literature. The most common application referenced in the literature is the creation of new products or enterprise capabilities (Mecer, 2013).

**PROBLEM TO BE INVESTIGATED**

This article will address the following question: “Can knowledge resources act as critical enablers for innovation in an enterprise in the South African communications technology industry?” The central argument of the article is that knowledge resources play a fundamental role in an enterprise’s ability to innovate successfully. In the literature review the concept of innovation and how the management of knowledge resources enhance innovation are discussed. The case study discusses how knowledge resources contribute to innovation in a specific enterprise.

**KNOWLEDGE MANAGEMENT AND INNOVATION**

There are several definitions of innovation and creativity and many people use innovation and creativity interchangeably. According to Cheryl (2012) “creativity is about the generation of ideas, and innovation is about putting them into action.” Firestone (2003: 20) defines innovation as a knowledge process life cycle event that has been completed. The cycle begins with a problem that emerges, moves through knowledge creation processes, and ends in incorporation of knowledge structures. Katz (2007: 15) defines innovation as: “The successful generation, development and implementation of new and novel ideas, which introduce new products, processes and/or strategies to a company or enhance current products, processes and/or strategies leading to commercial success and possible market leadership and creating value for stakeholders, driving economic growth and improving standards of living.” Johannessen, Olsen and Lumpkin (2001: 23) state that by focusing on newness as the essence of innovativeness, it provides a useful starting point for innovation applications. They confirm Slappendel's (1996: 110) assertion that innovation is something more than mere change. They further state that it allows people to distinguish between changes that are simply alternatives or copies, and changes that are novel and original. Torjman and Leviten-Reid (2003: 16) expand the definition of innovation to include: “the application of existing ideas in new ways or to new fields”. Aranda and Molina-Fernández (2002: 289) state that traditional innovation theories consider innovation as a radical act generated by the introduction of a new element or a new combination of already known elements in a determined product.

According to Fenwick (2003: 134) innovation further involves a complex mix of tacit knowledge, implicit learning processes and intuition. Mosurovic (2011: 431) emphasises that enterprises that create systems for the definition and development of innovative products and processes will not achieve success if their organisational context is not favourable. Their organisational structures and processes must encourage technological change. She specifically mentions that organisational redesign means a change from traditional mechanistic bureaucracies to organic forms, which encourage flexibility and creativity. Wong (2013: 712) explains that organisational innovation can be further categorized into innovation in administrative systems (administrative innovation) and innovation in human capital (human capital innovation). Wong (2013: 712) defines administrative innovation as the introduction of new measures or practices to change the organisational structure or administrative procedures of an enterprise whereas “human capital innovation refers to an enterprise’s adoption of new practices and measures in the process of identifying and hiring of innovative personnel”.

Only limited research has been done in South Africa on how knowledge resources can enhance innovation and no formal guidelines exist for the use of knowledge resources for innovation. Although several innovation frameworks exist, the majority of them focus on the traditional resources (land, labour, capital and entrepreneurship) and none of the focus on knowledge as a resource. Esterhuizen, Schutte and Du Toit developed a knowledge management framework to develop innovation capability maturity but this framework focused on innovation capability and has not been applied in a practical situation. The innovation engine (Seelig, 2012: 13) as discussed in the book inGenius provides an attractive alternative framework and was conceptualised through years of teaching creativity and innovation (see Figure 1). According to Seelig (2012: 15) knowledge resources help to enhance innovation and this is the reason why this framework was used in this study. She explains that although creativity is generated internally and can be stimulated by mastering skills such as reframing problems, challenging assumptions, and connecting and combining ideas, creativity is also deeply influenced by what people know, the spaces in which people work, the people in a team, the rules, rewards and constraints in the work environment, and by a person’s own attitude and the culture of the enterprise. Seelig was criticised because she did not provide real case studies and all the cited examples in the book were from Stanford where Seelig teaches (Jeremy’s reviews).
Figure 1: The innovation engine

The engine consists mainly of an internal part that is made up of knowledge, imagination and attitude. The external factors are resources, habitat and culture. Seelig (2012: 184) explains that the internal section of the engine was inspired by Bloom’s original work in 1979 on learning (Bloom, 1979: 50-70). Bloom focuses on what people know, what they do, and how they feel, which are generally known as knowledge, skills, and attitude. Seelig adapted Bloom’s skills category to imagination, as imagination refers to the specific skills needed for creativity. Knowledge in this context is what an individual knows and learns. Knowledge is acquired in many ways. Every single bit of information that an individual internalises throughout his/her life will form the sum total of his/her knowledge. Knowledge is the basis for innovation. But knowledge does not imply that an individual has to be an expert in the field where innovation is required. A lack of knowledge, combined with the correct attitude and access to required resources may very well lead to fresh innovations. But acquired knowledge is a first step on the ladder to innovation.

Seelig (2012: 186-187) explains that imagination is the catalyst required for creative combustion. She refers to psychology and neuroscience research that reinforces the hypothesis that the same parts of the brain are involved when an individual remembers and imagines, including evidence that an individual who don’t has the ability to remember the past are unable to conjure up a vision of the future. Imagination is therefore fuelled by knowledge. This implies that the bigger the well of knowledge the greater the possibility for fresh innovation. If knowledge exists and imagination is triggered by a fresh idea, attitude will determine if the idea becomes a feasible innovation. Seelig (2012: 188) explains that attitude is the spark that jump-starts creativity. Attitude is a complex neurological process and the field of psychology has done various studies in this regard. Some attitudes are better suited to drive innovation processes as seen in the research by Moser, Schroder, Heeter, Moran and Lee (2011: 1484-1489). They found that individuals, who believe that intelligence develops through effort, normally see mistakes as opportunities to learn and improve. These individuals show a stronger resilience to bounce back from mistakes whereas individuals that believe that intelligence is a given and mistakes reflect a lack of ability, recover from mistakes harder.

Access to resources becomes a critical driver for innovation. Seelig (2012: 190-191) includes the following as resources:
- Funds that can be invested in new enterprises
- Natural resources
- Individuals with knowledge and expertise
- Organisations such as universities and local enterprises that foster innovation.
The more knowledge individuals have, the more resources can be mobilised. Knowledge and resources are closely linked to one another and the one drives the other in an ever expanding wealth of more knowledge. Therefore the available resources influence knowledge and allow individuals to access more resources.

Habitat is the spaces that people work and live in. McIntosh (2010) describes seven different types of spaces optimised for innovation that can exist in both the physical and the online world. These spaces are:

- Private/Secret spaces: places where people can be by themselves.
- Group spaces: places where small teams of people can work together. Group spaces provide the opportunity for intense collaboration.
- Publishing spaces: spaces designed to showcase what is going on.
- Performing spaces: spaces where a person can either share an idea or act them out.
- Participation spaces: places that allow personal engagement with what is going on.
- Data spaces: libraries or databases where people archive information that will be needed later.
- Watching spaces: spaces allowing people to passively observe what is happening around them.

Seelig (2012: 193) defines culture as the way in which groups of people perceive, interpret, and understand the world around them. If an enterprise chooses to be creative and innovative, the culture of the enterprise must be clearly defined as such and the behaviours that support creativeness must be encouraged. This encouragement is done by enthusiastic employees that take the lead but also by policies that are written in support.

The European Union (2007: 7) founds that diversity drives innovation. Etuka (2010: 54) describes how a more diverse workforce will contribute to an enterprise’s ability to innovate. Puia and Ofori-Dankwa (2013: 428) demonstrate that culture and ethno-linguistic diversity are positively associated with national innovation. Diversity contributes to the innovation engine by adding value to the culture, resources and knowledge bases of the innovation engine.

Failures prompt new path ways to investigate solutions. But undocumented failures become null and void. It is therefore important that the failures be carefully documented to ensure that the knowledge gained from these experiments becomes apparent. According to Lanks (2011) the kind of failures need to be defined and managed. Failing to succeed is a valuable culture to nurture in an enterprise that aims to be innovative by nature. It is important to decide in which manner failures are recognised as part of the successful innovation process. Similarly it is critical to define those failures that are not acceptable and should be limited as far as possible. Learning programmes should be developed in such a way that it is safe to fail.

As discussed in the previous paragraphs, knowledge and innovation are complementary issues. Knowledge resources act as critical enablers for the innovation process. According to Murray & Rowan (2000) knowledge resources are the “primary drivers of innovation dynamics that create and maintain superior innovating power.” Nonaka and Takeuchi (1995: 38) consider the mobilisation and conversion of tacit knowledge as the key to successful innovation. According to them innovation is the creation of new knowledge, but knowledge creation is not always innovative. Innovation usually involves a high degree of tacit knowledge and because it is uncodified it is difficult to communicate to employees.

**RESEARCH METHODOLOGY FOR CASE STUDY**

The research philosophy employed in this article can be defined as action research – a case study combination with an interpretive approach. Argyris (1985: 4) describes action research as: “Action science is an inquiry into how human beings design and implement action in relation to one another. Hence it is a science of practice.” This is true of the approach envisaged for this article as the main focus is to critically analyse how subjects engage with knowledge resources to enable knowledge creation and innovation.

The methodology of the research is based on a case study of the current situation in a South African enterprise. The case study method was used to assess whether the enterprise use knowledge resources to enhance innovation. According to Yin (1994: 10), a case study is empirical research that analyses a contemporary phenomenon in its natural state. Yin (1994: 28) defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. A case study method was chosen not only because of the qualitative nature of the data, but also because of the inductive nature of the study and the fact that it allowed the researchers to collect data from multiple sources (Leedy & Omrod, 2001: 68). Three managers were selected as a pilot study to test the structured in-depth interview. The survey has been conducted in two phases. The first phase employed an analysis of enterprise documents. The second phase employed in-depth interviews with ten managers from departments directly involved with the management of knowledge resources. Yin (1994: 56) defends a case study method for
research by emphasising that the case does not necessarily have to define a universal principle but can be used to demonstrate the applicability of theory to a practical environment. The objective of this research was to demonstrate the applicability of Seelig’s framework (2012) to the South African enterprise. It would then be left open to the research community to assess whether the case has broader implications and application.

The data from respondents were analysed to determine the frequency of individual answers, but due to the relatively small sample size no statistical analysis was conducted to compute measures of validity and and representivity of the survey data. The data from the survey was processed using content analysis. Conclusions were drawn from this information through interpretation in the context of the literature survey which allowed the findings to be presented as key issues for the development of the three learning for innovation models.

THE CASE STUDY SETTING
The case study used for this article is a small enterprise situated in Stellenbosch, South Africa. The company functions in the high end market in the communications technology Industry. The company develops and produces communication solutions that are both innovative and specific to customer needs. The strategic position of the company is to invest in research and development, enabling the enterprise to deliver just in time new and innovative products to the market. The enterprise develops electronic products and the subsequent software products as a total solution to specific requirements. The enterprise further designs innovative solutions based on novel research. The enterprise employs mainly engineers and information technology specialists. The level of qualification amongst employees is very high and consists mainly of graduates at level NQF 7 and higher. The enterprise has further defined their development processes as agile processes and a very high premium has been placed on learning and knowledge transfer within these processes. Organisational learning is a priority in the enterprise to increase experience of its employees.

The data from the case study setting were primarily collected from a number of semi-structured interviews with managers in the enterprise. Other data, consisting of documents, was made available to the researchers in electronic or hard copy format. Organisational learning is a priority to increase experience of its employees.

FINDINGS
Three main spheres for innovation exist within the enterprise. Each of the spheres may contribute, support or enhance the other spheres of innovation in the enterprise. The innovation spheres are further stimulated by innovation triggers normally in the form of requirements. These requirements usually come from the market or customers. Advances in technology may further stimulate innovation to take place. Innovation triggers therefore flow between and within the innovation spheres as seen in Figure 2.

The engineering division produces and maintains products. This division has adopted an agile approach to development. Agile engineering is “an iterative and incremental (evolutionary) approach to software development which is performed in a highly collaborative manner by self-organizing teams within an effective governance framework with “just enough” ceremony that produces high quality software in a cost effective and timely manner which meets the changing needs of its stakeholders” (Ambler, 2005). Agile development is thus a process that allows and encourages constant change. The aim is to provide a better outcome or result in the shortest period of time (Ambler, 2005). Agile processes are by nature evolutionary and therefore innovation will follow. Agile processes further rely on small teams with good communication structures for knowledge resource sharing. Agile methodology requires team members that are open to learning and willing to adapt to change. The division implemented a feature team approach. One of the most important features of these teams is the inherent ability to stimulate learning.

The sales and marketing division makes use of business intelligence about competitors, markets and customers to plan better, identify new opportunities and change accordingly. This division supports the philosophy of Drucker (1989: 25) “Because the purpose of business is to create a customer, the business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.” The sales team is required to exhibit intimate knowledge of the product offering. Customers are a valuable resource for innovation. The sales team therefore build close customer relations in order to harness the knowledge that customers might bring to a product offering. By embracing the dynamic nature of customer needs it is possible to make innovative changes to product offerings that might actually stimulate new market segments or customers. The division collects information from agents and trade shows and turn it into knowledge resources.
The research division aims to identify and develop solutions that are ahead of the market and the goal is to ensure that the relevant solutions are in place by the time the future technologies are viable. Employees in the division have regular discussions to transfer knowledge.

The business services division provides administrative support to the enterprise. Though these services do not directly contribute to the innovation processes of the product offering, internal innovation of their processes may contribute to the success of the product offering. The division ensures that structures and practices are in place to support and encourage an innovative culture. The division initiates and facilitates appropriate team interventions to enhance the flow of knowledge and communication between team members. According to the manager of the division the greatest asset in the enterprise is the ideas of people, more specifically, the intellectual property and knowledge. The division has to nurture this asset and continuous learning is one of the keys to nurture and develop knowledge resources and ideas for innovation.

The support division provides operational support to the customers externally as well as internally to the enterprise. The customer interfacing role of this team is critical and knowledge resources harnessed through these processes may enhance innovation of the product offering. These knowledge resources are valuable and in most cases tacit knowledge gained through experience. The internal support services do not contribute to the product offering innovation but can utilise innovative processes to enhance the success of the product offering.

**RECOMMENDATIONS**

The enterprise does not capture, transfer and leverage knowledge resources effectively. Customer knowledge is a valuable resource and the enterprise does not extract this knowledge in a formal manner. It is recommended that the enterprise should motivate and nurture the professional skills of the employees which will enable them to generate and share knowledge. Influencing and aligning individual interests with organisational interest can create unique knowledge resources and research-based innovation which provides competitive advantage. In this way effective knowledge resources will become a precursor to innovation. The enterprise should develop effective strategies to integrate innovative efforts, professional experience, skills and interactive capacities to create value for the enterprise's competitiveness.

The enterprise lacks a coherent approach to learning. Learning programmes need to be selected and developed that ensure that higher levels of learning are addressed. Constant learning must be encouraged and rewarded as part of the enterprise culture. To enable learning, quality knowledge resources must be identified and made available.
The literature survey showed a strong link between the management of knowledge resources and innovation. Knowledge resources can add value to the company by enhancing innovation and innovativeness. It is very important that the management of knowledge resources in the company should be aligned with the business strategy to enhance the company’s capability to innovate. A knowledge culture should be established in the company which would include better corporate alignment, improved innovation through knowledge resource sharing and a rise in customer satisfaction. Effective management of knowledge resources will stimulate the development of creative skills and the development of a platform for asking questions and providing innovative solutions.

**Figure 3: Knowledge creation process**

![Knowledge creation process diagram](image)

(Authors’ own model)

Figure 3 demonstrates that knowledge creation depends on information to be available as well as the critical learning activities that should take place for knowledge to be created. The ability of a person to comprehend, apply, analyse, synthesise and evaluate is the sum total of that individual’s knowledge creation ability.

**Figure 4: Learning for Innovation Model 1**

![Learning for Innovation Model 1 diagram](image)

(Source: Buckler, 1996: 33)
Figure 4 shows the Buckler (1996: 33) model adjacent to the knowledge creation process as discussed in Figure 3. This model integrates the first level of Buckler’s model namely ignorance into the existing knowledge creation process to create a learning for innovation model. The question ‘One ought to know this’ appears to be the first level in learning for innovation. If one can admit that you ought to know about something the stimulus/motivation for innovative learning is in place. The learning for innovation model also incorporates the view of the more you know the more you know you don’t know. These two questions will form the basis for the creation of a continuous cycle for improvement or innovation in the enterprise. An example is the process of designing a specific machine. The design process has been successful since this machine has been in production for a couple of years. If the designer however realises that no design is optimal and improvements can always be done the cycle for improvement is stimulated and more research will take place. If the designer however have reached a comfort zone with regards to the design and the question ‘One ought to know more’ does not appear further development will not take place. The above approach in itself is a very motivational approach, since at no point will employees in the enterprise reach a platform that tell them this cannot work. It provides the proverbial light at the end of the tunnel telling them that there must be another approach. Based on Buckler’s model it is clear that the right questions are the stimulus for innovative learning.

McGrath (2001: 30) argues that innovative learning can be stimulated through highly exploratory projects where little existing knowledge applies and the object is to gain knowledge about unfamiliar landscapes.

**Figure 5: Learning for Innovation Model 2**

Figure 5 demonstrates Bloom’s revised model (Bloom, 1969: 6) that can be implemented in the enterprise. All of the cognitive domains will continuously refer back to the knowledge domains during the learning process. The new knowledge created at the end of the cycle will then contribute to the knowledge domain. Using the cognitive domains of the Bloom model, it is possible to guide learners by means of action verbs through the learning cycle. If this iterative approach of gradually moving higher into the cognitive domain is used it is possible that new knowledge will be created in the enterprise and therefore innovation will be the result.
Figure 6: Learning for Innovation Model 3

Figure 6 shows that all aspects of the learning for innovation model hinge on the accessibility to the following resources: data, information, knowledge. If these aspects are not available in the enterprise no new development can take place. Access to knowledge and the variety of users of specific items of knowledge are bound to create various new innovative developments. Therefore to ensure for continuous renewal in a specific environment the most important aspect will be the ability of individuals to access data, information and knowledge.

Utilising Blooms learning process will ensure that learning leads to knowledge creation. Practically this is done by constantly pushing learners/employees to engage with the higher learning outcomes namely: Analyse, Evaluate, Create.

Combining Seelig’s (2012: 13) innovation engine (see Figure 1) in this model enables innovation to be embedded in the knowledge creation process. The model described in Figure 6 supports the theory of Torjman and Leviten-Reid (2003: 16) that “knowledge is crucial to the development of organizational competencies and learning is the process through which organizations harness and apply knowledge”. By integrating life-long learning aspects into the model and combining innovation theory it becomes possible for individuals to contribute to new developments throughout their working life.

CONCLUSION
The aim of this article was to investigate whether knowledge resources can act as enablers for innovation in an enterprise in the communications technology sector. In the attempt to elaborate on the role of knowledge
resources to enhance innovation as literature survey was conducted and it is argued that continuous innovation and knowledge resources that enables innovation lead to a competitive advantage. According to the literature survey enterprises that are able to stimulate the use of knowledge resources are more prepared to face rapid changes and to innovate. The findings of the case study show that there is little empirical evidence that knowledge resources enhance innovation in the enterprise. Because of this finding three learning for innovation models were created to increase the use of knowledge resources to encourage learning and innovation in the enterprise.

The results of this research should be viewed in the context of its limitations. Firstly, it was based on a case study in only one enterprise which restricts the generalizability of the findings. In conclusion it must be admitted that this research only assessed the situation in one enterprise. Secondly, the measuring instrument, although moderately reliable, needs further refinement, for example adding more items to the questionnaire, reviewing the wording of items, and improving the layout. This limitation leaves scope for further empirical research. The sample was obviously biased since interviews were conducted with only ten managers. Given the above limitations, generalisation from the results of the study should be treated with caution. It is worth noting, however, that the findings of this study are mostly in line with the related prior research referred to in this study. Future research should investigate the use of knowledge resources to enhance innovation in other South African enterprises. In the light of the world-wide interest in the use of knowledge resources for innovation, the hope is expressed that South African enterprises will in future use knowledge resources as critical enablers for innovation.

REFERENCES


SELECTING AN INTERVIEWER: CONSIDERATIONS FOR AVATAR USE IN ONLINE MARKET RESEARCH

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ABSTRACT
This paper deals with the possibilities of using artificial representations of interviewers in online market research. Research using online surveys is increasing year by year creating motivational problems within potential respondents. In order to motivate the respondents through a complex questionnaire, different forms of speaking artificial representations (avatars) were included in an online survey to test potential effects on data quality and the motivation to participate in an online survey. The study was designed with two experimental artificial characters and a standard control group receiving the classic online interview where reading was required from the respondent. This paper points out the challenges when using this new form of motivational support in conducting survey research over the internet.

Key words: Online Research; Avatar; Interview methodology; Respondent motivation

INTRODUCTION
Avatars are often selected and used to represent people during a variety of online interaction, including work-related projects and maintaining and development of relationships (Schroeder, 2002:14). The pictures that people choose as representations of themselves in online interactions have been referred to as “buddy icons, avatars or virtual images” (Nowak & Rauh, 2008:147).

According to Kang and Yang (2006:1180) avatars are primarily used for the purpose of developing and presenting an identity to enable satisfactory communication in the virtual world. Avatars or computer generated visual representations of people or robots are increasingly being used in social virtual environments and even for geographically separate workplace meetings (Schroeder, 2002:2). E-commerce is also increasingly using avatars to present messages and to interact with potential consumers (Nowak & Rauh, 2006:154).

Several organisations have developed applied avatars for communication with customers. For examples, LifeFX provided Facemail; an avatar e-mail system for interpersonal communication. Facemail uses a biologically based modelling system to deliver e-mail messages through virtual people (avatars) that read the content of the e-mail out loud to the recipients. Lee, Kozar and Larsen (2005:92) provide the example of First Direct (a mobile phone and Web bank), which created an avatar named ‘Cara’. Cara is used to interact with users via their mobile phones. Avatars are also featured as online assistants on transaction websites. Several collaborative and communication applications, such as instant messaging, feature “buddy icons” or avatars. Companies (for example, Ikea) have also started using avatars in online advertising and customer support. Even the BBC has a news segment anchored by avatars (Mason, 2006), yet according to McGoldrick, Keeling and Beatty (2008:432), their scope is still limited.

The use of avatars has advantages in different applications. McGoldrick et al. (2008:435) argue that avatars offer the potential for superior information and entertainment value and thus also greater satisfaction in, for example, online shopping. Lee et al. (2005:94) found that using avatars to read e-mails can be considered a rich communication alternative that could be used for both low and high ambiguity tasks. However, research conducted by McGoldrick et al. (2008:451) showed that not everyone wants to be helped or assisted by avatars and they argue that it is important to provide a choice in whether or not and how to interact with an avatar in an online setting.

It is clear that avatars have a prominent role to pay in online interactions. Baylor (2011:292) asserts that the social influence of avatars is “comparable to that of humans”. Research has also shown that the avatar can influence how people categorise others and also has an influence on their perception process. The characteristics of avatars, including anthropometry, influence social liking and attribution of credibility (Nowak, 2004). It is, however, not clear if avatars that appear more anthropometric lead to more positive
perceptions, liking and credibility than less anthropometric ones, as mixed results have been found in this regard. Nowak and Rauh (2008:475) found that the characteristics of the avatar could also influence a person’s perception process. Furthermore, the use of online avatars influences people’s involvement in the interaction as well as their perceptions of others they encounter.

Thus there is quite a lot of evidence of the influence of avatars in the online environment. However, avatars as interviewers in online research have not been widely researched and thus led to the question: What is the influence of avatar interviewers in online research?

LITERATURE REVIEW
Influence of the interviewer on the interview
The phenomenon of the interviewer’s influence is well known, in fact it has been investigated as far back as the 1960s (Williams, 1968; Haedrich, 1964). The interviewer influences the results of a survey by his/her role as the interviewer and also due to other factors. Davis, Couper, Janz, Caldwell and Resnicow (2010:15) state that the interviewer influences the respondent not only due to their role-related characteristics (such as different ways of probing), but also because of role-independent factors such as gender.

Research in the field of the so called “interviewer bias” identifies the unintended influence on results caused by the presence and the behaviour of interviewer during the interview. Since the early days of personal interviewing, multiple studies show response biases induced by the obvious presence and actions of the interviewer (Eisinga, te Grotenhuis, Larsen & Pelzer, 2012:643; Davis et al., 2010:15; Williams, 1968:287). One of the problems is that even the same interviewer can display different levels of functioning as an interviewer in different situations. Thus a fully standardised personal interview is hardly possible without causing interview biases.

The interviewer influence is nullified in studies where an interviewer can be omitted. This is the case for millions of online surveys (interviews) conducted on a daily basis. These types of surveys can be referred to as self-administrated surveys (Dillman, 1998:2). The lack of an interviewer has some positive effects but also creates new problems of steering the survey process. Apart from the higher likeliness of drop-out, the self-administrated interview needs more control over the interview process (De Leeuw, 2005:244). A major problem is the fact that the respondent does not necessarily carefully read and understand all the questions asked. Especially for more complex settings which used to be run under the surveillance of a trained interviewer, the online respondent now is left alone with sometimes complex instructions and explanations for specific market research methodologies.

The idea of an automated survey interview is not new. Computer-assisted self-interviewing (CASI) has been widely used as a means of standardising interviewing procedure (Couper & Nicholls in Hasler, Tuchman & Friedman, 2013:1609). There have also been attempts to implement automated interview programmes into internet-based instant messengers (Stieger & Reips, 2008:201). Comparisons between CASI and face-to-face questioning further showed that computerised interviews create a sense of privacy, which tends to result in more honest replies, especially for sensitive topics (Newman, Des Jarlais, Turner, Gribble, Cooley & Paone, 2002:296).

There is, however, an on-going debate surrounding the nature of social survey interviewing. Some claim that high levels of standardisation (such as CASI) are necessary to collect valid self-report data in survey interviews. Others emphasise the essential role of rapport in the interviewer-respondents interaction, thus favouring more personal interviewing styles (Dijkstra, 1987:309).

Human-computer interaction (HCI) research has provided a possible answer to this paradox in their attempts of humanising computer interfaces (Sproull, Subramani, Kiesler, Walker & Waters, 1996:97). According to the Media Equation Theory, people have a natural tendency to like anthropomorphic computers and treat them as social actors (Reeves & Nass, 1996:24). This is especially more so if human cues, such as a talking face, are added to the interface (Nass & Moon, 2000:86). Cassell and Miller in Hasler et al. (2013:1609) propose that featuring humanised survey interfaces could be an effective manner to re-introduce the social nature into computer based surveys. This can be done while conserving a high level of standardisation and perceptions of privacy.

At this point, the use of an artificial interviewer could be taken into consideration where complex verbal instructions could be presented in a pseudo-personalised way by a human character. The character can read supportive instructions out loud during the interview in order to support understanding and to enhance motivation. Even though the interviewer has been retired in the online world, the idea of an integration of the
interviewer in a fully standardised format seems worth exploring. Hasler et al. (2013:1614) found support for using software-controlled avatars (bots) as virtual research assistants in a virtual 3D world (Second Life). This paper presents the results of an exploratory project using avatars for market research purposes.

**Avatar as a fully standardised interviewer-replacement**
Since James Cameron's Hollywood movie "Avatar," people have divergent ideas about the term “avatar”. An avatar can be described as … a fictitious screen representation of a user inhabiting and interacting in the virtual environment (Dilla, 2013:127). Avatars are pictures, images or icons that users choose to represent themselves online. As such, avatars are designed creatures of art, which are used in various technical implementations. Avatars can be based on human models, for example as an interactive assistant on websites. Figure 1 shows representations of comparatively simple avatars on companies’ websites.

**Figure 1: Avatars used on websites**

![Avatars used on websites](Image 57x539 to 131x628)

Sources: IKEA (2014); Pandorabots (2014)

The technical implementation of the avatars seems to be limited only by the creativity of the designer. For smaller implementations the internet offers a range of solutions for avatar designing. The services used for this study offers a wide range of avatars with a set of different options before implementation. While an interviewer offline is born with an offline body, an avatar is computer generated, selected and can easily be modified or even changed to suit the purpose of the researcher (Taylor, 2002:40).

**Design options for the use of avatars in research**
In both online and offline interactions, the visual presentation of people influences how other perceive them. Nowak and Rauh (2008:1473) assert that contrary to the offline body, the visual representation of a person online is consciously chosen and thus not constant. The use of avatars as a replacement for human interaction raises several design questions. Being used as a substitute for a personal interviewer requires some decisions which may impact on the interview situation and thus have an impact on the results of a study. The following aspects should be taken into consideration when creating an avatar for research purposes:

*The nature of the avatar used:* Anthropomorphism can be defined in terms of either behaviour or appearance and refers to the extent to which an image looks human (Nowak & Rauh, 2006:154). In behavioural terms, anthropomorphism implies the assignment of human qualities such as mental abilities and behavioural qualities that are not human. On the other side, in terms of appearance, it defines an object that has human morphology or visual characteristics (DiSalvo & Gemperle, 2003:67). Nowak and Rauh (2006:153) report that anthropomorphic avatars are perceived to be more credible and attractive. When selecting the avatar, diverse anthropomorphic representations of people, animals and even mythical creatures are available. The selection is supposed to have a strong influence on the participant. Nowak and Rauh (2006:171) further found that participants preferred human avatars and that gendered avatars (whether masculine or feminine) are perceived as more credible than androgynous avatars. The influences of the avatar or its characteristics on the gender attribution process are also still unclear, though the gender of an avatar has been shown to influence perception processes. In their study, Nowak and Rauh (2006:167) also reported that participants indicated a preference for human avatars that matched their own gender, and people perceived masculine avatars as less attractive than feminine avatars. Colley and Todd (2002:380) argued that women are more appreciative of avatars due to a greater need of rapport.

*Image detail of the illustration:* The avatar display can be selected from a range of options: only the face up to a full-body representation. The screen-interview offers the appearance of the upper body to achieve focus on the speaking face. In market research settings, a facial view appears to be sufficient for the cause.

*Quality of display/degree of human representation:* The possibilities of the display quality rank between clearly identifiable artificial representations in a cartoonish style, to perfect photorealistic representations. A high image quality cannot necessarily be regarded as positive in this context. The degree of realistic approximation to human models needs to be considered before the decision is made to feature perfectly human representations. In tests of the film industry respondents rated human impersonations negatively and claimed to be confused because of the too realistic representations of those avatars. This phenomenon was originally described in literature under the expression "Uncanny Valley" (Mori, 1970:33). Although a very
realistic representation of avatars is technically possible, the level of details of those representations should rather be reduced as the Uncanny Valley phenomenon advises against characters that seem “too human”. Artificial creatures should be clearly recognisable as artificial for the viewer in order to avoid confusion. Hanson in Tinwell, Grimshaw, Nabi and Williams (2011:742) advised that leaning towards a more cartoon-like appearance eliminates the Uncanny effect.

**Choice of an artificial voice:** A digital avatar can be equipped with different voices. Any kind of text can be transferred in spoken text in form of an audio sequence spoken by a human. In addition to that, the so called “Text-to-Speech” (TTS) technology is becoming more and more developed. TTS converts written text into audio signals which are dubbed by a pre-defined voice (Mattheyse, Latacz, Verhelst & Sahli, 2008:1). TTS is available in several languages with many different vocal variants and accents. As the development of this software is basically driven by US developers, the selection of English speaking TTS is huge. In other languages the options tend to be more limited. By choosing a specific voice, the question of human similarity arises again. In 2013 the text-to-speech technology was still clearly recognisable as artificial and thus the voices used in the study could not be confused with a true human voice. For methodological reasons and avoidance of the uncanny valley in the spoken part, this technical imperfection could even have a positive effect during the interviewing situation.

**Technical control of the avatar use:** The reading of a text by a computer seems to be trivial in the age of multimedia content. Modern computers are able to perform animated image sequences with audio data on-screen and through loudspeakers. Although these technologies are widely available, their operational readiness in the context of market research should be checked during a survey. In the study this meant that the availability of seeing an animated avatar while listening to spoken text needed to be checked to ensure respondents would be able to use these technologies during the interview.

**PROBLEM INVESTIGATED**
Computer generated visual images (avatars) are increasingly implemented to represent or assist users during online interactions (Nowak & Rauh, 2006:153). All of the major instant messaging systems, online forums and multi-user role-playing games include some form of an avatar feature (Tinwell et al., 2011:741). Despite the fact that little information exists on the influence of avatars on the message and perception process, avatars are increasingly featured in interfaces focused on facilitating interactions.

The avatar may also be seen as the source of the message. Nowak and Rauh (2006:154) argue that understanding how people perceive avatars has important implications for the design of interfaces that use them, as well as for the selection of which avatars to use for different applications. Furthermore, little to no empirical research is available on the use of avatars in the online interviewer process.

**RESEARCH OBJECTIVES**
Due to the novelty of this methodological approach and the lack of empirical studies on the general effect of avatars as interviewers, it is still unclear whether avatars will be equally accepted in their role of research interviewer. The objective of the paper is to evaluate the consequences of replacing human interviewers with avatars and more specifically to test the potential effects on data quality and the motivation to participate in an online survey that features avatars. The following research questions were formulated:

- What is the effect of avatars as interviewers on respondent drop-out rates?
- What is the effect of avatars as interviewers on the time to complete the survey?
- What is the influence of avatars as interviewers on response patterns?
- Can avatars be used in complex interview situations?
- What are respondents’ overall experiences with the avatar as an online interviewer?

**RESEARCH METHODOLOGY**
Nowak and Rauh (2006:171) found that participants preferred human, gendered avatars (whether masculine or feminine). These described considerations led to a definition of two specific human avatars for this exploratory trial of avatars in an online interview situation. A female and a male representation with the respective gender-specific voices were defined. Out of all the options available, a standardised human form was selected in more serious representations showing faces and shoulders. Figure 2 presents the implementation of these avatars in front of a studio background of HTW Berlin (University of Applied Sciences).
The implementation of the project was undertaken with a German panel provider contacting 1120 individuals, generating 640 fully completed interviews out of which 608 were accepted after a quality control of consistency. Technical control of the avatar used in the study meant that the availability of seeing an animated avatar while listening to spoken text needed to be checked. For this purpose a non-human avatar (a dog) was integrated speaking out one sentence. The two questions after that sequence were: “What kind of character did you see?” and “What did this character talk about?” The single choice answer options showed that 10% of the sample could not see the video sequence and 18% could not hear the sound. Participants not being able to see or hear the avatars were thus screened out. This implies a pre-check of these two technical features in every study using similar ideas. The fact that nearly one fifth of the sample could not listen to sound might also have implications on the sampling procedure.

RESULTS

The main goal of the study was to figure out if deviant answer behaviour occurs when using artificial interviewers in standardised questions. The second set of goals refers to the perception of the questionnaire from a participant’s perspective in the market research process. The avatars were used initially to check the technical availability of video and sound (for screening purposes), and then three times during the survey to explain a more complex question in advance with the identical text (once written, once read out loud with female and with male voice and animated picture). To examine the effects of using avatars, three technical routes, R1 (no avatar-control group), R2 (female avatar) and R3 (male avatar) were defined and randomly assigned to the participants in the course of the survey. Table 1 presents the drop-out rates and mean response times in the study.

Table 1: Field report of the study

<table>
<thead>
<tr>
<th>Route</th>
<th>Description</th>
<th>Number of interviews</th>
<th>Drop-out rate</th>
<th>Response time (mean in seconds)</th>
<th>Symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Classic online questionnaire where the respondent needs to read all hints and questions on his own</td>
<td>n=203</td>
<td>8,6%</td>
<td>629</td>
<td><img src="txt" alt="R1" /></td>
</tr>
<tr>
<td>R2</td>
<td>Female avatar reads identical text with text-to-speech technology with a female voice</td>
<td>n=203</td>
<td>9,1%</td>
<td>752</td>
<td><img src="avatar" alt="R2" /></td>
</tr>
<tr>
<td>R3</td>
<td>Male avatar reads identical text with text-to-speech technology with a male voice</td>
<td>n=202</td>
<td>11,9%</td>
<td>879</td>
<td><img src="avatar" alt="R3" /></td>
</tr>
</tbody>
</table>

Based on 608 fully completed interviews with consistency in AHP measurement of < 0.5; Drop-out rate measured after screen-out/quota definition.

Table 1 indicates that the use of avatars created a slightly higher drop-out rate and a considerably longer response time (around 20%). Both of these factors result in higher cost for the use of avatars in the research process.
In order to avoid effects of knowledge or recent interactions with a modern brand, four German technology brands that are no longer active in Germany were chosen for the evaluation of the standard questions (AGFA, Braun, Grundig, and Telefunken). A set of ratings and pairwise comparison scales were presented to the respondents in the three different routes. The results for these interventions are presented in Figures 3 and 4. The brand rating was asked on a graphical scale (0=negative to 10 positive).

Figure 3: Brand rating in three questionnaire routes
Question: How do you evaluate these brands?

![Brand rating graph](image)

Figure 3 indicates that differences in the answer patterns do not show an influence on the response pattern of a rating scale when using avatars. The female avatar (the first line in the figure) caused slightly lower values. This could be explained as a gender effect, where technology brands are less liked when a female intervention happens. A pairwise interaction where the respondents had to compare the items “Quality”, “Image” and “Technology,” was used to evaluate the most important factor when buying a consumer electronics brand (refer to Figure 4).

Figure 4: Pairwise evaluation of three items - Quality, Image and Technology

![Pairwise evaluation table](image)

Based on Pairwise questions in Analytic Hierarchy Process; n=608 where consistency reflected < 0.5
The pairwise evaluation showed stable results in the Analytic Hierarchy Process procedure. Upon visual inspection, the results of the three routes can be seen as equally distributed. The avatar use for the explanations of the pairwise comparison instructions does not seem to have a considerable impact on the pairwise ratings. This result can be seen as a positive finding because it shows that it is possible to use avatars for complex instructions.

At the end of the survey respondents were asked to evaluate the questionnaire itself. The results are shown in Figure 5.

**Figure 5: Evaluation of the questionnaire**

![Figure 5: Evaluation of the questionnaire](image)

Based on n=608 where consistency reflected < 0.5

As is represented in Figure 5, overall, the use of avatars did not result in a large improvement of quality perception for the interviewee in this study.

**CONCLUSIONS**

This exploratory study of avatar use in online research showed noteworthy effects on key quality indicators of a survey, which are briefly discussed subsequently.

**No positive influence of avatars on willingness to participate/to continue the survey:** The drop-out rates could not be lowered by implementing an avatar. The drop-out rate even slightly increased when avatars were integrated. The general idea of creating a more entertaining interview through the integration of avatars did not perform as expected. The use of avatars thus did not enhance the motivation of the respondents compared to the standard control questionnaire.

**Partial use of avatars prolonged the response time of the survey:** The survey (using avatar interventions) required about 20% more response time. However, participants in the avatar survey claimed to have a feeling of a shorter duration of the interview than the control group that had to read through all the questions. This perception of a more entertaining questionnaire might vanish with a more intensive use of avatars in research.

**Major impact in terms of interaction-based scenarios:** The participants stated that the content-wise identical statements were understood differently. The instructions given by the female avatar were rated to be understood better than the identical explanations of the male avatar representation. This means that classic gender effects even seem to apply when artificial characters take over the interaction process. This result needs to be taken seriously because the selection of an appropriate avatar seems to be very difficult. Manipulation of perception can easily occur when an influencing character is chosen for the market research interaction.

**No improvement of the quality perception of the survey:** At the end of the survey, the respondents had to assess the quality of the survey on a scale. In none of the categories the study was rated as notably more attractive by the respondents when avatars were used. All the effort of creating and integrating avatars with special voices did not show a positive effect on the perception of the interview itself. Participants in a market research panel are used to regularly answer market research questionnaires and can be classified as experienced respondents. Those experienced participants did not show motivational effects while answering the interview questions. The work put into the development of these avatars was thus not paid back by willingness to participate or higher liking of the interaction approach.
**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Marketing can take advantage of the avatars technology in moving pictures and TTS-technology in various scenarios where persuasion is needed. From a market research perspective we need to take a closer look at the effects. The trade-off between quality, time and cost of the use of avatars in market research shows an overall more negative picture. The quality of the interview does not improve, while time and cost grow. Overall the use of avatars caused a lot of work while uncertainty about the effects on data and research process constantly remain present. In a commercial marketing project such interventions would probably be a show-stopper; in research, however, costs and quality are imperative considerations.

Between all encountered effects, in particular, the gender effect caused by the female avatar seems to be noteworthy (even though it was small). Overall, the female avatar generates slightly better consistency values and provides the impression that complex instructions are explained a little better without influencing the results. This could be looked at as an advantage or a problem at the same time. Any kind of manipulation in the research process tends to be a balance between motivation and manipulation. A cautious use of avatars in research is therefore recommended to keep the influence as low as possible.

Already today avatars can provide helpful assistance in surveys with complex issues. However, it can be expected that the permanent use of avatars in research will create new phenomena. The study showed a new type of social desirability towards an artificial interviewer. This new type of interviewer bias can be referred to as the artificial interviewer bias, which needs to be investigated further.

The research team will continue exploring the idea of explaining complex market research problems with other variants of the artificial interviewer representations and interactive forms of support. The fundamental idea of response management is the underlying similarity hypothesis, which relates to the fact that people tend to respond better to interviewers that have similar characteristics (Baylor, 2011:293). Thus, interviewers similar to the defined target group should be able to generate motivation for participation without causing negative effects to the data.

**REFERENCE LIST**


PERCEIVED BENEFITS AND RISKS OF ONLINE SHOPPING: COMPARING OVERALL PERCEPTIONS OF MALE AND FEMALE CONSUMERS

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ABSTRACT

This paper gives insight into the perceived benefits and risks of online shopping, by comparing the perceptions of female and male consumers. The target population for this study included 640 consumers in the Gauteng Province of South Africa and they were selected by means of two-stage convenience sampling. The results indicated that significant differences exist between females and males in terms of the overall perceived benefits and general risks of online shopping. Results also indicate that male consumers have higher levels of overall perceived benefits of online shopping compared to female consumers. Strategies to communicate with male and female consumers respectively are recommended in order to attract more females to shop online and to assure consumers of the safety of online shopping. To attract more female consumers to shop online, social media platforms should be used to access the retail website and share information. To decrease the perceived financial risks, simple and flexible payment methods such as the online prepaid card pay system should be adopted by retailers.

INTRODUCTION

Liao and King (2013:1849) state that the Internet has grown exponentially in the last 10 years, with benefits such as convenience, wider selection, more access to information and product quality being the expected and perceived accelerators of online shopping. According to Hasan (2010:597), the growth of online sales stimulates interest in investigating and understanding what impacts consumers’ decisions to take part in or refrain from online shopping. Hasan (2010:597) says that there are no consistent findings about the gender gap in online shopping; therefore this draws attention to the role of gender in online shopping and factors that affect the intentions of males and females to buy online. Based on these facts, this study investigates whether perceived benefits and risks of online shopping are experienced differently by female and male consumers.

Researchers such as Masoud (2013:76), Pi and Sangruang (2011:277) and Lee (2009:130) indicate that perceived benefits and risks of online shopping affect the adoption and use of online shopping, whether in a positive or negative manner. Hassan, Ghani and Said (2009:77) suggests that high levels of perceived benefits increase the likelihood of the adoption of online shopping, while high levels of perceived risk hinders the adoption of online shopping.

LITERATURE REVIEW

The literature review discusses general consumer perceptions as according to Zhou, Dai and Zhang (2007:41) perceptions will influence a consumers adoption and experience of online shopping. It focuses on the perceived benefits and the perceived risks of online shopping which include financial and non-financial risks. Online consumer behaviour will be discussed, with the differences in male and female consumers as online consumers being described.

Perceptions

Perception as defined by Schiffman and Kanuk (2007:152), is “the process by which an individual selects, organises and interprets stimuli into a meaningful and coherent picture of the world, basically how we see the world around us.” According to Kenyon and Sen (2012:179-180), perception relates to the consumers’ experience with a service benefit or the performance of a product. This experience is then compared to the consumers’ expectations. Consumers are always being given information about goods and services by friends, family, advertisements and other communication. From this processed information about the product or service, consumer perception is developed. Hsu and Burns (2012:1587) and Shukla (2012:575) state that, what consumers perceive about a product or service, determines their attitude towards the product or service and therefore influences their purchase and usage behaviour.
Perceived benefits of online shopping
Perceived benefits of online shopping are the sum of advantages and satisfaction that meets the demands of the consumers (Delafrooz, Paim & Khatibi, 2010:138). According to Hassan et al. (2009:72), one of the main perceived benefits of online shopping is convenience, especially to consumers who do not have the luxury of time. Ho and Chen (2013:431) support this by stating that a great deal of time is spent on daily work and therefore people have less time for shopping. Online shopping thus saves the consumers’ time as they can buy goods anytime from anywhere. The results of a study conducted by Ho and Chen (2013:436) suggest that the consumers’ most prominent benefit of online shopping is convenience. Compared to shopping at various traditional stores, consumers can save time when comparing and searching for products online, and there is a wide selection to choose from. The results further show that online shopping has a perceived benefit of gaining the best price for goods, as consumers can compare prices and product information at the same time and therefore get the best price.

Topaloglu (2012:3) and Delafrooz et al. (2010:138) state that perceived benefits of online shopping include variety, quality, best prices and ability to search for information. Variety refers to the consumers’ perception that online retailers offer a wider selection of products, making it easy to make a purchase decision (Delafrooz et al., 2010:145). Quality, as explained by Jiang, Yang and Jun (2012:195) comprises how easy it is to use and navigate a website, how interactive the website is, and the amount of in information available and security. Consumers feel that online shopping offers them best prices because they can compare prices and product information at the same time and therefore get the best price (Ho & Chen, 2013:431). There is high competitive pressure in terms of pricing on online retailers, which is used to attract consumers to the websites and encourage them to make a purchase decision (Delafrooz et al., 2010:145). Information search refers to the perceived cost benefit of searching for information before making a purchase. Consumers feel that there is less effort involved when using a single channel to search for prepurchase information (Binge-Alcaniz, Ruiz-Mafe, Aldas-Manazo & Sanz-Blas, 2008:653-654).

Jiang et al. (2012:207) are of the notion that the consumers’ perceived benefits of online shopping positively affect their behavioural intent and this leads to the adoption of online shopping by consumers. Jiang et al. (2012:207) and Ho and Chen (2013:436) state that the higher the customer’s perceived benefits in terms of the searching, the transaction, the product, price and postpurchase, the better the chances of a repeat purchase.

Perceived risks of online shopping
Pi and Sangruang (2011:277) define perceived risk as “the psychological sensation of risk experienced by individuals when making a decision in a less than certain state.” Pi and Sangruang (2011:277) further elaborate that consumers’ perceived risk makes them reluctant to shop online. According to Masoud (2013:76), the consumers’ perceived risk is a major concern of the online shopping decision-making process as it adversely affects online shopping behaviour. Suresh and Shashikala (2011:337) also support this by stating that perceived risk negatively influences consumers’ likelihood of trying new products and unfavourably affects online shopping behaviour.

According to Keating, Quazi and Kriz (2009:240), perceived risk is what prevents the consumers’ adoption of online shopping. Keating et al. (2009:244) as well as Pi and Sangruang (2011:277) state that perceived risk is multidimensional and it comprises financial, product, psychological, time, performance, social and privacy risks. Financial risk as explained by Masoud (2013:77), is the perception that money may be lost and includes the consumers’ insecurity when using a credit card online. This is a major problem with regard to online buying. Claudia (2012:67) found that online shoppers are guarded in terms of online payments with the majority (83 per cent) preferring to use alternative payment methods. Additionally, consumers are afraid of credit card fraud, fearing that their credit card information may be obtained and used fraudulently. This leads to incomplete transactions which results in the online purchase not being made.

The non-financial risks of online shopping are product, psychological, time, performance, social and privacy risks. Product risk is explained by Masoud (2013:78), as the customer’s concern of not being able to accurately evaluate the product. Consumers therefore have to rely on pictures and information provided by the seller. According to Clemes, Gan and Du (2012:37) and Claudia (2012:67), psychological risk refers to the uncertainty the consumer may have about an online transaction. Uncertainty may frustrate or annoy the consumer and increase perceived risk, which may unfavourably affect the consumer’s adoption of online shopping. Time risk, according to Lee (2009:131), refers to the loss of time during an online transaction caused by the struggle to navigate the site and pages taking too long to load. Performance risk is fear of the product not working as promised, and therefore not meeting the consumers’ needs (Lee, 2009:131). Social risk is the fear of friends and family disapproving of online shopping adoption and the fear of being seen by
others in a negative way (Azouzi, 2009:4). Claudia (2012:66-67) and Masoud (2013: 77-79) state that privacy risk is the consumers’ perception of how their private and personal details are handled by online institutions.

**Gender perceptions towards online shopping**

Consumer perceptions towards online shopping, whether positive or negative, help to predict consumer behaviour intentions to use or not to make use of online shopping (Binge-Alcaniz et al., 2008:650). Ye and Robertson (2012:81), state that gender affects a person’s perception and behaviour with regard to consumption. A gap exists between males and females in terms of the use of the Internet, and this is also evident in online shopping, as more males take part in online shopping than females (Bae & Lee, 2010:201).

Bae and Lee (2010:202) opine that females are reluctant to purchase online because they perceive higher risk with online shopping. Dennis, Morgan, Wright and Jayawardhana (2010:4-5) support this by stating that online shopping is male dominated and add that females consider the social part of shopping essential as they prefer the social experience of traditional shopping. Park, Yoon and Lee (2009:362) continue to say that females find enjoyment and leisure in shopping. When shopping online, females visit more product pages in search for more information and therefore spend more time online. Males consider shopping to be need-driven and it is an activity that they try to do with the least effort and time. Therefore, when shopping online, males use less information sources when intending to purchase goods (Park et al., 2009:362).

**PROBLEM STATEMENT**

With the Internet and Internet access increasing in South Africa, a 30% increase in the online shopping market has been reported and it is predicted it will continue to grow (Fastmoving, 2012). Adfocus (2012) explains that South African retailers are not putting enough investment into understanding the behaviour of online shopping even though it is growing. Adfocus (2012) is of the notion that with the online shopping growth that South Africa is experiencing, it is not good enough to just create online inventory of what is found in a physical store. Online shopping is not only about making a purchase, it is also about brand building. The Internet has created a competitive platform for online marketing and transactions. It has also become a vital marketing tool used to compete for consumers’ attention and website visits (Lin, Lee & Horng, 2011:72).

Despite the recent growth of the Internet, the rate of online shopping penetration is still low in a number of countries which include South Africa (Fazlollahi, 2002:126). Fazlollahi (2002:27) further postulates that because of the negative perceptions consumers still have, they are reluctant to make online purchases and therefore online shopping continues to be an untapped market. It is therefore important that retailers use this as an opportunity to increase their online sales by changing the consumers' negative perceptions of online shopping.

A difference exists in the perceptions of females and males; this is due to the differences in their aptitudes and personality traits, which reflect traditional gender roles in society (Yildirim, Akalin-Baskaya & Hidayetologlu, 2007:34). Yildirim et al. (2007:34) continue to say that females and males form perceptions according to various attributes that they consider to be important. In an online context, Bae and Lee (2011:202-203) suggest that there is a gender gap in online shopping, which is dominated by males. This is due to the different perceptions that males and females have towards online shopping.

In South Africa, research has mostly focused on the usability of e-commerce, trust in e-commerce purchases, factors affecting online shopping behaviour and a number of studies about Internet banking. The following are some of the studies that have been conducted: usability issues for e-commerce in South Africa: an empirical investigation (Barnard & Wesson, 2003), a trust model for e-commerce in South Africa (Bernard & Wesson, 2004), and the building blocks of trust in electronic commerce purchases: a case study (Wagener, 2004), understanding retail bank customers’ attitude towards and usage of cellphone and Internet banking services in Gauteng, South Africa (Maduku, 2011), and an assessment of Internet banking service quality (Molapo, 2008).

Justin Beneke, Marie-Kristin Scheffer & Wei Du - Beyond Price – An Exploration into the Factors That Drive Young Adults to Purchase Online, which does in fact address male-female difference online.

Not many studies have been conducted which compare the gender differences in the consumer perceptions of online shopping in terms of overall benefits and risks of online shopping. Some studies that have considered the gender issue in online purchases include Beneke, Scheffer and Du (2010) and Jacobs and De Klerk (2010), but these studies have not focused on specifically the benefits and risks of online shopping. Hasan (2010:597) states that there are few studies of gender differences in online shopping attitudes and...
findings are inconsistent. Therefore, more attention should be given to this area of study in order to gain better understanding of the differences between male and female consumers with regard to online shopping. This research will provide retailers and marketers with knowledge to identify male and female motivations and perceptions of online shopping. In order to understand the business opportunities presented by online shopping, it is important to establish and compare the perceived risks and benefits of the different genders with regard to online shopping.

**Objectives**

The following primary objective has been formulated for the study: to compare the overall perceptions of male and female consumers in terms of the overall benefits and risks of online shopping.

The secondary objectives supporting the study are as follows:

- Determine a demographic profile of respondents.
- Determine whether significant differences exist in the overall perceived benefits of online shopping amongst male and female consumers.
- Determine whether significant differences exist in the overall perceived risks of online shopping amongst male and female consumers.

**Research hypotheses**

The following research hypotheses were formulated for the study:

H1 There are statistically significant differences in the way male and female consumers perceive the overall benefits of online shopping.

H2 There are statistically significant differences in the way male and female consumers perceive the overall risks of online shopping.

**METHODOLOGY**

This section will include a discussion on the research methodology used in order to conduct the research.

**Sample and data collection**

The research design used is descriptive and it is quantitative in nature. The sampling method used to select respondents was a two-stage non-probability sampling, by means of quota and then convenience sampling techniques. According to Burns and Bush (2010:381-383), quota sampling is used for identification of characteristics such as demographics, and convenience sampling allows for a large sample to be targeted when there are constraints in terms of finance and time. The quota used for this study was an even split in male and female respondents. Questionnaires were handed out to respondents by trained fieldworkers at shopping malls to complete and return immediately. The population targeted for this study were consumers in the Gauteng Province of South Africa who had purchased online in the previous six months. Respondents could have purchased any item over the internet to participate in the study. A survey method was adopted for this study, where self-administered questionnaires were distributed to respondents as this made data collection easier. The data was collected over a period of two weeks by trained fieldworkers. The total number of usable questionnaires amounted to 640.

**Measuring instrument**

The items used in the questionnaire were based on a study conducted by Javadi, Dolatabadi, Nourbakhsh, Pourasaeedi and Asadollahi (2012) on the analysis of factors affecting online shopping behaviour of consumers. These items were adopted for the purposes of this study. The questionnaire consisted of three sections and an introductory section. The introductory section explained the study and provided respondents with instructions of completing the questionnaire. A screening question was included in this section to determine the respondents who have shopped online within the six months prior to the study. Section A gathered information about respondents’ feelings towards the benefits of online shopping. Section B obtained information on the respondents’ risk perceptions and their online shopping habits. For these two sections, a seven-point Likert scale was used to measure the perception of the respondents. This requires respondents to indicate their degree of agreement or disagreement on the scale for a number of statements where 1 represents ‘strongly disagree’ and 7 represents ‘strongly agree’. Section C gathered a demographic profile of the respondents.

**Data entry, editing, coding and analysis**

The data collected from the questionnaires was entered into the Statistical Package for Social Sciences 21 (SPSS) for analysis. In order to determine whether the data was normally distributed, the frequency distribution, skewness and kurtosis for each of the scale items included were examined. Eiselen, Uys and Potgieter (2007:62-66) state that for results to be considered as normally distributed, skewness should be between 0>2.00 and kurtosis should be 0>7.00. This is done in order to determine whether parametric or
non-parametric tests should be used to test the hypotheses formulated for the study. The scale items were within the stated parameters and as the sample size was large (640), parametric tests were considered to be suitable.

A confirmatory factor analysis was conducted where it was found that the items measuring overall perceived benefits loaded onto one factor labelled as overall perceived benefits explaining 56.7% of the variance. Items measuring perceived risks loaded onto 2 factors, labelled as general risks and financial risks and explained 49.6% of the variance. In order to determine to what extent items are collectively correlated with the scale, the reliability of the scale needs to be determined. Cronbach’s alpha is used to determine reliability, and if alpha is less than 0.7, the scale is considered as not reliable, (Eiselen et al., 2007:112). The scale used was consistent and therefore considered to be reliable with overall perceived benefits = 0.951, overall perceived general risks = 0.813, and overall perceived financial risks = 0.842. An independent sample t-test was used to determine whether significant differences existed in terms of males and females with regard to benefit and risk perceptions towards online shopping.

RESULTS
This section provides results obtained regarding the demographic characteristics of respondents, respondents’ perceived benefits, perceived financial risk and perceived general risks of online shopping.

Demographic profile of respondents
The total number of respondents who participated in the study was 640, of whom 55.6% were females, aged between 20-29 years, and who have English as a home language. Table 1 reflects the demographic profile of the participating respondents.

Table 1: Demographic profile of respondents

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Frequency (F)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>284</td>
<td>44.4</td>
</tr>
<tr>
<td>Female</td>
<td>356</td>
<td>55.6</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 or younger</td>
<td>49</td>
<td>7.7</td>
</tr>
<tr>
<td>20-29</td>
<td>332</td>
<td>52.2</td>
</tr>
<tr>
<td>30-39</td>
<td>114</td>
<td>17.9</td>
</tr>
<tr>
<td>40-49</td>
<td>70</td>
<td>11.0</td>
</tr>
<tr>
<td>50-59</td>
<td>53</td>
<td>8.3</td>
</tr>
<tr>
<td>60 or older</td>
<td>18</td>
<td>2.8</td>
</tr>
<tr>
<td>Home Language</td>
<td></td>
<td></td>
</tr>
<tr>
<td>English</td>
<td>305</td>
<td>47.7</td>
</tr>
<tr>
<td>Nguni (Zulu, Xhosa, Swati, Ndebele)</td>
<td>126</td>
<td>19.7</td>
</tr>
<tr>
<td>Sotho (Sepedi, Sesotho, Tswana)</td>
<td>86</td>
<td>13.5</td>
</tr>
<tr>
<td>Afrikaans</td>
<td>69</td>
<td>10.8</td>
</tr>
<tr>
<td>Venda/Tsonga</td>
<td>29</td>
<td>4.5</td>
</tr>
<tr>
<td>Other</td>
<td>23</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Results of hypothesis formulated for the study
A number of findings were observed regarding the hypotheses formulated for this study. Regarding H1 (there are statistically significant differences in the way male and female consumers perceive the overall benefits of online shopping), the following findings were observed:

• There is a statistically significant difference (p-value = 0.03) between males and females pertaining to their agreement of the overall benefits of shopping online. Male respondents (mean = 4.25) showed higher levels of agreement of overall perceived benefits of shopping online than females (mean = 3.85). Therefore H1 is accepted.

As the CFA had a two factor solution, H2 (there are significant differences in the way male consumers perceive the overall risks of online shopping), was further refined to:
H2a: There are significant differences in the way male consumers perceive the general risks of online shopping.
H2b: There are significant differences in the way male consumers perceive the financial risks of online shopping.

Independent sample t-tests results found that:
• There is a statistical difference (p-value = 0.037) between males and females regarding their agreement on the general risks of online shopping. Female respondents (mean = 4.81) showed higher levels of agreement to the general risk than males (mean = 4.59). Therefore H2a is accepted.
CONCLUSIONS AND RECOMMENDATIONS

The results of the study indicate that female consumers perceive lower levels of benefits of online shopping compared to male consumers. With regard to the risks of online shopping, female consumers perceive higher levels of general risk of online shopping than males. The levels of perceived financial risks are not different for males and females. Previous studies by Alreck and Settle (2002), Brown, Pope and Voges (2003) and Stafford, Turan and Raisinghani (2004), had similar findings, one of them being that females have a higher level of online shopping risk and are more sceptical of e-commerce than males.

Perceived risks negatively affect online shopping behaviour as they makes consumers reluctant to shop online. Javadi et al. (2012:81) support this by stating that perceived risk negatively affects consumer attitudes towards online shopping. Therefore, in order to increase consumer confidence in online shopping and decrease perceived risks, the negative perception must be changed. In an attempt to change the overall perceived risks and increase the levels of overall perceived benefits of male and female consumers about online shopping in South Africa, the following can be recommended:

With regard to the benefits of online shopping, it is recommended that online retailers establish effective online shopping convenience by ensuring that the online site is accessible from a number of platforms besides going directly to the website. With the development of social media, platforms such as Facebook and Twitter can be used as means of entering the online shopping site, sharing online information and brand building. This will appeal to female consumers as they like the social experience of online shopping. According to Bae and Lee (2010:204), females are more likely to rely on the opinion of others and have a higher desire to be socially connected with others; which leads to their active participation in word-of-mouth communication. The online shopping website should be user-friendly and easy to navigate, so that consumers do not have to spend a lot of time trying to figure out how the site works, as this may result in their leaving the site. The easier the technology is to use, the more likely that consumers will intend to use it, (Dennis et al., 2010:8). Beneke et al. add by support this by saying that disorganised websites have an adverse effect on online shopping. They continue to say that the quality and usability of the website affect the shopping experience and have a direct effect on consumer purchase intentions. This can be achieved through a user-friendly website design and layout in order to enable consumers to easily navigate the website and have a pleasurable online shopping experience. Websites should contain extensive product information as there is no salesperson present to ask if the consumer is uncertain about a product aspect or feature. Good clear product graphics should be used in order to attract the consumers’ attention and to allow them to visually assess the product. This can be achieved by having more than one angle of the product shown, and making sure that the visual images are a true representation of what the consumer will receive when they purchase the product. This recommendation is supported by Beneke et al. (2010:15), who state that online consumers rely on information supplied and visual depiction of products on the screen. Therefore, extensive product information and many photographs are essential.

In order to overcome the perceived financial risks of online shopping, it is recommended that online retailers should provide simple and flexible methods of payment. Consumers may fail to complete a transaction due to the limited methods of payment and they may be uncomfortable in terms of online safety. Technologies such as the online prepaid card pay system have been developed to remove barriers that hinder consumers from completing online transactions. Online retailers need to offer such an option among the existing payment methods. This would mean that consumers’ financial information is not compromised. By giving consumers a number of payment options, online shopping will have improved levels of satisfaction and therefore minimise the levels of perceived financial risk.

In terms of perceived general risk of online shopping, especially among female consumers, the results show that they perceive higher general risks than male consumers; therefore it is recommended that online retailers should monitor and ensure high levels of post-purchase convenience. This can be achieved by monitoring the delivery process and the process of returning goods. Consumers must be kept abreast of the process and timing of their delivery until the product reaches them. This can be done by providing a delivery tracking number which can be used online by the consumers to track how far their order is in the system. Alternatively, consumers provide contact details such as email addresses and contact numbers, so the retailer can send communication about the order via these platforms. In this way, consumers will be certain that they will receive their order in the expected time period, or they will know if there is a delay. Once the product is delivered, further communication should be sent, informing the consumer about the return policy should they not be completely satisfied with the delivered product. Because the consumer cannot physically go to an online store, retailers need to ensure that consumers can reach them when they encounter a
problem with the transaction or post the transaction. Therefore there needs to be an efficient customer care line or email address where consumers can contact the retailer. This will decrease the consumers’ perceived risk for the online retailer, because the consumers know that they will be assisted if necessary.

LIMITATIONS AND FUTURE RESEARCH
Due to financial and time constraints, the study was limited to one region which means that it is not representative of the entire South African population. It is recommended that this study be conducted on a larger number of consumers in other geographical regions in order to compare the overall perceptions of male and female consumers towards online shopping. As a convenience sampling method was utilised in the study, the results cannot be generalised to the wider population. For future studies related to this study, there can be a focus on online trust, flow and attributes of websites. For purposes of competitive studies, variable such as population groups can be included.

REFERENCES


THE MODERATING EFFECT OF BUSINESS TOURISTS IN RELATION TO HOTEL EMPLOYEES AND TOURIST ATTRACTIONS: CASE OF A 3 STAR HOTEL IN PRETORIA, SOUTH AFRICA

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ABSTRACT  
The interest of business tourists obtaining tourist attraction information from hotel employees deemed necessary. Limited research, in a South African context, exists in this area and provides the opportunity for further research. This paper on which the study is based followed an in-depth literature review on the moderating effect of domestic business tourists in the relationship between hotel employees and tourist attractions. Participants for this study will be domestic business tourists staying at a 3 star hotel in Pretoria, South Africa (SA). A quantitative research approach will be adopted for the study. This study aims to contribute towards filling the existing literature gap identified in tourism research and assist tourist attractions and hotel managers with the required basis for developing strategies to attract and retain domestic business tourists.

Key words: hotel employee, business tourist, tourist attractions, moderator

INTRODUCTION  
The availability of tourist attractions is one of the factors which motivate business tourists to visit a destination (Fenich & Hashimoto, 2004; Robinson & Callan, 2005; Tanford, Montgomery & Nelson, 2012; Whitfield, 2009). According to Shin (2009), business tourists are likely to visit tourist attractions when visiting a destination. There are however factors, such as hotel front office service and hotel location, which influence the interest of business tourist in visiting tourist attractions (Visser, 2007).

This study aims to investigate how the relationship between hotel employees and tourist attractions are moderated by domestic business tourists. As far it could be determined, similar studies have not been conducted in the context of domestic business tourists in SA. This paper begins with the literature review on the identified constructs which are likely to influence the interest of domestic business tourists in visiting tourist attractions. The identified constructs are (1) hotel employee, (2) tourist attractions and (3) domestic business tourists. The literature review will be followed by a discussion on the proposed research methodology for this study. This paper will conclude by stating the limitations and contributions of this study.

PROBLEM INVESTIGATED  
Studies (Elston & Draper, 2012; McCartney, 2008; Wan, 2011) revealed the relationship between business tourists and tourist attractions. These studies mainly identified the availability of tourist attractions as a factor which motivates business tourists to visit a business tourist destination. Furthermore, the nature of a hotel service requires interaction between a business tourist and hotel employee (Brunner-Sperdin & Peters, 2009). Akbaba (2006) together with Kleynhans and Zhou (2012) assert that business tourists consider a hotel employee as a crucial element of a hotel service. According to Davidson (2003) the business tourist – tourist attractions nexus is acknowledged in tourism, but there is dearth of research attempting to explore the moderating effect of domestic business tourists in the relationship between hotel employees and tourist attractions.

LITERATURE REVIEW  
Figure 1 provides the theoretical framework for this study.
The literature review begins by a discussion on the hotel employee construct, which will be followed by a discussion on the tourist attractions construct as illustrated in figure 1. The moderating effect of domestic business tourists in the relationship between hotel employee and tourist attractions will be discussed last.

**Hotel Employee**

The participation of both the hotel employee and hotel guest is essential for the success of a hotel service (Johanson & Woods, 2008; Walsh, 2000). Walsh (2000) further notes that a hotel employee is entrusted with the responsibility of managing each service encounter successfully. Thus scholars (Johanson & Woods, 2008; Luk & Layton, 2004) highlight the need for hotels to equip hotel employees with the necessary service skills required to ensure the successful handling of each service encounter. The ability of a hotel employee to deliver an excellent service consequently influences the hotel’s profitability (Ma, Qu, Wilson & Eastman, 2013). This is due to the perceived risk of a possible unpleasant service experience by hotel guests when visiting a hotel for the first time (Luk & Layton, 2004). Clark, Hartline and Jones (2009:218) assert that ‘the success of each hotel unit depends on offering high levels of customer service’. The importance of a hotel employee has been continuing to attract significant research attention in the context of hospitality management (Clark, et al., 2009; Hinkin & Tracey, 2000; Johanson & Woods, 2008; Ma, et al., 2013). The importance of a hotel employee towards the excellence of a hotel service can therefore not be overemphasised (Clark, et al. 2009). In the context of hospitality management, the nature of a hotel employee is significantly associated with a hotel service (Clark, et al., 2009). Four dimensions have been identified in the measurement of hotel employee, namely front office services, ability to arrange visits, accurate directions and accurate tourist information. Firstly, the front office service will be discussed.

**Front office service:** The importance of the front office service towards the overall hotel service has attracted attention from scholars (Clark, et al., 2009; Hinkin & Tracey, 2000; Johanson & Woods, 2008). As far as it could be determined a genuine definition of front office has not been formulated in both tourism and hospitality literature. Thus for the purpose of this study, a front office service is defined as a routine performance of physical tasks (Hoffman & Bateson, 2006), by the front office employee towards the satisfaction of the need of a business tourist. According to Kandampully, et al (2011), a good quality service does not mainly benefit the hotel, but further contributes towards the competitiveness of the destination’s tourism industry. This study will therefore explore the interest of domestic business tourists in visiting tourist attractions by allowing domestic business tourists to score the importance of each of the identified front office services. Guest satisfaction is well-researched in the field of hospitality management (Emir & Kozak, 2011). Sohrabi, Vanani, Tahmasebipur and Fazli (2012) however note that there is still dearth of knowledge on how to effectively manage a hotel. As far as it could be determined, no other study has investigated the role of front office services in a business tourism context in South Africa. Therefore this study aims towards filling the identified gap in literature. The conducted literature review motivates the formulation of the following hypothesis:
H$_{1.1}$ Front office service is a dimension of hotel employee and can be reliably and validly measured.

The next part of this section discusses the identified front office services. The impact of a hotel employee’s ability to arrange visits to tourist attractions will be discussed first, then the importance of providing directions to tourist attractions and then the provision of tourist information by a hotel employee.

**Arranging visits to tourist attractions:** Studies (Akbaba, 2006; Yang, Jou & Cheng, 2011) revealed that the ability of a hotel employee to arrange visits for hotel guests to visit tourist attractions contributes to the quality of a hotel service. A hotel employee should therefore be able to make bookings for tourists’, leisure and business, visits to attractions (Kasavana & Brooks, 2009; Nair, 2010). Lew and McKercher (2006) note that the geographical distribution of hotels and tourist attractions has resulted in leisure tourists depending on organised city tours to conveniently visit more than one tourist attraction. Leisure tourists may not be familiar with the destination’s transport network system and consequently prefer hotel employees to arrange transport services (Lew & McKercher, 2006). Similar to leisure tourists, business tourists are likely to request that a hotel employee arranges transportation to tourist attractions (Yang & Wall, 2009). Wilkins, Merrilees and Herington (2007) highlight that business tourists have time constraints and are highly inconvenienced by service delays. Thus a hotel employee’s arrangement for business tourists to visit tourist attractions should be timely and without delay (Jones, Mak & Sim, 2007). A hotel employee’s service role has received attention from scholars (Costen & Solazar, 2011; Tews, Stafford & Tracey, 2012; Tracey & Hinkin, 2006; Walsh & Taylor, 2007) in the context of hospitality management. Consequently, studies (Akbaba, 2006; Jones, et al., 2007) revealed that business tourists regard a hotel employee as a significant feature of a hotel. However, as far as it could be determined similar studies have not been conducted in South Africa. The aim of this study is to investigate the role of a hotel employee in the context of tourism. The conducted literature review motivates the formulation of the following hypothesis:

H$_{1.2}$ The ability of a hotel employee to arrange visits to a tourist attraction is a dimension of hotel employee and can be reliably and validly measured.

**Providing accurate directions to tourist attractions:** Guest services performed by the hotel front office include, inter alia, the provision of information regarding the hotel’s surrounding, events and attractions to hotel guests (Kasavana & Brooks, 2009). Studies (Jones, et al., 2007; Wilkins, et al., 2007) revealed that the hotel employee’s ability to answer questions asked by hotel guests is a significant element of hotel service. Hotel employees should therefore possess sufficient knowledge regarding the hotel’s surrounding in order to sustain the hotel’s service (Kasavana & Brooks, 2009; Nair, 2010). The availability of a city map is important when providing business tourists with directions to tourist attractions (Lin, Rayn, Qu & Martin, 2010). Bancroft (2010) highlights the estimation of travel duration as an important element of directions for tourists. Akbaba (2006) revealed that the ability of a hotel employee to provide directions to tourist attractions contributes to the quality of a hotel service. As far as it could be determined, similar studies have not been conducted in the context of a domestic business tourist in SA and thus this study aims to address this gap in literature. The aim of this study is to investigate the influence of accurate directions to tourist attractions on the intention of a domestic business tourist to visit a domestic tourist attraction. The conducted literature review motivates the formulation of the following hypothesis:

H$_{1.3}$ The ability of a hotel employee to provide directions is a dimension of hotel employee and can be reliably and validly measured.

**Providing accurate tourist information:** Studies conducted in China (Yang, et al., 2011), Europe (Akbaba, 2006; Ortega & Rodríguez, 2007) and USA (Lin, et al., 2010) revealed that the provision of tourist information is a service expected from hotels by both leisure and business tourists. The hotel employee’s ability to respond to hotel guests’ requests is a significant element of the hotel service quality (Brunner-Sperdin & Peters, 2009; Kleynhans & Zhou, 2012; Wilkins, et al., 2007; Yilmaz, 2009). Authors (Kasavana & Brooks, 2009; Nair, 2010) therefore assert that hotel employees should be able to assist hotel guests with tourist information. Scholars (Kasavana & Brooks, 2009; Lin, et al., 2010) suggest that hotels retain the availability of tourist attractions’ brochures to easily provide accurate tourist information. Studies (Cox, Burgess, Sellitta & Buultjens, 2009; Hwang & Li, 2008; Laesser & Dolnicar, 2012; Quintal, Lee & Soutar, 2010; Ramkisson & Uysal, 2011) assert that tourist information influences the interest of leisure tourists in visiting tourist attractions. Tourist information provided by the hotel influences the interest of business tourists in visiting tourist attractions (Frias-Jamilena, Barrio-García & López-Moreno, 2012). As far as it could be determined, similar studies have not been conducted in South Africa. Towards the contribution to the literature, this study will investigate the impact of the availability of reliable tourist information sources on a domestic business tourist’s interest in visiting tourist attractions. The conducted literature review motivates the formulation of the following hypothesis:
H1.4 The ability of a hotel employee to provide tourist information is a dimension of hotel employee and can be reliably and validly measured.

The conducted literature review on identified front office services, which are to make bookings, to provide directions and to provide tourist information, motivates the formulation of the following hypothesis, which will be scientifically tested in this study:

H1 Arranging visits to tourist attractions, providing directions and providing tourist information are the four dimensions of hotel employee and can be reliably and validly measured.

Tourist Attractions

Middleton and Clarke (2001:349) regard tourist attractions as ‘features of a destination which influence a tourist’s tourism activities at the destination and the motivation of a potential tourist’. According to scholars (Crompton & Mckay, 1997; Kim & Brown, 2012; Yousefi & Marzuki, 2012), leisure tourists travel to a destination with the desire to fulfill the need or want stimulated by the destination’s availability of desired tourist attractions. Ashworth and Page (2011) assert that tourist attractions may be considered as reasons leisure tourists visit a destination. Similar to leisure tourist, business tourists are motivated by the availability of tourist attractions at a destination when visiting for business purposes (Robinson & Callan, 2005; Shin, 2009; Tanford et al., 2012). Thus scholars (McCortney, 2008; Wan, 2011; Witt, Gammon & White, 1991) assert that the availability of sufficient tourist attractions renders a destination the benefit of being considered a business tourist destination of choice by business tourists.

Business tourists participate in the destination’s tourist activities according to available time and as a result become selective when participating in the destination’s tourist activities (Lew & McKercher, 2006). A range of tourist attractions, security, authenticity and hotel location has been identified as dimensions for this construct and will be discussed in the sections below.

Range of tourist attractions: According to McKercher, Wang and Lau (2006), destinations attract leisure tourists who are in a search for different tourist experiences. Shin (2009) revealed that business tourists are motivated by the search for different tourist experiences when visiting a destination for business purposes. Destinations which aim to attract and retain business tourists should therefore possess a range of tourist attractions (Crompton & McKay, 1997). Davidson (2003) highlights that business tourists might be interested in participating in leisure activities when visiting a destination for business purposes. The attractiveness of a business tourist destination should be evaluated on the basis of the availability of a range of tourist attractions (Witt, et al., 1991). Wan (2011) identified the lack of a range of tourist attractions within a business tourist destination as a disadvantage and suggested that investments on tourist attractions be encouraged to improve the attractiveness of a business tourist destination. Scholars (Crouch & Louviere, 2004; Elston & Draper, 2012) further assert that Meetings, Incentives, Conferences and Exhibitions / Events (MICE) event organisers consider the availability of a range of tourist attractions within a destination when selecting a MICE venue. Robinson and Callan (2002; 2005) suggest that studies be conducted to determine the tourist attractions of significant interest to business tourists. Scholars (Crouch & Louviere, 2004; Elston & Draper, 2012; Fenich & Hashimoto, 2004; McCartney, 2008; Robinson & Callan, 2005; Shin, 2009; Wan, 2011) revealed that business tourists are likely to visit tourist attractions when visiting destinations for business purposes. As far as it could be determined, similar studies have not been conducted in SA and this study aims investigate this matter in a South African context. The conducted literature review motivates the formulation of the following hypothesis:

H2.1 The availability of a range of tourist attractions is a dimension of tourist attraction and can be reliably and validly measured

Security at tourist attractions: Tourist destinations aim towards attracting a significant number of tourists and to allow tourists the freedom to visit tourist attractions available at a destination (Donaldson & Ferreira, 2009; Walker & Page, 2007). Lai, Li and Harrill (2013) assert that destinations with a low level of security are not likely to attract a significant number of tourists. Thus a high level of security should be maintained at tourist attractions (Boakye, 2012; Rittichainuwat & Chakraborty, 2012). A recent study (Rittichainuwat & Chakraborty, 2012) revealed that the presence of security personnel at tourist attractions is an important security measure for business tourists. Boakye (2012) is of the opinion that crowding has a negative influence on the level security at tourist attractions. Thus Jin and Pearce (2011) suggest that tourist attractions employ staff to control the flow of crowds. A study conducted in SA indicated that business tourists are more likely to visit tourist attractions during daytime than in the evening due to security reasons (George, 2003). Tourist attractions are likely to attract more visitors in the evening than in the morning and
afternoon (Jin & Pearce, 2011). Consequently, the presence of security personnel at tourist attractions (Boakye, 2012; Rittichainuwat & Chakraborty, 2012) and effective crowd control (Boakye, 2012; Jin & Pearce, 2011) are likely to increase the level of security at tourist attractions to attract more visitors throughout the day. The influence of security on tourism has attracted research attention from scholars (Boakye, 2012; Donaldson & Ferreira, 2009; Lai, et al., 2013; Quintal, Lee & Soutar, 2010). But scholars have shown less empirical attention to the impact of security on tourist’s scope of activities at the destination (Tasci & Boylu, 2010). Though studies (George, 2003; Rittichainuwat & Chakraborty, 2012) agree that security is important to both leisure and business tourists, this study will investigate the importance of security at tourist attractions to domestic business tourists in SA. As far as it could be determined, a study investigating the importance of security at tourist attractions has not been conducted in the context of a domestic business tourist in SA and thus this study aims to address this gap in literature. The conducted literature review motivates the formulation of the following hypothesis:

H$_{2,2}$ Security is a dimension of tourist attraction and can be reliably and validly measured.

**Authenticity at museums:** Historical and cultural tourist attractions attract both business (Davidson, 2003; Fawzy, 2010; Shin, 2009) and leisure tourists (Cohen, 1988) seeking to experience the host destination’s heritage. The urge to experience a destination’s heritage is hardly the key travel motivation so therefore business tourists are likely to visit historical and cultural tourist attractions available within a visited destination (Ivanovic & Saayman, 2011). Meskell and Scheermeyer (2008) assert that a destination’s heritage is constituted by history and culture. According to Chhabra (2012), heritage tourist attractions should display the original culture and history of the destination. Scholars (Cohen & Cohen, 2012; Meskell & Scheermeyer 2008) acknowledge museums as the key exhibitors of a destination’s history. On the backdrop, scholars (Ashworth & Page, 2011; Brown, 2013; Rogerson, 2012) acknowledge the community as an exhibitor of the destination’s culture. Scholars (Cohen, 1988; Cohen & Cohen, 2012; Ivanovic & Saayman, 2011) however alert that the exhibition of a destination’s history subjects museums to authenticity. Steiner and Reisinger (2006:299) acknowledge the degree of ‘realness of objects and events as well as the genuineness of the performer in resembling one’s true nature’ and the key constituents of authenticity. Though authenticity has attracted debates in tourism literature (Steiner & Reisinger, 2006), scholars (Chhabra, 2010; Cohen, 1988; Cohen & Cohen, 2012; Meskell & Scheermeyer, 2008; Steiner & Reisinger, 2006; Taylor, 2001) agree on the reproduction of a genuine heritage as a vital element of authenticity. The degree of original and genuine exhibition of history is an aspect of authenticity that can only be investigated at a museum (Chhabra, 2010). Therefore the current study only seeks to investigate the interest of domestic business tourists in experiencing the history of Pretoria and not to investigate the authenticity of museums in Pretoria. The use of a community’s unique lifestyle as an exhibitor of the destination’s culture (Rogerson, 2012) will enable the business tourists to enjoy a destination’s culture in the original setting (Shin, 2009). A township tour can be used as a mechanism which connects the visitors to the destination’s culture (Rogerson, 2012). Brown (2013) asserts that the community is likely to display the authentic culture of a destination. The current study only seeks to investigate the interest of domestic business tourists in experiencing the culture of Pretoria. The authenticity degree of the community’s display of culture will not be investigated in the current study. Studies (Davidson, 2003; Fawzy, 2010; Shin, 2009) revealed the interest of business tourists in experiencing the heritage of a visited destination. In the context of SA, Ivanovic and Saayman (2011) highlight the participation of domestic business tourists in heritage tourism. As far as it could be determined, studies have not been conducted to investigate the interest of domestic business tourists in experiencing the heritage of Pretoria. Thus this study aims towards filling the gap. The conducted literature review motivates the formulation of the following hypothesis:

H$_{2,3}$ Authenticity is a dimension of tourist attraction and can be reliably and validly measured.

**Hotel location:** Several scholars (Medlik & Ingrim, 2000; Rogerson, 2013) highlight that hotels should be situated in areas where the significant demand for accommodation facilities exists. Rogerson (2012) notes that destination’s business districts have attracted investments in hotel properties due to an increase in accommodation demand by business tourists. Studies (Fawzy, 2010; Xue & Cox, 2008) revealed that business tourists regard the availability of tourist attractions within the proximity of the hotel’s location as an element which is considered when selecting a hotel. The influence of a hotel’s location on leisure tourists’ decision to participate in tourist activities within the destination has received attention from scholars (Lew & McKercher, 2006; Visser, 2007). Tourist attractions located outside the proximity of a hotel’s location are not likely to attract visits by business tourists staying at the hotel (Visser, 2007). It is apparent from literature that business tourists visit tourist attractions which are easily accessible. Witt, et al (1991:280) as well as Lockwood and Medlik (2001) argue that accessibility is also constituted by the destination’s public transport facilities, required travel time, travelling cost and the reliability, speed and comfort of the available transport modes. Business tourists regard hotels located next to public transport facilities, such as railway transport,
as suitable hotels (Xue & Cox, 2008). Issahaku and Amuquandoh (2013) reiterate the importance of a hotel’s proximity to major routes of a destination. Business tourists utilise the destination’s public transport facilities to visit tourist attractions (George, 2003; Lew & McKercher, 2006). McCartney (2008) and Wan (2011) alert that lack of sufficient public transport facilities poses a disadvantage to business tourists. As far as it could be determined, studies investigating the influence of a hotel location on the interest of a domestic business tourist in visiting tourist attractions have not been conducted in SA. Thus this study aims to fill this gap. The conducted literature review motivates the formulation of the following hypothesis:

\[ H_{2.4} \] The hotel’s location is a dimension of tourist attraction and can be reliably and validly measured.

A conducted literature on a range of attractions, security, authenticity and hotel location motivates formulation of the following hypothesis:

\[ H_2 \] The range of tourist attractions, security at tourist attractions, authenticity at museums and hotel location are dimensions of the tourist attractions construct that can be reliably and validly measured.

\[ H_1 \] and \[ H_2 \] were formulated in support of the research questions provided in section 4.

**Domestic Business Tourists**

According to scholars (Tanford et al., 2012; Wan, 2011), business tourists have been recognized for the significant level of spending, which is greater than that of leisure tourists. Business tourists have therefore become a crucial market segment for the hotel industry (Fawzy, 2010). Getz (2008:411) defines a business tourist as an ‘An individual who undertakes a trip to attend a MICE event or sent by the employer to further the interests of the company’.

The MICE industry is amongst the fastest growing industries in the tourism sector (Fawzy, 2010; Wan, 2011; Yeh, Leong, Blecher & Hu, 2005). The USA has been identified as a leader in the number of business tourist arrivals, followed by Europe and then China (WTTC, 2011). McCartney (2008) revealed that sufficient hotel rooms to accommodate guests will enable China to sustain its competitiveness as a business tourist destination. Robinson and Callan (2005) revealed that the availability of hotels within the proximity of the MICE event venues contributed to the attractiveness of the MICE event venues in the United Kingdom (UK).

African countries such as Malawi, Burundi and Uganda are confronted by the need to escalate investment in both MICE event venues and hotels as a result of the annual increase in business tourist arrivals (IDC, 2012). SA however takes pride in being a leader in a number of business tourist arrivals (SAIMS 2014: Contemporary Management in Theory and Practice).

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African countries such as Malawi, Burundi and Uganda are confronted by the need to escalate investment in both MICE event venues and hotels as a result of the annual increase in business tourist arrivals (IDC, 2012). The presence of the common International Convention Centres (ICC), namely, Durban ICC, Cape Town ICC, CSIR ICC and Sandton ICC, in SA has attracted significant business tourist arrivals, both domestic and international (Roberson, 2005). The Gauteng province has retained a lead in attracting the most domestic business tourist arrivals in SA (Roberson, 2005). Pretoria boasts with the presence of the Centre for Scientific and Industrial Research (CSIR) ICC. Gender and age was found to be moderators in the relationship between a Service Quality Scorecard and Business Tourist Satisfaction (Swart & Roodt, 2012), and will be further explored in the relationships between the hotel employee and tourist attractions.

**Gender:** The impact of gender on a consumer’s decision to consume a product or service has become a subject of interest for organisations (Aguinis, Boik & Pierce, 2001). Scholars (Aguinis, et al., 2001) further note that an understanding of the impact of gender on a consumer’s decision will enable organisations, i.e. hotels and tourist attractions, to satisfy the needs and wants of different consumers. Mair (2010) asserts that understanding the needs of business tourists, based on gender differences, is crucial towards the success of tourist attractions. According to Muehlenhard and Peterson (2011:797) gender is defined as an ‘individual’s social status, which is categorised into either male or female’. A leisure tourist’s willingness to explore a tourist destination is influenced by gender (Alexander, 2012). A destination’s physical environment has an impact on, both male and female, leisure tourists’ degree of participation in tourist activities (Boakye, 2012). An environment which is perceived as unsafe is likely to limit the freedom of female leisure tourists to participate in tourist activities (George, 2003). Boakye (2012) highlights that female leisure tourists feel more vulnerable to crime than male leisure tourists. As a result, unlike male leisure tourists, female leisure tourists prefer to explore a destination in groups for the purpose of decreasing the perceived sense of vulnerability (Gibson & Yiannakis, 2002). Similar behavioural patterns as those of leisure tourists prevail in business tourists.

Female business tourists are likely to participate in tourist activities during daytime and prefer to be in hotel rooms after sunset (George, 2003). Male business tourists are however likely to participate in night life activities while female business tourists are likely to utilise the hotel’s in-house entertainment facilities (Cobanoglu, et al., 2003; Robinson & Callan, 2005). Studies (Boakye, 2012; Cobanoglu, et al., 2003; George, 2003; Gibson & Yiannakis, 2002; Robinson & Callan, 2005) revealed that intentions for both leisure
and business tourists to visit tourist attractions is impacted by gender. This study will only investigate the impact of gender on a domestic business tourist’s intention to visit tourist attractions. Swart and Roodt (2012) investigated the impact of gender on business tourists in SA. The study (Swart & Roodt, 2012) revealed that gender impacts the interest of business tourist in revisiting a business tourist destination. Mair (2010) highlights the scarcity of research investigating the needs of business tourists. This study will contribute towards the minimisation of this gap by investigating the interest of domestic business tourists in visiting tourist attractions. The conducted literature review has motivated the formulation of the following hypothesis:

\[ H_{3.1} \quad \text{Gender is a moderator in the relationship between hotel employees and tourist attractions.} \]

**Age:** Age has attracted research attention in studies conducted to investigate factors which influence the behaviour of people (Baron & Kenny, 1986). Age is among demographic attributes which impact the degree of participation, by both business and leisure tourists, in tourism activities (Ryan & Trauer, 2005). Age has therefore become a crucial demographic profile feature in tourism studies (Alexander, 2012; Gibson & Yiannakis, 2002; Rittichainuwat & Mair, 2012). According to Adams, Blieszner and De Vries (2000:119), age ‘… is the individual’s natural development state which is determined by the number of years for which the individual has been living’. According to Gibson and Yiannakis (2002), the needs and wants of leisure tourists continue to change in accord with age. Studies (Akbaba, 2006; Cobanoglu, et al., 2003; Mair, 2010; Robinson & Callan, 2005) clustered business tourists according to different age groups for the purpose of identifying the needs and wants of business tourists successfully. The needs and wants of business tourists differ according to different age groups (Mair, 2010). Business tourists are motivated by the opportunity to advance knowledge about heritage and to engage in entertainment activities to visit a business tourism destination (Shin, 2009). It is therefore crucial for a business tourism destination to possess a sufficient variety of tourist attractions to successfully fulfil the needs and wants of business tourists throughout the various age periods (Robinson & Callan, 2005; Shin, 2009). In the context of SA, Swart and Roodt (2012) revealed that age impacts the interest of business tourists in revisiting a business tourist destination. According to Mair (2010), there is dearth of research investigating the needs and wants of business tourists in tourism literature. McCartney (2008) highlights that business tourists are attracted to business tourist destinations which are likely fulfil the needs and wants. As far as it could be determined, similar studies have not been conducted in the context of a business tourist in SA and thus this study aims to address this gap in literature. This study will be identifying the tourist attractions of interest, as a need and want, to business tourists throughout the different age groups. The conducted literature review has motivated the formation of the following hypothesis:

\[ H_{3.2} \quad \text{Age is a moderator in the relationship between hotel employees and tourist attractions.} \]

**The moderating effect of domestic business tourists in the relationship between hotel employees and tourist attractions**

A number of studies (Elston & Draper, 2012; Fawzy, 2010; Tanford, et al., 2012; Xue & Cox, 2008) acknowledge the interest of a business tourist in visiting tourist attractions available at a visited destination. Consequently, business tourists expect hotel employees to be able to respond to enquiries related to tourist attractions (Akbaba, 2006; Lin, Ryan, Qu & Martin, 2010; Ortega & Rodriguez, 2007; Yang, et al., 2011). The importance of the relationship between a hotel employee and tourist attractions (Yang, et al., 2010) is therefore influenced by the level of a business tourist’s interest in visiting tourist attractions (Elston & Draper, 2012; Tanford, et al., 2012). Ro (2012) acknowledge research related to the mediating and moderating effect in the hospitality industry. Swart and Roodt (2012) found support for the testing of gender and age amongst business tourists. However research investigating the moderating effect of business tourists’ gender or age in the relationship between hotel employee and tourist attraction deemed necessary. The conducted literature review has motivated the formation of the following hypothesis:

\[ H_5 \quad \text{Domestic Business Tourists (Gender and Age) have a moderating effect in the relationship between hotel employees and tourist attractions.} \]

**RESEARCH OBJECTIVES**

Based on the literature discussion, the objective of this study is to determine whether the scores on hotel employee services are related to tourist attractions and whether domestic business tourists (gender / age) have a moderating effect on this relationship. The following research questions have been formulated in order to achieve the research objective:

- **RQ1** Can hotel employee services be reliably and validly measured?
- **RQ2** Can tourist attractions be reliably and validly measured?
RQ3 Can Domestic Business Tourists (Gender and Age) have a moderating effect in the relationship between hotel employees and tourist attractions?

RESEARCH DESIGN
The proposed research design for this study will be discussed in the context of research approach and research method.

Research approach
This study will be a cross-sectional survey. Data collected from participants (domestic business tourists) will be utilised to explain the influence of a hotel employee and identified tourist attractions variables on the intention of a domestic business tourist to visit a domestic tourist attraction (Landis & Dunlap, 2000; McMillan & Schumacher, 2010). Thus the adoption of a quantitative research approach is ideal for this study. Scientific literature sources used for the purpose of the paper followed a post-paradigmatic approach which favours a quantitative research approach.

Research method
The proposed research method will be discussed in the context of sampling and participants, measuring instrument, research procedure and statistical procedure.

Sampling and participants: Similar to other tourism studies (Akbaba, 2006; Kleynhans & Zhou, 2012) the convenience sampling procedure will be employed for this study. The target population for this study will be domestic business tourists lodging at the selected 3 star hotel in Pretoria between 14 July 2014 and 31 November 2014.

Measuring instrument: A new research questionnaire will be designed for the purpose of this study. The research questionnaire will be designed based on the conducted literature review from which the research constructs (business tourist, hotel employee and tourist attractions) for this study were formulated (Weber & Ladkin, 2003). The questionnaire will be divided into four sections and the first section will be designed to screen the participants. The second section will be designed to acquire the demographic information, e.g. gender and age, for participants (George, 2003; Walker & Page, 2007). The third section will allow participants (domestic business tourists) to score the importance of the hotel employee on the intention to visit domestic tourist attractions, on a 7-point Likert scale with 1 reflecting ‘very low’ and 7 reflecting ‘very high’. The fourth section will investigate the influence of tourist attractions’ variables on the interest of domestic business tourists to visit tourist attractions.

Research procedure: Domestic business tourists will be approached by the fieldworker upon check out (Akbaba, 2006; Kleynhans & Zhou, 2012) at the 3 star hotel in Pretoria and invited to participate in the study. The researcher will also conduct fieldwork to ensure internal validity. A domestic business tourist will be asked to complete the self-administered questionnaire upon the acceptance of the invitation and after giving consent to participate in the study.

Statistical procedure: First, the descriptive statistics will be adopted to summarise the research sample. Descriptive statistics will be followed by the Factor Analysis, the measurement of the correlation between the research variables and then the testing for moderation. According to Brown, Hendrix, Hedges and Smith (2012), factor analysis enables the analysis of existing relationships between the research variables. The factor analysis will be conducted for the purpose of reducing the variables of dimensions into a set of core variables to be analysed (Chatfield & Alexander, 1980; Field, 2013; Pallant, 2011). The Pearson Correlation will be employed to measure the degree of correlation between dimensions of the research variables (domestic business tourist, hotel employee and tourist attractions) (Field, 2013; Jaccard & Becker, 1990; Pallant, 2011). The Pearson Correlation will then be followed by the Moderated Multiple Regression (MMR) for the testing of the moderating effect. The MMR will enable the prediction of the behaviour of a a variable, i.e. a domestic business tourist from x, i.e. hotel employee and y, i.e. tourist attractions as predictors, and an estimation of the correlation between x, i.e. hotel employee and z, i.e. tourist attractions’ (Aguinis & Pierce, 1998:669).

CONCLUSION
The purpose of this paper was to explore the literature for an investigation of the moderating effect of domestic business tourists in the relationship between hotel employee and tourist attractions. Domestic business tourists are expected to have a significant intent to visit tourist attractions. The successful completion of this study will make a contribution to both the tourism industry and academic literature. This study aims to contribute towards filling the gap on MICE tourism studies in tourism literature. The study will further enable both the tourist attractions and hotel managers in Pretoria to develop strategies which will attract and retain domestic business tourists.
This study may be amongst the first to investigate the interest of domestic business tourists in visiting tourist attractions in SA. The study will only include domestic business tourists staying at 3 star hotel and tourist attractions in Pretoria. The possibility to use mixed methods as a research method can be explored in future research studies.

REFERENCES


COMPARING THE PERCEIVED BENEFITS AND BEHAVIOUR OF ONLINE SHOPPING AMONGST MALE AND FEMALE CONSUMERS IN GAUTENG

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ABSTRACT
The amount of Internet users in South Africa has accelerated greatly in the past year. The South African Internet user base grew from 6.8 million in 2010 to 8.5 million at the end of 2011, reflecting a growth of 25% (World Wide Worx, 2012). This rapid growth is driven by the fact that many individuals enjoy the advantages of online shopping: convenience, greater variety, time savings and information availability (Cho, 2004:836). The primary purpose of this article was to investigate the perceived benefits and behaviour of online shopping for male and female consumers in Gauteng. The population included all individuals in Gauteng who shop online, as well as those who do not shop online. The sample consisted of 358 online shoppers, interviewed via a self-administered questionnaire. The research approach that was followed was quantitative, and primary data was gathered using a structured questionnaire, with a 7-point Likert scale referring to perceived benefits of online shopping. The findings emphasised that there aren't statistically significant differences between males and females with regard to perceived online benefits. Those e-marketers capable of generating factors that stimulate individuals to shop online and act upon it, will generate positive effects on their brand and the organisation will see their Internet investment pay off through increased customer visits.

Key words: Online shopping, benefits, behaviour, consumers, Gauteng

INTRODUCTION
There is a growing young generation of Internet proficient individuals in African countries. Fifty one per cent of South Africans with Internet access shop online (WWW Metrics, 2013). The online shopping industry in South Africa grew rapidly between 30% and 35% during 2012, but still holds much growth potential (Business Day Live, 2013). WWW Metrics (2013) states that online shopping has expanded in South Africa due to the availability of faster Internet networks and the proliferation of mobile phones. It is anticipated that affordable smartphones and PC tablets will accelerate the uptake of online shopping, because South African Internet users mainly access the Internet on their mobile devices (Business Day Live, 2013).

The substantial growth of online sales in South Africa has encouraged researchers to try understand exactly what impacts males and females to participate in online shopping and what withholds them (Hasan, 2010:597). Males and females have different attitudes towards shopping and the Internet (Cyr & Bonanni, 2005:566). Brick and mortar stores are mainly dominated by females, while online shopping is reversed and dominated more by their male counterparts (Dennis, Morgan, Wright & Jayawardhena, 2010:2). Men tend to participate more in online shopping and make more online purchases than females (Hasan, 2010:597). The reason for this is that the online shopping environment does not have the social experience of shopping found in brick and mortar stores. Females are leisure-oriented, they see shopping as a social activity, and they compare and search products and prices to try and find the best value. Men on the other hand are task-oriented, they see shopping as an effort and they focus on buying quickly to minimise their time spent on shopping (Dennis et al., 2010:4). This evidence suggests that females regard the social aspect of shopping and enjoyment as important elements, and that online retailers have difficulty in satisfying female customers’ higher-level needs for personal interaction. This indicates that online retailers need to focus on how to encourage more females to shop online (Dennis et al., 2010:5). This gender gap in online shopping has drawn much attention to determine the factors that affect behaviour of male and female consumers as well as their intention to purchase online. (Hasan, 2010:597).

Izquierdo-Yusta and Schultz (2011:32) state that online shopping offers significant cost savings and time benefits to consumers. The benefits of purchasing over the Internet are broader selection, convenience, easy-to-use websites, opportunity to buy goods not in the area, lower prices, certification of quality, opinion rating and feedback (Chaffey & Ellis-Chadwick, 2012:74). Online shopping is therefore becoming more appealing to a growing segment of South African consumers. The reasons being that they can lay aside money by not having to drive to a shop, they can avoid long queues and crowds, they don’t have to walk around searching for goods, they can shop 24/7 hours of the day, and they can also compare prices quickly and easily. South Africans who shop online feel that they can reduce the added costs that brick and mortar
retailers charge to make a profit (Statistics South Africa, 2012:3). Hasan (2010:597) is of the opinion that limited research has been conducted that considers gender differences in online shopping. It is for this reason that gender differences in online shopping deserve better understanding and more focus.

One of the secondary aims of this article is to advance the understanding of gender differences and their behaviour in online shopping. According to Javadi et al. (2012:83), consumers’ online shopping behaviour is affected by their intention to shop online. Previous research has revealed that there are a lot of variables that are significant predictors of consumers’ online purchasing behaviour. It is in the contention of the author that it can be meaningful for marketers in the South African online shopping industry to realise and estimate consumers’ online shopping behaviour and the perceived benefits that motivate men and women to shop online.

In order to address the aspects highlighted, this article includes a literature review of the perceived benefits of online shopping, as well as behaviours towards online shopping. The problem investigated in the study that informed this article is specified, followed by the research objectives, hypotheses and the methodology used. Thereafter, the empirical results are revealed, followed by a discussion of the implications they might hold for management.

LITERATURE REVIEW
This section provides a brief description of how online consumer behaviour has been investigated from the perspective of males and females’ perceptions towards perceived online shopping benefits.

Gender differences in online shopping
Gender is still one of the most important and used forms of segmentation by marketers today. Males and females differ in the way they process information and make decisions. The increasing use of the Internet has highlighted the need for e-retailers to understand online users’ perceived benefits and behaviours from a gender perspective (Kim, Lehto & Morrison, 2007:424).

Traditionally, women favour shopping more than their male counterparts, however, online shopping seems to have resulted in an opposite gender pattern (Dholakia, Dholakia & Kshetri, 2003:5). Zhou, Dai and Zhang (2007:45) found that males spend a lot more money online and make more online purchases than females. They have different shopping orientations; the products they have an interest in are different, and lastly women have a stronger need for tangible input in product evaluation than men. The inability to touch a product, not visit a physical retailer, and to have no human interaction in a virtual market can be a large barrier for consumers to purchase online. This inability to physically touch products or fit clothing or shoes, a shortcoming of online shopping, might be the reason for fewer female online shoppers (Altarawneh & Allahawiah, 2010:310).

A study done by Passyn, Diriker and Settle (2011:99) examined the effect of sex and age of consumers on their perceptions of the benefits and risks in online shopping, compared to brick and mortar stores. They found that both sexes rated being able to shop online 24 hours, 7 days a week, anywhere, as the highest beneficial factor. By contrast, the potential benefit that was rated the lowest, suggested that respondents didn’t find online shopping more entertaining than bricks and mortar stores. Men rated price comparisons, more variety, and the speed of online shopping, as more important than what females did. On the other hand, females rated the aspect of not having to carry goods home, as more important than males. These benefits indicate primary differences in shopping patterns between men and women with regard to what they buy, where they buy, and when they buy. Women shop to enjoy the shopping experience, whilst men shop to buy (Abraham, Morn & Vollman, 2010:4).

Females are far less computer-oriented and less comfortable with computers than males because they have fewer computing experiences and less computer knowledge (He & Freeman, 2010:204). Males are more comfortable with online shopping than females. The computer setting is seen as “masculine” and not “feminine”, which can make women feel as if they are left out. Females may experience greater obstacles in buying online, because the online environment doesn’t offer them emotional involvement and social contact (Dittmar, Long & Meek, 2004:424). Therefore, females and males harbour diverse perceptions and attitudes towards online shopping (Hasan, 2010:598).

In order to address the differences identified in males and females, this section follows a discussion of the perceived benefits that drive males and females to shop online, and lastly the attitude that leads them to behave in a certain way.
Perceived benefits
Perceived online shopping benefits have two dimensions. The first dimension is related to functional aspects of the online shopping context (Sakar, 2011:58). According to Forsythe, Liu, Shannon and Gardner (2006:57), former research on brick and mortar shopping suggested that these aspects were the main reasons for shopping in brick and mortar formats. This shopping dimension includes: convenience, lower prices, variety and unique offerings. It can be derived that a male or female with these motives is likely to perceive greater benefits from online shopping. On the other hand, the second dimension is derived from the perceived excitement or fun involved in the online shopping context. This shopping dimension includes: adventure, socialisation, gratification, ideas, role, value and shopping enjoyment (O’Brien, 2010:3). Males or females with these shopping motives are expected to perceive lesser benefits in online shopping, because these motives only appear after the purchase when the customer is using the product. The main reason is that online shoppers cannot use their physical senses in online shopping (Sakar, 2011:58). This section explains the differences in perceived benefits between males and females.

Convenience: Izquierdo-Yusta and Schultz (2011:34) stipulate that in the marketing literature, convenience is viewed as a multidimensional construct. Convenience can be decomposed into six major dimensions: time utilisation, portability, appropriateness, accessibility, effort-saving capability and avoidance of unpleasantness. Jen-Hung and Yi-Chun (2010:850) concur by arguing that convenience is time and effort saving, and is a crucial benefit for online shoppers. Consumers don’t have to leave their home, which minimises customer effort and provides a more convenient and comfortable shopping experience. Jen-Hung and Yi-Chun (2010:850) also found that male online buyers liked the convenience aspect of online shopping more than female online buyers, because males are more oriented towards quick shopping, whereas women express and prefer a more fun-related shopping orientation (Hansen & Jensen, 2009:1158).

Lower prices: Jen-Hung and Yi-Chun (2010:851) state that virtual online stores can save expenditures and pass this on to consumers through lower prices. They found that lower prices are equally important for male and female online buyers. Many online users expect online stores to offer lower prices or promotions compared to traditional brick and mortar stores (Close & Kukar-Kinney, 2010:987). A main factor contributing to consumers’ lower price perceptions on the Internet is that consumers can compare prices instantly on the web through price comparison sites. This makes non-price related competitive advantages such as service quality, warranty, reliability and after-sales services more important in keeping and attracting customers online. Loyalty that comes from an Internet organisation offering better service than the competition, is what drives consumers to return to online shopping. Online retailers with higher reliability in the services they offer, can charge either higher or lower prices (Jiang & Rosenbloom, 2005:151,165).

Variety: Online stores can provide more variety in their product offerings compared to brick and mortar stores, because online stores don’t have stock pressures and in a brick and mortar store shelf space is often limited (Boswell, 2013). According to Jen-Hung and Yi-Chun (2010:850), variety is equally important for male and female Internet buyers. Variety seeking is likely to be a significant motive in the online context, because consumers are able to compare products, which increases variety-seeking behaviour of males and females in the online context (Rohma & Swaminathan, 2004:150).

Information availability: The Internet has allowed customers to have an abundance of information available to them online (Sanger, 2010). Boswell (2013) states that online customers have easy access to consumer reviews, which makes for more informed purchases. According to a study done by Dennis et al. (2010:165), participants noted that being able to read online customer reviews improved their purchasing choices. When an individual visits a brick and mortar store, s/he most likely has to settle for whatever price the vendor offers, but with vast information availability online, the online customer has the ability to compare prices from different vendors online (Boswell, 2013). According to Cyr, Hassanein, Head and Ivanov (2007), regarding their buying attitudes, males are more functional when compared to females who stress about social concerns and in particular, emotional involvement. This is true because males seek more information online, while females exceed their male counterparts on socio-emotional traits. According to Abraham et al. (2010:4), women shop to shop while men shop to buy.

Lack of sociality: Certain consumers prefer to deal with an organisation’s personnel during the service encounter, rather than a technologically facilitated means of service provision (Walker et al., 2002). Jen-Hung and Yi-Chun (2010:850) found that women tend to enjoy shopping because of sociality, while men are less motivated by social interaction. Quirk (2012) states that women enjoy the social aspect of shopping, and they will continue to shop in high streets, while men will shop online. According to Cyr et al. (2007), online retailers should consider chat rooms and other social aspects to build an online shopping community, because women enjoy the social aspect of shopping.

The next section will explain how the above-perceived benefits are driven by online consumers’ attitudes, and how attitudes in turn are affected by online consumers’ behaviour or intention to shop online.

Online shopping behaviour with regard to perceived benefits

According to Hasslinger, Hodizic and Obanzo (2007:30), online shopping behaviour is influenced by a number of factors including consumer characteristics, consumer traits, previous online experience, attitude towards online shopping, situational factors, and trust in online shopping. All of these factors contribute to consumers online shopping behaviour, however this section will explore the Technology Acceptance Model (TAM) in the online shopping environment.

The Theory of Planned Behaviour (TPB) asserts that the behavioural intention of online shoppers is determined by their attitude towards online shopping (Whitmarsh & O'Neill, 2010:306). According to Jun and Jaafar (2011:123), consumers’ online attitudes affect their willingness to buy online. Attitudes develop over time, as online customers gain more experience with the object. Then, the formed attitude promotes positive or negative actions or behaviours towards the object (Hasan, 2010:598). Consumers’ beliefs about a range of online shopping perceived benefits shape their attitudes towards the perceived benefits of online shopping and ultimately their behavioural intention to purchase online (Chaffey & Ellis-Chadwick, 2012: 604).

The Technology Acceptance Model (TAM) distinguishes between involvement and cognitive attitudes (Hasan, 2010:598). According to Gefen, Karahanna and Straub (2003:51), the widely accepted Technology Acceptance Model (TAM) is important for online shopping. As such, online purchase intentions should be explained in part by the technology acceptance model (TAM). The perceived benefits of online shopping are one of the major reasons for adopting online shopping. Along with the adoption of the Technology Acceptance Model, perceived usefulness has been used to explain consumer acceptance of online shopping (Zhou et al., 2007:49). The perceived usefulness determinant comprises customers using the website believing that it will enhance their shopping productivity. Ease of use and perceived usefulness determine the attitude of the consumer and in turn will shape males and females' intention to buy online (Perea y Monsuwè, Benedict & de Ruyther, 2004:104). According to Lohse, Bellman and Johnson (2000:5), males spend slightly more money online than their female counterparts. This may signify that males may have more positive attitudes towards online shopping than their female counterparts.

Regardless of the listed findings, research studies to address gender differences in online shopping with regard to perceived benefits and behaviour of online shopping, have to the researchers knowledge never been formally explored in the South African context. It is against this background that the problem statement is provided.

PROBLEM INVESTIGATED

Sathetkge (2013) stipulates that online spending in South Africa increased between 30% and 40% in 2012 compared to previous years. Elting (2013) states that the online industry in South Africa is growing fast, it is projected to double to R103bn by 2016 from R51bn recorded in 2011, and experts agree that South Africa is clearly emerging as a target for online shopping. According to Da Silva (2013), South Africa’s taste for e-commerce is intensifying, so organisations should keep a close eye on this market. According to Southafrica.info (2011), the growth rate of online retail in South Africa in 2010 was 30%, four times that of physical retail, which was 7%.

Due to the increased growth in the online shopping industry in South Africa, online organisations need an understanding of customer behaviours, attitudes and perceived benefits online because there is an opportunity for them to attract new customers and to retain current customers by serving their needs not only offline, but also online (Shopper Marketing Magazine, 2012:10).

Despite the research conducted on gender and behaviour in online shopping, retailers and e-retailers seem unaware of the effect of these concepts on their success. These retailers need a thorough understanding of online behaviours and how males and females assess the perceived benefits of online shopping. Furthermore, an increase in the usage of Internet shopping in South Africa necessitates determining their online shopping attitude, behavioural intent and perceived benefits of online shopping.

RESEARCH OBJECTIVES

Primary objective
To compare the perceived benefits of online shopping amongst male and female consumers.

Secondary objectives
To determine a demographic profile of respondents.
To uncover the online shopping behaviour of respondents.
To establish the perceived benefits respondents associate with online shopping.
To determine whether significant differences exist in the perceived benefits of online shopping amongst male and female online consumers.

**RESEARCH HYPOTHESIS**

AH₁: There are statistically significant differences in the way male and female consumers perceive the benefits of online shopping.

**RESEARCH METHODOLOGY**

**Research design**

The study was quantitative in nature. According to Burns and Bush (2010:235), quantitative research encompasses the use of structured questions, where response options have been predetermined, and a large number of respondents are involved. This study also applied a descriptive research design, the reason being that descriptive studies usually accommodate large sample sizes and make use of survey and questionnaire techniques to gather the necessary data required by a specific study (Malhotra, 2009:244).

**Population and sample**

The target population for this study comprised of people who shop online in Gauteng. A non-probability sampling approach was followed and the convenience sampling technique applied. A total of 358 questionnaires were completed.

**Data collection method**

A survey method was used for this particular study and self-administered questionnaires were used to collect responses. This type of data collection mode allows the researcher to reduce interviewer evaluation fear and costs, because there is no interviewer involved (Burns & Bush, 2010:275). Structured questions and a quota sampling method were used to elicit responses.

**Measuring instrument**

The measuring instrument used was a self-administered questionnaire and was developed and validated by Javadi et al. (2012). With self-administered questionnaires there is no researcher involved so the respondent should read and answer the questionnaire him/herself. Because no researcher or computer is involved, the questionnaire should be designed with care (Zikmund & Babin, 2007:143). The questionnaire consisted of a screening question that read “Have you purchased products (e.g. books, tickets, accommodation) via the Internet?” This allowed online consumers to be separated from non-online consumers for the analysis. The instrument also consisted of four sections. A seven-point Likert scale was used in Sections A,B and C of the questionnaire, where 1 is ‘Strongly disagree’ and 7 is ‘Strongly agree’. In Section D and E of the questionnaire a Nominal and Ordinal Scale was used. A total of seventeen (17) statements were used relating to the benefits of online shopping and a total of five (5) statements were used relating to the behaviour of online shopping. The questionnaire was pretested before it was fielded among the target population of the study.

**Data analysis**

The data on the questionnaire was entered into a computer, coded and edited for analysis by using a software package called Statistical Package for Social Sciences (SPSS) version 21. A normality test and the sample size determined whether a parametric or non-parametric test should be used to test the formulated hypothesis (Vercueil, Petzer & De Meyer, 2011:133). The frequency distribution of all the scale item results was examined to determine whether the data was distributed normally. According to West, Finch and Curran (1995:79), the distribution of the results can be considered normal when they display a skewness of less 2.00 and a kurtosis of less than 7.00. The results showed that parametric testing is suitable for hypothesis testing, because all the scale items that were used for this particular survey fall within the boundaries. An independent sample t-test was used to analyse the results and to determine whether statistical significant differences exist in the way male and female consumers perceive the benefits of online shopping.

**RESULTS**

**Reliability**

According to Gliem and Glien (2003:87), Cronbach’s alpha reliability coefficient ranges between the values 0 and 1. The closer the Cronbach’s alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale. The reliability statistics of this study are indicated in Table 1. The measurement set of perceived online shopping benefits has a Cronbach alpha value of 0.892, indicating that the set is reliable. Hair, Wolfinbarger, Ortinau & Bush (2010) state that Cronbach alpha values of 0.8 or higher are considered as
high reliability; those between 0.70 and 0.80 are regarded as having good reliability; values between 0.60 and 0.70 are fair; and coefficients lower than 0.60 are questionable.

**Table 1: Reliability statistics**

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived benefits</td>
<td>0.892</td>
</tr>
</tbody>
</table>

**Validity**

A valid measurement is a measure that is truthful (Burns & Bush, 2010:319). According to Okoli and Pawlowski (2004:5), validity can be assured by means of a careful survey design and pretesting. Another way in which validity can be measured, is by aligning the content of the questionnaire with the research objectives of the study (Van Tonder & Ehlers, 2010:300). According to Burns and Bush (2010:60), with a larger sample (n = 358) the results will be more truthful.

**Demographic profile of respondents**

A total of 358 respondents participated in the study of whom 50.8% were female and 49.2% were male (refer to Table 2). The majority of the respondents (55.5%) were between 20 and 29 years (refer to Table 3). The language of the majority of the respondents was English (55.9%), followed by Nguni (14.8%) and then Sotho (12.3%) (refer to Table 4).

**Table 2: Gender of respondents**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>176</td>
<td>49.2</td>
</tr>
<tr>
<td>Female</td>
<td>182</td>
<td>50.8</td>
</tr>
<tr>
<td>Total</td>
<td>358</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 3: Age of respondents**

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 or younger</td>
<td>15</td>
<td>4.2</td>
<td>2.9</td>
<td>5.6</td>
</tr>
<tr>
<td>20-29</td>
<td>197</td>
<td>55.5</td>
<td>55.4</td>
<td>55.6</td>
</tr>
<tr>
<td>30-39</td>
<td>78</td>
<td>22.0</td>
<td>21.7</td>
<td>22.2</td>
</tr>
<tr>
<td>40-49</td>
<td>35</td>
<td>9.9</td>
<td>11.4</td>
<td>8.3</td>
</tr>
<tr>
<td>50-59</td>
<td>25</td>
<td>7.0</td>
<td>5.7</td>
<td>8.3</td>
</tr>
<tr>
<td>60 or older</td>
<td>5</td>
<td>1.4</td>
<td>2.9</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>355</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Table 4: Language of respondents**

<table>
<thead>
<tr>
<th>Language</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afrikaans</td>
<td>37</td>
<td>10.3</td>
</tr>
<tr>
<td>English</td>
<td>200</td>
<td>55.9</td>
</tr>
<tr>
<td>Nguni (Zulu, Xhosa, Swati, Ndebele)</td>
<td>53</td>
<td>14.9</td>
</tr>
<tr>
<td>Sotho (Sepedi, SeSotho, Tswana)</td>
<td>44</td>
<td>12.3</td>
</tr>
<tr>
<td>Venda / Tsonga</td>
<td>13</td>
<td>3.7</td>
</tr>
<tr>
<td>French</td>
<td>6</td>
<td>1.8</td>
</tr>
<tr>
<td>Portuguese</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Shona</td>
<td>3</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>358</td>
<td>100</td>
</tr>
</tbody>
</table>

**Descriptive statistics**

**Behaviour**

**Table 5: Male and female respondents’ behaviour towards online shopping**

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
<th>Percentage Male</th>
<th>Percentage Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>I use the Internet mostly</td>
<td>Browsing</td>
<td>51.7</td>
<td>43.4</td>
</tr>
</tbody>
</table>
For:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information search</td>
<td>48.9</td>
<td>46.7</td>
</tr>
<tr>
<td>E-mails</td>
<td>50.6</td>
<td>51.6</td>
</tr>
<tr>
<td>Chatting</td>
<td>19.3</td>
<td>26.9</td>
</tr>
<tr>
<td>Work</td>
<td>34.7</td>
<td>35.7</td>
</tr>
<tr>
<td>Social networking</td>
<td>38.1</td>
<td>41.8</td>
</tr>
<tr>
<td>Blogging</td>
<td>8</td>
<td>8.2</td>
</tr>
<tr>
<td>Entertainment</td>
<td>27.8</td>
<td>29.1</td>
</tr>
<tr>
<td>Buying</td>
<td>34.1</td>
<td>30.8</td>
</tr>
<tr>
<td>Banking</td>
<td>44.3</td>
<td>37.9</td>
</tr>
<tr>
<td>Product search</td>
<td>29</td>
<td>24.2</td>
</tr>
<tr>
<td>Do not use</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>1.1</td>
<td>0.6</td>
</tr>
</tbody>
</table>

For how long have you been using the Internet?

<table>
<thead>
<tr>
<th>Duration</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>18.9</td>
<td>22.7</td>
</tr>
<tr>
<td>5 years or more</td>
<td>81.1</td>
<td>76.8</td>
</tr>
</tbody>
</table>

How many times have you bought things on the Internet (during the past six months)?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>7.4</td>
<td>6.1</td>
</tr>
<tr>
<td>1-2 times</td>
<td>25.6</td>
<td>34.4</td>
</tr>
<tr>
<td>3-5 times</td>
<td>31.3</td>
<td>37.2</td>
</tr>
<tr>
<td>6-10 times</td>
<td>15.9</td>
<td>10.6</td>
</tr>
<tr>
<td>11-20 times</td>
<td>8</td>
<td>4.4</td>
</tr>
<tr>
<td>21 times or more</td>
<td>10.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Not sure</td>
<td>1.1</td>
<td>2.0</td>
</tr>
</tbody>
</table>

What do you prefer buying from the Internet?

<table>
<thead>
<tr>
<th>Category</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel (clothing and accessories)</td>
<td>11.9</td>
<td>20.9</td>
</tr>
<tr>
<td>Electronic goods</td>
<td>30.7</td>
<td>14.3</td>
</tr>
<tr>
<td>Books</td>
<td>21.6</td>
<td>29.7</td>
</tr>
<tr>
<td>Cinema tickets / Show tickets</td>
<td>36.9</td>
<td>47.8</td>
</tr>
<tr>
<td>Financial services / banking online</td>
<td>38.3</td>
<td>39</td>
</tr>
<tr>
<td>Things only available online</td>
<td>12.5</td>
<td>13.7</td>
</tr>
<tr>
<td>Tours / hotel / accommodation reservations</td>
<td>31.3</td>
<td>34.6</td>
</tr>
<tr>
<td>Airline tickets</td>
<td>39.2</td>
<td>40.1</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>0.6</td>
<td>0.5</td>
</tr>
</tbody>
</table>

In the past 6 months, what would be your estimate of online expenditure?

<table>
<thead>
<tr>
<th>Range</th>
<th>Male (%)</th>
<th>Female (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R500</td>
<td>19.4</td>
<td>24.9</td>
</tr>
<tr>
<td>Between R500 and R1 100</td>
<td>26.9</td>
<td>26.5</td>
</tr>
<tr>
<td>Between R1 100 and R1 500</td>
<td>15.4</td>
<td>13.8</td>
</tr>
<tr>
<td>Over R1 500</td>
<td>36.6</td>
<td>34.3</td>
</tr>
</tbody>
</table>

With regard to the statement “I use the Internet mostly for”: browsing, searching for information and e-mailing were the most common activities between male and female respondents. However, the analysis showed that male respondents agreed that they use the Internet mostly for browsing (51.7%) and e-mails (50.6%), while female respondents agreed that they mostly use the Internet for e-mails (51.6%) and information search (46.7%).

The results for the statement “For how long have you been using the Internet?” indicated that there are no statistically significant differences between males and females. The majority of males (81.1%) and females (76.8%) agreed that they have been using the Internet for 5 years and longer. However, males (81.8%) have slightly more experience in using the Internet than females (7.8%). In the statement “How many times have you bought things on the Internet (during the past six months)?”, the results indicated that the majority of males (31.3%) and females (37.2%) agreed that they have used the Internet 3-5 times in the past six months.

In the statement “What do you prefer buying from the Internet?”, the majority of males (39.2%) and females (40.1%) agreed that they buy airline tickets. The results also indicated that females (20.9%) prefer buying apparel online, more so than males (11.9). However, males (30.7%) prefer buying electronic goods more so than their female (14.3%) counterparts. This result supports the arguments made by Zhou et al. (2007:45), that males and females have different shopping orientations and the products they have an interest in are different. The majority of males (36.6%) and females (34.3%) answered that they spend over R1 500 a month, to the question, “In the past 6 months, what would be your estimate of online expenditure?”. However, males (36.6%) did spend more in the past 6 months on online shopping than their female counterparts (34.3%). This result supports the argument made by Zhou et al. (2007:45) that men spend more money online and make more online purchases than women.
**Perceived benefits**

Table 6: Perceived benefits statements

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I shop online as I can shop in privacy at home</td>
<td>4.84</td>
<td>1.741</td>
</tr>
<tr>
<td>I shop online as I do not have to leave home for shopping</td>
<td>4.78</td>
<td>1.772</td>
</tr>
<tr>
<td>I shop online as I can shop wherever I want</td>
<td>4.99</td>
<td>1.764</td>
</tr>
<tr>
<td>I shop online as I can save myself from chaos of traffic</td>
<td>4.90</td>
<td>1.815</td>
</tr>
<tr>
<td>I shop online as I can save myself from crowded shops</td>
<td>5.00</td>
<td>1.803</td>
</tr>
<tr>
<td>I shop online as I can get detailed product information online</td>
<td>4.89</td>
<td>1.734</td>
</tr>
<tr>
<td>I shop online as I get a broader selection of products online</td>
<td>4.75</td>
<td>1.718</td>
</tr>
<tr>
<td>Online shopping allows for easy price comparison</td>
<td>5.34</td>
<td>1.614</td>
</tr>
<tr>
<td>I shop online as I get user/expert reviews on the product</td>
<td>4.59</td>
<td>1.780</td>
</tr>
<tr>
<td>I shop online as there is no embarrassment if I do not buy</td>
<td>3.80</td>
<td>2.120</td>
</tr>
<tr>
<td>I shop online as I can take as much time as I want to decide</td>
<td>4.89</td>
<td>1.862</td>
</tr>
<tr>
<td>I use online shopping for buying products which are otherwise not easily available in a nearby shop</td>
<td>5.34</td>
<td>1.752</td>
</tr>
<tr>
<td><strong>Online shopping makes my shopping easy</strong></td>
<td>5.20</td>
<td>1.569</td>
</tr>
<tr>
<td><strong>Online shopping gives me better control of my expenses</strong></td>
<td>3.89</td>
<td>1.789</td>
</tr>
<tr>
<td>I find online shopping compatible with my lifestyle</td>
<td>4.61</td>
<td>1.692</td>
</tr>
</tbody>
</table>

Table 6 provides the mean scores and the standard deviations for the level of agreement respondents indicated with regard to perceived benefits of online shopping. The respondents agreed most strongly with the statements “Online shopping allows for easy price comparison” (mean = 5.34), and “I use online shopping for buying products which are otherwise not easily available in a nearby shop” (mean = 5.34). Respondents agreed the least with the statement “I shop online as there is no embarrassment if I do not buy” (mean = 3.29).

Table 7: The perceived benefits of online shopping amongst male and female online consumers

<table>
<thead>
<tr>
<th>Statement</th>
<th>Gender</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I shop online as I can shop in privacy at home</td>
<td>Female</td>
<td>4.74</td>
<td>1.770</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>4.94</td>
<td>1.710</td>
</tr>
<tr>
<td>I shop online as I do not have to leave home for shopping</td>
<td>Female</td>
<td>4.63</td>
<td>1.911</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>4.93</td>
<td>1.608</td>
</tr>
<tr>
<td>I shop online as I can shop wherever I want</td>
<td>Female</td>
<td>4.97</td>
<td>1.832</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>5.01</td>
<td>1.695</td>
</tr>
<tr>
<td>I shop online as I can save myself from chaos of traffic</td>
<td>Female</td>
<td>4.75</td>
<td>1.923</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>5.06</td>
<td>1.687</td>
</tr>
<tr>
<td>I shop online as I can save myself from crowded shops</td>
<td>Female</td>
<td>4.85</td>
<td>1.943</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>5.14</td>
<td>1.641</td>
</tr>
<tr>
<td>I shop online as I can get detailed product information online</td>
<td>Female</td>
<td>4.77</td>
<td>1.821</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>5.02</td>
<td>1.633</td>
</tr>
<tr>
<td>I shop online as I get a broader selection of products online</td>
<td>Female</td>
<td>4.74</td>
<td>1.748</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>4.76</td>
<td>1.691</td>
</tr>
<tr>
<td>Online shopping allows for easy price comparison</td>
<td>Female</td>
<td>5.26</td>
<td>1.742</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>5.43</td>
<td>1.471</td>
</tr>
<tr>
<td>I shop online as I get user/expert reviews on the product</td>
<td>Female</td>
<td>4.43</td>
<td>1.852</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>4.74</td>
<td>1.694</td>
</tr>
<tr>
<td>I shop online as there is no embarrassment if I do not buy</td>
<td>Female</td>
<td>3.65</td>
<td>2.146</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>3.94</td>
<td>2.089</td>
</tr>
</tbody>
</table>
Table 7 provides the mean scores and the standard deviations for the level of agreement male and female respondents indicated with regard to perceived benefits of online shopping. Male respondents agreed most strongly with the statements, “Online shopping allows for easy price comparison” (mean = 4.3), and “Online shopping makes my shopping easy” (mean = 5.33). Male respondents agreed the least with the statement “I shop online as there is no embarrassment if I do not buy” (mean = 3.94).

On the other hand, female respondents agreed most strongly with the statements “I use online shopping for buying products which are otherwise not easily available in a nearby shop” (mean = 5.36), and “Online shopping allows for easy price comparison” (mean = 5.26). Female respondents agreed the least with the statement “I shop online as there is no embarrassment if I do not buy” (mean = 3.65).

RESULTS OF HYPOTHESIS FORMULATED FOR THIS STUDY
Several findings were observed with respect to the hypothesis formulated for this study. With regard to the alternative hypothesis, “there are significant differences in terms of the way male and female consumers perceive the benefits of online shopping”, the following can be reported:

Male and female respondents don’t differ significantly in terms of the scale item “I shop online as I get a broader selection of products online”. Males agree slightly more that they can get a broader selection of products (mean = 4.76) than females (mean = 4.74, p-value = 1.748) when shopping online.

Male and female respondents don’t differ significantly in terms of the scale item “I shop online as I can shop wherever I want”. Males agree slightly more that they can shop wherever they want (mean = 5.01) than females (mean = 4.97, p-value = 1.832) when shopping online.

Male and female respondents don’t differ significantly in terms of the scale item “I use online shopping for buying products which are otherwise not easily available in a nearby shop”. Females agree slightly more that they can buy products which are otherwise not easily available in a nearby shop (mean = 5.36) than males (mean = 5.32, p-value = 1.676) when shopping online.

Male and female respondents don’t differ significantly in terms of the scale item “I shop online as I can take as much time as I want to decide”. Males agree slightly more that they can take as much time as they want to decide (mean = 4.91) than females (mean = 4.86, p-value = 1.980) when shopping online.

Male online consumers (mean= 4.88) have higher perceptions of perceived online shopping benefits, than female online consumers (mean=4.68).

The overall p-value for the differences between perceived benefits is 0.107. This implies that the alternative hypothesis is rejected. The null hypothesis that states: “There is no significant difference between the different gender groups with respect to perceived benefits” is therefore not rejected.

DISCUSSION AND RECOMMENDATIONS
This section provides a brief description of the managerial implications of the results of this study. It explores the perceived benefits of online shopping as well as the online customer behaviour in South Africa.
Perceived benefits of online shopping

When it comes to online marketing, organisations should understand their customers and specifically how they use the Internet. This will assist an organisation to communicate their marketing message to the right audience and to also grab their attention. This study focused on how males and females in South Africa perceive online shopping benefits and their online behaviour. The following recommendations will therefore help organisations stimulate more online sales and make males and females more active in online purchases.

The results indicated that male (mean = 4.88) and female consumers (mean = 4.68) have the same perceptions of perceived benefits of online shopping. Therefore, when targeting male and female consumers online, organisations need not have different strategies for the two gender groups. However, more proactive steps need to be taken to improve their perceptions of online benefits. These steps may include, (1) to provide maximum customer satisfaction with each transaction, (2) to emphasise the benefits of online shopping in marketing communications, and (3) to reduce the risks of online shopping in marketing communications.

Furthermore, the results also revealed that both males (mean = 5.43) and females (5.26) strongly agreed that online shopping allows for easy price comparison, although males agreed slightly more. Online organisations should make use of price comparison services to emphasise the perceived benefit of online price comparison. Organisations that sell electronic goods should put even greater emphasis on these services as males value this benefit more than their female counterparts. In addition, it was also established that females (mean = 5.36) agree more with the perceived online shopping benefit of “buying products which are not easily available in a brick and mortar shop of close proximity”, compared to their male (mean = 5.32) counterparts. This has a major effect on organisations as customers have more variety on the Internet at lower prices. To succeed, online organisations need to focus on providing females with unique products, not available at their local retailers. Online retailers can achieve this by sourcing goods from other countries, which aren’t readily available in their domestic market. This may ultimately lead to a sustainable competitive advantage.

Online behaviour

Today, women represent a large segment of online buyers. The results of this study indicated that the majority of women who shop online purchase clothing, accessories, books and cinema/show tickets, while men mostly purchase electronic goods. Therefore, online organisations should target male consumers with more discounts and promotions for electronic goods, while targeting female consumers for clothing and apparel purchases. The results furthermore indicated that the majority of females (51.6%) use the Internet mostly for e-mails, while men (51.7%) use the Internet mostly for browsing. Because females use the Internet mostly for e-mails, organisations should communicate to females via e-mail in their online campaigns.

A total of 41.8% of female, compared to 38.1% of male online shoppers indicated that they used the Internet mostly for social networking. This result supports the arguments made by Jen-Hung and Yi-Chun (2010:850), who found that women tend to enjoy shopping because of sociality, while men are less motivated by social interaction. Because women are leisure-oriented and not task-oriented such as men, organisations should use social shopping sites to integrate social aspects into the online shopping experience of females, in order to respond to the lack of sociality in online shopping. With online shopping, customers have no human interaction with an employee of the organisation. Virtual interactions in online shopping can serve as a replacement for face-to-face contact experienced in traditional shopping. This result supports the arguments made by Walker et al. (2002) that females view the service encounter as a social experience and prefer to rather deal with people, than with a technologically facilitated means of service provision. Social aspects like product opinions, reviews, ratings, suggestions and location-based shopping sites need to be emphasised in online marketing to females.

Organisations can do this by making online shopping pleasurable for females. This can comprise to: include an option on the website that enables females to share their online product, let them tag their friends to specific products, enable them to share ideas or get feedback, make use of website avatars, enable them to rate products, and lastly have location-based shopping sites that alert females about shopping deals in their neighbourhood. All of these social aspects will help to overcome the barrier of no human interaction in online shopping, when compared to brick-and-mortar stores. By leveraging social media marketing, organisations should attempt to attract more females to boost their sales, because females view shopping as a social experience. Males on the other hand, are not concerned about integrating social media into their online shopping; for them ease is key. According to the perceived benefits of online shopping, the hypothesis test
revealed that male online customers agreed more with the statement that online shopping makes their shopping easier. This implies that male shoppers want to get the right items that fit their needs, and they want to get them fast i.e. they are task-oriented. Online organisations should communicate to males and females separately online, because of their different needs and wants.

LIMITATIONS OF THE STUDY AND FUTURE RESEARCH
This study has a few limitations that need to be pointed out when interpreting the results. The first imitation of this study is the use of students as the only distribution tool because it resulted in a very young sample. The results revealed that the majority of respondents in the study were between the ages of 20-29. However, the use of students as samples is widespread in e-commerce and measuring online behaviour. The pattern of findings is similar among student and non-student samples (Hasan, 2010:600). The study also only focused on the Gauteng area, and can therefore not be viewed as representative of the online shopping industry in South Africa. Future research may also include the other geographical areas in the country.

CONCLUSION
While the online shopping industry in South Africa grew rapidly between 30% and 35% during 2012, and is still far from mature, studies of gender differences in online shopping behaviour and motivations to shop online are scarce (Business Day Live 2013). This article proposes a framework to help researchers’ understanding of consumers’ behaviour in online shopping based on gender and their motivation/perceived benefits to shop online. The findings of the study provide strong support for the research objectives and were congruent with the hypothesis that there aren’t gender differences in perceived benefits of shopping online. The empirical results didn’t reveal significant differences between male and female online shoppers, perceived benefits, and behaviour towards online shopping. In conclusion, the Internet may well serve as a major shopping tool among males and females in South Africa, and it was therefore crucial to discover the factors that drive female and male participation in online shopping.

REFERENCE LIST


PERCEPTIONS OF ORGANISATIONAL COMMITMENT WITHIN A SELECTED CHINESE ORGANISATION IN SOUTH AFRICA

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Rhodes University
L. Louw
Rhodes University

ABSTRACT
The primary aim of this research was to conduct an empirical study into the levels of and factors influencing the organisational commitment of South African employees in a selected Chinese organisation in South Africa. The findings of this research revealed ten factors which are perceived to influence the commitment of South African employees within the organisation, namely: Open communication, Leadership, Supervisory support, Opportunities for training and development, Compensation, Job security, Promotional opportunities, Shared values, Recognition and Trust. The majority of the participants were perceived to demonstrate high levels of affective, normative and continuance commitment.

Key words: Local employees, Organisational commitment, Chinese organisations

INTRODUCTION
Chinese organisations are believed to be benefiting from increasing support from the Chinese government to enter into Africa (Corkin & Burke 2006: 7). So much so, that bilateral trade between China and Africa rose from 10.6 billion US dollars in 2000 to over 160 billion US dollars in 2011 (Cissé 2012; Bräutigam 2011a: 1; Bräutigam & Xiaoyang 2011: 27; Abkowitz 2009: 57). Furthermore, investments amounted to more than 13 billion US dollars between Africa and China in 2011 (Cissé 2012). It is believed that in 2011 over 2 000 Chinese organisations were operational in Africa, contributing greatly to employment in Africa (Cissé 2012; Latham 2011: 1).

Concerns have, however, been raised by China’s reputation as being characterised by a lack of work, health and industry standards, often resulting in poor working conditions and a lack of basic worker rights (Bräutigam 2011b: 4; Zadek, Xiaohong, Zhaoxi, Tao, Yan, Yu, Forstater & Morgan 2009: 21). Concerns have also been expressed about the limited Chinese knowledge of local African culture and practices, which may result in a large number of imported Chinese human resources instead of focusing on local employment and training (Zadek et al. 2009: 22). It is reported that in 2009 roughly 187 396 Chinese citizens were working on the African continent (Bräutigam 2011a: 1). If a lack of cultural understanding and cooperation between Chinese employers and African employees exists, together with a range of other possible factors, including poor employment standards, this could lead to a negative effect on the organisational commitment of local employees and therefore a negative effect on Chinese business interests in Africa. Organisational commitment of local employees is therefore an important factor for consideration.

Organisational commitment continues to be an important area of research in the field of management, as it is associated with positive organisational outcomes (Chen 2009; Sharma & Irving 2005: 25; Arnolds & Boshoff 2004: 53). The importance of studies on organisational commitment theory within developing countries, across cultures and within multinational organisations has been highlighted by Chen (2009) and Cheng and Stockdale (2003). Employee commitment is believed to often differ across cultures and nationalities within multinational organisations (Chen 2009; Luthans, McCaul & Dodd 1985: 219; Randall 1993). There are also deemed to be likely differences in cultural and managerial practices between the Chinese and South Africans (Corkin & Burke 2006; Hempel 2001: 203). Therefore, gaining an understanding of employees’ commitment, and the factors which influence their commitment, is of important in order to promote Chinese business success and the most appropriate management of local human resources.

LITERATURE REVIEW
China in Africa
China’s involvement with the African continent has grown remarkably over the past decade, with China now becoming one of the major role players in the African economy. China’s involvement has raised Africa’s value, offering Africa a new political voice, stimulating trade, and Western interest and competition within the continent (Meidan 2006: 92). Many African leaders therefore place great importance on the value of Chinese relations (Latham 2011: 1).
Unlike the beliefs of many Western critics, China’s interest in the African continent is not limited to its resources (Brautigam 2011b: 8). Although Chinese reasons may differ between industries and particular African countries, it is generally believed that China’s interest in Africa can be generalised into three broad motives, namely, resource seeking, market seeking and political seeking activities (Jackson 2012: 19; Muyakwa 2009: 11-12; Lafargue 2005: 1). Such interaction is believed to ultimately have an influence at organisational level (Jackson 2012: 19). China’s market seeking motives in Africa are of particular relevance to this study.

Moreover, the availability of trained local employees, or the available potential of appropriate local employees for training, is often vital to ensure the sustainability of any operation abroad (Toh & DeNisi 2005). It is thus important for Chinese organisations to engender the trust and commitment of their South African employees.

Organisational commitment
Organisations not only need to secure and appoint good employees, but more importantly need to create a committed workforce. Committed employees are believed to be one of the most important factors in determining the success of an organisation in a competitive market (Jafri 2010: 63). Organisations cannot therefore succeed without the efforts and commitment of their employees (Mosadeghrad, Ferlie & Rosenberg 2008: 211). Committed employees will place high value on job performance, and invest their personal resources in ensuring work-place success, while accepting challenging work activities (Meyer & Allen 1997).

Additionally, a committed workforce will often result in a lower staff turnover. This, in turn, will result in a stable and highly productive organisation (Arnolds & Boshoff 2004: 53; Meyer & Allen 1997; Morrow 1993). A committed workforce will not only reduce turnover, but is also deemed to reduce employee absenteeism - a highly disruptive and unpredictable cost for any organisation (Cohen 1992: 539).

Despite the lack of a single accepted definition of organisational commitment, there is a core essence which characterises it among the multiple descriptions (Lesabe & Nkosi 2007: 35). The multiple definitions found in the literature share a common theme in that organisational commitment is considered to be a psychological link between employees and their organisations. For the purposes of this study and in line with the accepted definitions of multiple authors (Yiing & Ahmad 2009: 56; Hart & Willower 2001: 74; Byrne 1998: 11; Porter et al. 1974: 604), organisational commitment will be defined as an individual’s identification with the organisation, including a strong belief in the organisation’s goals. It includes a willingness to exert extra effort on behalf of the organisation, and a desire to remain an employee of the organisation.

In order to gain a deeper understanding of the influence of commitment on work related behaviour, it is important to acknowledge that organisational commitment is a complicated concept which can take various forms and dimensions (Vallejo 2009: 380). A number of multidimensional models of organisational commitment have thus been developed by researchers, each with different motives and strategies (eg. Jaros, Jermier, Koehler & Sincich 1993; Meyer & Allen 1991; Penley & Gould 1988; O’Reilly & Chatman 1986; Angle & Perry 1981). Of the multidimensional models which have been developed, the three-component model proposed by Meyer and Allen (1991) has become the most widely accepted in recent literature (Batool & Ullah 2013: 12; João & Coetzee 2012: 69; Jonathan, Darroux & Thibeli 2013: 86; Kaur & Sandhu 2010; Fu et al. 2009). According to Meyer and Allen’s (1991) three-dimensional model, commitment can take three unique forms, namely; affective, continuance and normative commitment.

Affective commitment is believed to refer to an employee’s identification with and emotional attachment to an organisation. Employees with strong affective commitment will remain with an organisation because they wish to do so (Yiing & Ahmad 2009: 56; Meyer & Allen 1997: 11). These individuals are deemed to be highly committed to making a positive contribution to the organisation (Vallejo 2009). Continuance commitment refers to an employee’s commitment based on the costs and risks the employee associates with leaving the organisation (Yiing & Ahmad 2009: 56). Employees with high levels of continuance commitment believe they must remain employed with the organisation because of the investment of time and effort already put into the organisation, or due to the belief that they may have difficulty in finding new employment elsewhere (Aamodt 2004: 323). Therefore, employees with strong continuance commitment will remain with the organisation as they feel they have to do so (Meyer & Allen 1991). Normative commitment relates to an employee’s commitment based on a sense of obligation or duty to the organisation, even if the organisation is facing problems and challenges (Meyer & Allen 1991: 67). Employees with strong normative commitment will therefore stay with an organisation because they feel they ought to do so (Meyer & Allen 1991).
In order to efficiently manage organisational commitment, it is important to understand the factors that contribute to its development (Meyer & Allen 1997: 4). Although other factors may exist, the researchers identified eight factors which were deemed appropriate for the context of the study. These factors have all been linked to organisational commitment, but have never been applied to South African employees working within a Chinese organisation. Following an extensive literature review, the following factors were identified, namely: Open communication, Leadership, Supervisory support, Opportunities for training and development, Compensation, Job security, Promotional opportunities and Shared values. These factors are discussed below.

**Open communication:** Business strategies, goals and performances should be clearly communicated to all employees, encouraging regular constructive feedback (Rego & Cunha 2006: 19-20). Open and regular communication with employees should therefore exist within an organisation (Venter, Farrington & Finkelstein 2010). Such communication with employees is deemed to have a positive influence on employee commitment, and is deemed to assist in building trust, employee satisfaction and work place relationships (Rego & Cunha 2006: 19; Haugh & McKee 2003: 144).

**Leadership:** A significant body of literature has highlighted the link between leadership and employee commitment (Davenport 2010: 278-279; Vallejo 2009: 138; Yiang & Ahmad 2009: 56-58; Lesabe & Nkosi 2007: 40; Pierce & Dunham 1987: 164; Morris & Sherman 1981). Leaders who demonstrate commitment to the organisation and serve as an example of the desired changes within the organisation are important for organisational success (Iqbal 2010: 17). If employees perceive leaders to be committed and dedicated, it will build employee commitment to the organisation and its vision (Chawla & Renesch 2006: 96).

**Supervisory support:** The primary goal of a supervisor is to provide employees with the direction and support required in order to achieve their goals, as well as those of the organisation (Yiang & Ahmad 2009: 54). The perceived level of supervisory support experienced by employees is deemed to have an influence on their organisational commitment (Venter et al. 2010; Aube, Rousseau & Morrin 2007). Recognition from superiors gives employees a sense of self-worth, importance and ultimately motivation to perform within the organisation (Dockel 2003; Agarwal & Ferratt 1999).

**Job security:** Employees who perceive their jobs to be insecure will often be less motivated to perform their work tasks (Klandermans, Hesselink & Van Vuuren 2010: 4). It is believed that many individuals have experienced job losses and sustained unemployment, due to many organisations engaging in restructuring, mergers, downsizing and acquisitions (Hirsch & De Soucey 2006: 171). Perceived job security therefore plays an important role in an employee’s commitment to an organisation (Buitendach & De Witte 2005: 27; Yousef 1998).

**Opportunities for training and development:** The continual training and development of an organisation’s employees is deemed to be important for organisational development, adaptability and success (Asche & Schuller 2008). Meyer and Allen (1997: 69) believe that the training and development of employees are important for providing opportunities for employee advancement, and may be perceived as a demonstration of the value the organisation places on its employees, ultimately building commitment to the organisation. It is believed that if organisations give employees the opportunity to be trained, and later apply their skills, it may lead to a positive psychological attachment to the organisation (McElroy 2001; Jiang & Klein 2000).

**Compensation:** Employee compensation is deemed a fundamental factor in the retention of employees. Compensation from an employer provides employees with a sense of security, recognition and self-worth. Compensation is therefore of great importance to most employees (Lesabe & Nkosi 2007: 40; Hoyt & Gerdoff 1999). Higginbotham (1997) asserted that although high salaries are not essential, employees who perceive their compensation to be “good” or “fair” are more likely to be committed to the organisation.

**Promotional opportunities:** Promotions within an organisation are deemed to provide employees with opportunities for personal growth, increased responsibility and increased social status (Mezzinsson, Mosely & Pietrie 1992: 433). As a result, it has been asserted that an employee’s perceived opportunities for promotion are likely to influence the level of commitment to the organisation (Iqbal 2010: 17; Giffords 2009; Lok & Crawford 2004: 321; Moorhead & Griffen 1992; McCormick & Ilen 1985: 314).

**Shared values:** Shared values between the organisation and the individual employee are deemed to be a contributing factor to employee commitment (Venter et al. 2010; Hyde & Williamson 2000; Posner & Schmidt 1993: 174). It has been asserted that the existence of shared values amongst the organisation and its employees offers the organisation a competitive advantage, a basis for the alignment of employees, steers the organisation’s reaction to potential crisis, and ultimately results in employee commitment to the organisation (Hyde & Williamson 2000: 3-4).

**RESEARCH PROBLEM AND OBJECTIVES**

In an attempt to address the gap in the literature pertaining to the organisational commitment of South African employees in foreign Chinese organisations, the main aim of this research is to conduct an empirical study into the levels of and factors influencing the organisational commitment of South African employees in a selected Chinese organisation.
More specifically, in order to achieve the main aim of this research, the following objectives have been formulated, namely to:
To identify and describe key factors influencing local employee commitment.
To identify and describe current commitment levels amongst local employees.
To propose recommendations to improve local employee commitment and its implications for the appropriate management of human resources within a Chinese organisation in South Africa.

RESEARCH DESIGN AND METHODOLOGY

For the purpose of this study, a single case study approach, located within the phenomenological research paradigm, was used (Collis & Hussey 2003: 66). A large Chinese organisation, which manufactures and distributes electronics and appliances in South Africa, agreed to participate in this study. The research made use of a descriptive case study design. The participants in this study were selected using purposive sampling, a non-probability sampling technique (Welman & Kruger 2001: 63). With the assistance of the organisation’s regional manager, appropriate participants, across hierarchical levels within the organisation, were selected. Data were collected by means of in-depth, semi-structured interviews with 20 participating employees. Data were collected at four organisational branches: two in Gauteng, one in Cape Town and another in Port Elizabeth. Participants included six females and fourteen males. Two of the participants were Coloured, ten Black, one Indian and seven White. Four of the participants were employed in managerial positions, three in supervisory positions and thirteen in technical positions. Participants were numbered P1-P20, and will be referred to as such. Moreover, although the interview transcripts were the primary source of data, the collection process was enriched with the use of organisational and participant observations. Such observations are believed to provide important details and insights into the research, which are important for the triangulation of data (Remenyi 2013: 199).

In order to assist with the interview process, an interview guide was developed.

The researchers analysed the data using content analysis. The qualitative data collected for this study were analysed manually, making use of Tesch’s (1990) model of content analysis, as well as the researchers’ own understanding of qualitative data analysis. In assessing the quality of the analysis, the four criteria for reliability as identified by Lincoln and Guba (1985) were considered, namely confirmability, credibility, transferability and dependability.

FINDINGS

In this section the findings pertaining to the factors influencing commitment and the levels of commitment will be given.

Factors influencing commitment

The findings given in this section address the first objective, namely to identify and describe key factors influencing local employee commitment. The findings revealed two additional factors, which were not included in the theoretical framework, have an influence on organisational commitment in the organisation, namely Recognition and Trust. The findings on the factors which influence organisational commitment will be discussed in this section.

Open communication: Fifteen of the 20 participants believed communication in the organisation to be open, with the remaining participants having a neutral or mixed view on the matter. Three communication categories emerged from the data, namely: Open door policy (P1; P2; P3; P5; P12; P16) Feedback (P7; P9; P10; P16) and Irregular communication (P11; P13; P17; P19; P20). Participants generally described an open door policy in the organisation, and highlighted that they felt they have the freedom to speak directly to managers, and discuss any problems they may have. The findings indicate that an open environment within the organisation is of great importance to its management and employees. Managers are perceived to be making a conscious effort to listen to employees, enable employees to freely communicate with them, and take the time to resolve issues which have been raised. The findings suggest that the ability to freely communicate with all levels of management has a positive influence on the participants’ perceived open communication in the organisation. Participants demonstrated that the organisation’s management provided feedback which gave the employees a sense of direction and motivation. It was evident that the feedback participants received from managers influenced their positive feelings regarding the organisation’s open communication. The findings indicate that a number of participants believed a lack of regular communication was however hampering effective open communication in the organisation. Although the findings suggest that managers recognised the importance of open communication, managers may need to communicate with their staff on a more regular basis.
Leadership: Participants generally had positive feelings regarding how knowledgeable the organisation’s leadership were, and demonstrated great faith in their leaders, describing them as “knowledgeable” (P2; P3; P6; P12; P13; P15), “skilled” (P1; P5; P12; P13; P14; P18), and “experienced” (P1; P4; P9; P16; P20). Participants contributed valuable information regarding the leadership styles of the Chinese managers. The Chinese managers’ leadership style was generally seen in a favourable light, and Chinese managers were described as “diligent” (P5; P6; P10; P14; P16), “committed” (P12; P14; P16) and “stern” (P1; P2; P3; P5; P11; P12). Participants described the diligence with which they believed Chinese managers worked, and described them as deeply committed to the organisation. The findings relating to the South African managers however, revealed a leadership style contrary to that of the Chinese managers. The South African managers were described as “relaxed” (P3; P5; P12; P17; P19), and “open” (P6; P10; P17; P19; P20). The findings indicate that the South African managers practise what may be best described as a participative and transparent leadership style. Their leadership style involves having a close, open and supportive relationship with the staff. Another positive finding for the organisation was the fact that participants generally felt strongly about there being no need for a change in the organisation’s leadership.

Supervisory support: Participants generally highlighted a positive relationship with their immediate supervisors, the majority of whom were South African. Certain participants indicated that they consider their relationship with their supervisors to be more than just a working relationship, and to involve a level of mutual friendship. Participants indicated that they could often confide in their supervisors with personal matters, some of whom would socialise with their supervisors out of the work environment (P4; P7; P16; P20). A number of participants demonstrated the encouragement and support they felt from their supervisors while performing their work (P1; P2; P6; P14; P20). While discussing his positive relationship with his supervisor, a technical employee highlighted: “My supervisor is very supportive of me and the rest of the team. We can always talk to him about any problems that come up, and he will guide us through the problem if he is able to help” (P6). The finding suggests that the support they received from their supervisors is greatly appreciated by employees, and has a positive effect on their perceptions of their job and the organisation. Certain participants however insisted that although supervisors listened to their concerns and suggestions, they were slow to take action (P3; P12; P19). The findings suggest that the slow speed at which some supervisors were perceived to take action is an area of frustration for some of the employees. Participants further noted that regular communication is an area which can be improved upon (P1; P3; P8; P12; P15; P19).

Opportunities for training and development: The majority of the participants expressed clear negative views on their current training and development opportunities in the organisation (P1; P2; P3; P6; P7; P8; P9; P10; P12; P14; P15; P17; P19; P20). The findings suggest that once an employee is appropriately trained to fill a particular position, future opportunities to be trained and develop into new positions were perceived by certain employees to be “simply not be there” (P19). A number of participants (P1; P9; P19) believed that this situation is caused by the organisation as it hires employees who already hold the skills to do the job, instead of training those who are already in the organisation to fill these positions. In this regard, P1 described how the technicians at the smaller branches were only Chinese nationals, as it was deemed easier for the organisation to bring in qualified technicians from China, rather than training and employing South Africans. Participants highlighted two changes in the current training and development opportunities in the organisation that they would like to see. Firstly, they expressed a need for the organisation to send employees to formal, accredited courses at colleges, or alternatively to subsidise employees’ part-time studies, which are relevant to their jobs (P2; P6; P10; P11; P20). Secondly, participants insisted that they would like to see more internal training and development of employees through job rotation, and exposure to other employees, managers and departments in the organisation (P3; P4; P8; P9; P19). The ability of employees to rotate in the organisation was perceived to give employees a better understanding of the work others do in the organisation, expose them to something new, as well as potentially open doors for career advancement into other departments in the organisation.

Compensation: The majority of participants held negative views pertaining to the compensation received from the organisation (P1; P2; P6; P8; P10; P12; P14; P15; P17; P19; P20), although a number of participants believed that their compensation to be fair and reasonable (P3; P4; P5; P9; P11; P13; P16). All participants who expressed negative views regarding their compensation believed the remuneration offered to simply be inadequate to meet their financial needs. Researchers noted that more complaints were received from the lower level employees, with supervisory and managerial employees seeming generally more content with their compensation. Moreover, the findings indicated a number of employees were disgruntled with the fact that employee benefits are not offered to all employees. While discussing his compensation, a technical employee commented: “...it’s really not a nice salary.…. I think they could pay more, so it matches the effort we put in to our work. It needs to be higher in my eyes” (P15). However, seven participants described the compensation received as fair and reasonable. The findings therefore indicate that although the majority of those who commented were dissatisfied, it is clear that certain participants found their compensation satisfactory. Those who found their compensation to be satisfactory were diversified across the organisation, and did not only represent senior level employees. Perceptions
pertaining to compensation can be assumed to be highly influenced by personal situations and expectations. The importance of compensation was highlighted as it was the factor most frequently mentioned during the interviews as having an influence on organisational commitment.

**Job security:** Three participants (P1; P6; P14) expressed negative views relating to their sense of job security, and felt that the organisation lacked solid foundations and roots within South Africa. Fourteen of the 20 participants however, seemed to have a different view on their job security in the organisation (P2; P3; P4; P5; P7; P8; P9; P10; P11; P12; P13; P16; P18; P20). Participants seemed to feel confident in both their short and long-term positions. It emerged that a possible explanation for this confidence was a result of the fact that the organisation is expanding both internationally and within South Africa. In this regard, a technical employee noted: “If someone goes they normally did it to themselves or they quit or got a better job. The company seems to be growing, so as long as I do my work and look after myself, I think I am safe here” (P3).

**Promotional opportunities:** Fifteen participants demonstrated a negative outlook on their promotional opportunities in the organisation (P1; P2; P3; P4; P6; P7; P8; P9; P10; P13; P14; P15; P16; P18; P19), with five expressing neutral feelings on the matter (P5; P11; P12; P17; P20). Two categories emerged from the data as causes for such feelings, namely: Limited number of senior positions available (P1; P3; P6; P8; P9; P13; P19) and Ambiguity surrounding employees’ career paths (P2; P4; P10; P19; P20). Participants asserted that the limited number of senior positions available in the organisation caused negative feelings relating to their promotional opportunities. Participants employed in smaller branches of the organisation seemed to feel even more strongly on the matter, and believed their career growth opportunities to be very limited or non-existent. These feelings were substantiated by a managerial employee: “It can take a long time to get a promotion, and many people may never see a promotion if they stay with us. Not because they don’t want to give them one, but because there isn’t one to give” (P13). A possible reason for the lack of promotional opportunities in the organisation can be attributed to the fact that the organisation’s top management are Chinese employees. Researchers believe this negatively impacts on the South African employees’ perceptions regarding their possible career growth. A number of participants commented on the lack of clarity with regard to their future careers as being a cause of negative feelings relating to their promotional opportunities in the organisation. The general feeling of the participants was that they were unsure of their future path in the organisation, which often led to feelings of frustration and discomfort. Moreover, when participants were asked to reflect on the factors they believed influenced their commitment, promotional opportunities was the second most frequently highlighted factor (P4; P6; P7; P9; P17; P19).

**Shared values:** Participants’ responses relating to their understanding of the organisation’s values were diversified, as the organisation seemed to have no clear set of values, or formal value statement. Three perceived organisational value categories however emerged from the data, namely: Quality (P1; P4; P5; P6; P13; P19; P20), Service (P5; P6; P11; P13; P14; P16; P17) and Results (P2; P3; P8; P9; P12; P20). The findings revealed that the majority of participants felt a general alignment with the perceived organisational values, often demonstrating an understanding of the importance of the perceived organisational values of quality, service and results. Seven participants however asserted that the organisation needs to place greater value on their employees (P2; P3; P4; P6; P8; P14; P19). The findings suggest that a number of participants feel unappreciated in their positions, and often overlooked by the organisation’s management.

**Recognition (new factor):** Recognition, a factor which was not included in the theoretical framework, emerged as an important factor influencing the participants’ commitment to the organisation. Participants (P3; P11; P15; P20) highlighted that any recognition or gratitude from the organisation and its management would stimulate their positive feelings towards the organisation, and inspire them to work harder. Recognition and associated rewards from the organisation were perceived by the researchers to be of great importance to these participants. Participants suggested that such recognition could be as simple as words of gratitude (P3), or could perhaps include non-monetary rewards such as additional paid leave (P15). Researchers feel that such recognition from the organisation may boost the self-esteem, confidence and ultimately the commitment of certain employees.

**Trust (new factor):** Five participants (P1; P2; P3; P10; P13) highlighted that the trust they have in their co-workers and the management of the organisation influences their commitment. Although trust was not included in the theoretical framework, the factor was clearly of great importance to these participants. It was generally felt that as the employees all rely on one another to do their work effectively, doubt in the abilities of others to do their work would negatively affect the working environment and commitment in the organisation. Participants further believed that it is important for the leaders of the organisation to trust them to perform their jobs independently, as it assists in developing a sense of autonomy.

The findings of this research thus revealed ten factors which are perceived to influence the commitment of South African employees within the Chinese organisation, namely: Open communication, Leadership, Supervisory support, Opportunities for training and development, Compensation, Job security, Promotional opportunities, Shared values, Recognition and Trust.
Levels of commitment
The second objective of this study sought to identify and describe current commitment levels amongst local employees in the organisation under study. Questions were posed with the intention to gain an understanding of the participants' perceived levels of commitment, which will be broadly compared to Meyer and Allen's (1991) three component model of commitment. Participants were also asked to discuss how they perceived their own commitment. The findings relating to the participants' levels of commitment will therefore be discussed under the following sections, namely: emotional attachment (affective commitment), obligation to continue (normative commitment), implications of leaving (continuance commitment), and perceptions regarding commitment.

Emotional attachment (Affective commitment): The findings relating to the perceived emotional attachment of the participants to the organisation were positive. Of the 20 participants, sixteen stated that they felt an emotional attachment to the organisation and felt as if they were "part of the family" (P1; P2; P3; P4; P5; P6; P7; P8; P9; P10; P13; P14; P15; P16; P18; P20). Only one participant indicated not to be emotionally attached to the organisation, and perceived his job as merely a source of income (P19). The findings indicate that the large majority of the participants demonstrated a clear and strong emotional attachment to the organisation, possibly demonstrating high levels of affective commitment (Meyer & Allen 1991). Participants' emotional attachment to the organisation can be described as "more than just work" (P20), as they were emotionally attached to their colleagues in the organisation, and have also shown an "attachment to the brand" (P10).

Obligation to continue (Normative commitment): The findings in this regard were relatively mixed, with eleven participants highlighting that they to some extent, felt an obligation to the organisation and/or their co-workers to continue working for the organisation (P1; P2; P4; P5; P8; P9; P13; P14; P15; P16; P20). Seven participants demonstrated they did not feel an obligation to continue working for the organisation (P3; P6; P7; P10; P12; P18; P19). Of the participants who highlighted that they felt an obligation to continue working for the organisation, three of these participants indicated that they felt grateful to the organisation for giving them the opportunity to work there (P5; P15; P20). The findings suggest that these participants felt a moral obligation to the organisation, based on the fact that the organisation provided them with full-time work when they needed it. Moreover, the findings suggest that some of the participants consider the relationship with their co-workers as an important factor in remaining with the organisation. The seven participants, who highlighted that they did not feel an obligation to continue working for the organisation, generally believed that the organisation and their co-workers would cope without them, and they would remain with the organisation because they wish to do so, not because they ought to do so. These participants may therefore be perceived to demonstrate less normative commitment than those who stated they felt an obligation to continue working for the organisation.

Implications of leaving (Continuance commitment): When participants discussed the possible implications of leaving the organisation, two key categories emerged, namely: The ability to find new employment (P2; P3; P4; P5; P6; P9; P12; P14; P19) and Missing their job at the organisation (P1; P4; P10; P13; P16; P20). Nine of the participants highlighted that their possible lack of ability to find replacement employment would be a serious implication for leaving their current position in the organisation. A technical employee highlighted in this regard: "It is not easy to find work these days. You can't just leave and assume that there will be a job waiting for you outside. You must think carefully about these things. Millions of people are fighting for jobs in South Africa" (P9). Six participants highlighted that their reason for not leaving their job would be the fact that they would miss their work at the organisation. As the majority (fourteen of the 20 participants) highlighted at least one serious personal implication for leaving the organisation, this may indicate potentially high levels of continuance commitment in the organisation.

Perceptions regarding commitment: The findings relating to the participants’ own perceived levels of commitment were very positive. Fifteen of the participants, the large majority, can be perceived as having a strong commitment to the organisation, clearly identifying with the organisation and its goals (P1; P2; P3; P4; P5; P6; P7; P8; P9; P13; P14; P15; P16; P18; P20). Four of the participants demonstrated a moderate commitment to the organisation (P10; P11; P12; P17), and only one participant demonstrated a weak commitment (P19). The findings suggest that although certain participants may have raised issues or concerns in the interviews, the large majority of the participants still highlighted that they felt they were deeply committed to the organisation.

SUMMARY, CONCLUSIONS AND MANAGERIAL IMPLICATIONS
This research study aimed to investigate the levels of and factors influencing the organisational commitment of local South African employees working for a Chinese organisation in South Africa. The research is of benefit as it is believed to be the first of its kind, and fills the current gap in literature as highlighted previously. The main conclusions, based on the findings regarding the factors influencing commitment, will subsequently be presented.
Communication in the organisation appears to be open, with employees being able to easily approach and receive feedback from managers. This is a positive finding for the organisation, as Rego and Cunha (2006: 19-20) emphasise the importance of interaction with and feedback to employees. Moreover, open communication as described in the organisation may positively influence organisational commitment, as asserted by Haugh and McKee (2003: 144) as well as Rego and Cunha. (2006: 19). Communication is however believed to be irregular in the organisation, a matter which may need to be addressed by the organisation’s management in order to avoid misunderstanding and promote commitment (Devries 2007: 42; Rego & Cunha 2006: 19). It is recommended that top management promote a culture in which employees feel comfortable to communicate openly.

With regards to leadership, the overall result seems to demonstrate that the employees trust in, and are satisfied with the current leadership within the organisation. This favourable finding may positively influence employees’ commitment, as there is a link between the employee’s trust in their leadership and their abilities, and their commitment to the organisation (Kruger & Rootman 2010: 68; Rego & Cunha 2006: 6; Cook & Wall 1980).

There were generally positive feelings amongst the participants concerning supervisory support. This may positively influence employees’ commitment, as the perceived level of effective supervisory support experienced by employees is deemed to have an influence on their organisational commitment (Venter et al. 2010; Aube et al. 2007; Bagraim 2004: 241; Finegan 2000). Issues pertaining to slow and irregular communication should however be investigated and addressed by the organisation in order to maximise employees’ perceptions of the supervisory support they receive.

The importance of training and development opportunities was highlighted by certain participants who stated that it directly influences their commitment to the organisation. Such a finding concurs with the literature which highlights opportunities for training and development as having an influence on organisational commitment (Lesabe & Nkosi 2007: 40; McElroy 2001; Jiang & Klein 2000; Meyer & Allen 1997: 69). Due to the negative feelings many participants shared regarding the opportunities for training and development in the organisation, this is perhaps an important area of consideration for the organisation. Top management should consider increasing relevant internal training opportunities.

The importance of compensation was highlighted as it was the factor most frequently mentioned during the interviews as having an influence on organisational commitment. Such a finding concurs with the literature, as compensation is believed to be of great importance to most employees (Lesabe & Nkosi 2007: 40; Hoyt & Gerdloff 1999). Moreover, the influence compensation has on organisational commitment is well documented in literature (Chen 2009: 17; Kochanski & Ledford 2001; Farris 2000; Hoyt & Gerdloff 1999; Higginbotham 1997). As the majority of participants had negative perceptions pertaining to their compensation and the lack of standard employee benefits for employees, compensation should remain an important consideration for the organisation in attempting to influence employees’ commitment.

There were conflicting opinions amongst the participants regarding their sense of job security in the organisation. Although the participants who expressed negative views were in the minority, they may have been exposed to certain aspects in the organisation others might not have been, or could themselves be falsely guided by the often negative perceptions of Chinese organisations in the media. Perceptions of such employees may need to be addressed by the organisation, as it is believed that employees who perceive their jobs to be insecure will often be less motivated to perform their work tasks (Klandermans et al. 2010: 4). The researchers however feel that such feelings may be misguided, as the organisation is currently expanding its operations in South Africa. The findings indicate that the growth and success that the organisation is currently experiencing plays an important role in the majority of the participant’s positive feelings regarding their job security. The findings imply that, despite varying opinions on their job security, it is an important aspect in influencing commitment in the organisation, concurring with the literature (Buitendach & De Witte 2005: 27; Yousef 1998). It is recommended that employees are kept up to date with the organisation’s performance, operations and general financial standing, in order to promote a sense of job security. Organisational successes in South Africa and abroad should be shared and celebrated with employees.

The findings suggest that promotional opportunities are important to the participants and may have a strong influence on their commitment, which concurs with the literature (Chen 2009: 18; Lok & Crawford 2004: 321; Moorhead & Griffen 1992; McCormick & Ilgen 1985: 314). Perceptions of promotional opportunities in the organisation were however generally negative. The majority of participants were concerned about their future careers, and many indicated a desire to progress in the organisation, but felt that they were unable to do so. It is recommended that career growth opportunities need to be made transparent to all employees, and local
employees need to be made aware of senior positions in the organisation which are open to South African candidates.

As a number of participants indicated a need for the organisation to place greater importance on employees, the organisation may need to refocus its values in order to avoid employees feeling underappreciated. To this end, the organisation may need to formally recognise the importance of employees, and ensure this is highlighted in a formal set of organisational values.

Monetary compensation is clearly important to the participants, but non-monetary recognition is evidently also of importance. If the organisation is not in a position to offer increased compensation to employees, Kochanski and Ledford (2001) assert that recognition in the form of non-monetary rewards, such as time off, could promote employee commitment. Zaltouni, Sawalha and Sharif (2011: 110) assert that recognition is required in an organisational environment in order to motivate employees and encourage favourable work outcomes. Moreover, praise and appreciation from managers and co-workers have been found to positively influence organisational commitment (Kruger & Rootman 2010: 68; Park, Erwin & Knapp 1997). It is recommended that the leadership in the organisation formally recognise the efforts and achievements of employees.

As trust was also highlighted as a factor which has an influence over the employee’s commitment, the organisation should promote an environment in which the organisation and its leadership are seen as trustworthy by the employees. Moreover, managers within the organisation should be encouraged to trust employees in the organisation, when appropriate, in order to boost employees’ morale, sense of autonomy, and ultimately commitment to the organisation. This finding concurs with certain authors, as high levels of trust in an organisation will often lead to high levels of employee commitment (Kwon & Suh 2005: 27; Wong & Sohal 2002: 37).

With regards to the findings relating to the employees’ current perceived levels of commitment, the large majority of the participants indicated that they felt an emotional attachment to the organisation and “part of the family”. This may be perceived as a possible indicator of high levels of affective commitment amongst these participants. This is a highly positive finding for the organisation, considering affective commitment is considered as the most desirable form of commitment for an organisation, and is strongly correlated with positive work performance (Yiinh & Ahmad 2009: 56; Coetzee 2005). More than half of the participants further demonstrated that they felt an obligation to continue working for the organisation. This may be perceived as a possible indicator of high levels of normative commitment amongst these participants. The majority of participants further stated their ability to find new employment, or missing their job, as their implications of their leaving the organisation. This may be perceived to be a possible indicator of high levels of continuance commitment amongst these participants. When directly asked to rate their commitment, the findings concurred with the above perceptions relating to high commitment levels, with the large majority of participants demonstrating strong commitment to the organisation.

The general findings relating to the levels of commitment in the organisation were thus positive for the organisation. Despite certain issues being raised by the participants during the in-depth interviews, the large majority of the participants seem to remain committed and loyal to the organisation.

RECOMMENDATIONS
Future research should broaden the sample so as to include multiple Chinese organisations in South Africa. A comparative analysis between the organisations can then be done. The three-components of organisational commitment were only broadly addressed by this research. As the three-components of commitment have different impacts on the work-related behaviour of employees, future research should attempt to gain greater insight. It is recommended that future research address the perceptions of Chinese employees in similar organisations. A comparative analysis between Chinese and South African employees can then be done. Due to the qualitative nature of this study, the findings cannot be generalised. It is recommended that future researchers consider a quantitative study, with a large representative sample across South Africa.

REFERENCE LIST


ADDRESSING PRINCIPAL-AGENT CONFLICT IN BUSINESS RESCUE

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ABSTRACT
Within the principal-agent dilemma there exists conflict between business rescue practitioners (BRPs) and banks (often the determinant creditor) about process, outcomes and remuneration. Details about the issues, liabilities and solutions to overcome the relationship liabilities during a rescue can guide the development of a conflict framework to improve the success of the industry. BRPs (as agents) must satisfy creditors (as principals) who vote for the plan that BRPs present. Banks are often the largest creditors with “swinging” voting powers. Further, banks are involved with distressed businesses before filing for rescue and potentially after voting on the plan with larger exposure and risks. Perceptual differences (principal-agent dilemma) exist between BRPs and banks about how to go about rescue, if it is considered. Much blame and disagreement exist currently that negatively impacts the relationship and consequently rescue success rates. The main research question is: What are the causes and issues that underlie the conflict between BRPs and banks. A structured “dialectic inquiry” process was applied to elicit key “pain points”, its consequences and potential solutions with the South African population of BRPs who have been conditionally licensed and bank officials that were purposively sampled. The responses were firstly collected through structured narratives written by subjects in attendance. Thereafter, focus groups addressed opposing parties about issues followed by “reality checks”. Subjects who readily attended the conversation were purposely selected for their knowledge and experience, their job functions and decision making powers and finally their willingness to address the issues as they have vested interests and serious consequences exist for both parties. The research methodology applied succeeded in both involving participants as well as reducing tensions (aggression and anger) during the process. Especially the incorporated “reality check” acted as an “eye-opener” to opposing parties. Evaluating the triangulated data sources, 13 issues of relevance to be considered by all parties to a rescue proceeding were identified. A conceptual framework about the forces underlying the principal-agent dilemma is proposed which highlights reasonable prospect, goal foundation, navigational competencies and intention as key factors to understand the conflict. A unique variant of the principal-agent dilemma was observed. The study firstly addresses a universal liability of conflict and specifically within the rescue industry namely creditor-BRP conflict. Secondly, it improves understanding of the unique characteristics of the principal-agent dilemma in the business rescue context. Thirdly, it provides the regulatory authorities (and BRPs) in this newly instituted regime with a mechanism to address conflict and thereby enhance collaboration and successful rescues. The practical value is found mainly in the direct contributions of “opposing” parties at the “coal face” to find practical solutions while it adds a variant of theory to the principal-agent dilemma. The findings led to improved understanding, contextualizing the issues underlying the conflict and through interpretation, gave structure and meaning to the possible solutions to overcome the liabilities.

Key words: Business rescue, conflict, liabilities.

INTRODUCTION
A Chinese proverb states: He who rides a tiger can never get off. Turnaround professionals and business rescue practitioners (BRPs) mount such tigers when they accept appointments to save business as the associated reputational damage of “getting off” means a definitive end to their careers. BRPortal (2014) reported the competence of BRPs and the reputation of business rescue as a critical scenario driver as it appears to dictate the overall rescue industry future. Selecting someone to lead a rescue of a distressed venture, therefore, is an immensely important decision because of the effects their choices may have on creditors, shareholders and employees (Midanek, 2012). Practice already shows high levels of conflict between BRPs and financiers about processes, outcomes, fees and more. Much blame is dished out both ways – its nature often vague and even based on hearsay.

The cornerstone of the principal-agent dilemma is the assumption that the interests of the principal and the agent diverge (Hill & Jones, 1992:132). Conflict in the relationship persist even in the face of contracting thereof to govern agency costs. The conflict arises fundamentally from self-interested behaviour, bounded rationality and risk aversion (Eisenhardt, 1989:59) that underlie the human assumptions resulting in goal conflict. It appears that the principal-agent dilemma manifests uniquely as a result of the legal parameters when the principals change from directors to creditors.

Under Chapter 6 of the Companies Act 71 of 2008 (Hereafter “the Act”), the business rescue practitioner is a relatively new phenomenon and as yet a young profession. Such BRPs and turnaround managers face
complex assignments (tigers). While Chapter 6 does acknowledge, and indeed addresses, the need to balance the interests of affected parties, the practitioners are left to deal with any problems that arise in relation to the conflicting interests at play when they take management and financial control of the distressed business. Bradstreet, Pretorius and Mindlin, (2014) confirms this when they state that the legislature, instead of dealing with these problems in the text of Chapter 6, has instead dumped them onto the office of the practitioner resulting in the BRP and Bank to become opposing parties. The Acts attempt to balance powers has resulted in conflict becoming a reality with rescue success an uncertainty.

Baird and Lorence (2012:21) postulate that within the general turnaround industry there are currently no broadly accepted tools, systems and processes to predict the success of turnaround practitioners. Such absence of method aggravates the blame and issues driving conflict for lack of standard performance measures. The questions that arise include: What is the conflict about? what underlies the conflict? and, what possible solutions can be applied to address the conflict?

Du Preez (2012:74) reports that banks often base their post commencement financing decisions on who is appointed as the BRP. Fuelling the conflict, this holds serious consequences for the industry as their reasoning and decisions with regard to how competence is assessed are not accessible to anyone outside the bank. Bradstreet et al., (2014), further state that “without the support of creditors – particularly where the bank is as a majority or significant pre-commencement creditor with security – any attempt by the practitioner to mediate between all affected parties could become futile where such creditors lack faith in either the BRP or the procedure itself. It would, of course, be unreasonable to expect a creditor to have faith in a dubious business rescue application, or BRP appointment, but where other affected persons, or a debtor company in particular, makes a bona fide rescue attempt, it would be a shame for uncertainty to be the impediment to creditor co-operation”.

While the need for a conflict framework is obvious, several stakeholders could benefit from this research. Those directly involved in the conflict (BRPs and banks) may benefit most followed by the Regulator who is inundated with complaints (informal and formal) originating from the conflict. The Regulator requires the framework to address the conflict. The Companies and Intellectual Property Commission (CIPC) as this regulatory authority (in terms of Chapter 6 of the Companies Act) do license “qualified” persons to act as practitioners after a filing business requests a specific person for the assignment. At this point, the CIPC has no distinct guidelines for conflict resolution other than the expensive and time consuming court processes. It is important as the rescue industry is just over three years old following the new legislation since Chapter 6 of Act 71 of 2008 as amended came into effect on 1st of May 2011. It is also important to recognise that despite similar goals and underlying principles, business rescue in Chapter 6 is significantly different in process to that of Chapter 11 in the US despite some process overlaps. Last but not least are distressed businesses who want to file for rescue and future applicants who want to enter the rescue profession. Finally, educators may benefit from having a framework.

The qualitative method used for this research is based on a dialectic conversation involving BRPs and bank decision makers who are experiencing the conflict regularly in their daily work environment. The aim is to better understand the relevant issues and thereafter propose solutions.

This paper briefly summarises the relevant aspects of the new Act and its prescriptions and requirements as boundary conditions. Secondly, it reports concisely on the relevant key aspects associated with the principal-agent dilemma for BRPs and creditors. It then presents the methodology of this research that aims to expand current and thereafter build new theory for this phenomenon. Fourthly, it reports the findings and, finally, proposes a conceptual framework for addressing the conflict. The proposed framework describes the interrelations between four conflict drivers identified in the research. The resulting framework can be used to direct the industry and to trigger discussion for overcoming conflict and improve processes based on its findings. Recommendations for different role players are then proposed.

**RESEARCH QUESTIONS**

The CIPC as regulator of the rescue industry currently receives numerous complaints from both banks and BRPs about each other. Much blame about reputational damage to industry is laid before the doors of the opposing party. This conflict hampers progress of rescues especially as it requires time (to avoid potential legal action) which it not readily available during rescue. The detailed research questions are thus:

What are the conflicts between BRPs and banks within business rescue?
What underlies (issues, assumptions and perceptions) the conflict between BRPs and banks within business rescue?
What are the potential solutions that can be pursued?
BACKGROUND TO RESCUE, RESCUE PRACTITIONERS AND CREDITORS

This paper aims to both build theory and address practical problems in a young industry. This section briefly summarises the context of business rescue for the reader and introduces how conflict developed and contextualise the rescue industry leading to the research questions.

In May 2011, Chapter 6 of the Companies Act 71 of 2008 as amended (henceforth: the Act) came into effect. This allowed for a rescue procedure vaguely comparable to Chapter 11 in the USA (Balovich, 2002) and administration in the UK (Parliament of the United Kingdom, 2006). However, the underlying approaches are inherently different as succinctly described by Mindlin (2013) when he contrasts the regime differences for US Chapter 11 and South Africa Chapter 6.

Chapter 6 of the Act states that firms must be financially distressed to file for business rescue. The meaning of financially distressed as defined in Section 128(1)(f) includes the scenario where the company is unable to pay creditors or where the company will become unable to pay creditors in the next six months. Rescue proceedings follow a much more legal and process-driven approach with stigma-ridden consequences.

Currently, BRPs are licensed conditionally for a specific rescue project after being nominated by the relevant distressed company. The CIPC, as the Regulator, to date received several formal complaints (documented and processed) and many informal complaints (telephonic reports not supported by documentation) that arose within the “new” system. This study, therefore, aims to ultimately provide directives for solving the reported problems through better understanding of the exact issues, perceptions underlying the conflict and, secondly, to find potential strategy drivers as solutions to be pursued.

Creditors are categorized with affected persons that include shareholders, employees and unions (S 128(1)(a)) with a voting interest (S128(1)(j)). This vote gives creditors the power to support (or not) the rescue plan compiled by the BRP. The powers associated with this vote have proven to contribute to the conflict between BRPs and Banks. The conflict is explored now.

BACKGROUND DESCRIPTION OF THE CONFLICT

Distressed businesses (also courts) appoint BRPs as agents according to the Act. The BRP is instructed (by the Act) to take control of the business, investigate its affairs, prepare a rescue plan and if the plan is supported by the creditors (by formal vote), the BRP must implement the plan. The BRP is required to bring business management skills to the business. As an officer (agent) of the court, the BRP has the responsibilities, duties and liabilities of a director of the company, as set out in sections 75 (financial interests), 76 (conduct) and 77 (liabilities) of the Act. All the above takes place within the supreme task of compliance with the Act and its procedures (Pretorius, 2013). The BRPs has total control (management and financial) until s/he presents the plan to the creditors where they have the powers through their votes. The BRP is further dependent on the finance of the distressed business or PCF for his remuneration and costs in rescuing the business.

In order to “sell” a successful plan to the creditors, the BRP, in most cases, are required to access financial injection to bridge the financial distress that brought the business to file in the first place. Complicating matters is that BRPs have had no previous involvement (barring pre-assessment) with the business, putting them on the back foot right from the start.

Banks (including alternative financiers but not trade creditors) often hold secured investments in distressed ventures at the time of filing. Banks are rightly seen as the main creditors as their shareholding in the claims are mostly such that they have a controlling vote. A controlling vote in business rescue needs only 25% as a rescue plan is only accepted if it obtains 75% of the vote.

At the time of filing for rescue, banks have often exhausted alternative financial restructuring strategies, suggesting they have an established history with business. The Act gives creditors several powers including objecting to the appointment (S 130(1)), the removal of the BRP (S 139(2)), voting on the plan (S 145(2)) and participating (S 145(3)) of the Act.

Banks are generally powerful role players with significant financial resources and backing. They have financial knowledge (or access to) and systems more advanced than that available to the BRPs. They cannot get involved in management decision making of the business rescue as this falls outside their mandate and capabilities to be independent— that which the BRP must deal with.
At the time of filing, the banks argue that the business has gone past the point of no return unless new finance is granted and which they are not willing to do. They refer to it as the “first cut is the last cut” as they don’t want to throw new (good) money after old (bad) money. At this point, BRPs still have to investigate the affairs with the belief they may still turn the business around. The BRP appears stalling the process as he tries to come to grips with the affairs. Potentially banks understand the operations which the BRPs have not grasped yet. However, the opposite may also be true when skilled BRPs enter the business.

**STATUS QUO OF BRP SCENARIO – THE FIRST THREE YEARS**

During the first 34 months of the Act’s existence, 166 practitioners were licensed, 1526 businesses filed for rescue. Appropriate case law on business rescue is still limited (and often contradictory) but is on the increase (Lotheringen, 2014 pers comm). Typically, BRPs appointed to date, originate from the business, legal, accounting, banking and liquidation professions as guided by the Act. The BRP’s main goal should be to navigate the financially distressed business through reorganising procedures to normal operations or, alternatively, to construct a solution for creditors and shareholders that would result in a better return than normal liquidation.

In their investigation, Pretorius and Du Preez (2013) highlight the importance of post commencement finance in turnaround and rescue of distressed business. Also, they state, PCF from private sector is almost non-existing if compared to the availability in US and UK. Currently banks are the existing financiers, often the main creditor and the sole source of such funding under Chapter 6. Banks are also mostly secured creditors and as lenders of “public” money subject to stringent regulation governing their processes. It is, therefore, obvious that banks have decision making powers that can be construed by those in need of finance as “unwilling” to participate or support the spirit of business rescue. This leads to conflict in views, assumptions, needs and goals between the parties.

Practice research shows that banks respond to early warning signals long before directors and institute measures (mainly financial restructuring) early in decline. When BRPs are appointed, most avenues to access any potential “slack” have often been exhausted. BRP expectations for potential PCF then exceed what is perceived by banks as complying with the risk:value relationship condition set by bank policy.

This study responds to the need for research to develop insights and conceptualise the underlying issues associated with the conflict between BRPs and banks – thus addressing the principal-agent dilemma within business rescue.

**PRINCIPAL-AGENT DILEMMA (AGENCY) IN THEORY**

The principal-agent dilemma is an established theory, shortly described in this paper to benefit the reader. An agency relationship is a contract order where one or more persons (principals) engage another person (agent) to perform some service on their behalf, which involves delegating some decision making authority to the agent (Jensen and Meckling 1976:5). A relationship (contract) is constituted as a result. Agency theory added the “Agency problem” which occurs when cooperating parties to the relationship have different goals and different divisions of labour (Eisenhardt 1989:58a, Kulik 2005: 349). If both parties are utility maximisers, there is good reason to believe that the agent will not always act in the best interests of the principal (Jensen and Meckling 1976:5, Lui 2011:50). The theory suggests potential for “mischief” when the interests of the principals and agents differ (Nyberg, Fulmer, Gerhart & Carpenter 2010: 1029, Lui 2011: 50).

Principal-agent theory attempts to address two problems, conflicting goals of the principals and agents as well as the difficulty for the principal to verify or authenticate the agent’s actions (Eisenhardt 1989a: 58). The Agency problems occur because the agent is not risk neutral (Mehrotra 2011:4). Imperfect information (hidden action) and misaligned incentives (hidden information) result in the fear that agents will pursue their own interests (Lui 2011:50). Hence in the face of these risks which agents face, there will be conflicting desires and it will be difficult to verify the actions of the agent as to whether they were in the best interests of the company. The principal agent theory is useful for determining the most efficient contracts to align the interests of the principals and the agents (Lui 2011:50).

Agency theory is supported by three underlying assumptions namely: People are selfish, have restricted rationality and risk aversion. Secondly, there are goal conflicts among the stakeholders of the organisation and finally information is a commodity which can be purchased. (Eisenhardt 1989a:58, Mehrotra 2011:3).

The agency problem of inducing the “agent” to behave as if he was maximising the “principals” welfare, is quite general, it exists in all organisations and in all cooperative efforts (Jensen & Meckling 1976:6).
PRINCIPAL-AGENT DILEMMA AS IT APPEARS IN BUSINESS RESCUE

In a general Principal-Agent relationship, the decision making process is in the hands of the professional manager whose interests are not identical to those of residual claimants (Fama & Jensen 1983:327). In business rescue, a BRP is empowered by the Act and held responsible for all the decisions to be made in the organisation. Ownership is not transferred to the BRP, only custodianship. Hence the separation of “ownership” and “control” more precisely the separation of residual risk bearing from decision making functions. The BRP as officer of the court makes the decisions but does not bear direct financial risk in the event of the company closing down. The BRP’s costs rank priority before claims of all secured and unsecured creditors (S 141 (2)(a)) if reorganisation fails and the end result is liquidation. Thus in the event of the company being liquidated, the BRP's costs get paid first. BRPs do however face reputational risk of their image being tarnished in the event of disagreements and removal by any “affected part”. This may result in loss of future appointments. Failure to implement the proposed business plan may further tarnish relationships with key players in the industry such as SARS, banks, suppliers, customers and investors among others. In separation of ownership and control, the agency problem is controlled by decision systems that separate management (initiation and implementation) and control (ratification and monitoring) of important decisions at all levels of the organisations (Fama & Jensen 1983:331). How can the principals (which are really the banks as creditors and not the appointing directors) control the agency problem in the business rescue scenario?

For this study the BRP, at the time of the vote, is clearly the agent with assigned powers from the Act while the bank as key creditor who becomes the considered principal based on its powers bestowed (based on the vote) by the Act. In practice, the BRP may even remove the directors (who appointed him in the first place) under S 140(1)(c). It itself then, the main principal-agent relationship is now established between the creditor and BRP compared at appointment where it was between the directors (potentially the court) and the BRP. The consequences of this variation on the principal agent dilemma now become pertinent to this research.

METHODOLOGY

The main methodology is action research as it addresses a practical problem within the business rescue industry and attempts to address it. It aims to make sense (Berniker & McNabb, 2011) and propose a framework of conflict and liabilities that will lead to improved understanding and proposed solutions within the business rescue industry. It therefore involves identification and description (of issues), understanding (relationships) but mainly sense-making and interpreting the data collected from subjects. Table 1 directs the thinking behind the research.

**TABLE 1: Research design components based on the adapted design description of Yin (2003, p. 21).**

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Problem</td>
<td>High levels of conflict between banks and BRPs is reported and experienced.</td>
</tr>
<tr>
<td>Research questions</td>
<td>What are the conflicts between BRPs and banks within business rescue</td>
</tr>
<tr>
<td></td>
<td>What underlies (issues, liabilities and assumptions) the conflict between BRPs and banks within business rescue?</td>
</tr>
<tr>
<td></td>
<td>3. What are the potential solutions that can be pursued?</td>
</tr>
<tr>
<td>Context</td>
<td>Business rescue regime that is young and developing</td>
</tr>
<tr>
<td>Propositions*</td>
<td>The conflicts are identifiable</td>
</tr>
<tr>
<td></td>
<td>Factors underlying conflicts between BRPs and banks can be identified. If so:</td>
</tr>
<tr>
<td></td>
<td>The issues are mutual to both parties. If not:</td>
</tr>
<tr>
<td></td>
<td>The assumptions driving the perceptions are reference point based.</td>
</tr>
<tr>
<td>Phenomenon investigated</td>
<td>Primary — Conflict issues, liabilities and assumptions (underlying conflict)</td>
</tr>
<tr>
<td></td>
<td>Secondary — solution drivers</td>
</tr>
<tr>
<td>Unit of observation</td>
<td>BRPs</td>
</tr>
<tr>
<td></td>
<td>Bankers working with business rescue in their organisations</td>
</tr>
<tr>
<td>Methodology</td>
<td>Structured dialectic inquiry with a Devil’s Advocacy approach</td>
</tr>
<tr>
<td>Logic linking the data to the propositions</td>
<td>BRPs and bankers are directly involved in the conflict. They use conscious and unconscious cognitive arguments to pursue their goals. Sense making through the research of their lived experiences could lead to a conceptual framework to address the conflict and derive solutions.</td>
</tr>
<tr>
<td>Criteria for interpreting the findings</td>
<td>Factors and their relationships as identified through application of the enquiry process. Solutions supported by both parties Proposed strategies</td>
</tr>
</tbody>
</table>

* the propositions were set to structure the research process and support the research question.
Research design
In attempting to answer the research questions, the researcher was aware of his own methodological values, beliefs and philosophical assumptions. These assumptions could influence how the research was conducted and are stated in order to understand the ‘intellectual climate’ in which the research was conducted. The theory of knowledge (epistemology) of the researcher describes how one can discover underlying principles about social phenomena and how one can demonstrate knowledge. The researcher’s personal experience with critiquing strategies for businesses and taking the role of devil’s advocate when doing so, the research process came naturally. At the same time, as an academic and experienced turnaround consultant, he has a preference for factual directives. Aware of potential observer-participant bias that may limit objectivity in the data collection and interpretation; he mitigated these by applying a structured data-gathering method (Structured Dialectic Inquiry (SDI)) to capture the issues, perceptions and experiences of the subjects during their evaluations to establish the liabilities for the rescue industry.

The researcher’s ontological position comprises his view on the very nature and essence of the research reality. The researcher is an objective realist who believes that knowledge comes from facts associated with real-life cases and their context. Thus, proper research methodology is crucial for eliciting such facts. While every individual conflict has its own context, when the researcher found repeated mentions of issues and causes, he could “generalise” from them. His interest was mainly to identify directives to guide conflict resolution between BRPs and banks as banks are often the key creditors in rescue – thus holding majority voting powers.

The Roots of the Dialectic Inquiry (DI)
The research applied a dialectic enquiry to identify the issues, liabilities and assumptions (including causes and perceptions) associated with conflict in the business rescue industry. Seligman, (2012) postulated that the DI process can report experiences of subjects while Berniker and McNabb (2011) suggest it useful for sense-making in “messy” environments. DI is ideally suited for conflict conversations. Matter of fact, Lunenburg (2012:7) describes a process to create opposing groups (homogeneous within groups and heterogeneous between groups) to meet separately, take positions for and against plans or feasibility of alternatives. The subjects, as “homogenous groups” are bearers of valid and precious “know how” and viewpoints. Typically, such interviews are carried out during interviews guided by a protocol. Schwenk (1984:154) even reports the introduction of conflict to enhance the process while Schweiger (1984:336) reports on its value under experimental conditions.

The intent of the DI technique is to collect first-hand the lived experiences, perceptions and views of the relevant issues associated with a situation that is investigated. It is from this perspective that the adapted process is described. This primary data collection was done to access BRPs and banks directly, in one session rather than in consecutive individual interviews. To execute this successfully, the SDI process was administered to groups of BRPs and bank representatives in three sessions, using slides to post the specific instructions while each subject responded by writing the responses personally.

I chose the SDI for its ability to focus responses from the subject's own experiences. It also contains a form of “anonymity” and “neutrality” while the focus is on the subject’s own reality while it forces the subjects to reflect on what they experienced in practice to compile the rumour narratives. DI was thus developed and structured in the SDI to address this specific problem based on the author’s experiences as consultant when executing conflict resolution is a business environment.

For the subjects, it was an opportunity to reflect on and progressively enrich the image of key problems associated with their own work. The process of data collection thus constituted an opportunity for the subjects to expand their possibility of acting in the world. The research was initiated by the CIPC in response to requests from the banks and BRPs to address the conflict and its associated negative consequences. The SDI process was revealed to be useful both to capture experience and to enrich it through reflection, challenging underlying issues and reality checking.

Sample
A purposive sampling strategy was used. Senior BRPs were purposely selected for participation based on their reputation. Key bank officials working in restructuring divisions and having responsibility for business rescue were purposely invited to participate. The final sample consisted of 30 BRPs from a population of 165 (at the time) previously licensed at least once. The four major banks were represented by 27 officials in the three regions where the process was administered. While biographic data for each BRP was available from CIPC it was not accessed for this research. The process was administered once with the top 10 subjects in
each category and thereafter repeated twice at two different regional locations. Therefore, different BRPs and representatives from the same major banks were accessed.

**Data collection procedures**

Firstly, Chapter 6 of the Act relating to task prescriptions of BRPs and relevant sections associated with creditors, post commencement finance and processes was studied to guide the process development. Secondly, a structured dialectic inquiry (SDI) process was applied to invited subjects during a workshop setting to collect primary data (narratives) and secondarily through the particular structured conversation. The ultimate output of the full study was to set a framework for addressing the conflict directly.

The phenomena investigated were initially the issues underlying the conflict between BRPs and banks in the business rescue process. Using the SDI process required the subjects firstly to include their perspectives, views and decision making priorities, and secondly their experiences of real-life cases that they encountered within their specific contexts. The boundaries between the subjects and the practice contexts were not clear, as they had prior involvement with their own experiences (rescues performed or judged for finance or not). This meant that the researcher could pursue all angles of evidence to seek convergence and divergence. In addition, because their experiences were recent, there was sufficient access to short-term memory and associated learning from their practical experience.

Subjects were invited by the regulating authority (CIPC) to attend the workshops. They were informed of the intent of the meetings. After formalities describing the purpose and status quo, a structured process was introduced by the researcher where subjects were asked to 1) write a one page structured narrative (as per instruction), 2) execute a group assignment and report back, 3) Listen to the reports of the “opposing” group, 4) execute a reality check and give feedback, 5) identify key issues to be addressed and finally 6) propose solutions to the issues they have identified.

Subjects attended and participated voluntarily. It was found that they were relaxed during involvement as shown by them asking clarification questions and even bantering about the stories. It is believed that these positive conditions led to evenhanded sharing and meaningful contributions drawn from the prompting of their perceptions and experience. During parts 3 and 4 of the research process, some antagonism arose among members of the “opposing” parties at one session. As this was foreseen by the researcher, during the introduction session guidelines and values were set as how to address such situations. By use of sense-making and prompting, the facilitator used the antagonizing points to extract thicker descriptions of the issues at hand.

**Data collection process for the SDI in this research**

After formalities and session guidelines, two examples (slides) were shown of a narrative rumour, one each for a BRP and bank perspective respectively. The detailed process is described to enhance trustworthiness and transparency of the process.

**Step 1:** An instruction was displayed requesting subjects to write a specific narrative rumour from their individual experiences containing the relevant elements that could make up the narrative, the exact content of the instruction as follows:

Instruction: Based on the examples shown to you, write in less than a page such a narrative of actions in the opposing party (see Figure 1 for additional guidelines). Thereafter, subjects were given the opportunity to complete the narratives and were invited to write a second if they so wish – few did. Sufficient time was allowed for all to complete this task. After writing, the narratives were collected and put away for content analysis.

**Step 2:** The subjects were then divided into their homogenous groups as either bank subjects or BRP subjects. Each was given a different and group specific written instruction that read as follows:

1) State the concerns that banks have with BRPs (vice versa for BRPs).

2) Why is this so?

Thereafter, groups were given 30 minutes to discuss and give feedback. They requested and were allocated more time as much discussion took place. The researcher and an assistant individually rotated between groups to give guidance and answer clarification questions. Feedback was collected on flip charts and researcher notes were taken. Opposing groups were allowed to ask clarification questions only.
Step 3: After the feedback was heard and noted, groups retired to their small focus rooms to prepare a response termed “reality check” to the other group about their understanding of the real issues. They were instructed to evaluate the accuracy of the opposing report, what was missed and then state the “reality” as they perceive it to the opposing group. A spokesperson gave feedback that was again captured on flip charts and researcher notes.

Step 4: After feedback was obtained, new smaller groups of four (with two representatives of each side) were instructed to identify the key issues that hampered progress and to be addressed as solutions. Each group had to identify drivers and motivators behind the issues. Feedback was again collected on flip charts and notes.

Strategies for ensuring quality data and interpretation

There was only one source of evidence (subjects). The research applied methodological triangulation by collecting three different sets of data to ensure a thick description (Henning, 2011 Book Source) namely:
- Individual written rumour narratives analysed by the researcher
- Groups explanations of the opposing party’s issues, perceptions and viewpoints
- Groups giving feedback to “check the reality” of the explanations and stating their own concerns.
- Researcher notes during the group processes

As the focus of this study was mainly exploratory (asking what and why), the SDI process also elicited “how” phenomena were perceived as the subjects described them, thus using “explanation building” to improve internal validity (Yin, 2003:34). Subjects wrote their own narratives individually, participated in homogenous groups and presented their focused opinions.

As there was only one researcher, he depended on several readings of the narratives. Based on his experience in rescue and extensive preparation, meaningful themes and categories could be constructed after coding. Once themes were obtained, each was divided into categories to confirm the specific theme to which it was allocated. This led to the developing themes being challenged and occasionally re-categorizations took place during iterations until saturation point was reached.

Data analysis

The subjects’ cognitive experiences and knowledge of the conflict in business rescue was the main source of data. After word-for-word transfer of the narratives to an Excel spreadsheet, the key issues were identified for the rumour, the consequence and the possible solutions. It was coded, categorised, recoded and re-categorised to extract the facts, essence and spirit of the narrative. Coding and categorizations were then
done by the researcher. The iteration process was repeated at least five times until a point was reached where additional iterations would have no material bearing on the category outcomes. From insights gained through both inductive and deductive reasoning, relevant components were identified and a framework proposed that indicated what to address to ultimately find solutions for the conflict.

Once these were identified, a separate and independent evaluation of the narrative was arranged. This led to themes based on frequencies of mentions. The result concurred with that of the researcher. Though there was only one key source of evidence (the subjects), the researcher applied ‘grounded theory principles’ (Corbin & Strauss, 1990) to extract as much richness as possible. The 43 subjects supplied 151 codes, 13 categories and seven themes that were interpretable by the researcher.

Each narrative component was coded for collective categories that were identified as they were read, interpreted and reread several times. Categories appeared and themes were refined, concluding in four final categories (See also Figure 3). Each category was measured based on the number of times mentioned and a percentage could be calculated. Four main drivers were identified and formed the focus of narrative discussion. Interrelationships among contributors were also identified and reported in the discussion of the findings. The group statements of issues and especially the reality check informed the narrative results identifying the key “pain points” that then informed the conceptual model describing the causes of the conflict.

The research style was exploratory, to identify and describe the issues and how they operate and influence the conflict. Eventually, after understanding how components relate to the conflict, the themes were interpreted based on the principal-agent dilemma theory. Based on the overall insights gained, I conceptualized and proposed a framework for the dilemma to guide discussion and understanding.

**FINDINGS**

Rumours as a basis for the investigation served the research well. Writing the rumour narratives allowed subjects to express their most recent and urgent issues that they grapple with. They could write from their biased perspectives not requiring a neutral stance at this stage. Being a “rumour”, subjects were not required to take responsibility or accountability for the “truthfulness” of what they wrote. This allowed for reporting of their lived experiences in real time.

Figure 2 Themes derived at from rumour narratives showing the spread and direction of blame towards the opposing parties

![Blame direction](own-compilation)

Figure 2 shows what the opposing party was blamed for from the opposite party’s perspective. The number of mentions of each item and assigned responsibility for the conflict was then used to categorise the conflict.
points and blame direction as shown as a Venn Diagram in Figure 3. The Venn diagram indicates that some conflict points were assigned only to one party while two were shared. Both parties equally blamed each other for not cooperating and lacking empathy for the others’ view. Both themes were allocated between 40 to 60% blame thus lacking unique direction. Six of the themes were issues blamed mainly on the BRPs and five were blamed mainly on the banks. While conflict points were identified and their dominance assessed to observe relative importance, Figure 4 presents a holistic framework of the principal-agent dilemma in rescue success with identified antecedents and conflict drivers. Gaining insights from the group sessions, I constructed narratives in a dialectical style to provide rich descriptions of the of the conflict points in the principal-agent relationship. Within each narrative, I use exemplary quotes from the different subjects to support the sense-making.

Propositions 1 that the factors underlying the conflict can be identified is therefore supported but Proposition 2 that the issues are mutual is not supported despite limited overlap between the perceived reasons for the conflict.

**Figure 3 Themes of conflict points and blame direction of the parties to the conflict**

![Venn Diagram showing conflict points and blame direction](Own compilation)

While the analysis detected the conflict points, their dominance were assessed to observe “importance”, the eventual framework focused on gaining insights from the group sessions that informed the narratives’ interpretation. This improved the sense-making. At this early junction, Figure 4 is presented to guide interpretations of the overall findings and support the narrative elements. The BRPs and bank subjects reported opposing views for the drivers and antecedents of the dilemma. These are highlighted in the sections that follow as I write the findings as narratives of the principal and agent separately and use quotes (actual data) from different subjects to support the interpretations.

**The principal’s narrative**

Disagreement between principals (banks) and agents (BRPs) generally originates from whether a reasonable prospect exists to save (or not) the distressed business at filing. Banks blame BRPs for not being able to assess reasonable prospect in a distressed business.

Banks typically by virtue of their historic involvement believe and argue that at filing, they already exhausted all possible remedies to save the distressed business and thereby the last resort to achieve solvency is to infuse post commencement finance. Previous management could not address the business problems, “so what makes the newly appointed BRP think s/he can do it anyway”. As this will probably raise the bank’s risk and exposure and thereby opposes their “goal foundation”, is the main concern. Goal foundation rests on the overall organisational goals associated with risk:return ratios – after all, “banks are businesses too”. BRPs therefore blame us (the banks) for being pro liquidation and entering the rescue with predetermined goals.”
(preconditioning). Also, as banks appear to have unlimited resources, they prefer the legal route (legal orientation) to curb BRP actions, banks are seen as forcing the BRP into the “underdog” position, disempowering the agent’s freedom in decision making and thereby “manipulating” the intended agent role.

As there is a large divide in interpretation and determination of reasonable prospect, banks typically perceive the BRP ability to navigate a successful reorganisation as suspect, asking “how long will he take to see there is no prospect”. This perception of incompetence is infused by a BRP’s time constraints, access to information and so-called “calling” (hope) to rescue the business. Subjects from banks specifically highlighted the BRP’s inability to cooperate, communicate and absence of empathy for the opposing view, as aggravating the perception of being incompetent.

Competence requirements to perform the navigation assignment of a BRP give some insight to the perception differences between principals and agents. The BRP is required to determine the “best future position” for the distressed business to pursue. After investigating the affairs of the business, the BRP needs to determine what this is, include it in the rescue plan, and obtain a majority vote (75%+) by the creditors. If there is disagreement on the reasonable prospect, this is hardly possible and therefore seems at the heart of the conflict. No easy and generalizable measures exist and are agreed on as different banks and BRPs claim these as their potential competitive advantages.

If not perceived as incompetent, subjects from banks suggested that the intention of the BRP is doubtful and questionable. If there is no prospect, the only possible reason for not pursuing liquidation must be that the BRPs are “writing fees” as long as they could. Bank subjects feel that BRPs know there is no prospect (because banks know it) but act unethically in pursuing the so called better return alternative allowed for in the Act. BRP remuneration is a contentious issue as bank subjects indicate this as the main malpractice of BRPs who extend periods in the process. The “longer the rescue goes on; the less the securities of the banks are protected”. BRP fees (remuneration) and costs incurred during rescue have a priority above the secured claims in the eventual liquidation.

Figure 4. The interrelationships between the conflict drivers and antecedents underlying the principal-agent dilemma in business rescue

![Principal-agent dilemma in rescue success](Own compilation).

The agent’s narrative
The BRP “takes the underdog position” in this relationship as the “banks are notified of new filings before anybody else”. On top they have access to all the information which they don’t share under the “excuse of confidential information protected by bank-client privilege contract”. Thus, the BRP faces the liability of information confidentiality. This further puts the bank into the power position. “Banks demand information”
from BRPs while they have more than we have and it takes time to gather sufficient data to make a decision on the reasonable prospect. At the same time we need to spend additional time answering their queries and then are blamed for “inflated fees”.

The power of the banks is described as disproportionate to that of the BRP. The banks close all facilities immediately after filing or alter conditions such as factoring collections to benefit them – thus leaving us (BRPs) “powerless without cash to continue basic operations”. If they advance any monies, they consider it as PCF thereby changing old credit to PCF which has a higher priority in rescue.

BRP subjects report that banks prefer liquidation as it is “best for the bank’s securities”. Alternatively, they want to see a rescue plan that ensures their assets are protected. Often, BRP subjects state that “banks are over-secured most of the time anyway” by a factor of three. Banks come to the creditor meetings and inform us that they will vote against the plan (preconditioning) besides – so what is the use?

Rumours also included that banks negate on their promises and agreements about post commencement finance (PCF) and support. They do so by extending periods and altering recoveries to benefit factoring etc. Cases where bank negate on supporting the rescue plan as they arrive at the second creditors meeting despite supporting it during negotiations have been reported.

BRPs depend on their reputation for future appointments. Therefore they will do most anything to protect their “name in the industry”. To pursue a better return than in liquidation as an alternative to reorganisation is an option that is easier to pursue, and even incompetent BRPs can do so by pursuing simple extended debt restructuring plans by selling assets similar to liquidation. Thus, this absence of a turnaround intention is strongly considered by banks. Thus, bank subjects equate the choice to pursue better return rather than reorganisation to BRP incompetence and lack of turnaround intention – despite being an alternative within the Act. This issue relates to BRPs being blamed for mal-performance and not performing at the required standard which in itself is a vague issue. BRPs ask why this is so?

**The consequence of the dilemma**

The consequence of the principal-agent dilemma is the conflict that initiated this research. Associated with this conflict, if not solved, is declining trust, more blame, more opposition to the other party, installing systems to block opposing decisions, legal challenges and more – worst for the BRP is no support at the vote. The banks are in the better position and growing in power over the process as they have resources much more than the BRPs to do so. The consequences of the conflicts and actions are interwoven within the discussion of the findings that follow.

**DISCUSSION OF FINDINGS, KEY THEORETICAL COMPONENTS AND INSIGHTS FROM OF THE STUDY**

To enhance meaningful coverage of the findings, this section deliberates each aspect of the findings as they appeared during the analysis process. The findings, the first in this field, are then elaborated and explored for improved understanding to guide the proposal of a framework of conflict between BRPs and banks, shedding some light on the unique elements of the principal-agent relationship.

Responding to the research question of what the conflicts between BRPs and banks within business rescue are, the results clearly identify the issues of contention, who blames who for what but more so, the underlying relations among these issues. Figure 3 shows the themes of the conflict points as determined by the participating subjects. It further enlightens the directions of blame associated with each contributor. It is clear that blame is categorised with interrelated themes.

Figure 4 then gives value to the identified issues when proposing them as drivers and antecedents underlying the conflict that exists within business rescue. It allows for sense making within the complexity of the interrelations.

This conflict in business rescue between BRPs and banks can be explained by general agency theory. However, the specific context created by the Act, describes the principal-agent dilemma as having some unique elements to consider. The three conflict drivers and three antecedents proposed in the framework (see Figure 4) suggest a myriad of interrelations that can contribute (or not) depending on the specific context that is relevant at the time within a rescue. The conflict drivers and antecedents are unpacked now.
Reasonable prospect as driver
Reasonable prospect, in this research, appeared as “the” contentious issue and the origin element of the conflict. How it is perceived depends on the BRP intention and navigational performance firstly and thereafter goal centrism and interpretation differences. As described in both the principal’s and the agent’s narratives, it is at the origin of the conflict. Banks have an advantage due to their pre-involvement. The judgment of whether reasonable prospect exists depends heavily on next two conflict drivers.

BRP navigational performance as driver
Navigation towards the new “best” position is the ultimate assignment of the BRP appointment. It is the main challenge of the BRP and involves the competency of sense-making, described by Pretorius (2014). However, the perception of what the new best position for the distressed firm is varies significantly between BRPs and banks. These differences in judgments of what the right best future position is, is influenced mainly by goal-centrism differences. It is also the origin of much of the blame by parties.

BRP intention to rescue by reorganising as driver
The perceived intention of the BRP to save the distressed firm by reorganisation appeared as a key to obtain support from the banks. Banks look for true intent as they see wind downs (better return than in liquidation) and debt restructurings as ways of BRP self-enrichment as no other creditors really benefit from this more than in liquidation. It appears almost contradictory as banks want either reorganisation (if they support it) or immediate liquidation but not pursuing better return. The banks underlying goal-centrism is closely associated with this intention as it influences the interpretation differences.

Goal-centrism as antecedent
Fundamental to the differences in goals as described in the principals’ and agents’ narratives, is what I coin as goal-centrism. Like egocentrism (I, me, mine) in individuals, goal-centrism refers to the organisation goals (Us, we and ours as based on the organisation). Banks are governed by risk minimising conventions associated with being “pro liquidations, pre-conditioned and legally biased” which they are blamed for. These are institutionalised goals founded and governed by strict processes and policies (pre-conditioned decisions). As goal-centrism can be explained as a party’s that is characterized by preoccupation with its own internal interest, it is relevant for both the principal and the agent. The data however, shows an overweight of responses towards the banks as a result of pre-conditioning, legal bias and pro-liquidation. Goal-centrism drives interpretation differences.

Competency as antecedent
Collaboration as a competency of the BRP is well explored by Pretorius (2014) as the “mediating” competency bringing together sense making, decision-making and integration as the supra-competencies to successfully navigate to the best future position. The data contained many references to the associated skills of cooperation, empathy for the opposing view and basic communication skills that were identified lacking especially with BRPs. BRPs were mainly judged as incompetent in the skills required to rescue a business. However, to pursue the better than in liquidation options, required minimal skill as it is equated to that of a liquidator.

Interpretation differences as antecedent
Principal-agent theory pre-empts this antecedent reporting it as the basis for divergence in views. Interpretation differences stem from both competency and goal centrism while it affects navigational performance (best future position), reasonable prospect, decision to reorganise or pursue better return option, performance standards, strategy and more. Interpretation requires higher-level perceptual capacity to understand factual and intuitive data and knowledge, seeing the unseen patterns leading to rapid judgements referred to as System 1 thinking by Kahneman (2011:59). In business rescue, it means divergent insight into causes of distress (Pretorius, 2009), product demand, capacities, economic models, cash-flow effects, fatal flaws and constraints, financial ratios and comparisons as judged by principals and agents.

While techniques are reported by BRPs to improve interpretation and evaluation, interpretation and sense-making underlies the feasibility and viability analysis activities. Boyd (2011:37) proposes that the leader of a reorganisation analyse market perceptions to explain the plight of the business. Again, the lack of generally accepted methods and tools to set requirements for especially reasonable prospect is highlighted.

Interpretation may involve the use of decision-making heuristics such as verifier determinants (Pretorius & Holtzhauzen, 2013) and intuitive biases (Kahneman, 2011).
IMPLICATIONS AND RECOMMENDATIONS TO INDUSTRY
Firstly, this study’s results highlight specifically the issue of reasonable prospect to save a distressed venture. Loubser (2010:505) also alludes to this as a contentious issue. It is clear that there is no standard process or measure to evaluate reasonable prospect which underlies the core liability of conflict. This is a call for the development or agreements on a standardised evaluation process to establish whether reasonable prospect exists or not.

The practical value of the research was found when answering the question: What are the potential solutions that can be pursued to address the conflict? Subjects proposed precise solutions to their specific rumour they reported. These were interpreted to propose generic solutions for the industry. The different actor groupings were identified to improve the principal-agent dilemma.

What BRPs can do? – Firstly they should focus on enhanced collaboration – and especially so when dealing with banks. Much of the conflict issues identified hinge on the clarity of BRP intentions to reorganise rather than finding a better return than in liquidation. Collaboration is a key competency required by the BRP (Pretorius, 2014). Secondly, and related to collaboration, would be to forge close relations with banks when establishing reasonable prospect. This may also enhance access to information for the BRP. The importance of enhancing skill levels through training for BRPs was also suggested by banks.

What banks can do? – Banks have the dominant power in the reorganising strategies available to BRPs. Matter of fact; banks mostly hold all the “aces” in a rescue. If banks can find ways to assist the BRPs to overcome the BRP’s “liability of confidentiality” and the “liability of information access”, this could have a dramatic effect on reducing time to investigate the firm’s affairs and conclude on the status of reasonable prospect. Banks appear not to see/understand the tasks of the BRP related to its complexity, number of tasks, time limitations as described by Pretorius (2013), etc. Their focus of banks is their investment in the business, limiting their ability to cooperate (vested interests) with the BRP despite the Act making provision for the functioning of a creditors committee.

What the Regulator can do? – Firstly, the Regulator could investigate amendments to the Act that may alter the exclusive powers of secured creditors in business rescue. This research exposed the debilitating powers of banks especially in the vote at the second creditors meeting where the plan must be supported (or not) for implementation. Secondly, the accreditation of BRPs based on competencies needs to be addressed urgently. In agency theory, the assumption is that of equal information availability by the principal and the agent. However, appears not to be the case in business rescue and leads to the difference in reasonable prospect judgments and timing thereof. The regulator could therefore consider investigating requirements for the creditors to enhance the business process. One of the suggestions put forward was for the Regulator to create a litigation fund for BRPs to challenge bank actions and thereby test certain principles and create case law. Finally, banks blamed also the Regulator for licensing incompetent practitioners. There is thus a need for an improved accreditation process by the Regulator with some research in this field been reported by Jacobs (2012) and Pretorius (2013).

IMPLICATIONS FOR THEORY – A RESEARCHER OBSERVATION
Finally the research exposed a variant of the principal-agent dilemma when the context is business rescue. Compared to a board-manager or firm-consultant relationship where the principals and agents are clearly identified and stable with clear hazards and costs, the rescue context transforms this standard relationship. In business rescue the unique situation occurs where the directors as principals agree, select, appoint and contract with the BRP as agent. Immediately after appoint the Act empowers the BRP to take full management control and decision making that include the decision making powers over the directors as the initial principals. Their principal powers, however, diminish almost completely barring the power of their potential vote as shareholder-creditors.

In business rescue, at appointment of the BRP, a “new” principal appears namely the creditor body – mostly driven and controlled by banks as the primary creditor. This body’s powers are prescribed in the Act and functions amongst others, mainly through the voting power they have on the plan. While the BRP can effectively do almost anything (the fear of the bank) until presenting the rescue plan that he must propose, the outcome which depends solely on the support of this new principal. Thus, the bank can indirectly control the actions of the BRP through the threat of removal.

Contrarily, the alternative view might be that the bank becomes a “pseudo agent” which can moderate the formal agent (BRP) powers of decision making – actually controlling and even "manipulation" the proposed plan, strategies and outcomes – A daunting thought to say the least.
LIMITATIONS AND FUTURE RESEARCH

Despite the data being directly obtained from the primary source, namely BRPs and bank subjects, the main limitation of this research is my potential bias during both the data analysis and interpretation of results phases. I therefore pursued data source triangulation by using narratives, dialectic conversations and reality checks to ensure trustworthiness. Secondly, potential subject bias has also been pointed out and therefore the results should serve as guideline insights rather than absolute facts. The use of the rumour principle addressed this extensively. Member checking also supported the findings and interpretations. The proposed recommendations should be considered by the Regulator as a starting point to address this potential debilitating conflict. The results must therefore be evaluated with this in mind as other interpretations might have been overlooked.

Understanding the interrelations is only the starting point in this complex web of issues. Future research should seek specifically for mechanisms to evaluate and quantify “reasonable prospect” for standardised evaluation of the concept. Specific techniques and models applied by banks that make them evaluate differently may be of great value to practitioners and educators alike. If research can direct the choice for or against reorganisation, extensive progress can be expected.

GRATITUDE

To Ms Amanda Lotheringen from CIPC who made the entree to research subjects possible. Also the referees at the SAIMS 2014 conference for their valuable contributions.

DECLARATION

The author declares that he has no financial or personal relationship(s) which may have inappropriately influenced him in writing this paper.

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THE RELATIONSHIP BETWEEN GOAL ACHIEVEMENT AND PERCEPTIONS OF SUCCESS IN FAMILY BUSINESSES

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ABSTRACT
Defining ‘success’ in terms of family businesses is problematic, and the debate on how to define success among these businesses is ongoing. A goal is an aim or desired result, while success is defined as the achievement of an aim or purpose. The purpose of this study was to gain greater clarity on the meaning of ‘success’ as interpreted by owners of family businesses by looking at the relationship between their goal achievement and their perceptions of success. The goals investigated were the Continuity, Financial, Human resources, Personal, Operational, Service, Socio-economic, and Growth goals. A survey was undertaken using a structured questionnaire. The respondents were identified by means of the convenience snowball sampling technique, and the survey yielded 213 usable questionnaires on which to undertake the statistical analysis. To assess the validity and reliability of the measuring instrument, an exploratory factor analysis was undertaken and Cronbach’s alpha coefficients were calculated. The hypothesised relationships were assessed by means of multiple regression analysis. In the pursuit of providing greater clarity on the interpretations of success among family businesses, the results of this study show that achieving financial returns and gaining respect in one’s industry are key to perceptions of success among family business owners.

Key words: Family business, Business success, Goals

INTRODUCTION AND PROBLEM INVESTIGATED
Success, like beauty and fairness, is in the eye of the beholder. As such, success or being successful has different meanings for different people, and different meanings under different circumstances. According to Hienerth and Kessier (2006:115,116), two issues in the success measurement of family businesses are particularly challenging, namely the ambiguous definition of success and, as a consequence, the biased perception of success owing to a lack of adequate reference values. It is this ambiguity that reduces the ability to compare the overall success evaluations of different family business owners (Hienerth & Kessier, 2006:115). This ambiguity also gives rise to an absence of adequate reference values of success, which in itself favours the emergence of a biased perception of success on the part of the family business owner (Hienerth & Kessier, 2006:115).

Covin and Slevin (1991:8) maintain that business success or “business performance is the ultimate dependent variable.” Casillas, Moreno and Barbero (2010:28,30) and Rauch, Wiklund, Lumpkin and Frese (2009:765) add that business performance is a complex and multi-dimensional concept, consisting of both financial and non-financial dimensions that are not necessarily related to each other. As a result, there is no consensus on an appropriate measure of business success (Mahmood & Hanafi, 2013:84; Soininen, Martikainen, Puurmalainen & Kyläheiko, 2012:616; Acs, Glaeser, Litan & Fleming, 2008:11). Similarly, Distelberg and Sorenson (2009: 68,71) assert that defining ‘success’ in terms of the family business is problematic, and even individuals within the family business system have varying perceptions of success. Since research in the field began, family business researchers have striven to understand how family businesses obtain success or achieve satisfaction. Yet an uncertainty still exists as to how success is perceived by the entire family business system (Distelberg & Sorenson, 2009:68), and the debate on how to define success in family businesses is ongoing (Zellweger & Nason, 2009:213).

A goal is “the object of a person’s ambition or effort, an aim or desired result” (Goal, 2014), and success is defined as the “accomplishment of an aim (goal) or purpose” (Success, 2014). From the aforementioned definitions one can infer that a business would be considered successful if it was performing in terms of certain indicators or achieving certain goals. To date, family business goals have received little attention in the family business literature (Collins & O’Regan, 2011:9) and there is uncertainty as to what the ultimate goals of family businesses are. Several authors contend that achieving financial goals are not the primary or even the sole focus of family businesses, and that family businesses often exhibit a strong preference for non-financial goals (Short, Payne, Brigham, Lumpkin & Broberg, 2009:12; Zellweger & Nason, 2009:203). It has even been suggested that among family businesses, non-financial goals take precedence over financial
goals such as growth and profitability (Cater & Justis, 2009:111; Short et al., 2009:12). This uncertainty about the goals of family businesses may contribute to the uncertainty in defining their success.

What follows are the primary objective of the study and a brief literature overview supporting the hypothesis development. A description of the research design and methodology adopted, as well as the reporting of the empirical results are then presented. The most significant results are discussed and implications for theory and practice are proposed. Finally, the limitations of the study, as well as avenues for future research, are suggested.

**PRIMARY OBJECTIVE**

Against the background above, the purpose of this study is to gain greater clarity on the meaning of ‘success’ as interpreted by owners of family businesses, by looking at the relationship between goal achievement and perceptions of success.

The primary objective of this study is twofold: to determine the extent to which several goals have been achieved, and to establish the influence that achieving these goals has had on the overall perception of success among small and medium-sized family businesses in the Eastern Cape. To achieve these objectives, the research questions posed are as follows: To what extent are family businesses achieving their goals? Is there a relationship between the achievement of goals and an overall perception of family business success? Achievement of which goals has the greatest influence on an overall perception of family business success?

**LITERATURE AND HYPOTHESIS DEVELOPMENT**

**Successful family businesses**

Measures such as return on assets, return on investments, sales growth, and market share are common in assessing business performance among family businesses (Astrachan, 2006:v; Denison, Lief & Ward, 2004:63). Several studies use the number of employees, turnover, profit, or other indicators of growth to depict the success of a business. In some family businesses, however, there may be no intention of expanding the business, and for this reason isolated partial success measures based on growth may be inappropriate indicators of success (Hienerth & Kessier, 2006:117). Beyond profitability, family members may define success as the ability to live and operate the business according to a personal value system, or merely to pass the founder’s legacy to the next generation (Denison et al. 2004:63). Hienerth and Kessier (2006:117,130) contend that isolated partial success measures, such as the number of employees or turnover, are ambiguous and are influenced by business size, age and industry. Isolated partial success measures also result in a perceptual bias, in that owners tend to overestimate the overall success of the family business by referring to certain internal dimensions only. In addition to perceptual bias, owners also tend to suffer from attribution bias when they measure success by means of isolated variables. Attribution bias exists when business owners attribute business success to their own person or own internal strengths, while external factors are regarded as challenging and hostile, and failure is attributed to the environment. According to Hienerth and Kessier (2006:130), measuring success on the basis of a configurational fit could overcome some of the weaknesses of common success measures in family businesses. This approach measures success by using a multidimensional approach. Business success is not predicted by using only one distinct variable, but by examining the interplay of various variables in the business, this being its configuration (Hienerth & Kessier, 2006:118).

Successful family businesses place great value on preserving family harmony and on honouring family members’ commitment to one another (Lansberg, 1999:341; Aronoff et al., 1997:62). However, too great an emphasis on harmony could result in highly harmonious families but under-performing businesses (Venter, 2003:331). According to Ward (2004:74), a bias towards the interests and welfare of the business could ultimately have a boomerang effect in that it comes back to serve the long-term interests of the family. Sharma (1997:235), however, believes that the continuity of the family business, like the continuity of any other business, is based on the potential rewards from the business, and not on the extent of harmony that may be present among family members. Anecdotal evidence suggests that maintaining a healthy balance between focusing on good family relationships on the one hand, and focusing on financial performance on the other, is essential for a successful family business (Maas, Van der Merwe & Venter, 2005:103; Sharma, 2004:6,7; Ward, 2004:74; Lansberg, 1999:335).

It is important for families in business to realise that the health of the business influences the health of the family, and vice-versa (Ward, 2004:74; Lansberg, 1999:335), and neither the family nor the business can be viewed in isolation (Denison et al., 2004:64). A family business that lacks family harmony, for example, will find it difficult to make a profit (Maas et al., 2005:26) and a failed family business cannot sustain and support...
the business family. Sacrificing one for the other may jeopardise the sustainability of the family business; solutions must be sought that serve the interests of both the family and the business (Maas et al., 2005:103; Lansberg, 1999:335,336). Recognising the intertwining of family and business in family businesses has led to a definition of high-performing family firms that takes into consideration performance in both family and business dimensions (Sharma, 2004:6).

As previously mentioned, a goal is an aim, whereas success is defined as the achievement of an aim. In other words, success can be defined in terms of achieving certain goals. In order to gain greater clarity on the meaning of success among family businesses, goals of family businesses are elaborated on in the section below.

The nature of family business goals
A goal is a statement expressing an outcome that one wishes to obtain (Koren, 2012), an end towards which one directs a particular attempt (Rouillard, 2003:3), or a broad expression of what one wants to achieve (Koren, 2012; Grusenmeyer, 2001:6). Goals should be specific, measurable, attainable, rewarding and timely (Grusenmeyer, 2001:6) and are categorised in several ways. Bosch, Tait and Venter (2011:137) categorise goals as either primary or secondary, while categories such as financial or non-financial, economic or non-economic and pecuniary or non-pecuniary are often used. For the purpose of this study the family business goals investigated were categorised as business, personal, and family goals. Business goals included both goals of a financial nature such as profit maximisation, rate of return maximisation, shareholders’ wealth maximisation (Bosch et al., 2011:137), financial liquidity and solvency (Kapil, 2011:6), as well as goals of a non-financial nature such as growth, continuity, socio-economic (Bosch et al., 2011:140), human resources, operational and service goals. Personal goals relate to the private or individual aims of the owner-manager, whereas family goals are those resulting from the interaction between the family and the business.

Several business and personal goals of family businesses and family business owners have been identified and are categorised and listed in Table 1. These goals could be applicable to both family and non-family businesses.

Table 1: Business and personal goals

<table>
<thead>
<tr>
<th>Goals</th>
<th>Goal statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Financial security of the business (Eybers, 2011; Farrington, 2009)</td>
</tr>
<tr>
<td></td>
<td>Maximising return on investment (McKenny, Short, Zachary &amp; Payne, 2012; Mahto, Davis, Pearce &amp; Robinson, 2010)</td>
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<tr>
<td></td>
<td>Profit maximisation (Bosch, Tait &amp; Venter, 2011; Glynn &amp; Murphy, 2008)</td>
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<td></td>
<td>Business liquidity (on-going ability to make short-term payments on time) (Bosch et al., 2011)</td>
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<td></td>
<td>Business solvency (extent to which total assets exceed total liabilities) (Bosch et al., 2011)</td>
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<tr>
<td></td>
<td>Maximisation of sales (Bosch et al., 2011)</td>
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<tr>
<td></td>
<td>Maximising shareholder(s)/owner(s) wealth (Bosch et al., 2011)</td>
</tr>
<tr>
<td>Non-financial goals</td>
<td></td>
</tr>
<tr>
<td>Continuity</td>
<td>Business survival (Van Der Merwe, Venter &amp; Farrington, 2012; Distelberg &amp; Sorenson, 2009:69)</td>
</tr>
<tr>
<td></td>
<td>Business continuity (Bosch et al., 2011; Distelberg &amp; Sorenson, 2009)</td>
</tr>
<tr>
<td></td>
<td>Business succession (Distelberg &amp; Sorenson, 2009; Short et al., 2009)</td>
</tr>
<tr>
<td>Growth</td>
<td>Growth in assets (Hienerth &amp; Kessler, 2006)</td>
</tr>
<tr>
<td></td>
<td>Increasing the customer base of the business (Williams, 2012; Hienerth &amp; Kessler, 2006; Williams, 2012)</td>
</tr>
<tr>
<td></td>
<td>Expansion of product and/or service offerings (Hienerth &amp; Kessler, 2006)</td>
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<tr>
<td></td>
<td>Growth of the business (Distelberg &amp; Sorenson, 2009)</td>
</tr>
<tr>
<td></td>
<td>Growth in sales (Eybers, 2011; Farrington, 2009)</td>
</tr>
<tr>
<td></td>
<td>Growth in profits (Eybers, 2011; Farrington, 2009)</td>
</tr>
<tr>
<td></td>
<td>Growth in market share (Bosch et al. 2011:144)</td>
</tr>
<tr>
<td>Human resources</td>
<td>Workplace health and safety (Tagiuri &amp; Davis, 1992:46)</td>
</tr>
<tr>
<td></td>
<td>Job security for employees (McKenny et al., 2012:303; Tagiuri &amp; Davis, 1992)</td>
</tr>
<tr>
<td></td>
<td>Employee training and development (McKenny et al., 2012; McCann, Leon-Guerrero &amp; Haley, 2001)</td>
</tr>
<tr>
<td></td>
<td>Employee job satisfaction (McKenny et al., 2012:303)</td>
</tr>
<tr>
<td>Operational</td>
<td>Optimal use of business resources (McCann et al. 2001)</td>
</tr>
<tr>
<td></td>
<td>Having efficient and effective systems and processes (Hienerth &amp; Kessler, 2006)</td>
</tr>
<tr>
<td></td>
<td>Maximising productivity (McKenny et al., 2012; Bosch et al., 2011; Glynn &amp; Murphy, 2008)</td>
</tr>
</tbody>
</table>
Deliver excellent customer service (Getz and Carlsen, 2000)
Deliver a high-quality product and/or service (Getz and Carlsen, 2000)
Customer satisfaction (Bosch et al., 2006)

To provide jobs for people in the community (McKenny et al., 2012:303) Colby, Flores-Carignan and White, 2011)
To be a good corporate citizen (Tagiuri & Davis 1992:45; McKenny et al., 2012:303)
Local community involvement (McKenny et al., 2012:303; Colby et al., 2011).
Implementation of green practices (McKenny et al., 2012:303; Ghuman, 2010)
Sponsoring community events (Colby et al., 2011)
Reducing the carbon footprint of the business (Colby et al., 2011)
Conserving natural resources when doing business (Colby et al., 2011; Bosch et al., 2011).
Empowering communities (Bosch et al., 2011; Colby et al., 2011)

Be my own boss (Getz & Carlsen, 2000; Tagiuri & David, 1992)
To do what I enjoy (Tagiuri & Davis, 1992)
Personal financial security (Tagiuri & Davis, 1992)
A secure retirement income (Danes, Stafford, Haynes & Amarapurkar, 2009)
A good reputation (Getz & Carlsen, 2000)
Provide financial support for my family (Getz & Carlsen, 2000)
Maintain my desired lifestyle (Getz & Carlsen, 2000)
Live a balanced lifestyle (Getz & Carlsen, 2000)

A previously mentioned, an uncertainty exists as to whether financial or non-financial goals are the primary focus of family businesses. According to Chrisman et al. (2010:14), both financial and non-financial goals should be considered when judging the performance of family firms. As in all businesses, financial goals in family businesses include maximising profits, sales, and return on assets (Zellweger & Nason, 2009:203). Non-financial goals specific to family businesses include providing employment for family members (Cater & Justis, 2009:111; Short et al., 2009:12; Chrisman, Chua & Sharma, 2005), family well-being (Distelberg & Sorenson, 2009:70; Chrisman et al., 2005) and transgenerational sustainability, in other words, wanting to preserve the business so that it can be passed on to the next generation (Chrisman et al., 2010:14; Cater & Justis, 2009:120; Short et al., 2009:21).

A successful succession has also been used as a primary measurement of success in the family business literature (Distelberg & Sorenson, 2009:70; Short et al., 2009:21; Sharma, 2004). According to these authors, family businesses place great importance on the goal of continuity and long-term survival, and view the business as a resource to be used by the family and future generations (Distelberg & Sorenson, 2009:75; Castillo & Wakefield, 2007).

Family harmony is another non-financial goal of many family businesses (Zellweger & Nason, 2009:205). Several authors (Maas et al., 2005; Sharma, 2004) contend that family businesses are considered successful when, in addition to the business making a profit, harmonious family relationships exist. Ample evidence exists (Sharma, 2004; Ward, 2004; Flören, 2002; Venter, 2003) to suggest that harmonious relationships between family members are indicators of successful family businesses. Several non-financial goals specific to family businesses have been identified in the literature; these are listed in Table 2.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Goal statements</th>
</tr>
</thead>
</table>
| Family | Family harmony (Van Der Merwe et al., 2012; Zellweger & Nason, 2009; Getz & Carlsen, 2000)  
Family reputation (Colli, 2012; Getz & Carlsen, 2000)  
Creating jobs for family members (Van Der Merwe et al., 2012; Getz & Carlsen, 2000)  
To transfer the business to the next generation of family members (Getz & Carlsen, 2000)  
Working together as a family (Getz & Carlsen, 2000)  
Securing a future for the children (Sharma, Chrisman & Chua, 1997)  
Family well-being (Van Der Merwe et al., 2012:18; Debicki, Matherne, Kellermanns & Chrisman, 2009; Rothausen 2009,)  
A shared family vision for the family business (Rothausen, 2009)  
Preservation of family control and independence (Berrone, Cruz & Gomez-Mejia, 2012) |
literature above. It is not claimed that every possible business, personal and family business goal is considered for this study.

**Figure 1: Summary of hypothesised relationships**

<table>
<thead>
<tr>
<th>Financial</th>
<th>Perceived overall success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>H₁⁻⁹</td>
</tr>
<tr>
<td>Continuity</td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td></td>
</tr>
<tr>
<td>Operational</td>
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<tr>
<td>Socio-economic</td>
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<tr>
<td>Service</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td></td>
</tr>
<tr>
<td>Family</td>
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</tbody>
</table>

The following relationships are hypothesised:

- **H₁**: There is a positive relationship between achieving the **Financial** goal and the **Perceived overall success** of the family business.
- **H₂**: There is a positive relationship between achieving the **Growth** goal and the **Perceived overall success** of the family business.
- **H₃**: There is a positive relationship between achieving the **Continuity** goal and the **Perceived overall success** of the family business.
- **H₄**: There is a positive relationship between achieving the **Human resources** goal and the **Perceived overall success** of the family business.
- **H₅**: There is a positive relationship between achieving the **Operations** goal and the **Perceived overall success** of the family business.
- **H₆**: There is a positive relationship between achieving the **Service** goal and the **Perceived overall success** of the family business.
- **H₇**: There is a positive relationship between achieving the **Socio-economic** goal and the **Perceived overall success** of the family business.
- **H₈**: There is a positive relationship between achieving the **Personal** goal and the **Perceived overall success** of the family business.
- **H₉**: There is a positive relationship between achieving the **Family** goal and the **Perceived overall success** of the family business.

**RESEARCH DESIGN AND METHODOLOGY**

A quantitative research design was adopted in this study, and a descriptive study of a cross-sectional nature was undertaken. The survey technique was employed to collect the data on the factors under investigation. A structured measuring instrument was developed for this purpose.

**Development of the measuring instrument**

The measuring instrument consisted of a cover letter and four sections. Section 1 requested demographic information pertaining to the respondents as individuals and their businesses. Section 2 consisted of 52 randomised statements (items) reflecting various business and personal goals. Section 3 consisted of 9 randomised statements (items) reflecting family business goals. A 5-point Likert type scale was used to measure the extent of achievement for each of the business, personal and family goals stated. The Likert scale was interpreted as 1 = *not achieved at all*, 2 = *not achieved*, 3 = *neutral*, 4 = *partially achieved* and 5 = *fully achieved*. Section 4 consisted of 4 statements (items) reflecting the overall success of the business. The scale for this section was interpreted as 1 = *strongly disagree*, 2 = *disagree*, 3 = *neutral*, 4 = *agree* and 5 = *strongly agree*.

In order to develop the various statements reflecting the business, personal, and family goals, the literature was consulted (see Table 1). As such, the items measuring the independent variables (goals) were developed and operationalised based on the literature. In order to measure the dependent variable **Perceived overall success**, four statements were developed, two of which made reference to success and two to synonyms of success, namely flourishing and prosperous. The number of items and the operationalisation of the independent and dependent variables investigated in this study are presented in Table 3.
Table 3: Number of items and operationalisation of goals

<table>
<thead>
<tr>
<th>Independent and dependent variables</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuity</strong>: For the business to continue and survive into the future.</td>
<td>3</td>
</tr>
<tr>
<td><strong>Financial</strong>: To maximise profit, sales and shareholders’ wealth, to ensure liquidity and solvency, as well as overall financial security.</td>
<td>7</td>
</tr>
<tr>
<td><strong>Growth</strong>: To increase the customer base, expand the product/service offerings, and identify new business opportunities, as well as to grow sales, profits, market share and ultimately the business as a whole.</td>
<td>8</td>
</tr>
<tr>
<td><strong>Human resources</strong>: To ensure employee job satisfaction, to provide training and development, workplace health and safety, and job security.</td>
<td>5</td>
</tr>
<tr>
<td><strong>Operational</strong>: To make optimal use of business resources, to have efficient and effective systems and processes, and to maximise productivity.</td>
<td>3</td>
</tr>
<tr>
<td><strong>Service</strong>: To deliver high-quality and innovative products and/or services, as well as excellent customer service.</td>
<td>4</td>
</tr>
<tr>
<td><strong>Socio-economic</strong>: To be involved with and empower local communities, to implement green practices, conserve natural resources, and reduce the carbon footprint, as well as be a good corporate citizen.</td>
<td>8</td>
</tr>
<tr>
<td><strong>Personal</strong>: For the owner to be his/her own boss, to do what he/she enjoys and to meet his/her career interest, to live a balanced lifestyle with adequate financial security, to have a good reputation, and to be well-known.</td>
<td>14</td>
</tr>
<tr>
<td><strong>Family</strong>: To achieve family harmony and well-being, as well as securing the family business for future generations and have a good family reputation.</td>
<td>9</td>
</tr>
<tr>
<td><strong>Perceived overall success</strong>: For the family business to be flourishing, prosperous and successful.</td>
<td>4</td>
</tr>
</tbody>
</table>

Sampling and data collection

The focus of this study was on small and medium-sized family businesses in the Eastern Cape. For the purpose of the study, a small and medium-sized family business is defined as a business where a single family owns at least 51% of the equity of the business; where a single family is able to exercise considerable influence in the business; where at least two family members are concerned with the senior management of the business (Eybers, 2010; Farrington, 2009; Venter, 2003); and where the business employs more than five but fewer than 200 full-time employees.

As no national database or freely accessible list of family businesses exists in this country, a convenience snowball sampling technique was used. Five hundred questionnaires were personally distributed by field workers from NMMU to small and medium-sized businesses operating within the boundaries of the Eastern Cape, and collected upon completion. In total 420 questionnaires were returned but only 213 were usable for statistical analyses. The other returned questionnaires did not qualify as family businesses or were incorrectly completed. Given the satisfactory response rate (42.6%), non-response bias was not considered a problem in this study.

The data collected was subjected to various statistical analyses using Statistica version 11 (StatSoft, Inc., 2013). An exploratory factor analysis was undertaken, and Cronbach’s alpha coefficients (CA) were calculated to assess respectively the discriminant validity and reliability of the measuring instrument. Descriptive statistics such as the mean, standard deviation and frequency distributions, were calculated to summarise the data. Pearson's product moment correlations were calculated to establish the associations between the factors under investigation, and a multiple regression analysis (MRA) was undertaken to establish the influence of achieving the goals investigated in this study on the perceived overall success of the family businesses.

EMPIRICAL RESULTS

Sample description

The majority (75.12%) of respondents participating in this study were male and between the ages 40 and 49 years (33.33%) or 50 and 59 years (31.46%). Most were White (59.15%), followed by Black (16.90%) and Coloured/Asian (19.72%). The majority (66.197%) indicated being in possession of a tertiary qualification. Most of the respondents owned businesses that operated in the service industry (36.620%) and retail/wholesale industry (30.99%), and employed fewer than 10 persons (61.03%). Most respondents (28.64%) had been the owner of the business for 5 years or less. A fairly large number of respondents (20.66%) had been the owner of their businesses for between 11 and 15 years, while 18.78 per cent had been the owners for between 6 and 10 years. An average tenure of ownership reported was 12.64 years. Of
the 213 respondents, 67.14 per cent indicated that their family businesses had been started by themselves, namely the current generation.

Validity and reliability results
In order to assess the validity of the independent variables (various goals) investigated in this study, as well as the dependent variable (Perceived overall success) and to identify the unique factors in the data, an exploratory factor analysis (EFA) was undertaken. A principal component analysis and varimax raw were specified as the extraction and rotation methods. Items with factor loadings of less than 0.5 (Mustakallio, Autio & Zahra, 2002:212) and those that cross-loaded onto more than one factor were eliminated from further analysis. Only factors with more than two items loading onto them were considered for further statistical analysis. The resulting factor structure can be found in Table 4. The nine factors extracted explain 55.71 per cent of the variance in the data. Although nine factors were extracted, only eight were considered for further analysis. After rotation and based on the nature of the items that loaded together, the factors were named Personal and financial independence, Community involvement, Customer satisfaction, Family business continuity, Perceived overall success, Family well-being, Entrepreneurial success and Environmental.

For most of the goals under investigation in this study, the goal statements (items) developed to measure them did not load as expected. From Table 4 it can be seen that the first factor extracted had twelve items that loaded onto it. These items were originally developed as part of the scales to measure the Financial (FIN1, FIN2, FIN5, FIN4, FIN3, FIN7), Personal (PERS4, PERS8, PERS5), Growth (GROW6, GROW5), and Continuity (CONT2) goals. Based on the nature of the items that loaded together, the goal was named Personal and financial independence.

Table 4: Factor structure

<table>
<thead>
<tr>
<th></th>
<th>INDEP</th>
<th>COMM</th>
<th>CUSTO</th>
<th>CONTI</th>
<th>SUCC1</th>
<th>WELL</th>
<th>ENTRE</th>
<th>N/A*</th>
<th>ENVR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIN1</td>
<td>0.725</td>
<td>0.09</td>
<td>0.144</td>
<td>-0.040</td>
<td>0.148</td>
<td>0.086</td>
<td>0.017</td>
<td>0.266</td>
<td>0.145</td>
</tr>
<tr>
<td>PERS4</td>
<td>0.719</td>
<td>0.079</td>
<td>0.023</td>
<td>0.053</td>
<td>0.152</td>
<td>0.239</td>
<td>0.056</td>
<td>-0.022</td>
<td>-0.006</td>
</tr>
<tr>
<td>FIN2</td>
<td>0.648</td>
<td>0.156</td>
<td>0.158</td>
<td>0.016</td>
<td>0.076</td>
<td>0.029</td>
<td>0.365</td>
<td>-0.046</td>
<td>0.048</td>
</tr>
<tr>
<td>PERS8</td>
<td>0.642</td>
<td>0.006</td>
<td>0.070</td>
<td>0.022</td>
<td>0.144</td>
<td>0.337</td>
<td>-0.025</td>
<td>-0.013</td>
<td>-0.049</td>
</tr>
<tr>
<td>FIN5</td>
<td>0.641</td>
<td>-0.156</td>
<td>-0.002</td>
<td>0.013</td>
<td>0.146</td>
<td>0.144</td>
<td>0.102</td>
<td>0.310</td>
<td>0.131</td>
</tr>
<tr>
<td>GROW6</td>
<td>0.606</td>
<td>0.251</td>
<td>0.161</td>
<td>0.117</td>
<td>0.351</td>
<td>0.099</td>
<td>-0.022</td>
<td>-0.052</td>
<td>0.008</td>
</tr>
<tr>
<td>FIN4</td>
<td>0.583</td>
<td>-0.020</td>
<td>0.134</td>
<td>-0.117</td>
<td>0.145</td>
<td>0.187</td>
<td>-0.036</td>
<td>0.255</td>
<td>0.065</td>
</tr>
<tr>
<td>PERS5</td>
<td>0.579</td>
<td>0.131</td>
<td>0.083</td>
<td>0.122</td>
<td>0.161</td>
<td>0.092</td>
<td>0.449</td>
<td>-0.021</td>
<td>0.028</td>
</tr>
<tr>
<td>FIN3</td>
<td>0.534</td>
<td>0.344</td>
<td>0.320</td>
<td>0.106</td>
<td>0.092</td>
<td>0.148</td>
<td>0.226</td>
<td>-0.090</td>
<td>-0.031</td>
</tr>
<tr>
<td>GROW5</td>
<td>0.529</td>
<td>0.231</td>
<td>0.209</td>
<td>0.192</td>
<td>0.189</td>
<td>0.159</td>
<td>0.121</td>
<td>0.027</td>
<td>0.112</td>
</tr>
<tr>
<td>CONT2</td>
<td>0.511</td>
<td>0.030</td>
<td>0.181</td>
<td>0.311</td>
<td>0.242</td>
<td>0.070</td>
<td>0.067</td>
<td>-0.062</td>
<td>0.002</td>
</tr>
<tr>
<td>FIN7</td>
<td>0.505</td>
<td>0.094</td>
<td>0.111</td>
<td>0.107</td>
<td>0.170</td>
<td>0.053</td>
<td>0.496</td>
<td>-0.042</td>
<td>0.136</td>
</tr>
<tr>
<td>SOCIO8</td>
<td>0.093</td>
<td>0.682</td>
<td>0.183</td>
<td>0.150</td>
<td>0.040</td>
<td>0.017</td>
<td>0.086</td>
<td>0.099</td>
<td>0.293</td>
</tr>
<tr>
<td>SOCIO3</td>
<td>0.192</td>
<td>0.650</td>
<td>0.152</td>
<td>0.088</td>
<td>0.116</td>
<td>0.075</td>
<td>0.015</td>
<td>0.081</td>
<td>0.127</td>
</tr>
<tr>
<td>SOCIO5</td>
<td>0.178</td>
<td>0.571</td>
<td>-0.184</td>
<td>0.109</td>
<td>0.126</td>
<td>0.054</td>
<td>0.165</td>
<td>0.179</td>
<td>0.287</td>
</tr>
<tr>
<td>SERV3</td>
<td>0.147</td>
<td>0.098</td>
<td>0.764</td>
<td>0.043</td>
<td>0.117</td>
<td>0.088</td>
<td>0.065</td>
<td>0.041</td>
<td>0.040</td>
</tr>
<tr>
<td>SERV2</td>
<td>0.143</td>
<td>0.117</td>
<td>0.694</td>
<td>0.067</td>
<td>0.078</td>
<td>0.076</td>
<td>0.171</td>
<td>0.005</td>
<td>0.223</td>
</tr>
<tr>
<td>SERV1</td>
<td>0.224</td>
<td>0.031</td>
<td>0.680</td>
<td>-0.026</td>
<td>0.142</td>
<td>0.227</td>
<td>0.005</td>
<td>0.035</td>
<td>0.194</td>
</tr>
<tr>
<td>PERS7</td>
<td>-0.010</td>
<td>-0.037</td>
<td>0.543</td>
<td>0.106</td>
<td>0.088</td>
<td>0.142</td>
<td>0.247</td>
<td>0.465</td>
<td>0.090</td>
</tr>
<tr>
<td>HR1</td>
<td>0.144</td>
<td>0.087</td>
<td>0.533</td>
<td>0.024</td>
<td>-0.050</td>
<td>0.100</td>
<td>-0.047</td>
<td>0.374</td>
<td>0.223</td>
</tr>
<tr>
<td>FAM3</td>
<td>0.026</td>
<td>0.107</td>
<td>0.082</td>
<td>0.690</td>
<td>-0.064</td>
<td>0.134</td>
<td>0.170</td>
<td>-0.122</td>
<td>0.055</td>
</tr>
<tr>
<td>FAM4</td>
<td>0.032</td>
<td>0.278</td>
<td>-0.083</td>
<td>0.659</td>
<td>0.119</td>
<td>0.062</td>
<td>0.124</td>
<td>0.004</td>
<td>-0.049</td>
</tr>
<tr>
<td>FAM8</td>
<td>0.075</td>
<td>0.057</td>
<td>0.008</td>
<td>0.623</td>
<td>0.168</td>
<td>0.271</td>
<td>-0.043</td>
<td>0.167</td>
<td>0.142</td>
</tr>
<tr>
<td>SUC1</td>
<td>0.127</td>
<td>0.061</td>
<td>0.110</td>
<td>0.065</td>
<td>0.802</td>
<td>0.010</td>
<td>0.117</td>
<td>0.004</td>
<td>-0.005</td>
</tr>
<tr>
<td>SUC2</td>
<td>0.275</td>
<td>0.054</td>
<td>0.067</td>
<td>0.047</td>
<td>0.767</td>
<td>0.056</td>
<td>0.100</td>
<td>0.101</td>
<td>0.039</td>
</tr>
<tr>
<td>SUC3</td>
<td>0.173</td>
<td>0.060</td>
<td>0.082</td>
<td>0.167</td>
<td>0.739</td>
<td>0.056</td>
<td>0.047</td>
<td>0.136</td>
<td>0.108</td>
</tr>
<tr>
<td>SUC4</td>
<td>0.219</td>
<td>0.055</td>
<td>0.109</td>
<td>-0.051</td>
<td>0.701</td>
<td>0.178</td>
<td>0.085</td>
<td>0.060</td>
<td>0.084</td>
</tr>
<tr>
<td>FAM7</td>
<td>0.308</td>
<td>0.108</td>
<td>0.187</td>
<td>0.120</td>
<td>0.028</td>
<td>0.757</td>
<td>0.144</td>
<td>0.090</td>
<td>0.032</td>
</tr>
<tr>
<td>FAM1</td>
<td>0.266</td>
<td>0.000</td>
<td>0.051</td>
<td>0.175</td>
<td>0.088</td>
<td>0.721</td>
<td>0.021</td>
<td>0.096</td>
<td>0.080</td>
</tr>
<tr>
<td>FAM2</td>
<td>0.090</td>
<td>0.092</td>
<td>0.147</td>
<td>0.128</td>
<td>0.041</td>
<td>0.685</td>
<td>0.282</td>
<td>0.107</td>
<td>0.169</td>
</tr>
<tr>
<td>FAM5</td>
<td>0.076</td>
<td>-0.026</td>
<td>0.160</td>
<td>0.421</td>
<td>0.157</td>
<td>0.511</td>
<td>-0.108</td>
<td>-0.006</td>
<td>0.265</td>
</tr>
</tbody>
</table>

Of the eight items originally intended to measure the Socio-economic goal, three items loaded together (SOCIO8, SOCIO3 and SOCIO5), and this goal was named Community involvement. Five items loaded together (SERV3, SERV2, SERV1, PERS7 and HR1) on the third factor extracted. Based on the nature of the items that loaded, the goal was named Customer satisfaction. Of the nine items originally intended to measure the Family goal, three items loaded together (FAM3, FAM4 and FAM8) onto the fourth factor extracted. Based on the items that loaded, the goal was named Family business continuity. The other four items loaded onto another factor (FAM7, FAM1, FAM2 and FAM5) and the goal was named Family well-being. Of the four items originally intended to measure Perceived overall success, all four items loaded together (SUCC1, SUCC2, SUCC3 and SUCC4). Three items loaded together (PERS14, GROW8 and PERS12) onto the seventh factor extracted. Based on the nature of the items that loaded, the resulting factor was named Entrepreneurial success. Only two items loaded onto the eighth factor extracted and this was not considered for further analysis. Of the eight items originally intended to measure the Socio-economic goal, three items loaded together (SOCIO6, SOCIO4 and SOCIO7). Based on the items that loaded, the goal was named Environmental. Although the factors extracted did not correspond with the original goals identified in the literature, seven goals did emerge, on which to undertake further statistical analysis.

Cronbach’s alpha coefficients (CAs) were calculated to assess the reliability of the scales identified as measuring the factors extracted by means of the EFA. Cronbach’s alpha coefficients of greater than 0.70 were reported for all constructs (Nunnally & Bernstein, 1994). Table 5 summarises the operational definitions of the factors extracted, as well as details concerning the validity and reliability of the scales measuring them. Evidence is thus provided that valid and reliable measuring scales were used to measure the constructs under investigation.

As a result of the EFA, the various goals investigated in this study were renamed and the hypotheses reformulated as follows:

H1: There is a positive relationship between achieving the Personal and financial independence goal and the Perceived overall success of the family business.

H2: There is a positive relationship between achieving the Community involvement goal and the Perceived overall success of the family business.

H3: There is a positive relationship between achieving the Customer satisfaction goal and the Perceived overall success of the family business.

H4: There is a positive relationship between achieving the Family business continuity goal and the Perceived overall success of the family business.

H5: There is a positive relationship between achieving the Entrepreneurial success goal and the Perceived overall success of the family business.

H6: There is a positive relationship between achieving the Environmental goal and the Perceived overall success of the family business.

KEY: INDEP = Personal and financial independence; COMM = Community involvement; CUSTO = Customer satisfaction; CONTI = Family business continuity; SUCCE = Overall business success; WELL = Family well-being; ENTRE = Entrepreneurial success; NOT = Not considered for further analysis; ENVIR = Environmental.

*N/A = Not considered for further analysis
Table 5: Operational definitions and validity and reliability results

<table>
<thead>
<tr>
<th>Operationalisation of factors</th>
<th>Items*</th>
<th>Factor loadings</th>
<th>CA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal and financial independence:</strong> To maximise the profit, return on investment and shareholders’ wealth created by the business, for the business to be liquid, solvent and financially secure, as well as providing personal financial security for the owner-manager.</td>
<td>12</td>
<td>Max: 0.725 Min: 0.505</td>
<td>0.900</td>
</tr>
<tr>
<td><strong>Community involvement:</strong> To be involved with, empower and sponsor local communities.</td>
<td>3</td>
<td>Max: 0.682 Min: 0.571</td>
<td>0.725</td>
</tr>
<tr>
<td><strong>Customer satisfaction:</strong> To deliver high-quality products and/or services, excellent customer service, and customer satisfaction, to have a good reputation and to provide a safe working environment.</td>
<td>5</td>
<td>Max: 0.764 Min: 0.533</td>
<td>0.808</td>
</tr>
<tr>
<td><strong>Family business continuity:</strong> To create a shared family vision and jobs for family members, as well as transferring the business to the next generation.</td>
<td>3</td>
<td>Max: 0.690 Min: 0.623</td>
<td>0.670</td>
</tr>
<tr>
<td><strong>Perceived overall success:</strong> For the family business to be flourishing, prosperous and successful.</td>
<td>4</td>
<td>Max: 0.802 Min: 0.701</td>
<td>0.836</td>
</tr>
<tr>
<td><strong>Family well-being:</strong> Family harmony, working well together, and having a good family reputation.</td>
<td>4</td>
<td>Max: 0.757 Min: 0.511</td>
<td>0.815</td>
</tr>
<tr>
<td><strong>Entrepreneurial success:</strong> To be a well-respected businessperson and a leading authority in industry.</td>
<td>3</td>
<td>Max: 0.574 Min: 0.508</td>
<td>0.714</td>
</tr>
<tr>
<td><strong>Environmental:</strong> To conserve natural resources, reduce the carbon footprint and implement green practices.</td>
<td>3</td>
<td>Max: 0.757 Min: 0.590</td>
<td>0.799</td>
</tr>
</tbody>
</table>

* See Appendix A for a detailed description of scales measuring the factors.

Descriptive statistics and correlation coefficients

The descriptive statistics for the independent and dependent variables are summarised in Table 6. For discussion purposes, response categories on the 5-point Likert scale for the independent variables were categorised as not achieved (0.00 <=x< 3.00), neutral (3.00 <=x< 4.00) and achieved (4.00 <=x< 6.00). Similarly, response categories on the 5-point Likert scale for the dependent variable were categorised as disagree (0.00 <=x< 3.00), neutral (3.00 <=x< 4.00) and agree (4.00 <=x< 6.00).

Customer satisfaction returned the highest mean score of 4.375. The majority of respondents (84.038%) indicated that they were achieving this goal, namely delivering high-quality products and/or services, excellent customer service and customer satisfaction, had a good reputation and were providing a safe working environment. Personal and financial independence returned the second highest mean score (x̄ = 3.848) with 57.277 per cent of respondents indicating that this goal was achieved. A large percentage were neutral or indicated that they were not maximising the profit, return on investment or shareholders’ wealth created by the business, that the business was not liquid, solvent or financially secure, and was not providing personal financial security for the owner-manager.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Not achieved</th>
<th>Neutral</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td>4.375</td>
<td>0.501</td>
<td>0.000</td>
<td>15.962</td>
<td>84.038</td>
</tr>
<tr>
<td>Personal and financial independence</td>
<td>4.031</td>
<td>0.558</td>
<td>3.756</td>
<td>36.620</td>
<td>59.624</td>
</tr>
<tr>
<td>Family well-being</td>
<td>3.915</td>
<td>0.625</td>
<td>6.573</td>
<td>37.089</td>
<td>56.338</td>
</tr>
<tr>
<td>Entrepreneurial success</td>
<td>3.848</td>
<td>0.716</td>
<td>8.920</td>
<td>33.803</td>
<td>57.277</td>
</tr>
<tr>
<td>Family business continuity</td>
<td>3.668</td>
<td>0.838</td>
<td>12.676</td>
<td>43.662</td>
<td>43.662</td>
</tr>
<tr>
<td>Environmental</td>
<td>3.303</td>
<td>0.860</td>
<td>23.005</td>
<td>47.418</td>
<td>29.577</td>
</tr>
<tr>
<td>Community involvement</td>
<td>3.291</td>
<td>0.834</td>
<td>21.596</td>
<td>53.991</td>
<td>24.413</td>
</tr>
<tr>
<td><strong>Dependent variable</strong></td>
<td>Mean</td>
<td>Std. Dev.</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>Overall business success</td>
<td>4.225</td>
<td>0.566</td>
<td>1.878</td>
<td>22.535</td>
<td>75.587</td>
</tr>
</tbody>
</table>

The Family well-being goal returned a mean score of 3.915. The majority of respondents (56.338%) specified that they were achieving the goal of family harmony and family well-being, had a good family reputation, and were working well together as a family. A fairly large number of respondents (37.089%) were neutral concerning the achievement of this goal. Entrepreneurial success returned a mean score of 3.848, with 57.277 per cent of respondents indicating that they had achieved the goal of being a well-respected...
businessperson and a leading authority in their industry. *Family business continuity* returned a mean score of 3.668. Only 43.662 per cent indicated that they were achieving the goal of creating a shared family vision and jobs for family members, as well as transferring the business to the next generation. The same percentage (43.662) was neutral concerning achieving this goal.

The *Environmental* goal returned a mean score of 3.303. Most respondents (47.418%) indicated that they were neutral towards achieving this goal. Only 29.577 per cent indicated that they were achieving the *Environmental* goal of implementing green practices, reducing the carbon footprint of the business, and conserving natural resources when doing business. The *Community involvement* goal returned the lowest mean score (\( \bar{x} = 3.291 \)). The majority of respondents (53.991%) indicated that they were neutral with regard to achieving this goal. Only 24.413% of the respondents indicated that they were achieving the goal to be involved with, empower and sponsor local communities.

The dependent variable *Perceived overall success* returned a mean score of 4.225, with the majority of the respondents (75.587%) agreeing that their family business was flourishing, prosperous and successful. Only 1.878 per cent did not consider their businesses to be successful overall.

The correlations between the various factors investigated in this study are presented in Table 7. *Perceived overall success* reported significant (\( p<0.05 \)) positive relationships with all the goals investigated in the study. All the goals also reported positive and significant (\( p<0.05 \)) relationships with each other. Given the low \( r \) values reported, multi-collinearity was not considered to be a problem in this study.

### Table 7: Pearson’s correlations coefficients

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Personal and financial independence</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2 Community involvement</td>
<td>0.400</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3 Customer satisfaction</td>
<td>0.448</td>
<td>0.324</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4 Family business continuity</td>
<td>0.255</td>
<td>0.271</td>
<td>0.145</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5 Family well-being</td>
<td>0.729</td>
<td>0.360</td>
<td>0.418</td>
<td>0.414</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6 Entrepreneurial success</td>
<td>0.542</td>
<td>0.354</td>
<td>0.457</td>
<td>0.269</td>
<td>0.480</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7 Environmental</td>
<td>0.258</td>
<td>0.465</td>
<td>0.409</td>
<td>0.176</td>
<td>0.290</td>
<td>0.360</td>
<td>1.000</td>
<td>-</td>
</tr>
<tr>
<td>8 Overall business success</td>
<td>0.525</td>
<td>0.272</td>
<td>0.314</td>
<td>0.176</td>
<td>0.388</td>
<td>0.398</td>
<td>0.125</td>
<td>1.000</td>
</tr>
</tbody>
</table>

**Bold** = \( p < 0.05 \)

### Multiple regression analysis

A multiple regression analysis (MRA) was undertaken to assess whether the independent variables (*Personal and financial independence, Community involvement, Customer satisfaction, Family business continuity, Family well-being, Entrepreneurial success* and *Environmental* goals) exerted a significant influence on the dependent variable, *Perceived overall success*. Before undertaking the MRA the data was tested for multi-collinearity. Multi-collinearity may exist when one or more predictor variables in a multiple regression model are highly correlated. If multi-collinearity exists the results of the MRA for the individual predictor variables may not be accurate. In order to assess for multi-collinearity the variance inflation factors (VIF) were calculated. According to O’Brien (2007:684), VIF of less than 4 suggest that multi-collinearity is not a problem when estimating multiple regression models. VIF of less than 4 were reported for all predictor variables (see Table 8) in this study.

### Table 8: Testing for multicollinearity

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal and financial independence</td>
<td>2.457</td>
</tr>
<tr>
<td>Community involvement</td>
<td>2.306</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>2.367</td>
</tr>
<tr>
<td>Family business continuity</td>
<td>1.844</td>
</tr>
<tr>
<td>Family well-being</td>
<td>2.498</td>
</tr>
<tr>
<td>Entrepreneurial success</td>
<td>1.641</td>
</tr>
<tr>
<td>Environmental</td>
<td>1.454</td>
</tr>
</tbody>
</table>
In the multiple regression analysis the demographic variables gender, age, possession of a tertiary qualification and industry were controlled for to account for possible confounding influences. The results of the MRA show that independent variables explain 31.51 per cent of the variance in the Perceived overall success of the family businesses that participated in this study. In addition, none of the demographic variables controlled for exerted a significant influence on Perceived overall success. From Table 9 it can be seen that a significant positive linear relationship (beta=0.4397; \( p<0.001 \)) was reported between achieving the Personal and financial independence goal and Perceived overall success. As this relationship is positive, it suggests that the more that the Personal and financial independence goal is achieved, the more likely the family business is to be perceived as successful overall. A significant positive linear relationship was also reported between the goal Entrepreneurial success (beta=0.1235; \( p<0.05 \)) and Perceived overall success. In other words, the more Entrepreneurial success is achieved, the more likely the family business is perceived as successful overall.

This study found no relationship between achieving the goals Community involvement, Customer satisfaction, Family business continuity, Family well-being and Environmental, and the dependent variable Perceived overall success. In other words, whether these goals are achieved or not, has no influence on the Perceived overall success of the family business.

<table>
<thead>
<tr>
<th>Table 9: Influence of goal achievement on perceived overall success</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable:</strong> Perceived overall success</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Intercept</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Tertiary qualification</td>
</tr>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Personal and financial independence</td>
</tr>
<tr>
<td>Community involvement</td>
</tr>
<tr>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Family business continuity</td>
</tr>
<tr>
<td>Family well-being</td>
</tr>
<tr>
<td>Entrepreneurial success</td>
</tr>
<tr>
<td>Environmental</td>
</tr>
</tbody>
</table>

\(*p < 0.05; **p < 0.01\)

Although the relationship was not significant, a negative relationship was reported between the Environmental goal (beta=-0.0677) and the dependent variable Perceived overall success. As this relationship was negative, it suggests that the more the Environmental goal is achieved, the less likely the family business is to be perceived as successful overall. A negative relationship was also reported between the Family well-being goal (beta=-0.0409) and Perceived overall success, implying that the more the Family well-being goal is achieved, the less the family business is to be perceived as successful overall.

The findings of this study provide support for the hypothesised relationships between the Personal and financial independence (H1) and Entrepreneurial success (H6) goals, and the dependent variable Perceived overall success, but not for the relationships hypothesised between the Community involvement (H2), Customer satisfaction (H3), Family business continuity (H4), Family well-being (H5) and Environmental (H7) goals, and the dependent variable Perceived overall success.

**CONCLUSIONS**

The primary objective of this study was twofold; to determine the extent to which several goals were achieved, and to establish the influence that achieving these goals had on the overall perception of success among small and medium-sized family businesses in the Eastern Cape. The EFA revealed that the various goal statements did not load onto the goal categories as expected. However, seven factors (goals) were extracted and after rotation were identified as the Personal and financial independence, Community involvement, Customer satisfaction, Family business continuity, Family well-being, Entrepreneurial success and Environmental goals.
The goal of Customer satisfaction returned the highest mean score, with the great majority of respondents indicating that they had achieved in delivering high-quality products and/or services, excellent customer service and customer satisfaction, had a good reputation, and were providing a safe working environment. Between 56 and 60 per cent of respondents indicated that the goals Personal and financial independence, Family well-being and Entrepreneurial success were achieved. One can conclude that the aforementioned goals had been achieved by the majority of respondents participating in this study. The same number of respondents (43.67%) indicated being either neutral or having achieved the Family business continuity goal. Less than 30 per cent of respondents indicated having achieved the Environmental or Community involvement goals. One can conclude that either the aforementioned goals were not goals of the respondents in this study or that these goals were not being achieved.

The results of this study showed a significant positive relationship between achieving the Personal and financial independence goal and the perception of overall business success. In other words, the more the family business is able to maximise profit, return on investment and shareholders’ wealth, is liquid, solvent and financially secure, and provides personal financially security for the owner-manager, the more likely it is to be perceived as flourishing, prosperous and successful. Personal and financial independence was also reported as having the greatest influence on perception of overall business success. This finding corresponds with the literature (Zellweger & Nason, 2009:203) which suggests that financial goals are as important to family business as they are to non-family businesses, but contradicts the contentions of several authors who suggest that among family businesses non-financial goals take precedence over financial goals (Cater & Justis, 2009:111; Short et al., 2009:12; Zellweger & Nason, 2009:203). The results also showed a significant positive relationship between achieving the Entrepreneurial success goal and the perception of overall business success. The more the owner is regarded as a leading authority in the industry, regularly performing businesses (Venter, 2003:331). A significant positive relationship was found between the goals Community involvement, Customer satisfaction, Family business continuity, Family well-being and Environmental, and the dependent variable, Perceived overall success. In other words, whether these goals are achieved or not has no influence on the family business being perceived as flourishing, prosperous and successful. The findings relating to Family business continuity and Family well-being contradict the literature where several authors claim that family businesses place great importance on the goals continuity, long-term survival of the family businesses (Distelberg & Sorenson, 2009:75; Castillo & Wakefield, 2007; Chrisman et al., 2005), and harmonious family relationships (Sharma, 2004; Ward, 2004; Venter, 2003; Flören, 2002).

Although not significant, the results of the MRA showed a negative relationship between achieving the Environmental and Family well-being goals, and the perceived overall success of the family business. This implies that the more the family business strives to conserve natural resources, reduce its carbon footprint and implement green practices, the less likely the business is to be perceived as flourishing, prosperous and successful. The Environmental goal returned a mean score of 3.303, and only 29.58 per cent of respondents indicated achieving this goal. This low percentage could imply that the family businesses participating in this study were not achieving their Environmental goal, or given that 47.45 per cent indicated a neutral response, it is not a goal of theirs at all. A possible explanation for this negative relationship between achieving the Environmental goal, and Perceived overall success was that efforts and resources required to fulfil the Environmental goal were at the expense of the prosperity of the business.

The negative relationship reported between achieving the goal Family well-being and the perception of overall business success implies that the more the Family well-being goal is achieved, the less likely the family business is to be perceived as successful overall. In other words, the more the family business strives to create family harmony, work well together and establish a good family reputation, the less likely the family business is to be perceived as flourishing, prosperous and successful. A significant positive correlation was, however, reported between the Family well-being goal and the Personal and financial independence goal. This finding suggests that a relationship exists between the financial security of the business and the owner, and the harmony that prevails among family members. However, too great an emphasis on harmony could result in highly harmonious families but under-performing businesses (Venter, 2003:331). According to Ward (2004:74), a bias towards the interests and welfare of the business could ultimately have a boomerang effect in that it comes back to serve the long-term interests of the family.

In the pursuit of providing greater clarity on the interpretations of success among family businesses, the results of this study show that achieving financial returns and gaining respect in one’s industry are key to perceptions of success among family business owners.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
The results of this study have implications for both theory and practice. As regards theory, this study improves what is currently known about financial and non-financial goals in family firms, and contributes to the debate on how to define success in family businesses. More specifically, the study makes a contribution to the family business theory in three ways. Firstly, given the uncertainty and debate surrounding the construct ‘success’ in the field of family business, this study provides greater clarity on its meaning in the field. Secondly, Debicki, Matherne, Kellermanns and Chrisman (2009:159) point out that if researchers do not know and understand the goals of family business, they will be less able to understand the behaviour of family businesses and how this behaviour may be adapted to achieve desired ends. By investigating the relationship between goal achievement and perceptions of family business success, this study contributes to increased understanding and knowledge of the goals of family businesses. Thirdly, Chrisman, Kellermanns, Chan and Liano (2010:14,21), as well as Debicki et al. (2009:161) call for more attention to be given to non-financial goals in family business research. By investigating the influence of several non-financial goals as well as personal and family goals on the perceptions of family business success, this study responds to these calls.

As regards practice, the findings of this study highlight the importance of financial goals as indicators of business success. Despite several authors claiming the importance of non-financial goals to family businesses, the results of this study do not support these claims. A possible explanation for this finding is that the majority of respondents participating in this study were first-generation family business owners, and goals such as Family business continuity and Family well-being were not as yet considered a priority by them. Although not significant, the negative relationship between Family well-being and Perceived overall success is worth considering. Family business owners are advised to strive for a balance between achieving family and business goals, as both are essential for successful family businesses (Maas et al., 2005:103; Sharma, 2004:6,7; Ward, 2004:74).

The low achievement levels reported by the respondents in this study for the Environmental and Community involvement goals are areas of concern worth noting. Approximately 50 per cent of respondents were neutral with regard to achieving these goals. Furthermore, neither goal showed any influence on overall perceptions of success. Given the increased attention to both the environmental and social responsibility of businesses today, family business owners are advised to expend more efforts in making these goals a priority.

LIMITATIONS AND FUTURE RESEARCH
The following limitations and opportunities for future research are suggested. The sampling techniques employed in this study, namely convenience and snowball sampling, were a limitation. As both mentioned techniques are non-probability sampling techniques, the results cannot be generalised to the population as a whole. A survey was used to collect the data for this study, and the possibility exists that respondents interpreted the questions and response options differently. Furthermore, not all items in the measuring instrument loaded as expected. Therefore, an opportunity exists for future studies to improve the measuring instrument employed in this study.

The demographic characteristics of the respondents were homogeneous in nature. In terms of ethnicity (population group), the majority of respondents were White. Future studies should attempt to include an even number of respondents from all ethnic groups. This study focused only on the achievement of selected goals and the influence of achieving these goals on the overall perception of success of family businesses. The goals investigated explain only 30 per cent of the variance in the Perceived overall success of the family business. Other factors that also influence the overall perception of family business success should be investigated in future studies. In addition, future studies could investigate the process by which goals are formulated, as this may help to explain the success or failure of family businesses, particularly as the types and importance of goals may differ among family members (Debicki et al., 2009:162). Despite these limitations, this study adds to the body of family business knowledge, and highlights opportunities for future research on the meaning of success in this field.

ACKNOWLEDGEMENTS
The authors would like to acknowledge the contributions of Mr R. Cumberledge and Mr C. Millson to this study.

REFERENCE LIST


### APPENDIX A: ITEMS MEASURING GOALS

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal and financial independence</td>
<td></td>
</tr>
<tr>
<td>FIN1</td>
<td>Financial security of the business</td>
</tr>
<tr>
<td>PERS4</td>
<td>Personal financial security</td>
</tr>
<tr>
<td>FIN2</td>
<td>Maximising return on investment</td>
</tr>
<tr>
<td>PERS8</td>
<td>Provide financial support for my family</td>
</tr>
<tr>
<td>FIN5</td>
<td>Business solvency</td>
</tr>
<tr>
<td>GROW6</td>
<td>Growth in profits</td>
</tr>
<tr>
<td>FIN4</td>
<td>Business liquidity</td>
</tr>
<tr>
<td>PERS5</td>
<td>Maximising shareholders’ wealth</td>
</tr>
<tr>
<td>FIN3</td>
<td>Profit maximisation</td>
</tr>
<tr>
<td>GROW5</td>
<td>Growth in sales</td>
</tr>
<tr>
<td>CONT2</td>
<td>Business continuity</td>
</tr>
<tr>
<td>FIN7</td>
<td>Secure a retirement income</td>
</tr>
<tr>
<td>Community involvement</td>
<td></td>
</tr>
<tr>
<td>SOCIO8</td>
<td>Empowering communities</td>
</tr>
<tr>
<td>SOCIO3</td>
<td>Local community involvement</td>
</tr>
<tr>
<td>SOCIO5</td>
<td>Sponsoring community events</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
</tr>
<tr>
<td>SERV3</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>SERV2</td>
<td>Deliver a high-quality product and/or service</td>
</tr>
<tr>
<td>SERV1</td>
<td>Deliver excellent customer service</td>
</tr>
<tr>
<td>PERS7</td>
<td>A good business reputation</td>
</tr>
<tr>
<td>HR1</td>
<td>Workplace health and safety</td>
</tr>
<tr>
<td>Family business continuity</td>
<td></td>
</tr>
<tr>
<td>FAM3</td>
<td>Creating jobs for family members</td>
</tr>
<tr>
<td>FAM4</td>
<td>To transfer the business to the next generation of family members</td>
</tr>
<tr>
<td>FAM8</td>
<td>A shared family vision for the family business</td>
</tr>
<tr>
<td>Perceived overall success</td>
<td></td>
</tr>
<tr>
<td>SUCC1</td>
<td>I consider my business to be successful</td>
</tr>
<tr>
<td>SUCC2</td>
<td>I consider my business to be prosperous</td>
</tr>
<tr>
<td>SUCC3</td>
<td>My business is flourishing</td>
</tr>
<tr>
<td>SUCC4</td>
<td>My business is a success</td>
</tr>
<tr>
<td>Family well-being</td>
<td></td>
</tr>
<tr>
<td>FAM7</td>
<td>Family well-being</td>
</tr>
<tr>
<td>FAM1</td>
<td>Family harmony</td>
</tr>
<tr>
<td>FAM2</td>
<td>Family reputation</td>
</tr>
<tr>
<td>FAM5</td>
<td>Working together as a family</td>
</tr>
<tr>
<td>Entrepreneurial success</td>
<td></td>
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<tr>
<td>PERS14</td>
<td>To be a leading authority in my industry</td>
</tr>
<tr>
<td>GROW8</td>
<td>Identify new business opportunities</td>
</tr>
<tr>
<td>PERS12</td>
<td>To be well known as a successful businessperson</td>
</tr>
<tr>
<td>Environmental</td>
<td></td>
</tr>
<tr>
<td>SOCIO6</td>
<td>Reducing the carbon footprint of the business</td>
</tr>
<tr>
<td>SOCIO4</td>
<td>Implementation of green practices</td>
</tr>
<tr>
<td>SOCIO7</td>
<td>Conserving natural resources when doing business</td>
</tr>
</tbody>
</table>
IMPROVING CLIENT TRUST AND CLIENT RETENTION THROUGH E-BANKING

B. Zeka
Nelson Mandela Metropolitan University
C. Rootman
Nelson Mandela Metropolitan University

ABSTRACT
The evolution of the Internet has changed the way in which business is being conducted, particularly in the banking industry. Electronic banking (e-banking) is an important method of delivering banking services to clients and banks can gain a competitive advantage from the implementation of e-banking. Prior research has indicated that South African banks in particular, pay more attention to and allocate more resources to the acquisition of new clients instead of focusing on retaining clients. It is important to identify how certain e-banking aspects can assist banks in retaining their clients, as the literature investigation has revealed the many benefits that can accrue to banks for retaining clients. Therefore, this paper discusses how e-banking can be used as a mechanism for improving client trust in e-banking facilities and ultimately increasing client retention in the banking industry. A total of 220 individuals with banks accounts from the Nelson Mandela Bay area were approached to be respondents in an empirical investigation. 186 usable questionnaires were subjected to various statistical analyses, such as exploratory factor analyses and multiple regression analyses to examine the relationships between e-banking aspects, client trust and client retention. The empirical findings revealed that the e-banking aspects with the most significant influence on client trust and ultimately client retention is Convenience and Fees. Finally, the paper presents recommendations regarding e-banking and client retention to bank managers.

Key words: e-banking, client trust, client retention

INTRODUCTION
Businesses are being revolutionised everyday as a result of the use of the Internet (Singh 2004:187). The way in which people from across the globe are able to communicate by means of the Internet has contributed considerably to the innovative technological advancements in the way day-to-day business is conducted (Baral 2012:110). As a result, more businesses are using the Internet to conduct their business activities (Napier, Judd, Rivers & Adams 2003:2). The commercialisation of the Internet gave rise to the rapid adoption of Internet technologies within business communities (Napier et al. 2003:13) and the business activities conducted using these Internet technologies, may be referred to as electronic commerce (e-commerce). Schneider (2003:4) describes e-commerce as the way in which business activities can be conducted by using electronic data transmission technologies, such as those used and provided by the Internet.

With particular reference to the financial services industry, the use and improvement of Information Technology (IT) has supported innovation and stimulated growth within this industry. IT has proven to be a valuable tool in enhancing competitiveness (Kamel 2005:305). The evolution of information, technology and communication (ITC) has motivated banks to increase the use of technology in attracting and retaining more clients who seek quality service in their banking experience (Al-Smadi & Al-Wabel 2011:2). The financial services industry, with banks in particular, are turning to IT to improve their level of business efficiency, service quality and to potentially attract new clients (Dube, Chitura & Runyowa 2009:2).

The banking industry has benefited significantly from such technological expansion through the use of electronic banking (e-banking). E-banking can be defined as a method of banking whereby the client conducts banking transactions electronically via the Internet, with the use of electronic channels between banks and their clients (Hasan, Baten, Kamil & Parveen 2010:2719). E-banking can also refer to the electronic connection between a bank and a client in order to prepare, manage and control financial transactions (Burr 1996). E-banking may also be regarded as the provision of information or services by a bank to its clients, via a computer, cell phone, a telephone, automated teller machines (ATMs) or by making use of the Internet (Baral 2012:107; Daniel 2000:4).

The concept and scope of e-banking is still evolving. The implementation of e-banking services has been beneficial for clients and banks and has made the banking process easier. E-banking has enhanced the speed of delivery of banking services considerably because it facilitates an effective payment system for clients. (Baral 2012:107; Hasan et al. 2010:2725). However, a crucial issue for the banking industry is clients’
reluctance in embracing e-banking or online banking in South Africa, as e-banking in South Africa is associated with a lack of personal attention, poor information and unreliable service (Wu 2005:51; Brown, Cajee, Davies & Stroebel 2003:390). Encouraging clients to make use of e-banking is becoming a necessity for all countries that want to be successful in a global and competitive economy (Al Sukkar & Hasan 2005:381).

Certain aspects of e-banking have a significant impact on the way in which business activities are conducted by banks and the carrying out of transactions by banking clients. The use of e-banking can possibly influence banks’ goals of keeping clients. There is different terminology used for the concept of customer/client retention in literature, however, for the purpose of this study, client retention will be the primary terminology used, as this study is in the sphere of the banking industry providing services, hence the term ‘client’ retention is more suitable. In addition to client retention possibly being influenced by banks’ e-banking facilities, due to the nature of e-banking where face-to-face banking client interaction is lacking, e-banking may also influence clients’ trust of e-banking and its facilities. Consequently, this study will focus on investigating e-banking aspects that could possibly influence the trust of banking clients and the retention of such clients.

LITERATURE REVIEW
Following the introduction, a thorough literature review follows in this section, covering the concept of the different aspects of e-banking as well as client trust and client retention.

E-banking aspects influencing client trust and client retention
According to Shih and Fang (2004:213), e-banking has become prevalent in the domain of financial institutions for its ability to reduce costs, shorten transaction processing periods and improving service provision. According to Baral (2012:109), there are a number of benefits that accrue to banks with the implementation of e-banking. For instance, e-banking services help in increasing the profits of a bank. Due to e-banking, banks transfer funds online, thus economizing the cost of storing large amounts of physical currency notes and coins. Another advantage of e-banking results from the use of websites. Websites that offer financial meetings for the client can result in a more involved banking client who will frequently utilise banking websites. E-banking websites can earn a bank additional revenue through its promotional activities. Baral (2012:109) also states that clients can avail e-banking facilities from anywhere, therefore eliminating the need for a bank to invest more in physical infrastructure.

Alternatively, e-banking offers services that allows clients to check account balances, transfer funds among accounts, pay bills electronically as well as download information about accounts (Boateng 2013:14; Baral 2012:110). E-banking may be accessed from any place at any time (Nasri 2011:143; Al-Sukkar & Hasan 2005:387). The use of e-banking allows the client the convenience and freedom to directly manage his/her finances, obtain information from accounts instantaneously and secure accounts from the comfort of his/her work office or home, personal computer or cell phone. The functionality of the Internet and its user-friendliness are linked to making a successful electronic transfer timeously and conveniently for the client (Nasri 2011:146). The accessibility of e-banking resources and facilities may have a considerable impact on client retention as the ease of use of e-banking facilities may give the client a greater sense of convenience. If a client regularly experiences problems in using a bank’s e-banking facilities, for example, they cannot access account information as and when needed, they might switch as clients to another bank or even revert to obtaining services within a bank branch. E-banking systems must also create user-friendly and easily accessible webpages and facilities for all clients, and deal with the downloading speed issues. These issues being addressed can increase clients’ trust perceptions in e-banking transactions as well as increase the demand of e-banking services (Ahmad & Al-Zu’bi 2011:56; Wong, Loh, Yap & Bak 2009:20). Thus, an aspect of e-banking that may influence client trust and client retention is convenience.

Clients go through a process of knowledge, persuasion, decision-making and confirmation while they are evaluating whether they are ready to utilise or adopt a product/service. Adoption refers to the recognition of a product, service or idea and the gradual continued use of the product, service or idea. Reaching a decision to adopt or reject an innovation begins when the client becomes aware of the product (Rogers & Shoemaker 1971). An important characteristic for any adoption of an innovative product/service is creating awareness among the clients about the product/service (Agarwal et al. 2009:343). In other words, to ensure clients adopt or make use of a service, awareness about the service should be created in the minds of potential clients. Likewise, it can be argued that to ensure the continued use of a service by clients, positive awareness should continue in the minds of existing clients.
In order for the relationship between the client and the e-banking service provider to begin and continue into the future, there is a need for the two parties to trust each other; especially in situations where there is a lack of knowledge or awareness regarding e-banking services (Gill, Flaschner & Shachar 2006:384). In other words, not being fully aware of e-banking facilities might influence the clients’ trust and use thereof. The understanding and knowledge (consciousness) of e-banking, its options and challenges, may possibly assist banks in improving their clients’ trust in e-banking facilities as well as assist in gaining new clients and retaining the clients they have at present. Therefore, awareness can be regarded as an aspect of e-banking that may influence client trust and client retention.

According to Godson (2009:76), banks have found it difficult to differentiate themselves among other banks and have ultimately based their competitive advantage on fees or pricing. Tong, Wong and Leung (2013:64) states that a general distrust and resentment among clients towards their banking service providers has encouraged a demand for clearly articulated, honest and thorough information about banking services and their costs. Banking clients want to see the value of the services provided reflected in the costs. Thus, if they perceive that the cost of e-banking services and transactions is higher than the quality of service received, this may further increase their distrust in e-banking services. Utilising e-banking facilities is seemingly more cost-effective for clients than conducting the usual daily banking transactions over the counter (Ivatury & Mas 2008:2), in a bank branch. With e-banking, client service fees may be reduced, thus creating opportunities to maximize revenue (Polasik & Wisniewski 2009:44; Poon 2008:60; Laforet & Li 2005:308; Howcroft, Hamilton & Hewer 2002:116). Clients want to obtain value and try to avoid costly bank charges, therefore the fees that may be implicated, such as the monthly subscription fee or the printing of bank statements when conducting transactions (Dong & Bliemel 2008:6), may significantly impact the trust of the client as well as the retention of clients that are making use of e-banking services.

Issues of security and privacy are also major challenges facing e-banking because of problems experienced such as fraud, hackers and the misuse of clients’ accounts. Most clients’ concerns lie with thieves and hackers, strangers illegally accessing their bank accounts and personal data and the risk of fraudulent transactions taking place when using e-banking facilities. (Baral 2012:115; Al Sukkar & Hasan 2005:388). Thus, an aspect of e-banking that influences clients’ trust in e-banking is security, as security in the form of keeping clients safe from an invasion of their privacy and funds, affects trust perceptions (Dixit & Datta 2010:4; Poon 2008:63). Lowering the perceived security risks associated with online transactions is a vital component in also attracting and retaining clients (Floh & Treiblamaier 2006:98). If clients perceive the risk of using e-banking facilities to be too high or on the increase, they might consider eliminating their use of e-banking services or consider a switch to another bank, should they regard that bank as “safer” in terms of security and privacy measures. As online products and services offered by banks grow rapidly, clients are increasingly more concerned about security and privacy issues and this aspect may possibly influence the trust and retention of existing e-banking clients.

**Client trust**

Trust refers to a degree of an individual’s willingness to be vulnerable to the actions of others. Thus, the high level of trust an individual has in another person indicates that individual’s expectation that the other person will behave in a responsible manner and will not take advantage of a dependence upon them (Berndt & Tait 2012:25). Therefore, trust is a very important element in a relationship and it is especially important when individuals engage in a relationship that involves risk and uncertainty (Wong et al. 2009:8). In the context of a banking relationship, trust is defined as a client’s strong belief in the honesty, truthfulness, justice, or the power of banking service representatives to guide and solve any banking issues a client may have (Gill et al. 2006:388). As a result, higher levels of trustworthiness lead to a higher level of co-operation between the client and the bank, and lower levels of perceived risk and uncertainty (Coulter & Coulter 2002:36). Trust is considered to be an important aspect within a banking relationship. Trust influences the quality of interactions and the commitment of the client to the relationship they have with a bank (Gill et al. 2006:388; Gounaris 2005:128). Gill et al. (2006:389) states that empathy, politeness, competence, promptness and reliability are some of the attributes of trust. With regards to literature that is related to e-banking, research has shown that trust is a central factor that influences banking clients’ acceptance of the service (Moga et al. 2012:1).

If clients are not familiar with accessing the Internet frequently and do not trust the Internet as a secure environment to conduct financial transactions, it is nearly impossible for those clients to accept e-banking (Geetha & Malarvizhi 2007:4). Trust has been found to influence clients’ acceptance of technology and their loyalty (Moga et al. 2012:3). Clients who do not trust their e-banking provider will not remain loyal, nor will they use the e-banking facilities made available to them. This emphasises that trust plays a vital role in influencing the extent to which clients are retained in e-banking services.
Client retention

As the number of online banking clients gradually increases, the focus of banks is diverting from attracting clients to the online world to retaining them (Floh & Treiblamaya 2006:98). Therefore, client retention is an important concept in the banking industry. Client retention is the strategic objective of striving to maintain long term relationships with clients, or may more conventionally be defined as the number of clients doing business with a firm at the end of the financial year, expressed as a percentage of those who were active clients at the beginning of the year (Buttle 2004:298). Furthermore, client retention also makes reference to the practice of keeping all or most of a particular client’s business over a continuous number of purchase cycles or the longevity of a client’s relationship with the products/services a business provides (Godson 2009:72; Menon & O’Connor 2007:157). According to McManus and Guilding (2008:779) client retention refers to when a client’s attachment to a product, service, brand or business is developed.

Various authors highlight the importance of client retention in the paragraphs to follow. Benefits for businesses, as a result of client retention, include lower marketing acquisition costs, reduced client management costs, positive client referrals, less price sensitive clients, and overall higher profitability. Godson (2009:73) states that the most obvious reason why a business generates more profits with existing or retained clients, is that the business eliminates the costs of acquiring new clients such as marketing costs, including the costs of advertising, promotions, sales costs and initial set-up costs. This implies that businesses that retain their clients for a long period of time will not need to incur the same costs associated with the acquisition of new clients. Thus, acquiring new clients cost more than retaining existing clients (Berndt & Tait 2012:29). Ferrell, Hartline and Lucas (2002:105) also state that it is typically less expensive to retain current clients than to acquire new clients.

There are also other reasons why existing clients are likely to be of higher value to a business than first time clients, and one of those reasons is lower client management costs over time (Brink & Berndt 2008:43; Farquhar 2003:395). The cost to start up a relationship with a client may be high during the initial phases of acquiring the client. It may also take several years to generate enough profits from the relationship with the client before those client acquisition costs are recovered. The relationship maintenance costs may be recovered or significantly reduced once the business and the client become closer over time (Buttle 2004:301; Farquhar 2003:395).

Client referrals may also result, as clients that willingly give more of their purchases to a preferred business are likely to be more satisfied and communicate this, than those clients that do not intend to increase their purchases. Therefore, there is a higher probability of word-of-mouth advertising that may take place when clients are retained (Berndt & Tait 2012:29; Godson 2009:77; Buttle 2004:301-302).

Clients that are satisfied in the relationships they have with a business may reward those businesses by paying more for products/services, as they may believe that they receive a greater sense of value from more than the price alone. Thus, clients in established relationships with businesses are likely to be less price sensitive to price appeals offered by competitors. (Berndt & Tait 2012:29; Buttle 2004:302; Kotler 2000:48). These benefits ultimately mean that retained clients are generally more profitable than newly acquired clients (Buttle 2004:302).

For a business to realise these benefits, client retention is important. According to Buttle (2004:304), it may be difficult to build long term relationships with clients, in other words to improve client retention, if clients’ needs and expectations are not understood or well met. Therefore, it is imperative for banks to understand their clients to ensure their satisfaction and ultimately their retention. This is also the case for e-banking facilities. Various e-banking aspects might influence the client retention levels of banks.

PROBLEM INVESTIGATED

The introduction of technological advancements has assisted most businesses across industries in successfully improving efficiency with the use of the Internet. As a result, financial services industries, in particular the banking industry, has diverted their focus towards extensively making use of electronic channels, as banks have almost integrated each and every aspect of their banking processes electronically. (Al-Smadi & Al-Wabel 2011:1; Masocha, Chilaya & Zindiye 2011:1857). Thus, banks have implemented e-banking facilities. However, there might be aspects hindering clients from the use of e-banking facilities, in other words, also from trusting banks and remaining clients of banks.

According to Littler and Melanthiou (2006:437), banks need to focus more on understanding the concerns and uncertainty that clients have regarding e-banking services. The ever-evolving technology of e-banking can be regarded as a business benefit, as it has the ability to generate additional revenue for the bank and
improve services to clients. E-banking also possesses the ability to retain clients (Singh 2004:189). E-banking is the fastest growing service that banks can offer in order to gain and retain new clients (Floh & Treiblmaier 2006:106). However, Brink and Berndt (2008:42) state that banks in South Africa have devoted their resources in attracting new clients, yet few banks exert their efforts in retaining their existing clients. It is thus evident that previous research focused on client acquisition (Gupta & Dev 2012:622; Levy & Schuck 2008:182; Mangold, Miller & Brockway 1999:182). Therefore, more research is required in the banking industry to determine the extent to which e-banking aspects may influence the trust of banking clients and the retention of existing clients.

RESEARCH OBJECTIVES
The purpose of this paper is to investigate the influence of e-banking aspects on client trust and client retention. Therefore, the following research objectives are presented:
- to investigate the aspects of e-banking that possibly influence client trust and client retention;
- to investigate the concepts of client trust and client retention, as applicable in the banking industry;
- to empirically test the influence of selected independent variables (e-banking aspects) on client trust and client retention; and
- to propose recommendations, based on the empirical results of this paper, to bank managers on ways to improve client trust and client retention, when implementing e-banking.

RESEARCH HYPOTHESES
As the purpose of this paper is to investigate the influence of e-banking aspects on client trust and client retention, a hypothetical model was constructed. The variables utilised in the hypothetical model were identified from secondary sources (Moga et al. 2012:1; Ahmad & Al-Zu'bi 2011:56; Nasri 2011:146; Agarwal et al. 2009:343; Poon 2008:60; Floh & Treiblmaier 2006:98) and were compartmentalised into three parts, namely independent, intervening and dependent variables. The independent variables used were Convenience, Awareness, Fees and Security (e-banking aspects). The intervening variable was Client trust and the dependent variable was Client retention. Figure 1 represents the hypothetical model for this paper.

Figure 1 depicts the hypotheses that have been prepared to test the relationships in the hypothetical model:
- H1: There is a significant positive relationship between Convenience and Client trust.
- H2: There is a significant positive relationship between Awareness and Client trust.
- H3: There is a significant positive relationship between Fees and Client trust.
- H4: There is a significant positive relationship between Security and Client trust.
- H5: There is a significant positive relationship between Client trust and Client retention.

The above stated research hypotheses and proposed hypothetical model were empirically tested following a specific research methodology.

RESEARCH METHODOLOGY
Given the purpose of this paper, the following section will discuss the sampling and data collection undertaken as well as the data analysis used in the empirical investigation of this study.

Sampling and data collection
This paper makes use of the quantitative research method as a hypothetical model and hypothesised relationships were empirically tested. Furthermore, the quantitative research method was undertaken as a large sample was utilised. As no sample frame exists of all the banks account holders in the Nelson Mandela Bay area, for the purposes of this study non-probability sampling was used, by using the convenience sampling technique.
Figure 1: Hypothetical model regarding e-banking aspects, client trust and client retention

Source: Researchers’ own construction.
The ratio of an observation-to-independent variable ratio is stated to be at least 5:1 where the researcher makes use of multiple linear regression analysis in a study (Bartlett, Kotrlik & Higgins 2001:48). Following these recommendations, the following was considered. This study has six variables and a minimum of five statements per item. A minimum of five respondents is prescribed by Bartlett et al. (2001:48). Therefore, the multiplication of the six variables, with the five statements and the five respondents produces a minimum sample size of 150. By using the convenience sampling technique, the study's questionnaire was distributed to a sample of 220 bank account holders from the total population of all bank account holders.

This study made use of a self-developed measuring instrument in the form of a questionnaire structured in three sections. Section A gathered the demographic data of respondents including respondents' age, gender, current banking methods and routines. Section B of the questionnaire included statements regarding e-banking aspects, (Convenience, Awareness, Fees and Security). Section C consisted of statements pertaining to clients' perceptions on trust and client retention in e-banking. Statements were developed based on the conceptualisation of the variables as found from conducting the literature review. The questionnaire made use of a five-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (5) in Sections B and C.

The questionnaires were hand delivered to bank account holders and the completed questionnaires were hand delivered back to the researchers. The cover letter explained the purpose of the study and the type of information being solicited. The respondents were also assured of the confidentiality of their responses. Of the sample size of 220 bank account holders, 186 usable questionnaires were returned for further statistical analyses. Data analysis was conducted by means of the computer software programmes Microsoft Excel and Statistica.

Data analysis
Descriptive statistics, such as means and standard deviations were calculated in this study in order to describe and summarize the characteristics of the data (Zikmund, Babin, Carr & Griffin 2012:410; Creswell 2003:172). Thereafter, Exploratory Factor Analyses (EFA's) were conducted to determine the validity of the data collected. Factor loadings that provide proof of validity are calculated to determine the correlation between a measure and the underlying factor (Bordens & Abbott 2011:474). Thus, items with factor loadings of at least 0.4 are considered to provide proof of validity (Hair, Anderson, Tatham & Black 1998:111). This study made use of Cronbach’s alpha correlation coefficients to ascertain the reliability of the measuring instrument. It was established that Cronbach’s alpha correlation coefficients greater than 0.70 exhibits good reliability (Gliem & Gliem 2003:84; Hair, Babin, Money & Samouel 2003:172). The Pearson's Product Moment Correlations were also calculated to determine the correlations between the variables used and the measurements were to range between -1.00 and +1.00 (Bordens & Abbott 2011:418; Cohen, Manion & Morrison 2007:530). Finally, multiple regression analyses were used to test the influence of the e-banking aspects, namely Convenience, Awareness, Fees and Security, on Client trust and ultimately, Client retention, as the purpose of a multiple regression analysis is to investigate, simultaneously, the effects of a number of independent variables on a single dependent variable (Zikmund, Babin, Carr & Griffin 2010:592).

RESULTS
The following section will provide a description of the sample, present the validity and reliability results, as well as present the descriptive statistics and multiple regression results.

Sample description
The majority of the respondents indicated that they were female (51.08%), while 48.92% were male. Most of the respondents, were found to be in the age group 20-29 (58.06%), with a majority of respondents belonging to the black population group (51.08%). Most of the respondents indicated they bank with First National Bank (30.11%) and with regards to e-banking service methods, a majority of respondents indicated that they use automated teller machines (96.24%), followed by cell phone banking services (77.96%) and Internet banking services (52.69%).

Validity and reliability results
The results of the EFA on the independent variables, Convenience, Awareness, Fees and Security, as well as the variables’ Cronbach’s alpha correlation coefficients are presented in Table 1.
As depicted in Table 1, it can be seen that all the items which loaded displayed sufficient evidence of validity as factor loadings of greater than 0.40 provide evidence of validity in a study (Hair et al. 1998:111). In terms of reliability, it is suggested that estimates in exploratory research should attain a 0.6 Cronbach’s alpha correlation coefficient (Hair, Black, Babin, Anderson, & Tatham 2006:778).

All eight items intended to measure Convenience loaded together. Factor loadings between 0.52 and 0.75 were reported for this factor. Thus, satisfactory evidence of validity for this construct is provided. From Table 1, it can be observed that the statement RET1 which was intended to measure Client retention loaded onto the factor Convenience. The statement RET1 loaded with Convenience possibly because the respondents associated the statement relating to continuing the banking relationship for longer than six months, as the most convenient amount of time to commit to a bank. Convenience explains 4.52% of the variance in the data. A Cronbach’s alpha correlation coefficient of 0.86 was returned for Convenience. Therefore the Convenience of e-banking services is considered to be a reliable variable for the study.

To measure Awareness, seven items were developed, and five of these items loaded together, with factor loadings between 0.57 and 0.81 returned for this factor. Thus, acceptable evidence of validity for this factor is provided. Awareness of e-banking services explains a variance of 4.09% in the data. Awareness obtained

<table>
<thead>
<tr>
<th>Items</th>
<th>Convenience</th>
<th>Awareness</th>
<th>Fees</th>
<th>Security</th>
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<td>0.24</td>
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<tr>
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<td>-0.03</td>
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<td>0.09</td>
<td>0.10</td>
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</tr>
</tbody>
</table>

*Questionnaire items are available upon request from corresponding author.
a score of 0.87 for the Cronbach’s alpha correlation coefficient, thus the Awareness of e-banking services is a reliable construct for the purpose of this study.

All seven items intended to measure Fees loaded together. Factor loadings of between 0.52 and 0.67 were returned for this factor. Thus, satisfactory evidence of validity for this factor is provided. From Table 1, it can furthermore be observed that an item intended to measure Awareness (AWARE1), loaded with Fees. This item may have loaded with Fees because respondents may have identified the options referred to in the statement (e.g. the awareness of the different e-banking options such as internet and cell phone banking), to be linked to the various fee structure options their banks offer for the different e-banking services. Fees accounts for 4.49% of the variance in the data. Additionally, Fees obtained a score of 0.87 for the Cronbach’s alpha correlation coefficient. Thus Fees is a reliable construct in this present study.

Seven of the eight statements intended to measure Security loaded together. The factor loadings for this construct ranged between 0.60 and 0.82. Sufficient evidence of validity is thus provided. The variable Security accounts for 4.47% of the variance in the data. The Cronbach’s alpha correlation coefficient for Security is 0.86, suggesting that the scale measuring this factor is reliable.

Table 2 presents the results of the EFA conducted for the intervening variable (Client trust) and the dependent variable (Client retention).

Table 2: Factor structure – intervening and dependent variables

<table>
<thead>
<tr>
<th>Items</th>
<th>Client trust</th>
<th>Client retention</th>
</tr>
</thead>
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<tr>
<td>Cronbach’s alpha</td>
<td>0.86</td>
<td>0.81</td>
</tr>
<tr>
<td>TRUST4</td>
<td>0.76</td>
<td>0.12</td>
</tr>
<tr>
<td>TRUST3</td>
<td>0.74</td>
<td>0.00</td>
</tr>
<tr>
<td>TRUST2</td>
<td>0.71</td>
<td>0.22</td>
</tr>
<tr>
<td>TRUST8</td>
<td>0.69</td>
<td>0.20</td>
</tr>
<tr>
<td>TRUST5</td>
<td>0.68</td>
<td>0.14</td>
</tr>
<tr>
<td>TRUST6</td>
<td>0.62</td>
<td>0.00</td>
</tr>
<tr>
<td>TRUST7</td>
<td>0.59</td>
<td>0.21</td>
</tr>
<tr>
<td>RET5</td>
<td>0.19</td>
<td>0.77</td>
</tr>
<tr>
<td>RET6</td>
<td>0.13</td>
<td>0.76</td>
</tr>
<tr>
<td>RET8</td>
<td>0.03</td>
<td>0.74</td>
</tr>
<tr>
<td>RET7</td>
<td>0.11</td>
<td>0.69</td>
</tr>
<tr>
<td>RET4</td>
<td>0.22</td>
<td>0.63</td>
</tr>
<tr>
<td>Expl.Var</td>
<td>4.98</td>
<td>3.36</td>
</tr>
<tr>
<td>Prp.Totl</td>
<td>0.11</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Seven of the eight factors that were intended to measure Client trust loaded together. From Table 2, it can be observed that the factor loadings for this construct ranged between 0.59 and 0.76. Thus, acceptable evidence of validity for this factor is provided. Client trust explains 4.98% of the variance in the data. The factor Client trust obtained a score of 0.86 for the Cronbach’s alpha correlation coefficient. As a result, Client trust is a reliable factor for this study.

Five of the eight items that were intended to measure Client retention loaded together. It can be observed, from Table 2, that the factor loadings for this construct ranged between 0.63 and 0.77. Therefore, acceptable evidence of validity for this factor is provided. Client retention explains 3.36% of the variance in the data. Client retention obtained a score of 0.81 for the Cronbach’s alpha correlation coefficient, thus Client retention is considered a reliable factor for this study.

Six items did not load as expected from conducting the EFAs, consequently, these items were eliminated from further analyses.

**Descriptive statistics and correlations**
As part of the data analysis conducted for this study, descriptive statistics were calculated in order to describe the sample data from the measuring instrument, as shown in Table 3.
Table 3: Descriptive statistics on variables (N=186)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Disagree%</th>
<th>Neutral%</th>
<th>Agree%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td>4.12</td>
<td>0.61</td>
<td>5.00</td>
<td>16.00</td>
<td>79.00</td>
</tr>
<tr>
<td>Awareness</td>
<td>3.71</td>
<td>0.73</td>
<td>9.80</td>
<td>24.60</td>
<td>65.60</td>
</tr>
<tr>
<td>Fees</td>
<td>3.92</td>
<td>0.61</td>
<td>5.00</td>
<td>20.00</td>
<td>75.00</td>
</tr>
<tr>
<td>Security</td>
<td>3.22</td>
<td>0.72</td>
<td>26.00</td>
<td>41.00</td>
<td>33.00</td>
</tr>
<tr>
<td><strong>Intervening variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client trust</td>
<td>3.85</td>
<td>0.62</td>
<td>7.50</td>
<td>21.90</td>
<td>70.60</td>
</tr>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client retention</td>
<td>4.30</td>
<td>0.57</td>
<td>2.50</td>
<td>9.50</td>
<td>88.00</td>
</tr>
</tbody>
</table>

The independent variable *Convenience* obtained a high mean score of 4.12. The majority of respondents (79.00%) agreed that their bank’s e-banking facilities are convenient and easily accessible. The independent variable *Awareness* variable obtained a mean score of 3.71, where the respondents predominantly agreed (65.60%) with statements about their awareness of e-banking facilities. *Fees* returned a mean score of 3.92, with most respondents (75.00%) agreeing with statements in the measuring instrument regarding e-banking fees being more affordable than traditional banking methods. The *Security* variable returned a mean score of 3.22, with 41.00% of respondents neutral about the security and privacy of e-banking facilities.

The interving variable *Client trust* obtained a mean score of 3.85, with the majority of respondents (70.60%) agreeing with the statements with regards to their trust in e-banking facilities. Finally, the dependent variable *Client retention* obtained a mean score of 4.30, with a vast majority of the respondents (88.00%) agreeing with the statements in connection with whether they will be retained as e-banking clients.

The results of the Pearson’s Product Moment Correlations are presented in Table 4.

Table 4: Pearson’s correlations coefficients

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>1 Convenience</th>
<th>2 Awareness</th>
<th>3 Fees</th>
<th>4 Security</th>
<th>5 Client Trust</th>
<th>6 Client Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Convenience</td>
<td>1.00</td>
<td>0.51</td>
<td>0.55</td>
<td>0.25</td>
<td>0.51</td>
<td>0.10</td>
</tr>
<tr>
<td>2 Awareness</td>
<td>0.51</td>
<td>1.00</td>
<td>0.56</td>
<td>0.26</td>
<td>0.38</td>
<td>0.09</td>
</tr>
<tr>
<td>3 Fees</td>
<td>0.55</td>
<td>0.56</td>
<td>1.00</td>
<td>0.51</td>
<td>0.45</td>
<td>0.30</td>
</tr>
<tr>
<td>4 Security</td>
<td>0.25</td>
<td>0.26</td>
<td>0.51</td>
<td>1.00</td>
<td>0.25</td>
<td>0.02</td>
</tr>
<tr>
<td>5 Client Trust</td>
<td>0.51</td>
<td>0.38</td>
<td>0.45</td>
<td>0.25</td>
<td>1.00</td>
<td>0.35</td>
</tr>
<tr>
<td>6 Client Retention</td>
<td>0.10</td>
<td>0.09</td>
<td>0.30</td>
<td>0.02</td>
<td>0.35</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The Pearson’s Product Moment Correlations show significant positive (p<0.05) correlations between all the variables used in the study. Therefore, it is evident that there are positive correlations between the independent variables (*Convenience, Awareness, Fees* and *Security*), intervening variable (*Client Trust*) and the dependent variable (*Client Retention*). The Pearson’s Product Moment Correlations were conducted to support the necessity of performing multiple regression analyses to statistically test the proposed
relationships in the study. In addition, the Pearson’s Product Moment Correlations were conducted to ensure that multicollinearity does not violate the results of the multiple regression analyses undertaken in this study (Zikmund et al. 2010:588).

**Multiple regression results**

In order to assess the influence of the various independent variables on **Client trust** (intervening variable) and **Client retention** (dependent variable), multiple linear regression analyses were undertaken. Two separate regression models were undertaken for this purpose. Table 5 portrays the first multiple linear regression analysis which considered the influence of the e-banking aspects (independent variables) on **Client trust** (intervening variable).

<table>
<thead>
<tr>
<th>Intervening variable: Client trust</th>
<th>R-Square = 0.32</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td><strong>Beta</strong></td>
</tr>
<tr>
<td>Convenience</td>
<td>0.35</td>
</tr>
<tr>
<td>Awareness</td>
<td>0.05</td>
</tr>
<tr>
<td>Fees</td>
<td>0.08</td>
</tr>
<tr>
<td>Security</td>
<td>0.10</td>
</tr>
</tbody>
</table>

(*p<0.05; **p<0.01; ***p<0.001)

A significant positive relationship (0.000; p<0.001) was reported between **Convenience** and **Client trust**. The relationship as depicted in Table 5 is positive, suggesting that the more e-banking services are able to facilitate an access friendly and convenient method of providing relevant information to clients with more ease, the greater the likelihood of banking clients to trust e-banking facilities. Another significant positive relationship (0.010; p<0.01) was reported between **Fees** and **Client trust**. This relationship implies that the more e-banking services offer clients benefits at lower fees, the more likely it is that clients’ trust towards e-banking services increase.

Although the study found positive relationships, there were no significant relationships found between some of the independent variables and the intervening variable. **Awareness** and **Security** did not have significant relationships with the intervening variable **Client trust**. In alternative terms, the use of each of the above mentioned e-banking aspects (**Awareness** and **Security**) in e-banking services does not have a significant influence on the trust that respondents have towards e-banking services.

Table 6 shows the results of the multiple linear regression analysis conducted to determine the relationships between the intervening variable (**Client trust**) and the dependent variable (**Client retention**).

<table>
<thead>
<tr>
<th>Dependent variable: Client retention</th>
<th>R-Square = 0.12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervening variable</strong></td>
<td><strong>Beta</strong></td>
</tr>
<tr>
<td><strong>Client trust</strong></td>
<td>0.32</td>
</tr>
</tbody>
</table>

(*p<0.05; **p<0.01; ***p<0.001)

From Table 6, it can be observed that a significant positive relationship (0.000; p<0.05) was reported between **Client trust** and **Client retention**. This relationship implies that positive **Client trust** perceptions towards e-banking services are most likely to improve **Client retention**. **Client trust** towards e-banking services would mean that clients would be more dependent and reliant on e-banking services, thus making more use of the e-banking services on offer.

As a result of the multiple regression analyses, hypotheses H1, H3 and H5 were accepted, as significant relationships exist between **Convenience**, **Fees** and **Client trust** as well as between **Client trust** and **Client retention**.
retention. $H^2$ and $H^4$ are rejected as there are no significant relationships between the variables Awareness, Security and Client trust.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

It is evident that the main e-banking aspects influencing client trust, and ultimately client retention, are convenience and fees. Therefore, these two banking aspects should be the focus areas for bank managers when aiming to retain clients. Considering the above findings, the researchers recommend the following practical actions for South African bank managers to achieve improved client retention based on their clients’ trust perceptions of e-banking facilities. Bank managers should ensure that the bank has a good, user-friendly website that will retain clients. If clients perceive a bank’s e-banking facilities as being too difficult to use, they might prefer not to use it and convert back to the traditional branch banking or even switch to a competitor bank with more user-friendly technology. Another recommendation is for bank managers to ensure that e-banking system upgrades and maintenance be conducted at off-peak times, when the frequency of e-banking facilities is low. Furthermore, banks should have advertisements and promotional campaigns that could be useful in creating a greater awareness of the benefits that e-banking provides. It is also recommended that bank managers keep their e-banking clients well informed about the fees and any changes in fee structures in advance, explaining them and efficiently justifying them to clients.

With security features that keep record of e-banking transactions for clients, clients need to be assured by bank managers that their particulars cannot be altered or accessed by outsiders or bank employees fraudulently. Therefore, it is vital for bank managers to ensure that e-banking clients are always kept aware of the transactions taking place on their accounts as security measures are able to be breached at times, where clients’ personal and banking information is accessed fraudulently. With regards to the use of websites, it is recommended that bank websites provide a medium in which clients can raise concerns, queries and provide suggestions concerning e-banking services. These features may help improve their clients’ trust in them. Therefore, bank managers are encouraged to respond to their clients’ website comments in a proficient and timely manner to provide immediate feedback and relevant action. Bank managers are also encouraged to focus on relationship marketing strategies to ensure the retention of banking clients.

Following the above discussion, it is clear that the results of this study offer relevant, practical recommendations and suggestions to retail banks and bank managers on improving their e-banking facilities, enhancing their clients’ trust perceptions and in turn increasing client retention rates to develop more successful banks.

**CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH OF THE STUDY**

The primary objective of the study was to investigate e-banking aspects influencing clients’ trust perceptions that may ultimately lead to client retention. The EFAs and the Cronbach’s alpha correlation coefficients confirmed evidence of validity and reliability for the measuring instrument used in this study. The empirical results indicate that the independent variables Convenience and Fees, are significant aspects for clients in terms of e-banking. The empirical results also revealed that clients’ Awareness and Security of e-banking services has a positive, but not a significant, influence on Clients’ trust perceptions. Client’s trust in e-banking facilities has a significant positive influence on the retention of e-banking clients.

Some limitations were encountered during this study, among them was the sampling technique. The convenience sampling method employed proved to be a limitation to the present study. This is due to its disadvantages of potential sampling bias and producing a sample that is less representative of the population. This study was mainly directed at e-banking individuals in the Nelson Mandela Bay area. As a result, the study may contain information and results that are relevant only to this particular area, which may limit the opportunities to make generalisations based on the findings. Consequently, the national perceptions of e-banking clients could not be measured. Another limitation to the study was that no respondents in the age group of 60 years and above were willing to complete the questionnaire. This may be due the physical layout of the questionnaire which made it seem lengthy and time-consuming, thus causing the respondents’ reluctance. As a result, the perspectives of the older generation towards e-banking could not have been established and therefore compared to the perceptions of the new generation.

A further limitation is that the researchers only highlighted four main independent variables (Convenience, Awareness, Fees and Security). Other aspects which could influence client trust were not measured in this study, and it is acknowledged that they could have had an influence on banks’ client retention levels. Additionally, the study is limited by focusing on only one intervening variable, namely Client trust. A different
intervening variable may also lead to a significant positive relationship with the dependent variable Client retention.

Given the limitations of this study, there are possibilities that may be used for further research areas. A comparative study can be conducted on younger and older generations' perceptions towards e-banking services. In addition, a study can be conducted to determine how e-banking can be used to target the non-banking population in South Africa, as an avenue for future research. Furthermore, future studies could investigate the influence of the independent variables (e-banking aspects) on other possible factors that influence client retention, such as client satisfaction.

Despite the limitations, this study made a valuable contribution. For banks to be successful with e-banking, clients’ perceptions of e-banking services must be carefully taken into consideration. The findings of this study, along with possibilities for future research, have provided South African bank managers with practical suggestions and insight on areas to focus on, in retaining their clients. As a result, banks may reap the benefits and prove to be highly successful and profitable in the future. In conclusion, this study has added to the body of knowledge concerning client retention management by investigating the influence of identified variables on client’s trust of e-banking services and the client retention of retail banks.

ACKNOWLEDGEMENT
A special word of thanks to Ms Babalwa Matross and Ms Tsungai Mutsaka for their assistance with the research.

REFERENCE LIST


A MODEL TO ANALYSE CUSTOMER RETENTION IN A SOUTH AFRICAN RETAIL BANK

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ABSTRACT
Customer retention plays a pivotal role in contributing to the profitability of retail banks. Within this extremely competitive market it necessitates retail banks to follow a structured, data-driven approach to identify “at risk” customers and to launch proactive retention campaigns based on identified drivers of customer attrition. The following main drivers of customer attrition were identified in the retail bank: (1) Attrition decrease as Vertical Sales Index increase, (2) Attrition is lower where customers receive their salary in a BANKXX account, (3) Attrition decreases as duration increases (4) Blacks and Coloureds have a higher attrition rate than Whites and Asians. A literature review was conducted to identify the possible independent variables of customer retention and the concept of the profitable customer was addressed throughout proposed conceptual model was developed, signifying the best fit to identify drivers of customer retention in the retail bank. The analytical tool, SAS was used for data collection and statistical analyses of the data. This high-performance analytics assisted in providing the retail bank with valuable insight into how to successfully manage risk, retain profitable customers, improve operational efficiency and differentiate them in the marketplace for competitive advantage.

Key words: Retail Banking, Customer Retention, Profitable customer, SAS

DEFINITION OF TERMS

Retail Banking: Banking services offered to individual customers through local branches and channels of the bank.

Basel framework: Essentially the Basel III framework represents the details of global regulatory standards on banking capital adequacy and liquidity as agreed to by the Governors and Heads of Supervision (GHOS), which is the oversight body of the Basel Committee and endorsed by the G-20.

National Credit Act: The National Credit Act No. 34 of 2005 (NCA) is a recent addition to the protectionist legislation in South Africa. By regulating the credit industry, this Act aims to ensure that consumers do not fall prey to unscrupulous moneylenders.

National Credit Regulator: The National Credit Regulator (NCR) was established in terms of section 12(1) of the National Credit Act No. 34 of 2005 (SA, 2005) and came into being on 1 June 2006.

Customer Retention: The activity a selling organisation undertakes in order to reduce customer defection. Successful customer retention starts with the first contact an organisation has with a customer, and continues throughout the entire lifetime of a relationship.

Profitable customer: As defined by the retail bank, a retail bank customer with an annual income of 350k – R1.1 million deposited into the main bank.

Active Vertical Sales Index: The number of active accounts used as per attrition model, excluding value adds.

INTRODUCTION
Globally, the retail banking industry is facing extremely high debt levels, political turmoil, regulatory change, and evolving customer habits and as a result creating an environment more difficult than any the industry has experienced in decades. Retail banks around the world are struggling to maintain their competitiveness in the face of severe external challenges such as massive debt loads threatening the global economy, and stringent regulations put in place as a result of the financial crisis of 2008 which resulted in hindering traditional revenue streams. More than ever, retail banks should strive to create stronger bonds with their customers and also strategize to minimize customers seeking banking services with competitors.

Improving customer retention through value insights gained by combining data analytics and knowledge of retail bank customers was highlighted in research done by Saubert (2009:33). These insights enabled retail banks to offer a value proposition which resulted in a decreased risk of customers defecting. Many retail banks fail to successfully retain their customers resulting in profit loss and therefore the need arises for retail banks to use customer data to produce actionable insights into reasons for attrition. These valuable internal bank specific data insights could in fact translate into less acquiring and higher customer retention rates, resulting in sustaining profits for the retail bank (Reed, 2006:37). The importance of driving customer value...
and reducing attrition should be underpinned by the thorough understanding and analysing of customer data. Therefore, valuable insight gained becomes the input of creating tailored offers and service propositions that would be positively received by customers in this competitive market.

**PROBLEM STATEMENT**

The highly competitive South African retail banking industry reveals the on-going fight between banks to keep and retain their customers. To ensure sustainable profits pose a problem when acquiring customers due to high cost investment. Therefore, the problem of attrition is three-fold:

- How can we statistically identify customers at risk of defecting?
- How can we prevent the identified “at risk” customers from leaving the bank?
- Is it feasible to spend money to retain the “at risk” customer?

**OBJECTIVES**

Based on the various aspects and perceived customer retention problems within South African retail banking, several objectives of this study have been identified and documented. The primary objective of this study is to investigate and statistically analyse attrition rates of the retail bank customers and determine the impact/influence of selected factors on retail bank customer retention.

Resultantly, the following secondary objectives are formulated, namely to:

- Perform a literature review on customer retention in the retail banking industry.
- Identification of the important variables of customer retention and hypothesize a theoretical model to analyse customer retention.
- Conduct an empirical evaluation of the impact of selected factors that influence customer retention within a South African retail bank.
- Construct an empirical model to analyse customer retention.
- Provide a number of conclusions and recommendations based on the results of the statistical analysis.

**LITERATURE REVIEW**

**Retail banking**

The traditional role of retail banking was established with the start of commerce, as many as 5000 years ago, as people made first use of currency. As a result, this necessitated customers seeking ways to:

- Secure their money; and ways to
- Carry out transactions through a possible intermediary.

Consequently, the retail bank was the only way and means for customers to have access to essential financial services. However, the beginning of the 21st century was signified by the start of a new digital era when a distinct decline in the importance of a physical branch was evident. The physical branch was seen as just another channel to address the financial services need of the customer (SapientNitro, 2010). Entrance to new revolutionary customer banking behaviour was established by this new digital face of banking, encouraging and potentially enabling customers to no longer visit the branch premises to access and operate accounts but to make use of convenience digital options such as digital applications for advanced mobile devices, Smartphones and tablets (PWC, 2012:38-40).

**Retail banking in South Africa**

South Africa's financial services sector, backed by a sound regulatory and legal framework, is outstanding, boasting dozens of domestic and foreign institutions providing a full range of services including commercial, retail and merchant banking, mortgage lending, insurance and investment. The South African banking system is well developed and effectively regulated, comprising a central bank, a few large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have set up operations in South Africa over the past decade. The Banks Act (No. 90 of 1990) (SA, 1990) is primarily based on similar legislation in the United Kingdom, Australia and Canada.

South Africa’s banking sector compares favourably with those of industrialised countries. Foreign banks are well represented and electronic banking facilities are extensive, with a nationwide network of automatic teller machines (ATMs) and internet banking facilities available. The Financial Services Board oversees the regulation of financial markets and institutions, including insurers, fund managers and broking operations but excluding banks, which fall under the South African Reserve Bank.

In a fast growing retail banking market there is pressure to sell, but if net client growth does not exceed that of the market, loss of market share will be the result. Four major banking groups dominate the South African banking sector, and between them they have an 84% market share. Standard Bank is currently identified as the
largest bank in terms of assets, with a market share of 31%, followed by ABSA with 25%, followed by FirstRand and Nedbank with a market share of approximately 24% and 20%, respectively South African Reserve Bank (2011).

Currently the roles of banks in South Africa are to act as intermediaries, channelling money from savers to borrowers. Banks accept deposits and use these funds to make loans to borrowers, also converts deposits (a liability for the bank) into assets (loans). The bank earns interest income by paying less interest on the deposits received than the interest they charge on loans made. Within the banking sector deposits from the public, mainly individuals and companies, remain the main source of funding for the banking sector. Banks pay interest on such deposits at lower rates than charged on loans and advances. For that reason, banks compete actively for deposits to finance their lending activities. The alternative would be to use available capital or borrow funds – usually at a higher rate. Money could be borrowed from other banks or from the South African Reserve Bank.

Three sectors take part in the financial sector, namely:
- the banking and credit sector;
- the investment and retirement sector; and the insurance sector.

These sectors do not operate in isolation; as a result banks are involved in both the security (investment) and insurance business. Banking groups are allowed to actively trade in bonds and equities as part of their operations. The three sectors differ from each other as seen below:

**Banks:** The cost of banks’ liabilities (mainly deposits) is fairly certain, but the return on assets, such as loans and advances that cannot easily be converted into cash, is somewhat uncertain. Banks know how much they owe to lenders, but they cannot be certain that all their assets will be repaid by borrowers.

**Insurers:** Insurers have uncertain liabilities (premiums) as clients could default, in addition assured marketable assets (investments) can be sold in the secondary market and converted into cash. The insurer uses amounts received from uncertain premiums (liabilities) to buy financial assets that have a certain and verifiable resale value.

**Investment and retirement organisations:** These organisations have both certain liabilities (regular amounts paid by clients) and marketable assets such as financial instruments and investments that can be sold for a determinable amount in the secondary markets (Retail Bank, 2010).

South Africa has a well-developed financial system with legislation governing the financial sector to meet international norms and provides a platform for the introduction of major foreign financial institutions into the local market (The Banking Association South Africa, 2011). The South African banking industry is made up of 17 registered banks, 2 mutual banks, 12 local branches of foreign banks; and 41 foreign banks with approved local representative offices (South African Reserve Bank, 2011).

**Customer retention**

Many definitions of customer retention have been identified by previous research, such as the study done by Liu and Wu (2007:132-133), where a definitive distinction was identified between customer retention and cross-buying. Customer retention was viewed as a measure of relationship continuation and cross-buying considered as customer relationship development. This paper therefore views customer retention as a measure of relationship continuation.

Understanding the process and the relationship cycle of each customer is critical to increasing the retention rate and maximising lifetime value to the bank. This value translates into the revenue potential customers represent if banks are able to maintain their relationship through the customer lifetime (Clapp, 2007:40). Relationship continuations shape the dividing of customer retention into three stages (Retail bank, 2012), namely:

**Stage one: Early stage retention:** This stage is signified when the relationship between the bank and customer is between 0 and 12 months long. Low products’ uptake and non-activation of accounts are evident and the focus of this stage is on activation and prevention of customer attrition through on boarding interventions. On boarding is the process of integrating customers into the organisation by ensuring they understand the value proposition purchased and the possible time value the bank offers beyond their initial purchase.

**Stage two: Proactive prevention:** For the majority of the customer lifecycle the focal point of retention is proactive. The potential method of identification is trigger based, such as a decrease in account balance and switching of products. In response to the triggers, the retention tactics’ focus is on recommending tailor-made product options and relationship calls.

**Stage three: Reactive retention:** Reactive retention focus becomes relevant when customers are at the point of actively ending the relationship with the bank, mainly due to dissatisfaction. The customers to target
are characterised as the most profitable. Potential retention tactics include offering of incentives. Reactive retention potentially are too late and too expensive, therefore focusing on the first two stages are vital.

**Importance of customer retention in retail banking**

*Cost versus benefit:* Rootman et al. (2008) and others (Symonds et al., 2007:4; Anvari, 2010:17-18. Moller, 2007:1-2 and Drotskie, 2008:22) found in the execution of retail banking services, the building of a long-term customer or client relationship is seen as central to improve business performance. Good customer service is only one of the many factors that should be taken in consideration by leadership and management to form part of their customer retention strategies. These strategies include retail banks to proactively understand and address the changing needs of customers.

*Customer experience:* The retail banking industry of today are signified by new competitors, new channels and new business models emerging swiftly, as a result placing an immense focus on the importance of building and sustaining enduring, rewarding relationships with the customer. Research done by Peppers and Rogers Group (2011:12) confirmed that traditional retail banks across the globe show slow progress in the effective management of customer expectations and perceptions due to the existence of low trust and confidence levels. The results of their study confirmed the following reasons for slow progress:

- Cost cutting which restricts the resources that can be dedicated to improvement of customer service.
- Lack of clear focus and measurement.

*Product-centric mindset.*

*Technology:* The link between technology and customer retention can be related to the report published by Capgemini and Efma (2012), which highlights the role of mobile banking in improving the overall customer experience. Yousafzai et al. (2006:3-7) and other researchers (Mangin et al., 2011:366; Adamson & Shine, 2003; Gapar et al., 2011; Jaradat & Twaiissi, 2010; Wang et al., 2003) indicated that technological astuteness and technology acceptance models (TAM) strongly support the appropriateness of using advanced platforms to understand the intention of people to adopt electronic banking services, such as Internet or cellular phone banking. The new technology era of banking is seen to be not only relevant to the youth market but to all customer groups. Valuable insight gained from customers such as demographics, common banking needs and interests, as well as what customers are looking for in a relationship with a bank enrich the value propositions that cultivate trust and lifetime value across multiple customer groups.

**Important variables influencing customer retention**

A clear view is created throughout the literature relating to the changing face of retail banking, in addition, it highlights the importance of customer retention to ensure sustainable profitability and competitive advantage. However, customers are really a company’s scarcest resource, not capital nor products (Peppers & Rogers, 2011). In addition the question of how much investment for how “nice” a relationship also pertains to customer retention. Therefore, the below identified factors are viewed as important factors when considering successful retention of retail bank customers.

*Income:* The justification is that customer income profiles differ and will influence their buying behaviour. For instance, the value proposition offer to an affluent customer (e.g. electronic banking) will differ to a customer with an annual income of < 100k (e.g. simplistic transaction procedures). For the purpose of the study categories by income is defined as mentioned in the proposed conceptual model (Global Trade Media, 2011).

*Length of relationship (Duration):* The longer a customer is at a retail bank the less likely the customer will be to move, therefore time period is defined as the time that the customer has been with the retail bank until time of measurement. Berndt et al. (2005:81) researched the steps of customer relationship management, well-known as the development and preservation of equally beneficial long-term relationships with strategically significant customers. Certain conditions or circumstances could lead to termination of this relationship, hence the significance of determining the customer value to the financial institutions.

*Vertical Sales Index:* Given the broad and multifaceted range of banking products available to customers, the fit between the various product offerings and customers’ needs enhances customer retention. For a well-equipped bank with customer-specific information, it is easier to direct and modify their communications and optimise product mix offerings (Maharaj, 2008:29). The more deep-rooted the customers, the less likely they are to leave, therefore the complexity of products can be simplified through grouping of products as a vertical sales index measure. This grouped product mix relates to the number of active accounts used. Each type of product is only counted once, including value adds.

*Age:* Tesfom and Birch (2010:372) argue that the influence of switching barriers on bank customers is not the same across different age groups. For instance, since more mature (older) customers are more established than younger customers, switching barriers can have a higher impact on them. They also highlighted the importance of retail banks to obtain a comprehensive understanding of how switching barriers affect each customer group, assisting banks to design a relationship marketing strategy. Therefore, it enables retail banks to attract new young and older customers who are ready to switch from other banks.
With regard to this research study there is a critical need for retail banks to understand how age affect the retention of customers.  

**Race:** Research done by Lopez *et al.* (2007:261-262) indicates that ethnic diversity is a growing occurrence in cut-throat industries such as banking. It affects how these organisations attract and retain their customers. This phenomenon is particularly significant in the service industry, where product offerings are perceived by customers to be homogeneous. Hence, it makes sense to provide products that differentiate itself from the next. The South African retail banks operate in ethnically diverse markets, which is evident in the South African racial make-up. Therefore, banks face a multifaceted challenge of understanding different ethnic customer perceptions.  

**Main bank:** Research compiled by Roy and Shekhar (2010) highlighted the importance of establishing trust as an element of corporate image, relating to competitive advantage for service organisations and improved financial performance. For the purpose of the study the main bank is established through identifying whether a customer receives its salary in their cheque account.  

**Service channels:** Competitive environment and complexity depicts the South African retail banking industry. It is essential for banks to offer different service channels to establish, develop and improve customer relationships as defined in research done by Van Ravesteyn (2005). This study investigated the effect of the relationship banking offering on customer loyalty, and its use in realising customer loyalty and long-term value from relationship. Relationships with the most important asset, the customer can be fulfilled through either a dedicated banker, general banker (call centre) or a physical branch.  

**Theoretical model of customer retention**  
A theoretical conceptual model was designed by taking into consideration the important customer retention factors identified. The model measures attrition on each factor independently. The dependence between each variable was then tested through a consistency test. The theoretical model appears in Figure 1.

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**Figure 1: Theoretical model: Drivers of customer retention in retail bank**

- **Length of relationship (Duration)**  
  - Development and preservation of equally beneficial long-term relationships with strategically significant customers

- **Vertical sales index**  
  - The fit between the various product offerings and customers’ needs

- **Age**  
  - Based on the impact of different age groups on the retention of customers

- **Race**  
  - Based on the impact of ethnic diversity on customer attrition rates

- **Main bank**  
  - Based on if customer receives salary in their main bank account

- **Service Channel**  
  - The channel through which the customer is mainly serviced e.g. dedicated banker, general banker or branch.

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RESEARCH METHODOLOGY
The study sets off by formulating a theoretical model from the literature. The model employs a number of independent variables that influences the dependent variable “Customer retention”. After statistical scrutiny and analysis of the independent variables, the paper presents an empirical model. This model includes only the relevant independent variables. The detail pertaining to the research methodology employed is discussed below.

Sample
A set of predetermined criteria identified by the management of the retail bank was used to identify profitable customers as the sample group. Profitable customers are defined and grouped by the chosen retail bank as a customer which earns between 350k and R1.1 million per annum. A sample was drawn within this parameters, and a total of 600 000 customers was randomly selected as participants in the study. In addition, this sampling method ensured that the focus was on factors influencing the retention of profitable customers. The non-profitable customers were excluded and not selected as participants.

Data collection
The mainframe statistical software programme Statistical Analyses System (SAS) was used to extract, analyse and summarise data provided by the data base of the retail bank by means of the SAS Procedures such as Data Steps and Proc SQ Steps (SAS Institute Inc., 2012). A number of tailor-made procedures were also programmed to extract and analyse the data from the database.

Calculating Attrition
The calculation of attrition rate for identified customer retention factors included the gathering of data sources to determine account and customer statuses. Thereafter the status flow was measured in different intervals, in addition, for each measurement period the process was repeated 12 times over the intervals to ensure more stable results.

Drivers of Customer Attrition
The factors identified as possible drivers of customer attrition are illustrated in Figure 2.

Figure 2: Possible drivers of customer attrition

Demographics
- Age
- Race
- Income Estimate

Product Holding
- Active Vertical Sales Index

Type of Relationship
- Duration (Length of Relationship)
- Main Bank
- Service Channel

The Testing variables
Figure 3 illustrates and summarises the detailed description of all the testing variables used for this study.
EMPIRICAL RESULTS
As seen below, Figure 4 summarises the test outcomes reflecting the main drivers of customer attrition as determined through the statistical analysis. The analysis also illustrates the results for each variable tested, namely VSI, Main Bank, Duration, Race, Age, Income and Service Channel. Furthermore, highlights of each variable are also discussed in detail.

Key insights of main drivers of attrition
A total of four main drivers have been identified from the analysis. These drivers are discussed below.

Main Driver 1: Active VSI: The key insights derived from the individual results indicated that attrition decreases as VSI increases, therefore the core product VSI seems to be the biggest indicator of attrition risk since the largest plunge in attrition is seen from a VSI of 1 to a VSI of 2 (core products). This can be seen in Figure 3.12 below, where a significant decrease in closure rate from 7.97% - 2.17% was evident. When adding Value Adds, the drop is not as significant (Note: The Value adds included are online banking, mobile banking, rewards program and linked Petro. These results are displayed in Figure 5.
Moller (2007:1) researched the importance of both product and service delivery to be aligned with customer expectations in order for retail banks to thrive. Furthermore, the study highlighted that a good value proposition contributes to decreased customer attrition rate which correlate with the above insights. In addition, relating to the above key insights, research conducted by Drotskie (2009) focused on the total customer experience as competitive advantage for retail banks. This study included differentiators in the banking industry such as product, price and service.

**Main Driver 2: Main Bank:** As seen in Figure 6, where customers receive their salary in a bank account, the attrition rate is significant lower at 0.74% compared to a 2.89% attrition rate when customers do not receive their salary in a bank account.

Research done by Roy and Shekhar (2010:48) highlighted the importance of banks to gain and sustain the trust of their (main bank) customers, as well as focusing on making trustworthiness a strategic focal point in the on-going fight to retain customers. This relates to the above findings depicted in figure 3.5 where main bank customers’ closure rate is much lower. Similar correlations were found in a study done by Baumann et al. (2007:102-116) where customers’ intention to remain with their main bank short-term (in the next six months) and long-term (from six months to five years) was established by means of exploring the factors predicting customer loyalty in retail banking. Due to the high correlation between the VSI and Main Bank relationship either one can be used for the attrition model.
Main driver 3: Duration (length of relationship): Figure 7 reflects a closure rate of 8.23% for 0 - 2 year period which is significantly higher in comparison with the rest of the duration periods. From 2 – 5 years period a significant decrease in the closure rate is evident where after attrition evens out after a client has been with the retail bank for 5 years. The table below indicates the different closure rates for the different duration periods the clients are with the retail bank:

Figure 7: Key insights: closure rate of length of relationship

Studies conducted by Rootman et al. (2011:184-185),and Symonds et al. (2007:4) correspond closely to the above results which reflects the importance of building of a long-term customer or client relationship to improve retention of the customer relationships. Similar correlations were found in a study done by Ackermann and Van Ravensteyn (2007:156) confirming that one of the main objectives of the relationship banking offering is to create a higher level of customer loyalty and develop this loyalty over time. The benefits include retention of customers and staff, customer satisfaction, trust, word of mouth referrals and growth, cost reduction, cross-sales, profitability (relationship lifetime value (RLV)) and enhanced competitive advantage for the bank.

Main driver 4: Race: As derived from the individual results, Black and Coloured clients have a higher risk of attrition, which was visible as consistent across all the other tested variables. Black and Coloured clients reflect a closure rate of 2.63% compared to the White and Asian clients showing 1.69% closure rate. In addition; overall the Black and Coloured risk of attrition is 1.5 times higher than the White and Asian client group.

Figure 8: Key insights: Attrition by Race

Research conducted by Lopez et al. (2007:259) highlighted the fact that heterogeneous retail banking customers have differing perceptions of the importance of service quality dimensions; and therefore various ethnic groups report different levels of customer satisfaction with their retail banks. This study therefore corresponds closely to the above results illustrated. A similar correlation was found in a study done by
Yunus (2009), where the pressure on service organisations’ managers to prevent customers from defecting was highlighted and recommended retention of multi-cultural customers in order to be competitive and stay in business. In addition, the results of a comparative analysis done by Hart-Kozloski et al. (2008:98) indicated that there is a difference in bank choice criteria based on ethnic backgrounds, and bank marketers can capitalise on these differences, by identifying them and designing appropriate operations and marketing strategies, leading to increased customer satisfaction and competitive advantage.

NEW EMPIRICAL MODEL OF ATTRAITION
The above mentioned key insights regarding the three main drivers of attrition necessitated the development of a new conceptual model, as derived from the detailed results presented earlier in this Chapter. Below, Figure 9 illustrates the new conceptual model for customer attrition.

Figure 9: Empirical model: Drivers of customer retention in retail bank

CONCLUSIONS
The following conclusions were drawn from the study:

**Conclusion 1:** The research study displays the value of SAS as powerful tool of statistical analysis. The software provided a set of solutions for enterprise-wide business users which employs a powerful fourth-generation programming language for performing tasks such as data entry, retrieval, and management; report writing and graphics; statistical and mathematical analysis. This method proves to be successful in delivering quality data in addition, providing the following added benefits:

* Increased productivity: Due to capabilities and enhancements of SAS, streamline integration, activity and responsiveness result in increased productivity of user.
* Broader enablement: Added features and functionality give the user the ability to resolve bigger and more complex issues.
* Improved scalability: Unparalleled ability to handle vast amounts of data, with the capabilities to continue to scale with voluminous growth in the future.
* Higher performance: Reducing the time to results and therefore allowing for faster decision-making.

**Conclusion 2:** The study demonstrated the use of a qualitative methodological approach regarding customer attrition. It can be concluded that all the possible drivers of customer attrition as indicated in the
literature – Age, Race, Income, Active VSI, Duration, Main Bank and Service Channel are important to measure, the most important being Active VSI and/or Main Bank, Duration and Race.

**Conclusion 3:** The banking sector routinely manages massive amounts of data, ranging from financial transactions to customer, operational and regulatory data. All this data means big challenges, but also big opportunities for the industry. As seen in this study, by analysing the immense data volume, it provides a sound base for gaining valuable insight into the business problem. In addition it provides guidance into developing strategies based on quality data results.

**RECOMMENDATIONS**

**Recommendation 1:** The research should be repeated to compare the results from this study to similar studies in the future. The same measuring instrument can be used while the successful method of data collection can be used as well.

**Recommendation 2:** It is recommended that all the possible drivers for customer attrition as identified in the literature review are included in future studies of customer retention. However, the main drivers such as Active VSI and/or Main Bank, Duration and Race should not be excluded, as these are the most important drivers of customer attrition, as concluded in the empirical study.

**Recommendation 3:** The tried and tested, tailor-made SAS Software system can be used in any research pertaining to the drivers of customer attrition in the retail banking environment.

**Recommendation 4:** It is recommended that banks make use of high-performance analytics which can spin their big data into pertinent new business insights that guide faster, better decisions. As a result, banks can successfully manage risk, retain profitable customers, improve operational efficiency and differentiate themselves in the marketplace for competitive advantage.

**Recommendations based on the literature review**

The following business solutions and strategies are recommended to combat customer attrition, specifically addressing VSI, Duration and Race elements.

**Recommendation 5:** *Increase cross-selling:* Retail banks need to understand that customers with multiple product lines are not only valuable in the short term, but in the long term as well, as customers with more than one bank product tend to be more loyal. Therefore, to encourage activation and lock in customer loyalty, the bank should strive to encourage customers to activate inactive accounts, as well as make sure new customers can fully utilize their new accounts, particularly in the first two weeks. It is important for banks to focus on cross-selling to clients with a product with a set expiration, therefore reacting within a week of a client opening an account to cross sell another product.

**Recommendation 6:** *Onboarding Communication:* A good relationship provides value from the start for both customers and the bank. Industry studies indicate that if customer intimacy, a key component of trust, is well established during the first 180 days, cross selling is more likely. According to US Banker, 60% of customers who open at least one additional account in the first three months do so in response to information provided by their banks, yet 34% of customer do not receive follow-up from their bank within the first 180 days of opening an account (Peppers & Rogers Group, 2011). Therefore, banks should take action to engage customers within the first few months or stand the risk of losing profitable customers. Banks should consider a comprehensive, cross functional on boarding strategy and if implemented correctly could reduce new customer attrition by as much as 50%. By focusing on improved new-customer experience helps to establish long-term customer loyalty and trust.

**Recommendation 7:** *Market Segmentation:* Retail banks serving ethnically diverse customer bases are continuously challenged to deal with differing perceptions of service quality and satisfaction. As a result, banks need to firstly identify these customers and their rapidly changing needs and wants and secondly strategically focus on providing services targeted at all ethnic customer groups. For banks to survive in this competitive market, they need to determine what the satisfaction levels of specific groups of the ethnically diverse customer population resemble, as well as which service areas customers of different ethnicities perceive as important. Using the above mentioned information effectively, may help banks achieve higher levels of customer satisfaction, retention, and profitability. However, due to the difficulty of racial sensitivity this driver might not be feasible.

**LIMITATIONS OF THE STUDY**

The study is limited to one retail bank within South Africa. Although it is tempting to assume that a sample of 600 000 banking clients is a fair reflection of the South African population and as be a representative sample, this assumption should be empirically tested. Focusing purely on one does not provide a holistic picture regarding factors influencing customer retention in retail banking within South Africa. The selected factors influencing customer retention in the other retail banks might differ vastly from the chosen retail bank. Therefore, the results should not be operationalized to other banks without having this constraint in mind.
REFERENCE LIST


INFORMATION SOURCES INFLUENCING PARENTS’ CHOICE OF INDEPENDENT PRIMARY SCHOOLS IN GAUTENG

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ABSTRACT
The primary objective of the study is to recommend marketing guidelines for independent primary schools, with the focus on Integrated Marketing Communication (IMC) in the marketing mix. This objective was achieved by identifying the information sources that parents cited in the selection of independent primary schools as some independent schools in South Africa find it difficult to market them effectively as a result of a lack of information pertaining to the information sources. The methodological approach followed was quantitative and exploratory in nature. The sample consisted of 669 respondents from 30 independent schools in Gauteng. A structured questionnaire, with a five-point Likert scale, was fielded to gather the data. The descriptive and factor analysis approach was used to analyse the results. A total of 19 information sources were identified and the most important information source was school open days followed by the school website and word-of-mouth (person-to-person).

Key words: Independent schools, consumer decision-making process, information sources, integrated marketing communication.

INTRODUCTION
Independent schools have increased since 1990 and between 2009 and 2012, 118 295 more learners entered independent schools (Bernstein, 2013). According to Roodt (2011:2), the number of public schools declined with 9% from 26 789 in 2000 to 24 451 in 2012. As a result of the increase in independent schools, such schools compete amongst each other to attract new learners (Oplatka, 2007:218). Competitiveness in the independent school sector is furthermore compounded by the growth of independent school groups, such as AdvTech, with recent growth in their Trinityhouse brand which recently opened its fourth school at Heritage Hill in Pretoria (Trinityhouse, 2014). The leader of independent school groups in South Africa is Curro Holdings, with 27 schools educating 20 750 learners (Weavind, 2013).

Prospective parents in South Africa can enrol their child at any school in South Africa and parents are not forced to do such enrolment at the nearest school, but have a choice to enrol their child at their school of preference (Van Wyk and Bisschoff, 2012:431). More affordable independent school fees have also contributed to the growth in the sector and will continue to do so in future (Hasenfuss, 2011).

Parents are in general more selective in the choice of a school for their child and they do their own research of where to do such enrolment (Molland, 2007:22). Consumers are not passive choosers and are better informed about the choices available to them (Petruzzeleis and Romanazzi, 2010:149). Due to the intangible characteristics of education as a service (Cant and Van Heerden, 2010:450), the decision-making process of a parent when deciding on where to enrol their child is difficult. The decision-making process of services consists of the pre-purchase stage, the service encounter stage and the post-encounter stage (Wells and Foxall, 2012:128).

This paper will focus on the second stage of the pre-purchase stage, namely the information search. During the information search phase, the consumer collects information regarding possible alternatives. Several alternatives may come to the mind of the consumer, but consumers seldom consider all feasible alternatives. Instead, consumers have a limited list of options chosen on the basis of past experience, convenience and knowledge (Hoffman and Bateson, 2011:89). Little research exists with specific reference to school marketing in South Africa. This includes research by McAlister (2005:2) where the researcher aimed to understand management’s attitudes towards marketing, as well as research by Malherbe (2004:82) to establish whether independent schools in Gauteng have embraced a culture of marketing. There is no research in South Africa with regard to the information sources influencing parents’ choice of independent primary schools. In this study the researcher specifically aims to determine which information sources influence parents’ choice of independent primary schools. In turn, this information will assist independent schools because marketing guidelines will be given to these schools with the aim to attract more learners to the school.
This paper includes a literature review of the marketing of independent schools, with the focus on integrated marketing communication (IMC), the consumer decision-making process, the information sources influencing prospective parents’ independent school choice, and an explanation of the problem that was investigated. The research objectives and methodology are then discussed. Thereafter the empirical results are discussed followed by recommendations.

PROBLEM INVESTIGATED
The changing independent school landscape in South Africa, with independent schools experiencing a strong growth in the market (from 971 independent schools in 2000 to 1 571 independent schools in 2012), has encouraged schools to compete with each other. Prospective parents can choose from a variety of independent schools, especially in the Gauteng Province with the highest number of independent schools (566 or 36% of all independent schools) in South Africa (Department of Basic Education, 2012). To survive in this competitive environment, independent schools have to become more marketing orientated (McAlister, 2005:2; Malherbe, 2004:8). However, independent schools in South Africa find it difficult to market themselves effectively as a result of a lack of information pertaining to the information sources considered by parents when selecting independent schools (Fourie, 2013). It is therefore important for independent schools to understand the information sources influencing parents’ choice of independent primary schools, and these information sources can be used to develop marketing guidelines for independent schools.

RESEARCH OBJECTIVES
The primary objective of this study is to recommend marketing guidelines for independent primary schools and in order to achieve this objective, the secondary research objective is to investigate the usefulness of the sources of information considered by parents in the selection process of independent primary schools.

LITERATURE REVIEW
Competition in the independent school sector is intense because current market forces compel schools to compete with one another (Bisschoff, du Plessis and Smith, 2004:1). The ability of independent schools to survive and grow would be enhanced by the information sources parents considered when selecting independent schools in order to assist these schools in better targeting their marketing efforts (McGovern, 2012:16). The marketing of independent schools is evident at some independent schools in South Africa, and many independent schools employ marketing managers at their schools (Bezuidenhout, 2014).

Many of these independent schools are members of the Independent Schools’ Marketing Association (ISMA), an affinity group and stakeholder of the Independent Schools Association of Southern Africa (ISMA, 2014). The marketing of schools has become an indispensable managerial function and without it a school cannot survive in the current competitive environment in which it operates (Oplatka and Hemsley-Brown, 2004:377).

The marketing of independent schools with specific focus on IMC
School marketing is defined as the means by which the school actively communicates and promotes its purpose, values and products to learners, parents, staff and the wider community (Sferle, Gårdan, Gudei and Geangu, 2012:765). Literature on school marketing originated in the United States of America and the United Kingdom and themes covered by research in school marketing include the attitudes of school principals and other stakeholders towards the concept of marketing, the lack of research in school marketing and general literature on “How to market your school?” (Oplatka and Hemsley-Brown, 2004:375). According to Soedijati and Pratminingsih (2011:212), the services marketing mix consists of product, price, integrated marketing communication, distribution, process, people and physical evidence. Parents investigate all possible sources of information such as school open days and the school website, and for the purposes of this paper, IMC will be discussed.

IMC is the planning and co-ordination of marketing communications in order to portray a consistent communication strategy across all media channels (Hackley, 2010:290). The components of IMC have traditionally been labelled the promotion component of the marketing mix (Chitty, Barker, Valos and Shimp, 2012:4). According to Kotler and Keller (2012:254), the marketing communication mix consists of advertising, sales promotion, events and experiences, public relations and publicity, direct and interactive marketing, personal selling and word-of-mouth marketing.

Advertising can include magazine advertisements, e.g. the South African Schools Collection Magazine (The South African Schools Collection, 2010), local newspaper advertisements (Krugersdorp News, 2013), radio advertisements (Conradie, 2012) and outdoor signage in the form of street pole advertising (Smith, 2013). Sales promotion can be in the form of bursaries to learners for academic, leadership, sport or cultural
excellence (Greylng, 2013). An example of events and experiences would be where the school hosts a sport festival such as the annual St John’s and St Stithians sport festivals in Johannesburg (Irvine, 2013). Publicity is when a local newspaper like Caxton newspapers in Gauteng publishes excellent sport or academic results or reports on the opening of a new school (Botha, 2014).

Direct marketing in a school’s context can be prospective parents visiting an education expo (FutureEd, 2013). Interactive marketing is usually the school website (Foster, 2010:68) and a school open day is an example of personal selling where presentations are done to prospective parents (Lombard, 2013). A final IMC method is word-of-mouth and as traditional advertising has lost its power, the recommendations, suggestions, advice of friends and family gained importance in the buying decision process of consumers (Kalpaklioglu and Toros, 2011:4113).

Due to the fact that independent schools make use of different IMC components in their marketing of schools, it is important for schools to understand the decision-making process of parents when selecting independent schools.

The decision-making process in the context of independent schools
In response to the independent school marketing mix, with specific reference to integrated marketing communication, independent schools need to understand their consumers and their consumption behaviour (Hoyer and MacInnis, 2010:24). Service providers have to understand consumer decision-making: how consumers choose between different offerings and how they experience and evaluate the service offerings (Blythe, 2013:3).

The decision-making process of services consists of the pre-purchase stage, the service encounter stage and the post-encounter stage (Wells and Foxall, 2012:128). The first stage of decision-making in the pre-purchase stage for prospective parents with a child in grade one, is the realisation of parents that the child needs to be enrolled at a school (need recognition). According to the South African Schools Act (1996), schooling is compulsory for children aged 7-15 (or attendance in grades one to nine, whichever comes first).

The second stage of the pre-purchase stage involves investigating all possible sources of information regarding the service being offered and includes sources such as the school open day and school website. In the third stage in the pre-purchase stage, namely evaluation of alternatives, evaluative criteria comprise the act of identifying alternative solutions to a problem and assessing the relative merits and demerits of each solution (including the dimensions, features or benefits that consumers seek in making buying decisions) (Parumasur and Roberts-Lombard, 2012:258).

The service encounter stage is the next stage in the decision-making process for services. This is the stage at which the parent has chosen a school and paid the enrolment fee at a specific independent school. The post-encounter stage is the final stage in the decision-making process for services (Wells and Foxall, 2012:128). Consumers evaluate service performance by comparing what they expected, with what they perceive they received from a particular supplier (Lovelock and Wirtz, 2011:74).

It also happens that consumers often feel post-purchase dissonance (also referred to as cognitive dissonance), and this can be described as the doubt or anxiety experienced after making a difficult and relatively permanent decision (Kotler, Armstrong and Tait, 2010:164). In the context of a school, cognitive dissonance occurs when parents doubt if they had made the correct choice of an independent primary school for their child.

This paper focuses on the second stage in the pre-purchase stage, namely investigating all possible sources of information regarding the service being offered. The majority of parents will investigate what schools can offer their child, and therefore information sources are important when selecting independent schools.

Information sources influencing parents’ choice of independent schools
Research into information sources influencing parents’ choice of independent schools is limited and includes international studies by the Independent Schools Queensland survey (ISQ, 2011), the Independent Schools Council of Australia (ISCA, 2008) and Gorard (1999:31). The ISQ survey (ISQ, 2011) identified amongst others the school open day, brochures, prospectuses, school websites and school expos as most influential sources of information when searching for an independent school. According to the ISCA (ISCA, 2008), word-of-mouth, the school open day, marketing from independent schools and newspaper articles were in the top 10 information sources cited by parents when searching for an independent school.
Gorard (1999:31) identified school open days, an interview with the principal, community activities, reputation of the school conveyed by other parents, the school prospectus and newspaper articles as important sources of information. As far as could be ascertained, no research exists with specific reference to information sources considered in the selection of independent primary schools in the South African context.

The only research done in the South African context on school marketing was the study by McAlister (2005:2), where the researcher aimed to understand management's attitudes towards marketing, and the study by Malherbe (2004:82) where the aim was to establish whether independent schools in Gauteng have embraced a culture of marketing.

RESEARCH METHODOLOGY
The empirical investigation was exploratory and quantitative in nature. The population comprised all grade one parents from the 556 independent primary schools in the Gauteng Province. A non-probability sampling approach was followed and the judgement sampling technique was applied.

The data was gathered over a twelve-week period (September, October and November) in 2012. During this time, the father, mother or guardian of the child in grade one who matched the sampling frame was asked to participate in the survey. A structured questionnaire, with a five-point Likert scale, was used to gather the data. Respondents were provided with a self-administered questionnaire or an Internet computer-assisted survey and the questionnaire included self-developed items. Suitable scale items considered reliability and validity was established. Items were developed from the literature review conducted to identify the information sources influencing parents' choice of independent primary schools as well as information gathered from interviews with parents. A total of 669 questionnaires were completed and could be used in the analysis. The questionnaire was pretested in a pilot study involving 10 respondents from different independent primary schools in the Gauteng Province who matched the sampling frame. The internal consistency reliability test was used to measure reliability. Validity was ensured by having the content of the questionnaire aligned with the research objectives.

The data obtained from the questionnaires was coded, captured and edited. The Statistical Package for Social Sciences (SPSS version 18) was used to analyse the results. The data obtained from the field was coded and captured in a statistical software package. Factor analysis was used to assess the structural validity of the questionnaire and exploratory factor analysis (EFA) was conducted to uncover the underlying structure of constructs. The purpose of EFA is data simplification and the objective is to summarise the information contained in a large number of metric measures with a smaller number of summary measures, called factors (McDaniel and Gates, 2010:616).

Respondents identified 19 information source variables and these variables are categorised into four factors, namely advertising, personal selling, public relations and interactive marketing as well as word-of-mouth marketing (refer to Table 4). The purpose of identifying these factors through EFA is to recommend marketing guidelines for independent primary schools, with the focus on IMC in the marketing mix.

Communalities were also investigated and comprise a measure of the relationship between a particular variable and the set of remaining variables in the analysis (Zikmund and Babin, 2010b: 627). Communalities (refer to Table 3) provide information about how much of the variance in each item is explained (Palant, 2010:198).

RESULTS
Statistical techniques were applied to assess the reliability and validity of the survey and to obtain more clarity regarding the information sources variables considered by parents in the selection of independent primary schools.

Reliability
According to Hair, Wolfinbarger, Ortinau and Bush (2010:708), when calculating Cronbach's alpha, results exceeding 0.60 will reflect the lower level of acceptability. The reliability statistics for the questionnaire are presented in Table 1. It is evident from Table 1 that the Cronbach alpha coefficients for advertising are 0.852, personal selling (0.707), public relations and interactive marketing (0.805) and word-of-mouth marketing (0.826). This confirms that the measurement set that was used was reliable.
Table 1: Cronbach’s alpha

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach’s alpha coefficient</th>
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<tbody>
<tr>
<td>Advertising</td>
<td>0.852</td>
</tr>
<tr>
<td>Personal Selling</td>
<td>0.707</td>
</tr>
<tr>
<td>Public Relations and Interactive marketing</td>
<td>0.805</td>
</tr>
<tr>
<td>Word-of-Mouth Marketing</td>
<td>0.826</td>
</tr>
</tbody>
</table>

Validity
Validity can be attained by aligning the content of the questionnaire with the research objectives (Van Tonder and Ehlers, 2011:164). Consequently, the following activities were performed to ensure validity and reliability:

A self-administrated questionnaire was designed, which was directly aligned with the research objectives. The necessary adjustments were made to the questionnaire, based on feedback obtained from the pilot study.

A large sample size was used to increase the accuracy of the results.

The expertise of STATKON (the Statistical Consultation Services) of the University of Johannesburg was employed to analyse the data gathered and to ensure the correct measurements of the results.

Factor analysis was used to assess the structural validity of the information sources construct, and exploratory factor analysis was used in an attempt to gain insight into the structural validity. The 19 items of the information sources scale were subjected to principal component analysis (PCA) and prior to performing PCA, the suitability of data for factor analysis was assessed using KMO and Bartlett’s Test of Sphericity results. This is presented in Table 2.

Table 2: KMO and Bartlett’s Test of Sphericity

<table>
<thead>
<tr>
<th>Test</th>
<th>Value of forced EFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</td>
<td>0.896</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
<td>Approx. Chi-square 3110.897</td>
</tr>
<tr>
<td></td>
<td>DF 190</td>
</tr>
<tr>
<td></td>
<td>Sig 0.000</td>
</tr>
</tbody>
</table>

It is evident from Table 2 that the 19 statements are suitable for factor analysis (KMO of 0.896 which is > 0.6, and Bartlett’s Test of Sphericity of 0.000, which is smaller than 0.05 (Pallant, 2010:187). Communalities are investigated and provide information about how much of the variance in each item is explained. Using Principal Axis Factoring as extraction method and Varimax for rotation, the total variance explained results, are presented in Table 3.

Table 3: Total variance explained

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Initial eigenvalues</th>
<th>Extraction sums of squared loadings</th>
<th>Rotation sums of squared loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>1</td>
<td>8.839</td>
<td>44.196</td>
<td>44.20</td>
</tr>
<tr>
<td>2</td>
<td>2.215</td>
<td>11.076</td>
<td>55.27</td>
</tr>
<tr>
<td>3</td>
<td>1.517</td>
<td>7.583</td>
<td>62.86</td>
</tr>
<tr>
<td>4</td>
<td>1.164</td>
<td>5.821</td>
<td>68.676</td>
</tr>
</tbody>
</table>

It is evident from Table 3 that four factors explain a total of 61.68% of the variance. Factor 1 (or component) contributes 42.51%, factor 2 contributes 52.07%, factor 3 contributes 57.92%, and factor 4 contributes 61.68% of the total variance explained.

Demographic profile of respondents
Considering that a total of 669 respondents participated in the study, 77% were female, 84% were married, and 43% had English as their home language. The majority of the respondents (53%) earn a gross income of more than R45 000 per month and 84.2% have a post-matric qualification.

Information sources influencing the selection of independent primary schools
Concerning the research objective, respondents identified 19 variables that they considered as valuable information sources when making a decision regarding the independent primary school at which they chose to enrol their child. These variables are categorised into four factors and is presented in Table 4.
From Table 3, the main finding is that only personal selling realised an overall mean score above 3. The components of personal selling are school exhibitions (e.g. in shopping malls), the school open day and a promotional DVD. School open days are the most useful information source (mean = 3.92). School exhibitions are also a popular information source (mean = 3.00) and a promotional DVD of the school is of lesser importance (mean = 2.77).

The other factors realised a mean score below 3, although some components of the factors realised a mean score above 3 (school website, mean = 3.45 and word-of-mouth, mean = 3.31). The components of interactive marketing and public relations are fundraising activities (mean = 2.76), involvement in outreach programmes (mean = 2.98), general school publicity (mean = 2.68), bursaries offered (mean = 2.88), school website (mean = 3.45) and cellphone marketing (mean = 1.98).

The components of advertising consist of magazine advertisements (mean = 1.96), radio advertisements (mean = 1.96), outdoor signage (mean = 2.60) and local newspaper advertisements (mean = 2.15). It is interesting to note that all components of advertising have a mean of less than 3 with outdoor signage (e.g. streetpole advertising) the highest mean of 2.60.

Finally the components of word-of-mouth consist of word-of-mouth (person-to-person) with a mean of 3.31, Facebook (mean = 1.88), Twitter (mean = 1.80), LinkedIn (mean = 1.72) and YouTube (mean = 1.78). Although the word-of-mouth overall factor is of less importance as information source (mean = 1.85), person-to-person word-of-mouth is the third most important information source (mean = 3.31) when all individual components of information sources are evaluated.

Based on the statistical analysis, it can be concluded that parents indicated personal selling as the most useful informational source (mean = 3.88) when parents select independent schools. These include the school open day, exhibitions and a promotional DVD. The most useful individual information sources include the school open day (mean = 3.92), the school website (mean = 3.45) and person-to-person word-of-mouth (mean = 3.31).

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

**Personal selling**
In the light of the findings, it is clear that independent schools should focus on school open days as this information source is the most useful source of information. This information source corresponds with the study by Gorard (1999:34) who cited school open days as the most important information source. The ISQ survey (ISQ, 2011) as well as the ISCA (ISCA, 2008) cited school open days as the third most important information source.

*Exhibitions* as information source are also important for independent schools and Gorard (1999:34) as well as the ISQ survey (ISQ, 2011) cited exhibitions as the 9th important information source. In terms of the
school open day, it is recommended that the school open day should provide parents with information about the unique characteristics and offerings of the school. A suggestion is that the school principal conducts annual and especially weekly open days for prospective parents. It is also recommended that independent schools conduct school exhibitions at shopping malls manned by educators and the management team of the school. A promotional DVD of the school can be handed out to prospective parents who are interested in enrolling their child at the school.

**Interactive marketing and public relations**

In the light of the findings, independent schools should focus on the school website (Interactive Marketing) as this information source is the second most useful source of information cited by parents. The school website as information source was cited 5th by the ISCA (ISCA, 2008) and 8th by the ISQ survey (ISQ, 2011).

Findings reveal that in terms of public relations, outreach programmes by the school, bursaries offered, fundraising activities and general publicity are in the top ten important information sources cited by parents when selecting independent primary schools. Community or outreaching programmes as information source correspond with the study by Gorard (1999:34) who cited this information source as the third most important information source, and publicity in the form of newspaper articles about the school is cited by the ISCA (ISCA, 2010) and the study by Gorard (1999:34).

In terms of Interactive Marketing, school websites create opportunities for independent schools to quickly and effectively make information available to current and prospective parents. It is recommended that the school’s website needs to be user-friendly, easily accessible and updated on a regular basis. Meaningful content on the school’s website is imperative with a solid “About Page” on the website. The contact information of the school as well as directions to the school is very important in order for prospective parents to make contact with the school or to find directions to the school. Although websites are a very popular information source to parents, it is recommended that independent schools also stay in touch with other technology. Independent schools can also establish a mobile presence in the form of a mobile website or an Application (also known as Apps) on their smartphone. Users visit device-specific portals such as Apple’s App Store, Android Market, or Blackberry App World in order to find and download apps for a given operating system.

In terms of public relations, it is recommended that independent schools should focus on any school publicity opportunity available to the school. This may be in the form of sport or academic achievements of learners in local newspapers or independent school magazines. Public relations can also be in the form of fundraising activities and it is also recommended that independent schools are involved in outreach programmes.

**Advertising**

In the light of the findings, independent schools should focus on brochures, outdoor signage and local newspaper advertisements. Although advertising in general is of less concern by parents as information source, brochures or the prospectus of the school is the fifth most important element of advertising. General advertising, although not specified which elements of advertising, is cited by the studies by the ISCA (ISCA, 2010) and Gorard (1999:34). Advertising in the context of an independent school consists of brochures, outdoor signage, local newspaper advertising, magazine advertising and radio advertisements. Brochures, outdoor signage and local newspaper advertisements were the most popular information sources.

In terms of brochures, it is recommended that the educational content of the brochure or prospectus must be clear to prospective parents with the unique selling proposition of the school highlighted in the brochure. It is further recommended that independent schools use street pole advertising as medium for outdoor signage, because this form of advertising is much cheaper than billboards. Street pole advertising can be used to advertise school open days, sport festivals hosted by the school, or any other advertising message. Finally, it is also recommended that independent schools from time to time advertise important events and noteworthy news, as well as the annual school open day in local newspapers. Magazine advertisements and radio advertisements are not recommended because of the costs associated with this advertising medium, and also because parents did not cite this information source as a very useful information source.

**Word-of-mouth**

In the light of the findings, it is clear that word-of-mouth (person-to-person) is the third most important information source. Other word-of-mouth elements in the form of social media were of less concern to parents when selecting independent schools.
These include social media such as Facebook, Twitter and LinkedIn. Word-of-mouth in the form of friends, work colleagues and other parents was cited as very important in the ISQ survey (ISQ, 2011). The ISQ survey (ISQ, 2011) cited word-of-mouth as the most important information source and Gorard (1999:34) identified word-of-mouth by other parents as the fourth important information source.

With regard to word-of-mouth (person-to-person), it can be assumed that ensuring satisfied current parents, learners and the alumni of the school will lead to positive word-of-mouth. It is recommended that if independent schools want to determine what is currently said about their school, it can be done by conducting marketing research (e.g. questionnaires or focus groups). Another recommendation is that current parents can be encouraged to bring along their friends to open days, or some parents can be brand ambassadors for their school.

Other elements of word-of-mouth marketing are social media. Social media was not indicated as a very useful information source when parents select independent primary schools, but it is the greatest marketing opportunity identified for independent schools due the growth of social media. At the end of August 2012, 5.33 million South Africans were using Facebook on the Web and 2.43 million were on Twitter (South African Social Media Landscape, 2012). It is recommended that independent schools integrate social media into their marketing and communications plans with the aim for parents to take part in the conversation and to build relationships with parents and other stakeholders.

Independent schools can have good quality education services offered to prospective parents, but if parents are not aware of these services, they will not consider choosing the independent school. It is therefore important that independent schools communicate with their prospective parents. The primary objective of this paper is to recommend marketing guidelines for independent primary schools, with the focus on integrated marketing communication. Recommendations for integrated marketing communication include that independent schools should utilise school open days, the school website and brochures, while magazine advertisements, radio advertisements and cell phone marketing could be used to a lesser extent. The findings also suggest that outdoor signage, specifically in the form of street pole advertising, could be used as advertising medium. Although the findings did not indicate social media as a preferred information source, it is seen as the greatest opportunity for independent schools due to the strong growth of social media in South Africa, especially Facebook and Twitter.

Based on the results obtained from the literature review as well as the empirical findings, Figure 1 summarises this paper.

**Figure 1: Marketing guidelines for schools**

<table>
<thead>
<tr>
<th>Information sources</th>
<th>Managerial implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigate possible sources of information in the consumer decision-making process</td>
<td>School website</td>
</tr>
<tr>
<td>Advertising</td>
<td>General school publicity</td>
</tr>
<tr>
<td>Personal selling</td>
<td>Fundraising activities</td>
</tr>
<tr>
<td>Interactive marketing and public relations</td>
<td>Involvement in outreach programmes</td>
</tr>
<tr>
<td>Word-of-mouth marketing</td>
<td>School open day</td>
</tr>
<tr>
<td></td>
<td>Exhibitions</td>
</tr>
<tr>
<td></td>
<td>Brochures</td>
</tr>
<tr>
<td></td>
<td>Outdoor signage</td>
</tr>
<tr>
<td></td>
<td>Local newspaper advertisements</td>
</tr>
<tr>
<td></td>
<td>Word-of-mouth (person-to-person)</td>
</tr>
</tbody>
</table>

Marketing Guidelines for Independent Primary Schools
CONCLUSION

The research succeeded in investigating the usefulness of all possible sources of information when parents select independent primary schools. These information sources consist of advertising, personal selling, interactive marketing and public relations, as well as word-of-mouth. The main finding is that personal selling (specifically school open days) is the most useful information source followed by interactive marketing and public relations (specifically the school website) when parents select independent schools. These information sources should be used by independent schools as marketing guidelines in the highly competitive independent school sector in South Africa.

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THE RELATIONSHIP BETWEEN GOAL ACHIEVEMENT AND THE JOB SATISFACTION OF SMALL AND MEDIUM-SIZED BUSINESS OWNER-MANAGERS

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ABSTRACT
The main focus of this study was to identify, investigate and empirically assess the extent to which the achievement of selected goals influences the Job satisfaction of SME owner-managers in the Eastern Cape. Various goals were identified as influencing the levels of Job satisfaction of SME owner-managers, namely: Financial, Continuity, Human resource, Personal, Operational, Service, Socio-economic, and Growth goals. As a result of conducting an exploratory factor analysis, new goals emerged which were named Personal and financial independence, Environmental, Customer satisfaction, Growth, Community involvement, and Personal reputation goals. The findings of this study show that achieving the Personal and financial independence and Customer service goals have a significant positive influence on the level of Job satisfaction of SME owner-managers. The findings of this study show that achieving certain goals leads to an increase in the Job satisfaction of owner-managers of small and medium-sized businesses.

Key words: Goal achievement, Job satisfaction, small and medium-sized businesses, owner-managers

INTRODUCTION AND BACKGROUND TO THE STUDY
In many countries, small and medium-sized enterprises (SMEs) have been displaying an increasingly vital role within the economy (Olawale & Garwe, 2010:729). SMEs are important for economic growth and development because they are globally and locally linked to job creation, social stability, alleviation of poverty, sustainability and economic welfare (Ladzani & Van Vuuren, 2002:154; Singh, Garg & Deshmukh, 2008:525; SME growth index report, 2013:3; Venter, 2009:4). This holds particularly true for South Africa, where these businesses contribute roughly 60 percent to employment in the country, and between 51 and 57 percent to South Africa's gross domestic product (Kongolo, 2010:2290). For the purpose of this study, a small or medium-sized business is one that employs more than five but fewer than 200 full-time employees.

However, despite the critical role that SMEs play in economic development, they are still plagued with high failure rates and unique challenges that make it difficult for them to survive (Eybers, 2010:1; Olawale & Garwe, 2010:729; Venter, 2009:9). It is estimated that the failure rate of SMEs in South Africa is a staggering 75 percent (Olawale & Garwe, 2010:729). As in many other African countries, South African SMEs face many similar problems, including, amongst others: limited access to credit facilities, poor management practices and limited access to technology, increased competition among themselves, cheap imports, poor information and communication management and a lack of working capital (Bowen, Morara & Mureithi, 2009:21; CTA, 2000).

The high failure rate of SMEs is exacerbated because their owner-managers either do not invest enough time in setting proper goals, or goals that are set are often poorly or only vaguely defined, which leads to vagueness about the achievement of these goals (Kailer & Scheff, 1999:325). Danes, Stafford, Haynes and Amarapurkar (2009:212) are of the opinion though that business success is measured by the attainment of the business's goals. Tagiuri and Davis (1992:43) add that by specifying its goals, a business is able to determine and guide its direction and activities accordingly in order to achieve its objectives. Sharma, Chrisman and Chua (1997:6-7) points out that it is imperative to understand the goals of a business in order to make recommendations regarding their management.

Achieving business goals does however not only lead to achieving the financial goals of the business, even though business success if often measured through financial criteria. A growing number of researchers are advocating the use of non-financial goals, such as personal lifestyle goals, as an alternate measure of business success (Colli, 2012:243; Danes et al., 2009:199; Walker & Brown, 2004:577). For example, non-
financial value can be created for the entrepreneur (owner-manager) and his team on a personal and emotional level (Priesmeyer, 2011:107). The value lies firstly in the strategic competencies and efficiencies that are formed as a result of the exploitation of human and social capital resources, and secondly in the emotional experience and satisfaction, commonly referred to as job satisfaction, of the individuals involved in the value creation process of the business (Carbonell & Rodriguez-Escudero, 2013:257; Newbert & Tornikoski, 2013:250). Frazier (2005:3-4) concurs that job satisfaction can be an indicator of effective business operations. In turn, Janssen and Van Yperen (2004:368) state that the goal achievement theory implies that job satisfaction depends on goal achievement.

Ample evidence exists showing that a relationship exists between achieving the goals that individuals have and their levels of satisfaction in the workplace (e.g. Bargaim, Cunningham, Potgieter & Vledge, 2007:337; Fincham & Rhodes, 2005:218; Lee 2006:185). The achievement of goals in SMEs is also regarded as an important factor for achieving job satisfaction (Career Vision, 2006; Unzicker, Clow & Babacus, 2000:88). In the same manner even though job satisfaction is crucial to the success of a business (Detamore, 2008:4), Bergdahl (2010:33) states that the most important component of success is to attempt daily activities that move one in the direction of one’s goal achievement. Both authors are correct as job satisfaction results from the emotional gladness one receives through successfully achieving one’s goals (Locke, 1969). According to Henderson and Nathenson (1984:26), the achievement of goals provides rewards and satisfaction, however, only if the person’s expectations are accurate.

PROBLEM INVESTIGATED
SMEs face numerous challenges in the South African environment that impact their survival rate. Many SMEs fail because of a lack of goal clarity and goal achievement (Analoui & Karami, 2003:36). In addition, researchers often focus on the challenges that lead to failure (The DTI, 2008:49-50; Olawale & Garwe, 2010:729; Van Scheers, 2011:548), but little is known about success-aiding behaviours such as goal formation and achievement that could reduce the high failure rate and improve the success rate of these businesses. A fairly limited amount of attention has been given to the role that goal accomplishment plays in the success of these business entities, or rather the specific goals that influence success and are thus measures of success, be they financial or non-financial goals (Collins-Dodd, Gordon & Smart, 2005:331; Hienerth & Kessler, 2006:115; McKenny, Short, Zachary & Payne, 2012:298; Walker & Brown, 2004:577).

Gray (1998:133) emphasises that the setting of clear and measurable business goals is linked to business success. An understanding of the goals SMEs place importance on, together with the achievement of these goals and whether they perceive themselves as successful, would lead to greater insight on the measures of success of these business entities. In addition, when owners disregard strategic planning, their businesses may not reach their full growth and performance potential, placing risk on the survival of the SME (Wang, Walker & Redmond, 2007:1-4), as well as their own job satisfaction. A significant contributor to business success lies in conducting strategic planning, which includes the setting of goals and the development of strategies to achieve those goals (Hormozi, Sutton, McMinn & Lucio, 2002:755).

Thus in order to reduce SME failure, it has become increasingly important to understand and analyse the relationship between the achievement of goals and the Job satisfaction of SME owner-managers. Previous research (Unzicker et al., 2000:88) indicates that a lack of goal achievement by SMEs influences job satisfaction. Research regarding the impact of goal achievement on the job satisfaction of SME owner-managers situated within the Eastern Cape is however limited, hence indicating a need for further investigation.

PRIMARY OBJECTIVE OF THE STUDY
In line with the problem statement, the primary objective of this study is to identify, investigate and empirically assess the extent to which the achievement of selected goals influences the Job satisfaction of SME owner-managers in the Eastern Cape. This study will highlight the importance of goals and goal achievement, as well as the relationship between the aforementioned and Job satisfaction. Through investigating these relationships, insights can be provided to SMEs owner-managers on which goals have the greatest influence on their levels of Job satisfaction and on how to achieve those goals.

LITERATURE OVERVIEW AND HYPOTHESES DEVELOPMENT
Contextualising goals
For the purpose of this study “goals” refers to the required outcomes one wishes to obtain, after completing a specific process (Koren, 2012). Rouillard (2003:3) agrees by defining goals as an end towards which one directs a particular attempt. In context an end refers to an exact and tangible result a person wishes to
achieve by putting in extra effort. Therefore, in the context of SMEs, a goal can be defined as the purpose towards which an SME is focussed.

According to Singh (2012:99) goals are important, because they guide and direct the behaviour of employees. Goals allow owner-managers to increase clarity, which helps employees devote their working hours towards a specific direction and therefore eliminates uncertainty. Oracle (2012) also states that goals are an important form of direction. This is because goals act as a measure of organisational discipline that keeps all employees at every level directed towards the same end result. Goals are important to set in businesses, because they keep employees focused and productive, provide a purpose, enthusiasm and clarity in decision-making, as well as help owner-managers become better leaders and more organised (Donaldson, 2011). Van Blerkom (2012:34) states that goals are significant to businesses because they direct one’s attention to the task at hand, mobilises effort and increases persistence.

Goals can either be formulated as primary or secondary goals and should be specific, measurable, attainable, rewarding and timely (Grunenmeyer, 2001:6). Bosch, Tait and Venter (2011:137) have identified a business’s primary goals as profit maximization, rate of return maximisation and shareholders’ wealth maximization. According to Bosch et al. (2011:140) well organised businesses also set secondary goals to support their primary goals. Secondary goals are, amongst others, maximum productivity, growth, maximum sales income, safety and security, continuity and socio-economic.

According to Colli (2012:243), goals and performance differ according to the ownership structure of the business. In other words, large companies and smaller businesses differ in their goal-setting behaviour. This makes it increasingly difficult to identify each goal. However, a review of the literature has resulted in the establishment of the following broad types or categories of goals found in small businesses. The following goals influencing the levels of Job satisfaction of owner-managers in SMEs are: Financial, Continuity, Human Resource, Personal, Operational, Service, Socio-economic, and Growth goals. A short description for each of these goals investigated in this study can be found in Table 1, as well as the dimensions that constitute each goals and supporting references.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Nature of the goal</th>
<th>Dimensions</th>
<th>Supporting references</th>
</tr>
</thead>
</table>
| Continuity | Continuity goals or survival goals are goals concerned with business succession and survival. In addition, businesses pursue profitability in order to ensure their survival (Bosch et al., 2011:146). | Business survival  
Business continuity  
Business succession | Bosch, Tait & Venter, 2006:141; 2011:146;  
Distelberg & Sorenson, 2009:69; Van Der Merwe, Venter & Farrington, 2012:18 |
| Financial | Financial goals are primarily concerned with the financial aspects of the small business, such as profit maximisation, return on investment maximisation, maximisation of owner’s wealth and financial security of the business (Bosch et al., 2011:137). Financial performance is most commonly used to establish whether a SME is successful, using criteria such as the profitability of the business (Walker & Brown, 2004:578). | Financial security of the business  
Maximising return on investment  
Profit maximisation  
Business liquidity  
Business solvency  
Maximisation of sales  
Maximising shareholders/owners wealth | Bosch, et al., 2006:137;2011:137;  
Mahto, Davis, Pearce & Robinson,2010:991;  
McKenny et al., 2012:305;  
Walker & Brown, 2004:578 |
| Growth | Growth goals are goals that maximise the size of the business, as a growing business typically indicates a profitable and successful business (Bosch et al., 2011:143). | Growth in assets  
Increasing customer base of the business  
Expansion of product and/or service offerings  
Growth of the business  
Growth in sales  
Growth in profits  
Growth in market share  
Identify new business opportunities | Bosch et al., 2011:143;  
Distelberg & Sorenson, 2009:69;  
Hienerth & Kessler, 2006:120 |
| **Human Resource** | Human resource goals refer to employee satisfaction, development and safety within the SME (McKenny *et al.*, 2010:303; McCann, Leon-Guerrero & Haley, 2001:51). Rosouw *et al.* (2003:84-86) states that employees form an integral part of the small business and thus their satisfaction, motivation and adequate training are imperative to the business achieving its goals. | Workplace health and safety Job security for employees Employee training and development Employee job satisfaction Implementing of Broad Based Black Economic Empowerment initiatives | McKenny *et al.*, 2012:303; McCann, Leon-Guerrero & Haley, 2001:55; Rosouw, Le Roux & Groenewald, 2003:84-86; Tagiuri & Davis, 1992:46 |
| **Operational** | Business operations are the activities involved in running the business, such as increasing productivity and optimally utilising resources efficiently and effectively (Bosch *et al.*, 2011:142). Daft, Murphy and Wilmott (2010:55) define productivity goals as those concerning output from resources. According to Bosch *et al.* (2011:141), an improvement in productivity plays a role in the success of a business, both small and large. | Optimal use of business resources Having efficient and effective systems and processes Maximising productivity | Bosch, *et al.*, 2006:141;2011:142; Daft *et al.*, 2010:55; Hienerth & Kessler, 2006:121; McKenny *et al.*, 2012:303 |
| **Personal** | Personal goals are goals set by small business owners that relates to their personal motivations and objectives within the SME. These goals can include objectives such as having a flexible lifestyle, personal satisfaction, independence and greater freedom (Walker & Brown, 2004:581). The achievement of personal goals is of seemingly greater importance in the perception of success of the business, due to the fact that the small business owner’s success and the business’s success become one and the same (Walker & Brown, 2004:577; Collins-Dodd *et al.*, 2005:331). | Be my own boss To do what I enjoy A flexible time schedule Personal financial security Secure a retirement income A good personal reputation A good business reputation Provide financial support for my family To align my career interests with opportunities presented by the business Maintain my desired lifestyle Live a balanced lifestyle To be well known as a successful businessperson To be a role model to others To be a leading authority in my industry | Collins-Dodd *et al.*, 2005:331; Danes *et al.*, 2009:212; Getz & Carlsen, 2000:551; Tagiuri & Davids, 1992:45; Walker & Brown, 2004:581 |
| **Service** | Service goals refer to goals that are customer and marketing orientated. These include product related goals, service excellence goals and customer loyalty goals that the small business strives to achieve (Getz & Carlsen, 2000:554). | Deliver excellent customer service Deliver a high-quality product and/or service Customer satisfaction Provide innovative products and/or services | Bosch, *et al.*, 2006:137; Getz & Carlsen, 2000:551 |
| **Socio-economic** | Socio-economic goals are business social responsibility objectives aimed at ethical business practises, community support and engagement, as well as implementing green practises. Small business owners need to take cognisance of the impact of their businesses on all stakeholders in the community they operate within. (Bosch *et al.*, 2006:146;2011:147; McKenny *et al.*, 2012:303; Tagiuri & Davis, 1992:45) | To provide jobs for people in the community To be a good corporate citizen Local community involvement Implementation of green practices Sponsoring community events Reducing the carbon | Bosch, *et al.*, 2006:146;2011:147; McKenny *et al.*, 2012:303; Tagiuri & Davis, 1992:45 |
Contextualising Job satisfaction and the achievement of goals

Job satisfaction refers to individual workers’ appraisal of their job and psychological experience at work (Werner, Bagriam, Cunningham, Potgieter & Viedge, 2009:334). It is the emotional value a person places on intangible concepts such as happiness, fear or contempt (Priesmeyer, 2011:107). For the purpose of this study, **Job satisfaction** refers to the owner-manager experiencing his/her involvement in the business as enjoyable, fulfilling and rewarding, as well as being satisfied with how people work together in his/her business. Job satisfaction plays an important role in the effectiveness of any workforce, and various authors identify it as being part of the non-financial value created in an entrepreneurial or smaller business (e.g. Berrone, Cruz, Gomez-Mejia & Larraza-Kintana, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson & Moyano-Fuentes, 2007). The non-financial value of job satisfaction lays in the value the owner-manager and his employees derive from enjoying their work and experiencing a sense of fulfilment.

From empirical evidence the most significant emotional value derived from being self-employed is the satisfaction of being independent of the routines and constraints of organisational life (Bradley & Roberts, 2004:37; Hundley, 2001:312; Zellweger & Astrachan, 2008:351). Owner-managers who are self-employed generally enjoy high levels of job satisfaction when compared with salaried employees (Lange, 2012:167). They also experience a sense of greater skills utilisation and a general feeling of higher self-esteem, caused primarily by the feeling of being in control of their own destiny (Hundley, 2001: 312). Owner-managers can also derive value from the power and prestige that is linked with owning a business, and the perception that wealth is associated with business ownership (Baumol, 1990:20; Zellweger & Astrachan, 2008:351).

Job satisfaction is normally classified into intrinsic and extrinsic job characteristics. Intrinsic factors are described as a person’s sense of competence, which includes freedom to contribute ideas and being part of the entrepreneurial process (Van Wyk & Adonisi, 2008:391). Extrinsic factors are those related to tangible rewards like compensation, working environment and job security (Van Wyk & Adonisi, 2008:391). There is general consensus in the literature that there is a positive relation between job satisfaction and commitment to achieving organisational goals (Bradley & Roberts, 2004:50; Brown & Peterson, 1994:77; Kirkman & Shapiro, 2001:557). Employees working in an entrepreneurial environment where they experience optimism, autonomy and procedural freedom, also enjoy high levels of job satisfaction (Benz & Frey, 2008:362). Job satisfaction has a direct impact on financial value because committed and optimistic workers tend to produce improved business performance (Bradley & Roberts, 2004:50).

The hypothesised framework

The achievement of each of the goals discussed above is hypothesised as influencing the levels of **Job satisfaction** of SME owner-managers. These goals have been utilised to develop the following hypothesised framework and relationships, as depicted in Figure 1.

Figure 1: Proposed Hypothesised Framework: Goals Achieved Influencing the Level of Job Satisfaction of SME Owner-Managers

<table>
<thead>
<tr>
<th>Type of goals</th>
<th>H1 – H8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuity goal</td>
<td></td>
</tr>
<tr>
<td>Financial goal</td>
<td></td>
</tr>
<tr>
<td>Human resource goal</td>
<td></td>
</tr>
<tr>
<td>Personal goal</td>
<td></td>
</tr>
<tr>
<td>Operational goal</td>
<td></td>
</tr>
<tr>
<td>Service goal</td>
<td></td>
</tr>
<tr>
<td>Socio-economic goal</td>
<td></td>
</tr>
<tr>
<td>Growth goal</td>
<td></td>
</tr>
</tbody>
</table>

(Job Source: Researchers’ own construction)
The following hypotheses, to test the relationships proposed above, are formulated:

- \( H_1 \): There is a positive relationship between achieving the Continuity goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_2 \): There is a positive relationship between achieving the Financial goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_3 \): There is a positive relationship between achieving the Human resource goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_4 \): There is a positive relationship between achieving the Personal goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_5 \): There is a positive relationship between achieving the Operational goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_6 \): There is a positive relationship between achieving the Service goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_7 \): There is a positive relationship between achieving the Socio-economic goal and the level of Job satisfaction experienced by SME owner-managers.
- \( H_8 \): There is a positive relationship between achieving the Growth goal and the level of Job satisfaction experienced by SME owner-managers.

**RESEARCH DESIGN AND METHODOLOGY**

**Population, sample and sampling technique**

The population, for the purpose of this study, refers to all the SME owner-managers within the Eastern Cape. In this study, however, the population or complete body of the owner-managers of SMEs in the Eastern Cape was not available and thus a sample had to be drawn. For this purpose convenience sampling was employed. SME owner-managers, in the Eastern Cape, were selected as respondents and are thus the sampling units in this study.

The sample in this study consisted of 500 SME owner-managers operating their businesses in the Eastern Cape. In total 420 questionnaires were returned, of which 380 were usable for further statistical analyses. Therefore, an effective response rate of 76.00% was achieved in this study.

**Measuring instrument development and data collection**

In this study data was collected by means of a survey and the use of a measuring instrument. The measuring instrument consisted of a cover letter and three sections. In Section A of the questionnaire demographic information relating to the respondents was requested. This information related to the respondents and the business of the respondent. Section B of the questionnaire consisted of 52 randomised statements (items) describing the achievement of several goals by the SME owner-manager. A 5-point Likert-type scale (1 = not achieved at all and 5 = fully achieved) was employed. Each respondent was requested to indicate the extent to which they have achieved each of the goals stated. Section C of the questionnaire consisted of 3 statements/items intended measuring the respondents' level of Job satisfaction. A 5-point Likert-type scale (1 = strongly disagree and 5 = strongly agree) was employed, and each respondent was requested to indicate the extent that he/she agreed with each statement.

For each of the goals investigated in this study, the number of items used, the sources of these items, as well as the operationalisation thereof can be found in Table 2.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Operationalisation of independent variables</th>
<th>Sources of items</th>
<th>Number of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuity</td>
<td>Refers to striving for continuity and survival.</td>
<td>Business survival (Van Der Merwe, Venter &amp; Farrington, 2012:18; Distelberg &amp; Sorenson, 2009:69); Business continuity (Bosch et al., 2006:141; 2011:146); Business succession (Self-developed).</td>
<td>3</td>
</tr>
<tr>
<td>Financial</td>
<td>Refers to striving to maximise profits, sales, return on investment and shareholders wealth, to be liquid and solvent as well as financially secure.</td>
<td>Financial security of the business (Self-developed); Maximising return on investment (McKenny et al., 2012:305; Mahto, et al., 2010:991); Profit maximisation (Bosch et al., 2006:137; 2011:137); Business liquidity (Bosch et al., 2006:137);</td>
<td>7</td>
</tr>
<tr>
<td>Category</td>
<td>Definition</td>
<td>Examples</td>
<td>Weight</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Growth</td>
<td>Refers to striving for growth in assets, sales, profits, market share and customer base, as well as expansion of product/service offering.</td>
<td>Growth in assets (Hienerth &amp; Kessler, 2006:120); Increasing customer base of the business (Hienerth &amp; Kessler, 2006:120); Expansion of product and/or service offerings (Hienerth &amp; Kessler, 2006:120); Growth of the business (Distelberg &amp; Sorenson, 2009:69); Growth in sales (Self-developed); Growth in profits (Self-developed); Growth in market share (Self-developed); Identify new business opportunities (Self-developed)</td>
<td>8</td>
</tr>
<tr>
<td>Human Resource</td>
<td>Refers to striving for workplace health and safety, job security, training/development and job satisfaction for employees, as well as to implement Broad Based Black Economic Empowerment initiatives.</td>
<td>Workplace health and safety (Tagiuri &amp; Davis, 1992:46); Job security for employees (McKenny et al., 2012:303; Tagiuri &amp; Davis, 1992:46); Employee training and development (McKenny et al., 2012:303; McCann et al., 2001:55); Employee job satisfaction (McKenny et al., 2012:303); Implementing of Broad Based Black Economic Empowerment initiatives (Self-developed)</td>
<td>5</td>
</tr>
<tr>
<td>Operational</td>
<td>Refers to striving to have efficient and effective systems and processes in place, in order for the business to use resources in an optimal manner and maximise its productivity.</td>
<td>Optimal use of business resources (McCann, et al., 2001:55); Having efficient and effective systems and processes (Hienerth &amp; Kessler, 2006:121); Maximising productivity (McKenny et al., 2012:303; Bosch et al., 2006:141; 2011:142)</td>
<td>3</td>
</tr>
<tr>
<td>Personal</td>
<td>Refers to the owner-managers striving to be his/her own boss, enjoy what he/she does, have a flexible time schedule so that he/she is able to live a balanced lifestyle, develop a good business/personal reputation in order to act as a role model to others, as well as striving to have financial security to be able to retire one day and provide for his/her family.</td>
<td>Be my own boss (Getz &amp; Carlsten, 2000:551; Tagiuri &amp; Davids, 1992:45); To do what I enjoy (Tagiuri &amp; Davids, 1992:45); A flexible time schedule (Self-developed); Personal financial security (Tagiuri &amp; Davids, 1992:45); Secure a retirement income (Danes et al., 2009:212); A good personal reputation (Getz &amp; Carlsten, 2000:551); A good business reputation (Self-developed); Provide financial support for my family (Getz &amp; Carlsten, 2000:551); To align my career interests with opportunities presented by the business (Self-developed); Maintain my desired lifestyle (Getz &amp; Carlsten, 2000:551); Live a balanced lifestyle (Getz &amp; Carlsten, 2000:551); To be well known as a successful businessperson (Self-developed); To be a role model to others (Self-developed); To be a leading authority in my industry (Self-developed)</td>
<td>14</td>
</tr>
<tr>
<td>Service</td>
<td>Refers to striving to provide innovative and high-quality products/services, as well as excellent customer service in order to be able to satisfy customers.</td>
<td>Deliver excellent customer service (Getz &amp; Carlsen, 2000:551); Deliver a high-quality product and/or service (Getz &amp; Carlsen, 2000:551); Customer satisfaction (Bosch et al., 2006:137); Provide innovative products and/or services (Self-developed)</td>
<td>4</td>
</tr>
<tr>
<td>Socio-economic</td>
<td>Refers to striving to be seen as a good corporate citizen, through implementing green practices such as reducing the carbon footprint and conserving natural resources, as well as getting involved in the community by providing jobs, sponsoring events and empowering the community.</td>
<td>To provide jobs for people in the community (McKenny et al., 2012:303); To be a good corporate citizen (McKenny et al., 2012:303; Tagiuri &amp; Davids, 1992:45); Local community involvement (McKenny et al., 2012:303); Implementation of green practices (McKenny et al., 2012:303); Sponsoring community events (Self-developed); Reducing the carbon footprint of the business (Self-developed); Conserving natural resources when doing business (Bosch et al., 2006:146); Empowering communities (Bosch et al., 2006:146)</td>
<td>8</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>The owner-manager experiencing his/her involvement in the business as enjoyable, fulfilling and rewarding, as well as being satisfied with how people work together in his/her business.</td>
<td>I experience my involvement in the business as rewarding (Eybers, 2010:160; Farrington, 2009:406); I enjoy working in my business (Eybers, 2010:160; Farrington, 2009:406); I experience my involvement in the business as fulfilling (Eybers, 2010:160; Farrington, 2009:406); I am satisfied with the way that people work together in my business (Eybers, 2010:160; Farrington, 2009:406).</td>
<td></td>
</tr>
</tbody>
</table>

**Data analysis**

Statistical analyses of data were undertaken by using STATISTICA version 11. To assess the discriminant validity and reliability of the measuring instrument an exploratory factor analysis was undertaken and Cronbach’s alpha coefficients were calculated. To summarise the sample data, descriptive statistics were calculated, and multiple regression analysis was used to assess the hypothesised relationships.

**EMPIRICAL RESULTS**

**Sample description**

The vast majority (73.95%) of the respondents participated in this study were male, with the most being between the ages of 40 and 49 years (34.74%). The majority (53.95%) of the respondents were White, followed by Black (22.63%), Asian (10%) and Coloured (9.47%). The majority of the respondents (68.16%) also have a tertiary qualification. Most businesses (39.74%) operated in the service or retail/wholesale industries (29.21%). The majority of respondents (63.68%) indicated that between 5 and 10, followed by 21 and 50 (11.58%), people were employed in their SME. Most respondents (32.63%) also indicated that they had been the current owner of the SME for between 1 and 5 years, followed by between 6 and 10 years (23.16%).

**Discriminant validity and reliability results**

An exploratory factor analysis was conducted to identify the unique factors present in the data and as such to assess the discriminant validity of the measuring instrument. Seven factors were extracted by means of exploratory factor analysis. Based on the items loading onto these factors, the factors were named, *Personal and financial independence, Environmental, Job satisfaction, Customer service, Growth, Community involvement and Personal reputation*. These seven factors explain 53.46% of the variance in the data. The factor structure is presented in Table 3. Three of the four items originally developed to measure *Job satisfaction* loaded together as expected. However, numerous items relating to each of the goals investigated did not load as expected, and were eliminated from further analysis. Items that loaded onto their corresponding factors at a level of 0.50 or more was retained and included in the statistical analysis (Choo &
Furthermore only the factors with two or more items loading onto them were considered for further statistical analysis.

**Table 3: Results of Factor Analysis**

<table>
<thead>
<tr>
<th></th>
<th>INDEP</th>
<th>ENVIRO</th>
<th>SATIS</th>
<th>SERV</th>
<th>GROW</th>
<th>INVOLV</th>
<th>REPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS4</td>
<td>0.7616</td>
<td>0.1240</td>
<td>0.0713</td>
<td>0.1259</td>
<td>0.0098</td>
<td>0.0246</td>
<td>0.1219</td>
</tr>
<tr>
<td>FIN1</td>
<td>0.6744</td>
<td>0.1518</td>
<td>-0.0013</td>
<td>0.1846</td>
<td>0.2038</td>
<td>0.0921</td>
<td>-0.0013</td>
</tr>
<tr>
<td>FIN5</td>
<td>0.6445</td>
<td>0.0973</td>
<td>0.0361</td>
<td>0.0504</td>
<td>0.1643</td>
<td>-0.0714</td>
<td>0.0803</td>
</tr>
<tr>
<td>GROW6</td>
<td>0.6293</td>
<td>0.0209</td>
<td>0.1158</td>
<td>0.1293</td>
<td>0.2454</td>
<td>0.2764</td>
<td>0.0800</td>
</tr>
<tr>
<td>FIN2</td>
<td>0.6139</td>
<td>-0.0144</td>
<td>0.2073</td>
<td>0.1473</td>
<td>0.1020</td>
<td>0.1404</td>
<td>0.1309</td>
</tr>
<tr>
<td>PERS5</td>
<td>0.5913</td>
<td>0.0784</td>
<td>0.0474</td>
<td>0.0866</td>
<td>0.1202</td>
<td>0.2482</td>
<td>0.2195</td>
</tr>
<tr>
<td>PERS8</td>
<td>0.5899</td>
<td>0.0266</td>
<td>-0.0014</td>
<td>0.1650</td>
<td>0.2161</td>
<td>0.0450</td>
<td>0.2083</td>
</tr>
<tr>
<td>FIN7</td>
<td>0.5506</td>
<td>0.0355</td>
<td>0.1618</td>
<td>0.0634</td>
<td>0.0195</td>
<td>0.2483</td>
<td>0.1038</td>
</tr>
<tr>
<td>FIN4</td>
<td>0.5396</td>
<td>0.0813</td>
<td>-0.0019</td>
<td>0.3548</td>
<td>0.0417</td>
<td>0.0009</td>
<td>-0.1640</td>
</tr>
<tr>
<td>CONT2</td>
<td>0.5284</td>
<td>0.0190</td>
<td>0.2438</td>
<td>0.0706</td>
<td>0.2898</td>
<td>0.1623</td>
<td>0.1201</td>
</tr>
<tr>
<td>PERS10</td>
<td>0.5266</td>
<td>0.1196</td>
<td>0.2168</td>
<td>-0.0332</td>
<td>-0.0192</td>
<td>0.0172</td>
<td>0.3884</td>
</tr>
<tr>
<td>FIN3</td>
<td>0.5173</td>
<td>-0.0392</td>
<td>0.0900</td>
<td>0.3362</td>
<td>0.2015</td>
<td>0.2584</td>
<td>0.1992</td>
</tr>
<tr>
<td>SOCIO4</td>
<td>0.1019</td>
<td>0.7719</td>
<td>0.1130</td>
<td>0.0468</td>
<td>0.1551</td>
<td>0.0630</td>
<td>0.1485</td>
</tr>
<tr>
<td>SOCIO6</td>
<td>0.0709</td>
<td>0.7344</td>
<td>0.0974</td>
<td>0.1314</td>
<td>-0.0013</td>
<td>0.2162</td>
<td>-0.0224</td>
</tr>
<tr>
<td>SOCIO7</td>
<td>0.0296</td>
<td>0.6435</td>
<td>0.0299</td>
<td>0.2596</td>
<td>0.0737</td>
<td>0.3123</td>
<td>0.1712</td>
</tr>
<tr>
<td>SAT2</td>
<td>0.0695</td>
<td>0.1147</td>
<td>0.8149</td>
<td>0.0334</td>
<td>0.0617</td>
<td>0.0532</td>
<td>0.0018</td>
</tr>
<tr>
<td>SAT3</td>
<td>0.0688</td>
<td>0.0594</td>
<td>0.7707</td>
<td>0.1920</td>
<td>0.0303</td>
<td>0.0448</td>
<td>0.1116</td>
</tr>
<tr>
<td>SAT1</td>
<td>0.1488</td>
<td>-0.0044</td>
<td>0.7644</td>
<td>0.0610</td>
<td>0.0404</td>
<td>0.0916</td>
<td>0.0433</td>
</tr>
<tr>
<td>SERV3</td>
<td>0.1596</td>
<td>0.0639</td>
<td>0.1574</td>
<td>0.7286</td>
<td>0.0401</td>
<td>0.0222</td>
<td>0.1911</td>
</tr>
<tr>
<td>SERV1</td>
<td>0.1968</td>
<td>0.1699</td>
<td>0.1313</td>
<td>0.7098</td>
<td>0.1449</td>
<td>0.0299</td>
<td>0.0969</td>
</tr>
<tr>
<td>SERV2</td>
<td>0.1215</td>
<td>0.2371</td>
<td>0.1789</td>
<td>0.6385</td>
<td>0.1307</td>
<td>0.1170</td>
<td>0.1654</td>
</tr>
<tr>
<td>GROW5</td>
<td>0.3333</td>
<td>0.0808</td>
<td>0.0857</td>
<td>0.2192</td>
<td>0.6316</td>
<td>0.1573</td>
<td>0.0997</td>
</tr>
<tr>
<td>GROW4</td>
<td>0.2822</td>
<td>0.1006</td>
<td>0.0827</td>
<td>0.2289</td>
<td>0.6171</td>
<td>0.1201</td>
<td>0.0256</td>
</tr>
<tr>
<td>CONT3</td>
<td>0.2265</td>
<td>0.1029</td>
<td>0.1663</td>
<td>0.0476</td>
<td>0.5695</td>
<td>0.1392</td>
<td>0.0651</td>
</tr>
<tr>
<td>SOCIO8</td>
<td>0.0748</td>
<td>0.2225</td>
<td>0.0358</td>
<td>0.1232</td>
<td>0.1660</td>
<td>0.7225</td>
<td>0.1758</td>
</tr>
<tr>
<td>SOCIO5</td>
<td>0.1777</td>
<td>0.1801</td>
<td>0.0080</td>
<td>-0.0637</td>
<td>0.1096</td>
<td>0.7113</td>
<td>0.0313</td>
</tr>
<tr>
<td>SOCIO3</td>
<td>0.1293</td>
<td>0.0347</td>
<td>0.2100</td>
<td>0.1652</td>
<td>0.0087</td>
<td>0.6884</td>
<td>0.0622</td>
</tr>
<tr>
<td>HR5</td>
<td>0.0440</td>
<td>0.3697</td>
<td>0.1222</td>
<td>0.0820</td>
<td>0.1267</td>
<td>0.5065</td>
<td>0.0640</td>
</tr>
<tr>
<td>PERS6</td>
<td>0.2308</td>
<td>0.1350</td>
<td>0.0590</td>
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<td>0.0621</td>
<td>0.0356</td>
<td>0.6402</td>
</tr>
<tr>
<td>SOCIO2</td>
<td>0.1067</td>
<td>0.1054</td>
<td>0.0502</td>
<td>0.2889</td>
<td>0.1800</td>
<td>0.2668</td>
<td>0.5498</td>
</tr>
<tr>
<td>PERS13</td>
<td>0.2013</td>
<td>0.1090</td>
<td>0.0960</td>
<td>0.2279</td>
<td>0.0344</td>
<td>0.2454</td>
<td>0.5478</td>
</tr>
</tbody>
</table>

Key: INDEP = Personal and financial independence; ENVIRO = Environmental; SATIS = Job satisfaction; SERV = Customer service; GROW = Growth; INVOLV = Community involvement and REPU = Personal reputation.

Cronbach’s alpha coefficients (CA) were calculated to assess the reliability of the measuring instrument used in this study. The dependent and independent variables *Job satisfaction, Personal and financial independence, Environmental, Customer service, Community involvement and Personal reputation* reported CAs of greater than 0.7, which is the lower limit necessary for a scale to be considered reliable. *Growth* returned a CA of less than 0.7. Leimeister (2010:140) prescribed that a lower limit of 0.70 is necessary for a scale to be considered reliable, however, a CA of 0.60 would be acceptable. Given the close proximity of the coefficient to 0.70, satisfactory evidence of reliability for the scale measuring the *Growth* goal is thus provided. The operationalisation of these various constructs as well as the CAs for each are summarised in Table 4. See Annexure A for wording of items.
Tabel 4: Measurement Instrument Analysis

<table>
<thead>
<tr>
<th>Operationalisation of factors</th>
<th>Items</th>
<th>CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Personal and financial independence goal refers to striving to maximise the profit, return on investment and shareholders wealth created by the business, for the business to be liquid, solvent and financially secure, as well as providing personal financial security for the owner-manager.</td>
<td>12</td>
<td>0.8931</td>
</tr>
<tr>
<td>The Environmental goal refers to striving to implement green practices, reduce one’s carbon footprint and conserve natural resources.</td>
<td>3</td>
<td>0.7730</td>
</tr>
<tr>
<td>The Customer service goal refers to striving to deliver high-quality products and excellent customer service, as well as customer satisfaction.</td>
<td>3</td>
<td>0.7865</td>
</tr>
<tr>
<td>The Growth goal refers to striving for growth in sales and the business as a whole.</td>
<td>3</td>
<td>0.6935</td>
</tr>
<tr>
<td>The Community involvement goal refers to implementing Broad Based Black Economic Empowerment (BBBEE) initiatives, as well as getting involved in the community by empowering the community and sponsoring community events.</td>
<td>4</td>
<td>0.7482</td>
</tr>
<tr>
<td>The Personal reputation goal refers to developing a good personal reputation, being a good corporate citizen and being a role model to others.</td>
<td>3</td>
<td>0.7109</td>
</tr>
<tr>
<td>Job satisfaction refers to the owner-manager experiencing his/her involvement in the business as enjoyable, fulfilling and rewarding.</td>
<td>3</td>
<td>0.7987</td>
</tr>
</tbody>
</table>

Revised hypotheses

Based on the exploratory factor analysis undertaken, the hypothesised framework and the hypotheses all needed to be reformulated. Some independent variables were eliminated from the hypothesised framework and some were merely renamed and consequently the hypotheses needed to be reformulated. The dependent variable, however, remains unchanged. The reformulated hypotheses are as follows:

H1: There is a positive relationship between achieving the Personal and financial independence goal and the level of Job satisfaction experienced by SME owner-managers.

H2: There is a positive relationship between achieving the Environmental goal and the level of Job satisfaction experienced by SME owner-managers.

H3: There is a positive relationship between achieving the Customer service goal and the level of Job satisfaction experienced by SME owner-managers.

H4: There is a positive relationship between achieving the Growth goal and the level of Job satisfaction experienced by SME owner-managers.

H5: There is a positive relationship between achieving the Community involvement goal and the level of Job satisfaction experienced by SME owner-managers.

H6: There is a positive relationship between achieving the Personal reputation goal and the level of Job satisfaction experienced by SME owner-managers.

Descriptive statistics and correlations

As can be seen in Table 5 the dependent variable Job satisfaction reported a mean score of 4.501, with the vast majority (90.26%) of respondents agreeing with the statements measuring Job satisfaction. The respondents in this study are thus experiencing their involvement in their business as enjoyable, fulfilling and rewarding.

With regard to the various goals investigated in this study (see Table 5), the highest mean score reported was for the independent variable Customer service (\(\bar{X} = 4.393\)), followed by Personal reputation (\(\bar{X} = 4.180\)) and Personal and financial independence (\(\bar{X} = 4.012\)). The goals that reported lower mean scores, were Growth (\(\bar{X} = 3.921\)), followed by Community involvement (\(\bar{X} = 3.343\)) and Environmental (\(\bar{X} = 3.304\)). All of the respondents in this study perceived that they had achieved these goals, apart from the Environmental goal, which they felt neutral about.
Table 5: Descriptive statistics

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>380</td>
<td>4.501</td>
<td>0.545</td>
</tr>
<tr>
<td>Customer service</td>
<td>380</td>
<td>4.393</td>
<td>0.532</td>
</tr>
<tr>
<td>Personal reputation</td>
<td>380</td>
<td>4.180</td>
<td>0.594</td>
</tr>
<tr>
<td>Personal and financial independence</td>
<td>380</td>
<td>4.012</td>
<td>0.544</td>
</tr>
<tr>
<td>Growth</td>
<td>380</td>
<td>3.921</td>
<td>0.657</td>
</tr>
<tr>
<td>Community involvement</td>
<td>380</td>
<td>3.343</td>
<td>0.795</td>
</tr>
<tr>
<td>Environmental</td>
<td>380</td>
<td>3.304</td>
<td>0.809</td>
</tr>
</tbody>
</table>

The Pearson’s product moment correlations (see Table 6) showed that the dependent variable Job satisfaction is significantly (p < 0.05) and positively correlated with all the independent variables. Personal and financial independence (r = 0.3071) and Customer service (r = 0.3065) reported the highest correlations with Job satisfaction. Coefficients less than 0.7 but more than 0.3, however, reflect weak positive associations. The other independent variables all reported low r values representing little or no association between them and Job satisfaction. The Environmental (r = 0.2141) goal reported the lowest association with Job satisfaction (Simon, 2005).

Table 6: Correlation Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Personal and financial independence</td>
<td>1.0000</td>
<td>0.3121</td>
<td>0.3071</td>
<td>0.4741</td>
<td>0.6390</td>
<td>0.4028</td>
<td>0.5005</td>
</tr>
<tr>
<td>2 Environmental</td>
<td>0.3121</td>
<td>1.0000</td>
<td>0.2141</td>
<td>0.3577</td>
<td>0.3080</td>
<td>0.4710</td>
<td>0.3654</td>
</tr>
<tr>
<td>3 Job satisfaction</td>
<td>0.3071</td>
<td>0.2141</td>
<td>1.0000</td>
<td>0.3065</td>
<td>0.2619</td>
<td>0.2396</td>
<td>0.2487</td>
</tr>
<tr>
<td>4 Customer service</td>
<td>0.4741</td>
<td>0.3577</td>
<td>0.3065</td>
<td>1.0000</td>
<td>0.4203</td>
<td>0.3113</td>
<td>0.4711</td>
</tr>
<tr>
<td>5 Growth</td>
<td>0.6390</td>
<td>0.3080</td>
<td>0.2619</td>
<td>0.4203</td>
<td>1.0000</td>
<td>0.4007</td>
<td>0.3851</td>
</tr>
<tr>
<td>6 Community involvement</td>
<td>0.4028</td>
<td>0.4710</td>
<td>0.2396</td>
<td>0.3113</td>
<td>0.4007</td>
<td>1.0000</td>
<td>0.4025</td>
</tr>
<tr>
<td>7 Personal reputation</td>
<td>0.5005</td>
<td>0.3654</td>
<td>0.2487</td>
<td>0.4711</td>
<td>0.3851</td>
<td>0.4025</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

Multiple regression analysis

A multiple regression analysis was undertaken to assess whether achieving the goals (independent variables) investigated in this study exert a significant positive influence on the dependent variable, Job satisfaction. In the multiple regression analysis the demographic variables gender, age, possession of a tertiary qualification and industry were controlled for to account for possible confounding influences. The results of the multiple regression analysis show that achieving the goals investigated in this study explains 14.95% of the variance in Job satisfaction and that none of the demographic variables controlled for exert a significant influence on Job satisfaction.

From Table 7 it can be seen that a positive linear relationship is reported between achieving the goal Personal and financial independence (0.1536; p < 0.05) as well as Customer service (0.1655; p < 0.01) and Job satisfaction. Therefore, the more the respondents in this study perceive that the profit, return on investment and shareholders wealth created by the business is maximised, the business is liquid, solvent and financially secure, personal financial security is provided, the business achieves the goals of delivering high-quality products and excellent customer service, as well as customer satisfaction, the more likely the
owner-managers participating in this study are to experience their involvement in their business as enjoyable, fulfilling and rewarding.

Against this background, support is found for the hypothesised relationships between achieving the goals *Personal and financial independence* ($H_1$) and *Customer service* ($H_3$), and the dependent variable *Job satisfaction*, but not for the hypothesised relationship between achieving the goals *Environmental* ($H_5$), *Growth* ($H_4$), *Community involvement* ($H_5$) and *Personal reputation* ($H_6$) and the dependent variable *Job satisfaction*.

**Table 7: Influence of the Independent Variables on Job Satisfaction**

<table>
<thead>
<tr>
<th>Dependent variable: Job satisfaction</th>
<th>R-Square = 0.1495</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variables</strong></td>
<td>Beta</td>
</tr>
<tr>
<td>Intercept</td>
<td>2.7536</td>
</tr>
<tr>
<td>Gender</td>
<td>-0.0117</td>
</tr>
<tr>
<td>Age</td>
<td>-0.0363</td>
</tr>
<tr>
<td>Tertiary qualification</td>
<td>-0.0330</td>
</tr>
<tr>
<td>Industry</td>
<td>0.0136</td>
</tr>
<tr>
<td>Personal and financial independence</td>
<td>0.1536</td>
</tr>
<tr>
<td>Environmental</td>
<td>0.0365</td>
</tr>
<tr>
<td>Customer service</td>
<td>0.1655</td>
</tr>
<tr>
<td>Growth</td>
<td>0.0418</td>
</tr>
<tr>
<td>Community involvement</td>
<td>0.0534</td>
</tr>
<tr>
<td>Personal reputation</td>
<td>0.0265</td>
</tr>
</tbody>
</table>

(*p < 0.10; **p < 0.05; ***p < 0.01)

**DISCUSSION AND IMPLICATIONS FOR THEORY AND PRACTICE**

This study has implications for both theory and practice. As regards theory, this study improves what is currently known about the achievement of selected goals and their relationships with the *Job satisfaction* of SME owner-managers. The hypothesised framework measured the relationship of the *Continuity, Financial, Human resource, Personal, Operational, Service, Socio-economic and Growth* goals and the level of *Job satisfaction* of SME owner-managers. However, after conducting an exploratory factor analysis, it was found that all the items did not load on the factors as expected, thus forming new goals influencing the level of *Job satisfaction* experienced by SME owner-managers. These goals were named *Personal and financial independence, Environmental, Customer service, Growth, Community involvement and Personal reputation*.

In addition this study provides a non-financial measure of success, namely the *Job satisfaction* of SME owner-managers. Given that non-economic goals may even take precedence over economic goals, this construct provides a non-economic measure of success for use in future SME research.

Conflicting results have been reported concerning the relationship between achieving the goals *Environmental, Growth, Community involvement and Personal reputation* and the dependent variable, *Job satisfaction*. The results of this study show that these goals have no influence on *Job satisfaction*, whether they are achieved or not. These findings are in contradiction with those of Delios and Singh (2012:57) and Bateman (2008:8). Delios and Singh (2012:57) state that if a business grows, job satisfaction increases, showing that growth goals do influence job satisfaction. An explanation for the result in this study could be that growth is indirectly linked to higher profits, which makes sense as this study showed that profit maximisation (*Personal and financial independence*) does in fact increase the level of *Job satisfaction* experienced by the SME owner-manager. According to Bateman (2008:8), personal reputation does influence job satisfaction, which is in contrast with the result in this study. An explanation could be that owner-managers see their community involvement and personal reputation indirectly linked to providing excellent customer service and delivery high-quality products and/or services to consumers, which are important dimensions of the *Customer service* goal which has a significant positive relationship with the *Job satisfaction*.
satisfaction of owner-managers in this study. Future studies will however need to improve the measuring scales and operationalisations of these constructs.

As regards practice, the findings of this study once again highlight the importance of SME owner-managers being able to achieve their personal and financial goals through their involvement in the business, which in turn will increase their own Job satisfaction in the business. Achieving the Personal and financial independence goal has a significant positive influence on the Job satisfaction of SME owner-managers. In other words, the more that owner-managers perceives their businesses as financially secure, maximised profit, return on investment and shareholders wealth, are solvent and experienced growth in profit, and is providing personal financial security to support their families, maintain their lifestyles and provide for retirement, the more likely owner-managers are to experience their involvement in their businesses as enjoyable, fulfilling and rewarding. This result concurs with the research by Wagner (2006:132) and Vash (2008:22).

Some managerial implications for owner-managers of SMEs concerning the achievement of the Personal and financial independence are put forward. To maximise profits, return on investment and/or shareholders wealth, the SME owner-manager should try to cut costs. For example, by not printing unless absolutely necessary, emailing invoices and bills, and filing all important paperwork on the computer instead of a file cabinet, SME owner-managers can reduce business costs, resulting in a higher profit margin. The cost structure should be reviewed and it should be ensured that there is a sufficient mark-up on goods/service. When the cost of raw materials and related costs increase, the additional costs need to be included in the selling price. By boosting productivity among employees, profits, return on investment and/or shareholders wealth can be maximised. When employees are happy at work, more quality work gets accomplished in a shorter period of time. If employee motivation is a problem for an SME, use simple motivation techniques such as an employee of the month reward or a financial reward to increase motivation levels.

The results of this study also revealed a significant positive relationship between achieving the Customer service goal and Job satisfaction. This finding implies that the more the SME owner-manager perceives that his/her business is achieving the goal of delivering high-quality products and excellent customer service, as well as customer satisfaction, the more likely the SME owner-manager is to experience his/her involvement in the business as enjoyable, fulfilling and rewarding. This result coincides with Fulton-Calkins, Rankin and Shumack (2010:88) who claims that a major goal of most SMEs is to generate a profit and in order to achieve this goal it is essential to have an effective customer focus. Having an effective customer focus means continuously ensuring a positive customer experience, this can be done by means of high-quality products and/or service that leave the customer feeling satisfied (Blazey, 2010:128). According to Brink and Brendt (2008:91), the impact that job satisfaction has on customer satisfaction is indirectly linked to the customer orientation the SME has. Job satisfaction leads to increased customer orientation (Ahmed & Rafiq, 2013:21).

Some managerial implications for owner-managers of SMEs concerning the achievement of the Customer service goals are put forward. In an attempt to ensure excellent customer service, SME owner-managers must provide customers with what they want and need, and should add that “extra touch” for their service. For example, regular customers can be provided with birthday cards, discounts or bonus gifts. Even meaningful apologies, when warranted, creates value for a business. SME owner-managers must remember that they are only as good as their last customer interaction. This means that if the last customer interaction left the customer satisfied, positive word-of-mouth will be spread, potentially increasing market share for the SME. To ensure that products are of high standard and quality, quality control tests and inspections should be implemented on a regular basis. SME owner-managers should develop a service promise. This promise creates a shared vision among all employees regarding what needs to be achieved in terms of service quality. An example of a service promise could be fast service. Customer satisfaction can also be increased by reducing customer complaints. This can be done by motivating employees, for instance by offering employees a financial reward if they are able to reduce customer complaints.

LIMITATIONS AND FUTURE RESEARCH

Despite the contributions of this study several limitations should be pointed out. These limitations should also be taken into consideration when interpreting the results of this study. Convenience sampling involves using the most conveniently available people for a study. Due to the use of convenience sampling in this study, the sample does not represent the population as a whole and the generalisability of the results is limited to the owner-managers of SMEs in the Eastern Cape only. Future research should attempt to create a more comprehensive database from which probability samples can be drawn.
The data for this study was collected by means of a survey. Surveys are prone to errors and Marsden and Wright (2010:30) indicate that five major survey error components exist, namely specification, frame, non-response, measurement and processing errors. Future studies could develop and employ other methods such as interviews for investigating how the achievement of goals influences job satisfaction.

Several items relating to the goals under investigation did not load together as expected when undertaking the exploratory factor analysis. As a result several goals identified during the literature study were eliminated from further empirical analysis and several new goals were identified. In future studies the scales measuring the various goals in this study should be reconsidered and redeveloped to ensure that the influence of the goals eliminated can also be assessed.

Another limitation of this study is that it focused on certain goals only and goals such as efficiency and customer retention, which could possibly influence the job satisfaction of SME owner-managers, were not considered. In addition, the goals investigated in this study only explain 14.21% of the variance in job satisfaction. This implies that several other factors contribute significantly to the levels of job satisfaction experienced by the respondents in this study. Researchers should consider these other factors when conducting future studies. This study also only focused on the owner-managers of SMEs (more than five but less than 200 employees). Using the same measuring instrument, a future study could be undertaken among the owner-managers of bigger businesses (200 or more employees) to determine if the results reported by owner-managers in bigger businesses vary significantly from those reported in this study.

LIST OF REFERENCES


## ANNEXURE A

### PERSONAL AND FINANCIAL INDEPENDENCE

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS4</td>
<td>Personal financial security</td>
</tr>
<tr>
<td>FIN1</td>
<td>Financial security of the business</td>
</tr>
<tr>
<td>FIN5</td>
<td>Business solvency (extent to which total assets exceed total liabilities)</td>
</tr>
<tr>
<td>GROW6</td>
<td>Growth in profit</td>
</tr>
<tr>
<td>FIN2</td>
<td>Maximising return on investment</td>
</tr>
<tr>
<td>PERS5</td>
<td>Secure a retirement income</td>
</tr>
<tr>
<td>PERS8</td>
<td>Provide financial support for my family</td>
</tr>
<tr>
<td>FIN7</td>
<td>Maximising shareholder(s)/owner(s) wealth</td>
</tr>
<tr>
<td>FIN4</td>
<td>Business liquidity (on-going ability to make short-term payments on time)</td>
</tr>
<tr>
<td>CONT2</td>
<td>Business continuity</td>
</tr>
<tr>
<td>PERS10</td>
<td>Maintain my desired lifestyle</td>
</tr>
<tr>
<td>FIN3</td>
<td>Profit maximisation</td>
</tr>
</tbody>
</table>

### ENVIRONMENTAL

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIO4</td>
<td>Implementation of green practices</td>
</tr>
<tr>
<td>SOCIO6</td>
<td>Reducing the carbon footprint of the business</td>
</tr>
<tr>
<td>SOCIO7</td>
<td>Conserving natural resources when doing business</td>
</tr>
</tbody>
</table>

### CUSTOMER SERVICE

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERV1</td>
<td>Deliver excellent customer service</td>
</tr>
<tr>
<td>SERV3</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>SERV2</td>
<td>Deliver a high-quality product and/or service</td>
</tr>
</tbody>
</table>

### GROWTH

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROW5</td>
<td>Growth in sales</td>
</tr>
<tr>
<td>GROW4</td>
<td>Growth of the business</td>
</tr>
<tr>
<td>CONT3</td>
<td>Business succession</td>
</tr>
</tbody>
</table>

### COMMUNITY INVOLVEMENT

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIO8</td>
<td>Empowering communities</td>
</tr>
<tr>
<td>SOCIO5</td>
<td>Sponsoring community events</td>
</tr>
<tr>
<td>SOCIO3</td>
<td>Local community involvement</td>
</tr>
<tr>
<td>HR5</td>
<td>Implementing of Broad Based Black Economic Empowerment initiatives</td>
</tr>
</tbody>
</table>

### PERSONAL REPUTATION

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS6</td>
<td>A good personal reputation</td>
</tr>
<tr>
<td>SOCIO2</td>
<td>To be a good corporate citizen</td>
</tr>
<tr>
<td>PERS13</td>
<td>To be a role model to others</td>
</tr>
</tbody>
</table>

### JOB SATISFACTION

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT2</td>
<td>I enjoy working in my business</td>
</tr>
<tr>
<td>SAT3</td>
<td>I experience my involvement in my business as fulfilling</td>
</tr>
<tr>
<td>SAT1</td>
<td>I experience my involvement in my business as rewarding</td>
</tr>
</tbody>
</table>
DEALING WITH ORGANISATIONAL CHANGE: EMPLOYEE PERCEPTIONS OF SUPERVISOR SUPPORT DURING A MERGER OF TERTIARY INSTITUTIONS

A. Bosch  
University of Johannesburg  
C. Reddy  
University of Johannesburg

ABSTRACT
This study is one of the few to analyse mergers in the tertiary education sector and to scrutinize the perception of employees about line management support. This study investigated employee perceptions of organisational climate during a tough merger process between RAU, Vista and Technikon Witwatersrand. In particular, this study looked at the role of employee recognition, employee training, employee empowerment and organisational communication on employee perceptions of supervisor support. Of the 123 questionnaires distributed, 61 staff members from the Faculty of Business Management at Technikon Witwatersrand responded to them. The study found that visible recognition of employees by their line managers, especially of the employee’s workload has the most significant effect on their perception of line management support. Next to employee recognition, organisational communication was important to the way how employees perceived the support of their line management. The key theoretical contribution of this article lies in nudging the dialogue on the choice of suitable tertiary education line managers to consider weighting interpersonal skills as much as scholarship and teaching when selecting for management level positions.

INTRODUCTION
Goedebuure (1992,p16) writes a merger in higher education is the combination of two or more separate institutions into a single new organisational entity, in which control rests with a single governing body and a single chief executive body, and whereby all assets, liabilities and responsibilities of the former institutions are transferred to the single new institution. The perceived supervisor support provided to university employees is an important factor in the change management process of an academic merger (Bosch, Gous & Goldman, 2006). Perceived supervisor support is an important variable influencing employees’ job attitudes and behaviour (Chan, 2006). Because supervisors act as agents of the organisation, perceived supervisor support should facilitate positive attitudes toward the organisation in general (Levinson, 1965).

However, perceived supervisor support has received little attention in the change management context, let alone in the merger context. Moreover little mention is made in the literature of employee antecedents of perceived supervisor support (Paustian-Underdahl et al, 2013). Perceptions of support have been argued to be more important than objective indices because it is perceptions that influence cognitive appraisals of situations (Glazer, 2006). Social exchange theory suggests that social exchange occurs based on the notion that gestures of good will will be reciprocated in the future (Blau, 1964). Employees who experience good treatment by their supervisors are likely to reciprocate with more favourable attitudes toward their institution.

As a result of mergers introduced by government, many of South Africa’s tertiary institutions underwent substantial change. There remains little knowledge about the organisational support climate among South African tertiary institutions particular after the series of mergers announced by Minister Kader Asmal (Ministry of Education, 2003:1). Greller and Herald (1975) suggest that employee perceptions of line management are particularly important. Line management includes the departmental and faculty heads. Employees enjoy the most interaction with this level of management. During a merger, communication from top management often filters down to employees through line management.

In this study we take particular note of Ministry of Education’s acceptance of the proposal to establish a new tertiary institution from a merger between Rand Afrikaans University, Vista University and Technikon Witwatersrand (TWR). We use this merger to investigate the factors that influence employee perceptions of management support during a tertiary merger process. In particular, we look at the effects of organisational communication, recognition, employee participation and training on the perceptions of employees about the support provided by line management.

A merger has a profound effect on the employees of the merged institutions, and managing this impact is an important part of managing a successful transition to a unified organisation. By recognising and responding
appropriately to the impact of the merger on each employee, management can set the tone for long-term success or failure of the new organisation (Dugar, 2009). Whilst organisations regularly espouse the idea of people as their most important asset, there is evidence that employee issues play a very small part in merger decisions (Buono & Bowditch, 1989). The lack of post-merger success is increasingly being attributed to human factors (Covan et al., 1997). Human capital will always be one of the most important resources organisations rely on to gain competitive advantage in the market place and therefore management must be prepared to design sound behavioral approach to mergers if they want to achieve this competitive advantage (Applebaum et al., 2000).

Change is an inevitable consequence of mergers, and usually requires some changes in the organisational structure, operations, reward systems and people. Change is very upsetting and dislocating and proactive management is needed for the change to produce the anticipated benefits (Dugar, 2009).

Mergers often fail not because of faulty vision or a bad fit, but poor communication and execution. It is important to constantly communicate to internal audiences. An effective communications program can help generate momentum among employees moving forward. True communication is difficult to achieve, since the communication process faces numerous potential obstacles (Applebaum et al., 2000). It is the task of the organisation’s leaders to overcome these obstacles.

We first review the theory behind employee perceptions of management support, before developing our hypotheses. We then describe our methodology and important findings before discussing the important theoretical and practical insights of our research.

**LITERATURE REVIEW AND HYPOTHESES**

The perceived supervisor support climate is one where employees’ shared views concerning the degree to which their immediate line manager values their contribution and cares about their wellbeing (Kottke & Sharafinski, 1988). Though the supervisor is also a subject of the change, and must act to assist the group to unlearn some of its cultural assumptions and to learn alternative assumptions (Schein, 1985). Employees respond positively to high levels of support and supervisors are in turn encouraged to deliver such support. Literature from the change management process suggest that employee recognition, employee empowerment, organisational communication and employee training are likely to influence the perceptions of employees about their supervisors.

Behaviours of the supervisor, such as listening fully and giving recognition or otherwise being positive about employees’ attempts at contributions during the change process, will determine how individuals respond to the process (Fishman & Kavanaugh, 1989). Recognition is a process which includes giving praise, awards and ceremonies (Saunderson, 2004). It is a process which is easy to do and inexpensive (Luthans, 2000). It can come in a few formats such as rewards, pay raises or promotions (Hopkins, 1995). Powerful employee recognition programs often include immediate recognition from the supervisor (Nelson, 2012).

Employees must feel that they are consulted and involved as part of the decision-making process. This empowerment process orients individuals to think, behave, and take action in an autonomous way (Spreitzer, 1995). It helps employees to own their input and take responsibility for all results. Employee empowerment can be perceived in two ways. First, as a set of managerial practices aiming at increasing employees responsibilities and secondly as an individual work orientation. Spreitzer (1995) found four characteristics which influence empowerment: defined knowledge, communication, trust and incentives. Knowledge helps employees to understand that their work is important. Trust could exercise self-determination, and incentives may boost employees’ motivation.

It is well accepted that communication is the key tool within any change process and that failure to communicate generally results in individuals feeling uncertain and anxious about their future (Kanter, Stein and Jick, 1992). Organisational communication is defined for this study as the process whereby people share information relating to the organisation’s goals, functions or operations (Goldhaber, 1993). Messages are shared upward and downward between hierarchical levels in an organisation, as well as horizontally among people at the same level and interactions occur via formal and informal channels (Dwyer, 2009). Often supervisors can initiate constructive and less formal exchanges of information about a project’s progress on the part of all team members and management (Amabile, 1998). Organisational changes that enhance the horizontal flow of information and empower employees to make decisions are critical to gaining the benefits of any innovation or change (Zammuto, Gifford and Goodman, 2000).

During times of change, training can be a useful way to enhance the affective commitment by promoting awareness of training opportunities (Bartlett, 2001). Both supervisor support and peer support influence the
propensity of trainees to utilise competencies in the workplace. Employees are willing to expend more effort into training to fulfill both their own needs and the organisation’s goals when they receive positive support from supervisors. High levels of support can create a feeling of obligation among the employees to return their employers’ commitment by engaging in behaviours that support organisational goals (Jawahar & Carr, 2007).

PROBLEM INVESTIGATED

Little is known about the factors influencing employees’ perceptions of supervisor support in the context of a merger of tertiary institutions. The above literature review suggests, in the international domain, the following hypotheses:

Hypothesis 1 An increase in employee recognition will increase their perception of supervisor support
Hypothesis 2 An increase in employee empowerment will increase their perception of supervisor support
Hypothesis 3 An increase in organizational communication will increase their perception of supervisor support
Hypothesis 4 An increase in employee training will increase their perception of supervisor support

RESEARCH OBJECTIVE

Since the above hypotheses are set in an international domain and support is context dependent, it becomes necessary to test the relevance of the above hypotheses to a South African context of a merger between tertiary institutions.

RESEARCH METHODOLOGY

Educational research is not unique, it draws on the tools and concepts of three behavioural sciences: anthropology, sociology and psychology; and three social sciences: politics, economics and geography (Lawrence & Murray, 2000:22). This research centres on the behavioural sciences as it looks at people’s perceptions, about factors that influence supervisors support. It is impossible to ignore the social sciences, as the situation that exists in higher education institutions in South Africa is a result of political, economic, and historical occurrences (Henning, Van Rensburg & Smit, 2004:12).

The current study was carried out using a quantitative approach with the aim of supporting and verifying the quantitative findings. Quoting the view of Mouton and Marais (1990:155-156) the quantitative approach is more formalised as well as more explicitly controlled than the qualitative approach. In the quantitative approach the researcher’s role is that of an objective observer, and studies are focused on specific questions that ideally remain constant throughout the investigation. Data collection procedures and types of measurement are constructed prior to the study and applied in a standardised format. Observers are not expected to add their own impressions or interpretations (Wegner, 2002:28; Bless & Higson-Smith, 2000:105-106).

The research and study conducted at TWR commenced with an extensive literature study to investigate the importance of change management. The focus was on the aspect of change management during the merger of TWR and RAU. A sample of staff members was chosen from the population frame. In this study the research population included all the academic and administrative staff of the former TWR. A simple random sampling approach was followed and the unit drawn was the Faculty of Business Management. Questionnaires were used to collect primary data from lecturers in the Faculty of Business Management in order to uncover their perceptions, of supervisory support regarding the restructuring and transformation of higher education at TWR. In particular this study probed perceptions. The results from the survey were analysed quantitatively and additional comments by respondents were analysed and described.

Data Collection

In order to pursue the empirical objective/hypotheses stated for this investigation, a questionnaire was developed as data collection instrument to investigate the experiences of respondents during the pre-merger phase of TWR and RAU. The questionnaire consisted of three parts. In Section A certain demographic information regarding the respondents was requested. Section B contained a total of 34 items, probing the four independent variables, namely employee recognition, employee empowerment, organizational communication and employee training. These closed-ended questions required respondents to indicate the degree to which they agreed or disagreed with each statement. In section C participants were given the opportunity to express their thoughts and comments.

The demographic information requested from the respondents in Section A covered the duration of employment; age; nature of post; post level; management level; to whom the respondent reported directly.
and his/her current management/leadership position. This data was used to explore how perceptions, attitudes and experiences differed according to the different demographic groupings.

The research information for this study was derived from data that divulged subjective assessment of an imminent merger process; perceptions, fears and uncertainties, all of which are intangible and not directly observable or measurable. A number of measurement scaling techniques were developed to assign numerical values to these intangible expressions. These numerical values could then be analysed statistically to generate useful information (Wegner, 2000). A non-comparative scale was chosen, since respondents did not compare the object being rated either to another object or to some specific standard; they evaluated only one object at a time (Malhotra, 1999).

A four point Likert intensity scale was chosen as the scale design for Section B of the questionnaire. A Likert scale is relatively easy to construct, easy to use and has an effective discriminating ability. It records the degree of support or non-support by a respondent for a particular attitudinal statement, as respondents have the opportunity to express a favourable or unfavourable attitude with regard to each statement (Wegner, 2000). The respondent was requested either to agree or disagree with each statement. No option such as ‘Don’t know’ or ‘Uncertain’ was included in this rating scale, in order to force respondents to make a choice (Wegner, 2000). Each response was given a numerical weight to reflect its degree of attitude favourableness.

**Sampling Procedure**

The entire set of objects or people on whom the research is focused and about whom the researcher wants to determine some characteristics or experiences, is called the population or the universe (Bless & Higson-Smith, 2000). The research population for this study included all the academic and administrative staff of the former TWR. These staff members were employed on four different campuses, being the campuses in Bunting Street, Smit Street, Eloff Street and the Doornfontein campus. Despite the different locations, a similar institutional culture existed amongst the staff members. The population comprised approximately 1200 members of staff.

Sampling in quantitative research is a technical accounting device to rationalise the collection of information, to choose in an appropriate way the restricted set of objects, persons, or events from which the actual information will be drawn (Bless & Higson-Smith, 2000:83; Wegner, 2000). In this study a simple random sampling approach was followed. This is a sampling procedure which provides equal opportunity of selection for each element in the population. The lottery technique was used, where a symbol for each Faculty of the TWR was placed in a container, mixed well and then one unit drawn that constituted the sample. The unit drawn was the Faculty of Business Management. Since the Faculty is relatively small, the total number of staff was included as the sample. The sample size was 123 members of staff. The questionnaires were distributed by hand to each academic and administrative staff member who completed it in their own time. An appointment was made for collecting the questionnaires 48 hours after delivery. If respondents experienced some difficulties with the questionnaires, they could clarify the matter with the researcher on her return.

Of the 123 questionnaires distributed, 61 staff members responded by returning the completed questionnaire, which indicates a response rate of 48%. The response rate for questionnaires generally tends to be very low. Many factors contribute to such a poor return. However, a response rate of 50% is considered as adequate, 60% as good and 70% as excellent (De Vos, et al., 2002). Thus, the 48% response rate for this study is deemed adequate to collect the necessary information. A number of academic staff members refused to complete the questionnaire. No reasons were provided for their refusal.

Answers to the open-ended questions in Section C of the questionnaire and the additional comments that were made by respondents will be mentioned in the discussion of the different factors that influence supervisors support and examples of the comments will be given. These comments may indicate specific perceptions, fears and uncertainties that affected the daily activities of the staff, even though the majority of the respondents may have indicated that they were in agreement.

**Measures**

We use measures of employee perceptions developed from an earlier factor analysis (Bosch et al, 2006). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used to determine if one could comfortably proceed with the factor analysis. The KMO measure of sampling adequacy is an index for comparing the magnitudes of the observed correlation coefficients to the magnitudes of the partial correlation coefficients. A large KMO measure means that a factor analysis of the variables is possible, since correlation
between pairs of variables can be explained by the other variables. This study obtained a KMO sampling adequacy measure of 0.837, which is very high. The high KMO value obtained is an undeniable indication that the given set of data is adequate for factor analysis.

To determine the reliability of this study, the coefficient alpha or Cronbach’s alpha was used; this is one of the most familiar internal consistency reliability estimates. Cronbach alpha provides a sound under-estimate (i.e. conservative or safe estimate) of the reliability of a set of test results. Cronbach alpha is used to estimate the proportion of variance that is systematic or consistent in a set of test scores; this can range from 0.0,0 (if no variance is consistent) to 1.00 if all variance is consistent. A value of 6 or less indicates unsatisfactory internal consistency reliability. An important property of coefficient alpha is that its value tends to increase with an increase in the number of scale items (Brown, 2004:1-3; Malhotra, 1999:282). The “first order” factor analysis of the study proved reliable on the whole, with 9 out of 10 factors being 60% or more reliable.

From the original study, we made use of only four of the 9 factors that were reliable viz. perceived supervisor support, organisational communication, employee empowerment and employee training. The reliabilities of each of these four factors are shown against the respective measure as discussed below.

Perceived supervisor support. This was our dependent variable. Five statements underpinned this scale with a reliability of 0.85. These statements include:
- My line manager assists me in understanding the effect of the merger on my career and future
- Management in my School/Department takes care of my concerns and fears during the merger process
- Management in my School/Department is consultative
- Management in my School/Department offers emotional support during the merger process
- Management is aware of my feelings, emotions and attitudes during the merger

Employee recognition. To measure this we used the statement, “Added effort by staff members during the merger is visibly recognised by management in my School/Department”

Employee empowerment: Four statements underpinned this scale with a reliability of 0.75. These statements include:
- I feel that the merger process is not participative.
- I know that the new vision of the University of Johannesburg is truly a shared vision
- I feel demotivated by the merger because I am not involved in the change process
- I feel abandoned and worthless during the merger process.

Organisational communication. Five statements underpinned this scale with a reliability of 0.69. These statements include:
- My line manager offers continuous support during the change period in the form of regular meetings and feedback about the merger
- Management and employees seem to possess the same information about the merger.
- I get bits and pieces of information concerning the merger that just confuse me
- The merger information that I get is clear and to the point

Employee training. This was a scale containing two statements with a reliability of 0.67. The statements were:
- Management offers continuous support and creates opportunities to train employees
- Training opportunities exist but employees do not make use of them

In order to mitigate against other factors that influence one’s perception of supervisor support, we controlled for tenure, age, and the nature of the post.

Tenure: We recorded how long the individual was employed at TWR. These were categorised into less than five years, from five to nine years and more than ten years. We assume that the longer an individual works at an institution the more resilient one is to the stressors of change.

Age group. We also recorded the individual’s age group. These were categorised into less than 35 years, from 35 to 44 years and 45 years and older. We assume that the older an individual is the more resilient one is to the stressors of change.

Nature of post. Here we controlled for the variation in effects of perceived supervisory support due to individuals working in an administrative, academic or support staff role.
Analysis
We conducted a linear regression analysis on SPSS. All the above control variables were entered. In addition, we saw the need to control for the remaining independent variables when testing the effect of the independent variable of interest. For instance, when we tested for the effect of recognition on perception of supervisor support, we also controlled for the effects of empowerment, communication and training.

RESULTS
Table 1 presents the descriptive and summary statistics for our measures. Our correlation analysis shows no significant and high correlations between our independent variables.

Table 1: Descriptive results

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>sd</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tenure (years)</td>
<td>1.90</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Age group</td>
<td>2.07</td>
<td>.81</td>
<td>.32*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Nature of post</td>
<td>1.80</td>
<td>.40</td>
<td>-.17</td>
<td>.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Organisational communication</td>
<td>2.62</td>
<td>.59</td>
<td>.00</td>
<td>-.14</td>
<td>.02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Empowerment</td>
<td>2.61</td>
<td>.56</td>
<td>-.04</td>
<td>.15</td>
<td>-.04</td>
<td>-.66**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Training</td>
<td>2.57</td>
<td>.63</td>
<td>-.00</td>
<td>.04</td>
<td>-.05</td>
<td>.31*</td>
<td>-.27*</td>
<td></td>
</tr>
<tr>
<td>7. Recognition</td>
<td>2.81</td>
<td>.71</td>
<td>-.28*</td>
<td>-.18</td>
<td>-.06</td>
<td>.50**</td>
<td>-.48**</td>
<td>.43**</td>
</tr>
<tr>
<td>8. Perceived supervisor support</td>
<td>2.63</td>
<td>.63</td>
<td>-.14</td>
<td>-.16</td>
<td>.00</td>
<td>.70**</td>
<td>-.49**</td>
<td>.48**</td>
</tr>
</tbody>
</table>

Table 2 presents the results of the regression analysis. **Hypothesis 1** proposed that an increase in employee recognition will increase their perception of supervisor support. We found support for this hypothesis. Employee recognition had the largest effect size of all independent variables that were tested (b =.53, p<.01).

**Hypothesis 2** proposed that an increase in employee empowerment will increase their perception of supervisor support. The results did not support this hypothesis.

**Hypothesis 3** proposed that an increase in organisational communication will increase their perception of supervisor support. This hypothesis was supported with the second largest effect size (b = .25, p<.01).

**Hypothesis 4** proposed that an increase in employee training will increase their perception of supervisor support. This gained marginal support (b = .17, p<.05).

Table 2: Regression results for perceived supervisor support

<table>
<thead>
<tr>
<th></th>
<th>Effect size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure (years)</td>
<td>.04</td>
</tr>
<tr>
<td>Age group</td>
<td>-.03</td>
</tr>
<tr>
<td>Nature of post</td>
<td>.14</td>
</tr>
<tr>
<td>Organisational communication</td>
<td>.25**</td>
</tr>
<tr>
<td>Employee empowerment</td>
<td>.15</td>
</tr>
<tr>
<td>Employee training</td>
<td>.17*</td>
</tr>
<tr>
<td>Employee recognition</td>
<td>.53**</td>
</tr>
<tr>
<td>Observations</td>
<td>61</td>
</tr>
<tr>
<td>R-square</td>
<td>.76</td>
</tr>
</tbody>
</table>

*5%, **1%

CONCLUSIONS
This study gives voice to the perceptions and opinions of those who are most affected by a merger – individual staff members at all levels – and highlights the fact that the manner in which the change process is managed by leaders will have a significant effect on the outcome. The study emphasized the importance of perceived supervisor support during a merger of tertiary institutions in South Africa. Essentially we were interested in the factors that contribute to the employee perceptions of the support given to them by their line managers during a merger. A study of the perceptions of these line managers is important since they represent the immediate interface between the university staff and the leadership of the university. They could be representative of departmental and faculty management. Perceived supervisory support has been claimed as an important antecedent to the way employees perceive or personify the entire organisation (Rhoades & Eisenberger, 2002).
Our findings indicate that during the tough times of a merger between tertiary institutions, the visible recognition of employees by their line managers, especially of the employee’s workload has the most significant effect on their perception of line management support. Often, for academics in particular, the administrative workload increases during a merger. In addition, academics find themselves having to align course content and even redesign course material to fit in with the academic profile of the merged institution.

We also found that organisational communication is important to the way employees perceived the support of their line management. Earlier this study noted that communication is the key tool within any change process and that failure to communicate generally results in individuals feeling uncertain and anxious about their future (Kanter, Stein and Jick, 1992). The findings of this study tend to support this argument.

The offering of training during a merger process is an important intervention to improve the perception of employees of the support they receive from line management. Training might include behavioural courses like dealing with change. It might also include diversifying the skill set of admin and support staff to better fit within the merged institution or even increase their employability. For academics, certainly in the merger of the former TWR and RAU, institutions which were teaching focused, supervisory efforts to offer the opportunity to employees to complete research oriented training including Masters and PhDs would have contributed to them being perceived as more supportive.

Employee empowerment did not feature as a significant contributor to the perceptions of supervisor support. It seems that if employees were recognised and communicated to by their line managers, they will feel a lesser need to participate in the decision making process. This finding is possibly also suited to a context where academic staff in particular might prefer not to be absorbed by administrative activities with political connotations beyond their comfort zone of teaching and research.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The research here has implications for choosing line managers that can accept and handle greater responsibility for what are traditional human resource management interventions (Larsen & Brewster, 2003). In today’s competitive education environment, this represents sources of competitive differentiation and advantage and, thus, is a potential source for a university’s wealth creation.

Individuals and their perception of the manner in which change is being managed will often determine not only how a supervisor, the leadership and the institution will be regarded, but who will be regarded as a leader. Line management, being in the frontline and interacting with staff, need to be competent and trained in the process of transforming organisations and reflect on follower motives when considering how to deal with organisational change as prompted by a merger. Different groups of individuals may perceive the merger differently (accepting to resisting) with consequent implications for the way management during the merger is viewed. Most mergers arise as a result of the need to rationalise, to increase efficiency, or to reduce costs in some way. Unless mergers are handled effectively, however, the reverse is likely to occur (Cartwright & Cooper, 1996).

Supervisory qualities like compassionate recognition of staff effort and informal communication become important during the merger process. Executive leadership needs to oversee the selection of supervisors with such qualities. Where these remain inadequate line management training interventions become important. This becomes necessary in a context of academic individuals having reached leadership positions through scholarship but lacking the interpersonal skills required to motivate staff. Another alternative is to appoint a skilled change-management facilitator or champion to lead the change at a faculty level.

During a merger process the parent campus can become less consultative (Kavanagh & Ashkanasy, 2006). Decisions might be imposed without local input. The proactive and assertive supervisor is required to keep himself in the communication loop and share respective information with employees. In most mergers, change is often imposed on the supervisors themselves. Despite this, supervisors must act as agents of change prompting their staff to follow.

When perceived supervisor support is low, there is a risk that the merged institution be personified as uncaring and not a suitable entity to be associated with. Perceived supervisor support is an important antecedent to perceived organisational support (Rhoades & Eisenberger, 2002) because supervisors serve as agents of the organisation and the treatment that employees receive from the supervisor is a reflection of how they are viewed by the organisation.
REFERENCE LIST

BUYER-SUPPLIER RELATIONSHIPS WITH LARGE ENTERPRISES: A SOURCE OF FINANCE AND COMPETITIVE ADVANTAGE FOR SMES

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ABSTRACT
The challenge of access to finance and competitive advantage for small and medium enterprises (SMEs) warrants attention. This is particularly important given the potential SMEs have to contribute to job creation and economic growth, and the rapid technological developments and globalisation resulting in intense competition. SMEs have resource and capability limitations required to achieve a competitive advantage, a prerequisite to compete effectively in the globalised market and realising their potential. This study examined whether the buyer-supplier relationships with large enterprises relationships influence their competitive advantage. A sample of 309 SMEs in buyer-supplier relationships with large mining enterprises in South Africa was used to collect primary data. Based on empirical data of the study it was determined that SMEs access financial resources through the buyer-supplier relationships they have with large enterprises. However, the financial resources that SMEs access through buyer-supplier relationships with large enterprises is not significant for their competitive advantage.

Keywords: buyer-supplier relationships, competitive advantage, finance, small and medium enterprises

INTRODUCTION
SMEs are recognized to be the engine for job creation and economic growth for national economies (Taiwo, Ayodeji & Yusuf, 2012:21; Mathee & Heymans, 2013:392). However, the intense competition resulting from the rapid technological developments and globalisation of markets and production poses challenges for the competitiveness of these enterprises, exacerbating the resource constraints that SMEs already experience (Mathee & Heymans, 2013:393; Olawale & Garwe, 2010:731). This limits the ability of these enterprises to realise the potential they hold of contributing to job creation and economic growth.

The dynamic and intensely competitive business environment requires enterprises to build their competitive advantage if they are to compete effectively against their competitors and succeed (Hoskisson, Hitt, Ireland & Harrison, 2013:8). Enterprises with competitive advantage are more efficient, have higher product quality, are innovative and more responsive to their customers than their competitors (Hill & Jones, 2013:113). These factors, referred to as building blocks of competitive advantage, are applicable to all enterprises regardless of industry or products or services produced and size of enterprise (Iskanius, Niinikoski, Jokela & Muhos, 2014:96).

According to Porter (1985:11), enterprises achieve competitive advantage when they can produce quality products and/or services at a lower cost than their competitors thus achieving a cost advantage. On the other hand when enterprises can innovate and produce quality products and/or services that are different and unique from those of their competitors and respond better to the demands of customers, they achieve a differentiation advantage. Enterprises therefore must have core competencies to achieve competitive advantage and this is a function of the resources and capabilities that enterprises have (Hoskisson, Hitt, Ireland & Harrison, 2013:8).

It is however important to note that not all resources contribute to competitive advantage of enterprises (Barney, 1991:102; De Bruyn & Kruger, 2010:3). It is only those resources and capabilities that are valuable, rare, costly to imitate and non-substitutable that can contribute to competitive advantage (Barney, 1991:105-106).

When looking at the range of resources enterprises require to achieve their business objective, it is the intangible, e.g. human resources, rather than the tangible resources, e.g. equipment, that are a source of competitive advantage (Cârter & Cârter, 2009:200). This is because the tangible resources can be imitated and most enterprises can buy these and therefore employ production processes employed by competitors. It is therefore important for SMEs to understand the profile of their resources and capabilities as they compete...
in the marketplace. Not all resources will lead to the development of core competencies and therefore competitive advantage (De Bruyn & Kruger, 2010:3).

It is generally recognised that in the current dynamic business environment many enterprises do not possess all the resources and capabilities they require to develop and achieve competitive advantage (Ireland, Hoskisson & Hitt, 2011:227). This resource gap has led to the formation of inter-organisational relationships (Daft, Murphy & Willmott, 2010:181). Buyer-supplier relationships, one of the forms of inter-organisational relationships, are recognised to provide a platform for enterprises to access the resources and capabilities required for competitive advantage (Claro & Claro, 2010:222). Given the resource constraints experienced by SMEs, buyer-supplier relationships with large enterprises have been identified to provide an effective platform for SMEs to access resources and capabilities required for competitive advantage (Ivarsön & Alvstam, 2004:258). Through these relationships SMEs can also access financial resources identified as an impediment to their growth (Ahiwireng-Obeng & Egunjobi, 2001; Kumar & Bala Subrahmanya, 2009), thus achieving competitive advantage and realising the contribution to job creation and economic growth.

The aim of this study is to examine whether SMEs do access financial resources through buyer-supplier relationships they have with large enterprises and how these influence their competitive advantage.

LITERATURE REVIEW

A number of studies have demonstrated that the growth of small and medium enterprises is important for realising the potential contribution these enterprises can make to job creation and economic growth (Morrison, Breen & Ali, 2003:423; Neumark, Wall & Zhang, 2011:18). There is also significant literature on the obstacles to the growth of these enterprises (Abor & Quartey, 2010; Onakoya, Fasanya & Abdulrahman, 2013; Olaore, 2014). These obstacles do not only affect the lack of growth among these enterprises, but also limit job creation and economic growth for national economies. A study by Olawale and Garwe (2010) found that as high as 75% of small and medium enterprises in South Africa do not grow beyond start-up phase. This indicates that the jobs that could be created by these enterprises are not realised. Identifying success factors for growth of small and medium enterprises can assist managers and policy makers in developing appropriate strategies to enable these enterprises to grow and realise the potential they hold for national economies.

Empirical evidence in literature reveals that there are a number of factors that explain the growth of small and medium enterprises. These factors are both internal and external to the environment of these enterprises. Among these factors are the characteristics of the owner-entrepreneur (Storey, 1994; Shepherd & Wiklund, 2005), the available resources (Turok, 1991; Storey, 1994; Abor & Quartey, 2010) and policy and the regulatory environment (Storey, 1994; Abor & Quartey, 2010). These different factors are the reason the growth of small and medium enterprises has been studied from different perspectives such as entrepreneurship, strategic management and economic development. All these different perspectives are important to the growth of small and medium enterprises, however this study looks from the strategic management perspective and will focus on the availability of organisational resources for competitive advantage.

Findings of literature review show that enterprises require a range of resources and capabilities to achieve their business objectives (Harrison, 2003:74). There are however specific resources and capabilities that are relevant for the development of core competencies used to achieve competitive advantage, in particular in the prevailing intense competitive landscape (De Bruyn & Kruger, 2010:40). According to Barney (1991:105-106), these would be resources and capabilities that are valuable, rare, costly to imitate and non-substitutable. There is also recognition that it is the intangible rather than tangible, resources and capabilities that are important for competitive advantage (Omerzel & Gulev, 2011:343; Matevež & Maja, 2013:19). This is because intangible resources and capabilities are difficult to imitate and substitute.

Strategic resources and capabilities that are important for the achievement of competitive advantage under the prevailing dynamic business environment are technological know-how (Berman & Hagan, 2006:28), financial resources (Onakoya, Fasanya & Abdulrahman, 2013; Arasti, Zandi & Bahmani, 2014), human resources (Sarra, Benabou, & Tabeti, 2013:367) and leadership (Săălăgean, Ilieş, Gherman & Pampa, 2013:92). These resources and capabilities are difficult to imitate and substitute. The exception though is financial resources. Although financial resources are considered physical assets and are not rare and can be imitated, Arasti, Zandi and Bahmani (2014:4) argue that these can be converted to other types of resources and are therefore a basis for other resources. Enterprises that have a strong financial resource base can easily respond to new opportunities and threats and therefore achieve competitive advantage. In addition empirical studies have found that there are correlations between financial resources and competitive advantage.
advantage of SMEs (Cárter & Cárter, 2009:200; Papulova & Papulova, 2006:8). This therefore makes financial resources strategic for competitive advantage.

The subject of constraints faced by SMEs in accessing finance has been researched extensively. Many of these studies and empirical evidence show that lack of access to financial resources is one of the key obstacles to the competitiveness and growth of small and medium enterprises (Olawale & Garwe, 2010; Smit & Watkins, 2012; Onakoya et al., 2013; Kinyua, 2014; Arasti, Zandi & Bahmani, 2014). Empirical evidence also shows that SMEs find it more difficult to access finance than large enterprises (Beck & Demirgűc-Kunt, 2006) and this affects their competitive advantage.

The globalisation process and the rapid technological developments make it almost impossible for any enterprise to always possess all the resources and capabilities required to remain competitive (Daft et al., 2010:181; Uddin & Akhter, 2011:44). As enterprises acquire and/or develop resources and capabilities that position them for competitiveness, changes in the business environment occur and the resources and capabilities required to respond to these changes may be different from those recently acquired and/or developed. Some of the resources required to achieve and maintain competitive advantage exist beyond the boundaries of one enterprise in other enterprises, for example banks for finance, universities for innovation research and suppliers for inputs. This is why De Wit and Meyer (2010:376) believe that enterprises have become more dependent on one another for competitive advantage and success. In particular SMEs, as they are recognised to have limitations with resources that are critical for competitive advantage and depend on sources beyond their boundaries for these resources. In line with this view enterprises form inter-organisational relationships with those that have the resources and capabilities required for their competitive advantage (Daft et al., 2010:181 & De Wit & Meyer, 2010:368). In this way enterprises have access to resources and capabilities required without having to acquire these into their enterprise. Access to financial resources has been identified as one of the motives for enterprises to enter into inter-organisational relationships (Das & He, 2006:120). This is why inter-organisational relationships are considered as a source of sustainable competitive advantage (Harrison, 2003:66; Uddin & Akhter, 2011:45).

Buyer-seller relationships are a form of inter-organisational relationships that are considered effective for accessing resources required for competitive advantage (Baxter, 2013), yet very few studies have focused on these relationships in relation to SMEs (Rothkegel, Erakovic & Shepherd, 2006:51). There is empirical evidence that in buyer-supplier relationships with large enterprises SMEs access resources that enable them to improve their performance (Ivarsson & Alvstam 2004; Rothkegel et al. 2006). These however must be accessed frequently to have an impact on the competitive advantage of an SME (Mohanty & Gahan, 2012:325). Ahwreng-Obeng and Egunjobi (2001:49) confirmed in a study in South Africa that small and medium enterprises are able to improve their cash flow when involved in buyer-supplier relationships with large enterprises. This is as a result of flexible payment terms, on-time payments and early payments. In addition, they are able to access finance from other sources such as banks and discounts from providers of their inputs on the strength of the contracts they have with the large enterprises (Kumar & Bala Subrahmanya, 2009). The gap however is that there has thus far not been an investigation to determine whether these SMEs achieve competitive advantage and therefore performance as a consequence of the financial resources accessed through buyer-supplier relationships with large enterprises. This research seeks to address this gap.

**PROBLEM INVESTIGATED**

There is empirical evidence that there is correlation between financial resources and competitive advantage (Cárter & Cárter 2009:200; Majeed, 2011). However, SMEs in South Africa continue to face challenges with regard to accessing finance required to achieve competitive advantage. It is only when these enterprises achieve a competitive advantage that they will be successful in realising the potential they have of creating jobs and contributing to economic growth. Studies have been undertaken looking at obstacles to success and growth of SMEs and access to finance has been found to be one of the key obstacles (Kinyua, 2014; Aremu, 2011). Some studies have looked at how inter-organisational relationships with large enterprises can enable access to finance by SMEs (Ahwreng-Obeng & Egunjobi 2001; Kumar & Bala Subrahmanya, 2009). There is however no indication of studies that examines the influence of the accessed financial resources on the competitive advantage of SMEs and this study contributes to addressing this gap. Buyer-supplier relationships are a form of inter-organisational relationships that are considered effective for accessing resources required for competitive advantage (Claro & Claro, 2010; Baxter 2013), yet very few studies have focused on these relationships in relation to SMEs (Rothkegel et al., 2006:51). This study also adds in closing this gap.

This study investigates whether SMEs in South Africa do access financial resources when involved in buyer-supplier relationships with large enterprises. If they do, how these accessed financial resources influence

the competitive advantage of SMEs. The results of this study aim to contribute to building of competitive advantage by SMEs, thus realising the potential they hold of creating jobs and contributing to economic growth.

RESEARCH OBJECTIVES AND HYPOTHESIS

Some studies have looked at the inter-organisational relationships with large enterprises as a source of finance for SMEs. However, these studies have not looked at how the accessed financial resource influences the competitive advantage of SMEs. In addition to finance, the literature review has also revealed that SMEs also require technological know-how, human resources and leadership capabilities to build their competitive advantages and these can also be accessed through buyer-supplier relationships with large enterprises. This study will however focus on financial resources because when SMEs have financial resources they can acquire the other resources and capabilities required for competitive advantage using these financial resources (Arasti, Zandi & Bahmani, 2014:4). For example, with financial resources SMEs can pay for highly skilled talented human resources that would contribute to competitive advantage. Against this background the objective of this study is to determine whether SMEs in South Africa do access financial resources through buyer-supplier relationships with large enterprises. If they do how these accessed financial resources influence the competitive advantage of SMEs.

Based on the literature review, the following hypotheses were developed –

H1 Small and medium enterprises do access financial resources through the buyer-supplier relationships they have with large enterprises.

H2 The financial resources that SMEs access through relationships with large enterprises do enable them to achieve competitive advantage.

Figure 1 illustrates a conceptual framework reflecting the hypothesised relationships.

![Conceptual model of financial resources accessed through inter-organisational relationships and influence on competitive advantage of small and medium enterprises](image)

Source: Framework based on hypotheses

RESEARCH METHODOLOGY

This study followed a quantitative research approach using a survey to collect the primary data. A structured questionnaire based on the findings of the literature was developed. A pilot to test the questionnaire was conducted with 10 SMEs and minor changes were effected before a full-scale survey was undertaken.

Sample

The working population for this research was the small and medium enterprises that had buyer-supplier relationships with South African large mining enterprises. Large mining enterprises were approached for a database of their SME suppliers. Rea and Parker (2005:159) define a working population as that sample that possesses the knowledge and information required to fulfil the requirements of the research project. SMEs with buyer-supplier relationships with large mining enterprises were the unit of study and the owner-managers of these small and medium enterprises were the target for interviews, since they had better access to all the information and understood the strategic issues of the enterprise.

The size of the enterprise, in line with the official definition of small, micro and medium enterprises in South Africa, and the buyer-supplier relationships with large mining enterprises were set as qualifying criteria for the sample. A stratified sampling process was used to ensure that both small and the medium enterprises were represented in the sample and could be analysed both separately and as part of the total study.
population (Rea & Parker, 2005). In this way different sources of financial resources could be established for each size-category, for example.

**Questionnaire**

A self-developed questionnaire, based on finding of literature review, was used to collect primary data. The first section of the questionnaire was designed to collect biographical information of the enterprise such as number of employees, revenue, years of operation, industry of operation, number of years supplying large enterprises and number of large enterprises being supplied. Some of this information was sought to ensure that the respondents fell within the scope of the study.

Interviewees were owner-managers and were then required to indicate whether they access financial resources in buyer-supplier relationships they have with large enterprises. If they answered YES, they were then required to indicate on a five-point Likert scale how frequently they access these and whether the financial resources accessed through these relationships influence their cost reduction and/or improvements and/or uniqueness of their products and/or services (no influence, slight influence, somewhat influential, very influential and extremely influential).

The independent variables for this study were financial resources which small and medium enterprises require to build their competitive advantage and which they access through buyer-supplier relationships with large enterprises. The dependent variable was competitive advantage measured in terms of cost reduction and differentiation.

During the first phase of the study SMEs were interviewed to confirm the findings of literature review and it was established that, in some cases large enterprises pay SMEs within 10 days but they discount the invoice to compensate for early payment. In this study access to financial resources was measured in terms of early payments, flexible payment terms, on-time payments, access to banks and discounts from providers of their inputs on the strength of the contract and/or relationship with the large enterprise.

**Research procedure**

This study used fieldworkers who visited the SMEs at their enterprises for completion of the questionnaire. Although this is more expensive than web-based surveys for example, it resulted in a higher response rate for this study. Fieldworkers were identified and trained on the measuring instrument to ensure that high quality responses were secured.

**Reliability**

In this study reliability was measured using Cronbach’s alpha. The generally agreed lower limit to assess internal consistency is .70 and the closer Cronbach’s alpha is to 1, the higher the internal consistency of reliability on the Likert scale(s) used (George and Mallery, 2005:231). Cronbach’s alpha for each individual factor was calculated against the two measurements of the dependent variable, namely influence on cost reduction and influence on differentiation. All the constructs were good to excellent in terms of reliability as presented in Table 1.

**Table 1: Cronbach’s alpha values**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Influence on cost reduction</td>
</tr>
<tr>
<td>Settle our accounts within 10 days</td>
<td>.78</td>
</tr>
<tr>
<td>Settle our accounts within time agreed</td>
<td>.76</td>
</tr>
<tr>
<td>Introduce us to suppliers to negotiate favourable payment terms</td>
<td>.81</td>
</tr>
<tr>
<td>Introduce us to suppliers to negotiate better prices and discounts</td>
<td>.83</td>
</tr>
<tr>
<td>Banks lend us money on the strength of contracts with large enterprises</td>
<td>.79</td>
</tr>
</tbody>
</table>

Source: Calculated from survey results
Validity
The validity of the constructs was assessed by means of confirmatory factor analysis since there is sufficient literature review and theory that enabled identification of the factors and the development of hypothesised correlations. An initial assessment of the model fit was done considering the overall \( \chi^2 \) values, its degree of freedom and the probability value. Given findings of some poor-fitting constructs initially, additional analyses were done. Question 2 (settle our accounts within time agreed) was eliminated as suggested by the modification indices in order to fit revised re-specified constructs. The guidelines for acceptable fit results are \( \chi^2 \cdot p = .05; \text{MARDIAS} \leq 0.08; \text{NFI} \geq .95; \text{NNFI} \geq .95; \text{CFI} \geq .95 \) and \( \text{RMSEA} = .08 \). With this change a confidence interval of 90% of RMSEA was considered plausible for this study with chi-square of 9.9; and 0.060 REMSEA (Hahn & Meeker, 1991:29). Table 2 presents the calculations of the other fit results.

Table 2: The goodness-of-fit statistics for the hypothesised variables

<table>
<thead>
<tr>
<th>Model</th>
<th>( \chi^2 )</th>
<th>Df</th>
<th>( \chi^2/df )</th>
<th>MAR-DIAS</th>
<th>NFI</th>
<th>NNFI</th>
<th>CFI</th>
<th>RMSEA (90% confidence interval)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>9.9</td>
<td>5</td>
<td>2.0</td>
<td>13</td>
<td>0.962</td>
<td>0.959</td>
<td>0.979</td>
<td>0.060(0.000-0.111)</td>
</tr>
</tbody>
</table>

Source: Calculated from survey results

RESULTS/FINDINGS
Data was analysed using EQS 6 for windows. Descriptive statistics describing information about the sample were done. Pearson’s correlation coefficient was used to evaluate the correlation between the independent and dependent variables and multiple regression analysis to assess the impact of the independent variable on the dependent variable.

Profile of the Sample
The sample was made up of 309 SMEs (86.4% small and 13.6% medium). Most of these, 72.5%, are registered as close corporations, 24.6% as Pty Ltd and 2.9% as sole proprietor. This is in line with the national statistics of enterprise registrations in South Africa indicating that the majority of small and medium enterprises are registered as close corporations (Department of Trade and Industry, 2008:57). SMEs in the sample have been operating for an average of 10.08 years and supplying large enterprises for an average of 7.64 years.

Size of enterprise
In defining the small and medium enterprises in South Africa three criteria are usually used, namely annual turnover, gross asset value and number of employees. For purposes of this study and to simplify the data analysis one criterion was preferred. A chi-square test of independence was performed to examine the relationship between the three criteria, namely annual turnover, gross asset value and number of employees. The result of the chi square (\( \chi^2 \)) as presented in Table 3.

Table 3: Pearson’s chi-square results

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual turnover/number of employees</td>
<td>96.246</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Annual turnover/gross asset value</td>
<td>283.789</td>
<td>6</td>
<td>.000</td>
</tr>
<tr>
<td>Gross asset value/number of employees</td>
<td>96.246</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Calculated from survey results

These results suggest that any of the three criteria can be used individually as the enterprises that have a lower number of employees will also have a lower annual turnover and a lower gross asset value. In this study the number of employees was used as the criterion for the size of enterprise.

Patterns of responses
Table 4 and Table 6 reflect the patterns of the perception of SMEs on accessing of financial resources, other sources of financial resources and the influence of financial resources on cost reduction and producing different and/or unique products and/or services.

Access to financial resources
Table 2 presents the results of the numbers of small and medium enterprises surveyed that were able to access financial resources in these relationships with large enterprises.
The results in Table 2 indicate that there is a significant number of small and medium enterprises in South Africa that are able to access financial resources through the buyer-supplier relationships with large enterprises. In addition, a significant number of SMEs, 40.8% of the sample, are able to access finance through banks because of the buyer-supplier relationships with the large enterprises. This indicates that these relationships are important sources of financial resources for SMEs. It is evident from the above findings, based on the empirical data in the study, that hypothesis 1, that small and medium enterprises access financial resources through the buyer-supplier relationships they have with large enterprises, can be supported.

Other sources of resources and capabilities

Whilst these results indicate that small and medium enterprises access financial resources through buyer-supplier relationships with large enterprises, there is evidently a significant number that do not access these resources. During the survey SMEs were required to indicate their other sources of finance, if they did not access these through the relationships they have with large enterprises. Table 5 presents the other sources.

The results indicate that enterprises in different size categories rely on different sources for finance. Table 3 above indicates that very small enterprises rely more on banks and family than government institutions. The upper small business rely more on banks, followed by family. Medium sized enterprises rely primarily on banks as opposed to other sources. The majority of respondents (142) considered banks as their source of financial resources. This indicates that banks remain important sources of finance for SMEs. Government institutions were rated low as alternative source of finance, but the majority who did identify these as a source were the very small and small enterprises.

Influence on cost advantage and differentiation

The patterns reflected in Table 6 indicate that SMEs perceive the financial resources they access through the buyer-relationships with large enterprises to contribute to their cost and differentiation advantage.
Table 6: Influence of financial resources

<table>
<thead>
<tr>
<th>Influence on cost reduction</th>
<th>Influence on provision of improved/unique products/services</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>No influence</td>
</tr>
<tr>
<td>N</td>
<td>No influence</td>
</tr>
<tr>
<td>2.1</td>
<td>123 3.3%</td>
</tr>
<tr>
<td>2.2</td>
<td>265 8.7%</td>
</tr>
<tr>
<td>2.3</td>
<td>129 2.3%</td>
</tr>
<tr>
<td>2.4</td>
<td>135 0.7%</td>
</tr>
<tr>
<td>2.5</td>
<td>125 9.6%</td>
</tr>
</tbody>
</table>

Source: Calculated from survey results

Correlations between independent and dependent variables

Correlations between the independent variable and the dependent variable were analysed using Pearson’s correlation coefficient. The dependent variable is measured in terms of influence on cost reduction, leading to cost advantage, and influence on producing improved and/or unique products and/or services, leading to differentiation. The frequency of accessing the financial resources was used instead of a YES response as this determines the impact on competitive advantage (Mohanty & Gahan, 2012:325). The results of the correlations were compared with the guidelines provided by Hair, Celsi, Money, Samouel and Page (2011:351) suggesting .91 to as very strong, .71 to .9 as high, .41 to .7 as moderate, .21 to .4 as small, but definite relationship and .00 to .2 as slight, almost negligible. The results are presented in Table 7.

Table 7: Correlation between independent variable and dependent variable

<table>
<thead>
<tr>
<th>Influence on cost reduction</th>
<th>Pearson’s correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>303</td>
</tr>
<tr>
<td>Influence on improved and/or unique products/services</td>
<td>Pearson’s correlation</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>307</td>
</tr>
<tr>
<td>Financial resources</td>
<td></td>
<td>.621</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.591</td>
<td>.000</td>
</tr>
</tbody>
</table>

Correlation is significant at the .001.

Source: Calculated from the survey results

There is a statistical significant but moderate relationship between financial resources and cost reduction (r = .621, p = .000, n = 303). This relationship also exists between financial resources and improved and/or unique products and/or services (r = .591, p = .000, n = 307). Small and medium enterprises that access financial resources through buyer-supplier relationships with large enterprises are able to use these to moderately but positively impact their cost advantage and differentiation advantage.

Whilst the correlations reflect a significant relationship, albeit moderate, between the financial resources accessed and the competitive advantage, measured in terms of cost reduction and improved and/or unique products/services, it is important to establish whether this is as a result of the impact of these financial resources.

To determine the impact of independent variable on the dependent variable a multiple regression analysis was conducted. The results of the multiple regression analysis for the influence of the independent variables on dependent variables are presented in Tables 8 and 9.
Table 8: Multiple regression results – impact of the independent variables on the dependent variable – cost reduction

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardised coefficients</th>
<th>Standardised coefficients</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.123</td>
<td>0.042</td>
<td></td>
</tr>
<tr>
<td>Financial resources</td>
<td>0.031</td>
<td>0.015</td>
<td>0.031</td>
</tr>
</tbody>
</table>

$R^2 = 0.938; F = 1132.1; p = 0.000$
Source: Calculated from survey results

Table 8 indicates that a significant percentage variation in the cost reduction is explained by the resources accessed frequently in relationships with large enterprises. The multiple regression analysis indicates non-significant positive relationships between independent variable, namely financial resources and cost reduction ($p = 0.049$), and therefore hypothesis 2: the financial resources that SMEs access through relationships with large enterprises do enable them to achieve competitive advantage, cannot be supported.

Table 9: Multiple regression results – impact of the independent variables on the dependent variable – differentiation

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardised coefficients</th>
<th>Standardised coefficients</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Standard error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.111</td>
<td>0.045</td>
<td></td>
</tr>
<tr>
<td>Financial resources</td>
<td>0.003</td>
<td>0.016</td>
<td>0.003</td>
</tr>
</tbody>
</table>

$R^2 = 0.936; F = 1092.8; p = 0.000$
Source: Calculated from survey results

Table 9 indicates that a significant percentage variation in the differentiation is explained by the resources accessed frequently in relationships with large enterprises. The multiple regression analysis indicates a non-significant relationship between independent variables, financial resources and differentiation ($p = 0.875$) and therefore hypothesis 2: the financial resources that SMEs access through relationships with large enterprises do enable them to achieve competitive advantage, cannot be supported.

CONCLUSIONS

The study confirmed that SMEs that have buyer-supplier relationships with large enterprises are able to access financial resources through these relationships. This reinforces the studies by Ahwireng-Obeng and Egunjobi (2001) in South Africa and Ivarsson and Alvstam (2004) in India. There was, however, a significant number of SMEs that did not access these resources through these relationships. Whilst financial resources are not considered as intangible and therefore not critical for competitive advantage, the results of this empirical study confirm the findings of Papulova and Papulova (2006) in Slovakia and Cârter and Cârter (2009) in Slovenia, that there is a correlation between financial resources and competitive advantage. This study however did not confirm the financial resources to have an impact on the achievement of competitive advantage. This suggests that it is the other resources and capabilities, namely technological know-how, human resources and leadership capabilities, that impact the competitive advantage of SMEs. The financial resources that SMEs access therefore could be used to acquire these other resources and capabilities for competitive advantage, thus agreeing with the argument by Arasti et al. (2014) that financial resources can be used to acquire the other resources and capabilities and therefore important for the competitive advantage of SMEs. This study also confirms the findings of Kumar and Bala Subrahmanya (2009) that SMEs access bank loans on the strength of the buyer-supplier relationships with large enterprises. With regard to the influence of the financial resources accessed through these relationships on competitive advantage of SMEs, this study could not confirm that these financial resources have direct impact on the competitive advantage of SMEs.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Owner-managers of SMEs should consider buyer-supplier relationships with large enterprises for accessing financial resources. The policies designed to make SMEs competitive must also focus on buyer-supplier relationships, possibly looking at support service that can facilitate these effectively and efficiently. In addition, policy makers should consider making the government finance development institutions more accessible and responsive to small and medium enterprises as this study found these do not feature high on the sources of finance for SMEs. There is also an important reason for government to partner with banks in facilitating access to finance for SMEs since banks are already considered as a main source of finance by majority of these enterprises.

REFERENCES


EXPLORING SOUTH AFRICAN INCUBATOR FUNDING MODELS FOR SUSTAINABILITY

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S. Perks
Nelson Mandela Metropolitan University

ABSTRACT
SME incubation has been an effective tool for job creation in South Africa (SA) and there are aggressive plans in place to increase the number of SME incubators. The purpose of this paper was to determine the incubator funding models used by SA incubators and if and how they go about sustainability planning. A qualitative approach using a semi-structured interview schedule was used to explore funding practices of 14 South African incubators. Data was collected over a six-month period, by conducting face-to-face and telephonic interviews and analysed using content analysis and constant comparison. SA incubators utilised different funding models and some engage in sustainability planning. However, there is over-reliance on government funding for both establishment and the continuous operation thereof. This study recommends that incubators should utilise a hybrid incubation funding model to actively pursue sustainability. The type of incubator established should be aligned with their sustainability goals.

Key words: Business incubators, incubation, funding models, sustainability.

INTRODUCTION
Since the first democratic elections in South Africa in 1994, the government has recognised its important role in creating an enabling environment for the creation and growth of small enterprises. In policy debates held since 1994, the role of new business creation in meeting challenges regarding growth, job creation and poverty alleviation, has been emphasised (Driver, Wood, Segal & Herrington, 2001:6). In March 1995, the South African government through the Department of Trade and Industry (DTI) developed a number of measures to foster an SME enabling environment. These measures were incorporated into the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (Kroon, 2000:27) and remained in the amended Small Business Act of 2004.

The White Paper resulted in the establishment of a number of support institutions and incentives being put in place for SME support. In South Africa, business incubation was first practised in 1995 when the Small Business Development Corporation (SBDC) established a number of hives of industry in various townships throughout the country (Buys & Mbewana, 2007:357). According to Buys and Mbewana (2007:356), these hives were not true incubators because there was no comprehensive support service or period set for the businesses to move out of the hive.

Business incubators are recognised in both developed and developing countries as important instruments for promoting entrepreneurship and technological advancement at SME level (Adegbite, 2001:157). Peters and Rice (2004:83) indicated that the role of incubators is to provide a supportive environment for start-up and fledgling SMEs, thereby promoting local job creation, economic development and job technology transfer. According to Wolfe, Adkins and Sherman (2001:70-71), incubator boards have many key responsibilities with the underlying objective of ensuring that the incubator achieves its mission and become self sustainable through e.g. monitoring incubator budgets and supporting fundraising activities.

According to Seda (2011:45) and Timm (2011:60), there were 38 incubators in South Africa in 2011. However, four furniture sector related incubators, previously funded by the Seda Technology Program, have shut down in 2011/2012 financial year. Mahadea and Pillay (2008:433) ascribe the heightened difficulty of access to start-up or expansion capital for SMEs to the newly introduced National Credit Act in 2007. Access to funding in business incubators can be discussed at two levels, namely funding availability for incubated SMEs, and funding for the incubator itself. The focus of this paper will be on funding for the incubator itself.

PROBLEM STATEMENT
According to Herrington, Kew and Kew (2009:61), South Africa still lags behind other developing countries in promoting the growth and sustainability of SMEs. Where incubators are directly funded through Government programmes, they tend to thrive, but their sustainability is compromised as no or very little self-funding and income generation is pursued. Harwit (2002:3) confirms that availability of venture capital is one of the
success factors for successful incubation. Hackett and Dilts (2004:51) states that an incubator that is well resourced, meaning adequately funded, will be more likely to infuse its SMEs with the requisite resources and will consequently yield better incubation outcomes than those incubators which struggle to sustain themselves. Business incubators also rely on government subsidies which may not necessarily be available in the next year or years to come (InfoDev, 2008:30).

While incubators have grown in numbers in South Africa, their uneven performance and poor sustainability in many situations have become problematic with government and sponsors who subsidise many of them (Lalkaka, 2001:6). According to Bergek and Norman (2008:24), not much information is available on incubator models, namely how and in what way they provide support to SMEs. This indicates a need for an informed process for establishing incubators.

Lalkaka (2001:5) stresses that the predilections of the primary incubator funders have a direct bearing on the incubator goals, e.g. funding from a research institute may presuppose that the incubator would be focused on research commercialisation as an outcome. Furthermore, funding from a private sector initiative may imply that the incubator will have a profit motive and perhaps even result in a bustling feeder mechanism for local economic development. An incubator must have the potential to facilitate access to suitable capital for its incubated SMEs, for instance low interest loans, grant funding or venture capital (Richards, 2002:46).

Lalkaka (2001:29) explains that the single greatest barrier to incubator operations lies in their ability to secure the requisite finance. Akcomak (2009:8) states that in developing countries, incubators are still primarily government funded, and the idea of sustainable incubators remains an elusive concept. Incubators can have diverse sources of funding and it is recommended that they strive for self-sustainability. However, Lalkaka (2001:5) warns that where a hybrid funding model exists, for instance funding from an academic institution, research institution and public/private partnerships, it could also bring a variety of concerns caused by conflicting objectives such as research value and related imperatives versus feasibility of the proposed SMEs. This led us to the problem in question: Which funding models should SA incubators utilise to become sustainable?

Only if the incubator itself operates as a viable sustainable business, it can be a role model for the SME incubatees. Incubators can only serve their mandate of accelerating business development of SMEs if they, themselves, operate along sound business principles and pursue a sustainability strategy to ensure that they can continue operating effectively.

OBJECTIVES

The primary objective of this paper was to determine which incubator funding models should SA incubators use to become sustainable. To solve the primary objective of the study, the following secondary goals were identified:

- To conduct a literature study on incubator funding models and sustainability best practices;
- To empirically investigate SA incubator funding models utilised and their sustainability status;
- To provide suggestions regarding the best type of funding model SA incubators should utilise in their quest to sustainability.

In the following sections a theoretical overview of business incubation funding models and sustainability practices are elaborated on.

A THEORETICAL OVERVIEW OF BUSINESS INCUBATION FUNDING MODELS AND SUSTAINABILITY PRACTICES

A SME incubator is a property with small work units that can be diffused and adapted to fit varying local needs and conditions and provide an instructive and supportive environment to entrepreneurs at start-up and during the early stages of businesses (Steyn & Du Toit, 2007:36). SME incubation is defined by Cassim (2001:8) as a new and innovative system of support designed to nurture start up and early stage enterprises in a managed workspace. In this study, incubators are classified based on their primary source of operational funding, that is, private or government incubators. Hence even if the establishment of the incubator was funded by private sector funding and the operationalisation of the incubator is funded by government sources, it would be classified as a government-funded incubator.

According to Chandra (2009:74), the funding sources of incubators could be instrumental in plotting the incubators’ strategic focus or even its SME selection. Grimaldi and Grandi (2005:113) explain that incubator models are experiencing an evolution from their initial objective of providing logistical services to reduce the start-up costs for new SMEs and to provide local visibility. They further state that the focus of more recent
incubators has shifted to shortening SMEs’ time-to-market, providing more specialised services and bringing SME start-ups, technological and commercial players into a shared network. According to Bergek and Norman (2008:24), the operational model determines the way in which the incubator will be organised and operate, as well as its structure, the scope of services it provides, its funding opportunities, and its level of external alliances.

Hackett and Dilts (2004:52) caution that the sources of incubator funding are important to note since financial dependence on primary subsidy support, for instance from government sources, could force incubators to operate in a politically charged environment where they are tempted to fake incubation success just to access continued funding. Incubators are supported by governments to try and reduce SME failure rates through special incentives and policies such as special loan funding, removing legal obstacles, reducing government administrative procedures (InfoDev, 2010:15). According to Lalkaka (2001:7) many government programmes contain incubation as a policy instrument to address SME development, and some of the common government support initiatives include funding of incubator establishment and operations through capital expenditure and operational funding and the provision of grants and loans to incubated SMEs.

South African incubator funding models
Most of the South African business incubators are publicly supported with funding through the Seda Technology Program (InfoDev, 2010:15). According to Tshabangu (2009:54), the European Union (EU) provided the seed capital required to roll out incubators in South Africa under the leadership of the Department of Science and Technology (DST) during the latter half of the 1990s. Timm (2011:59) stresses that business incubators in South Africa are largely government funded, either at a national or provincial level, with only four privately funded incubators. The choice that faces the South African government now is whether or not to bolster efforts in setting up more incubators, and if so, how to go about doing so, particularly as incubation is highly resource-intensive, requiring support from highly skilled mentors to assist a few, usually low-skilled SMEs.

The funding model of Raizcorp, a private-sector incubator in SA, is innovative, and shows how incubators could break away from government funding dependency. Raizcorp uses private-sector enterprise development (ED) contributions invested by private sector companies to fund their incubators’ operational expenses. Private-sector companies invest their ED spending in Raizcorp as a qualifying beneficiary company, and can then claim the full value of ED spending to bolster their Black Economic Empowerment (BEE) scorecard. (Ryan, 2012:38). There is a need for incubators in South Africa to further explore alternative funding models as is practised in other developed and developing countries.

Global business incubation funding models
Akcomak (2009:8) states that in developing countries incubators are still primarily government funded, and the idea of sustainable incubators remains an elusive concept. Incubators can have diverse sources of funding and it is recommended that they strive for self-sustainability. In the case of Brazil, a leveraged funding model is pursued with the incubator acting as a catalyst to unlock a variety of funders including government, universities and other private funders (Chandra & Narczewska, 2009:70). The incubation industry is well supported by Brazilian incubators which are generally linked to universities and funded by plural government and non-government sources. These incubators also obtain funding from rental collection from SMEs, service fees and consulting fees such as training income (InfoDev, 2010:21).

According to Gupta (2004:129), the Indian government is becoming increasingly involved with the Department of Science and Technology, supporting more than 50 incubation centres as well as providing seed funds of up to $100,000 to each start-up SME supported through their incubators. Their Department of Information Technology, Ministry of New and Renewable Energy, Ministry of Small and Medium Enterprises, and the Department of Telecom have all started various schemes to promote entrepreneurship and innovation in their domains. Menon, Bavadekar, Guptha, Shivaram, Prasad and Javahar (2010:152) state that the criteria for incubator funding include the location (requiring economic development), the aims of the incubator (profit or not-for-profit), and the degree of urban and rural bias in the policy. According to Tang, Angathevar and Pancholi (2010:13), each business incubator prepares a detailed multi-year project proposal which is submitted to government agencies, who will provide support for capital expenditure and also cover operational funding for five years.

On the other hand, Chandra (2007:7) indicated that most incubators worldwide, not just in developing countries, have some degree of government involvement. Incubators in the United Kingdom (UK) actively facilitate access to government grants and incentives, equity and debt finance options, as well as assistance with risk management of SMEs to access purpose fit funding, and that this contributes towards the success
of these SMEs (Barrow, 2001:36). In the UK, business incubators were first financed by universities providing land and support during the first few years; private sector companies who provided land, vacant buildings and operational funding; and property developers and commercial banks, who provided fixed-term loans (Diefendorf, 1997:20). These models have changed to include (Diefendorf, 1997:24):
The property model, which includes front-end investment covering the launch and operating costs of the incubator until it reaches self-sustainability;
The property service model, where revenue from the operation of the incubator is augmented with income from services delivered to SMEs to cover operating costs; and
The venture capital model, where the incubator takes equity in high-growth SMEs, with the intention of cashing in the equity once the SME offers substantial returns.

In the USA, the incubator-funding model is mature and well defined, with many sources from government, the private sector and the public sector, including academic institutions (Chandra & Narczewska, 2009:70). Possible additional incubator funding sources include economic development organisations, and by being self-funded with income raised through services rendered, such as rental of workspace, value-add services, and consulting (National Business Incubator Association, 2012:11).

China has two institutional incubation models with one being the non-profit model for public good, and the other being the for-profit or commercial business incubation model (Chandra & Narczewska, 2009:72). The expansion of incubators was facilitated by major government subsidies, and based on either single sponsorship or a diversified funding model (Feng-Ling, 2004:89). The single sponsorship model included the first ten years of incubator development in China, where the Ministry of Science and Technology and the Science and Technology Industrial Parks (STIPs) sponsored free land and covered the construction of the incubator (Tang et al., 2010:13). Feng-Ling (2004:90) explains that the diversified model for incubator funding include being enterprise-sponsored or multi-investor-sponsored by government/ quasi-government sectors with their Science and Technology administrations being the major investor in incubators; universities and research and development institutes; private enterprises including state-owned enterprises and investment companies; non-governmental organisations; and international donor organisations offering primarily human resource exchange and training programmes.

As can be seen in the preceding discussion, a single or mixed use of these funding models can be pursued as incubators strive for self-sustainability. Bayhan (2006:4) confirms that government still plays a pivotal role in funding business incubators, with a dedicated incubator fund to cover the establishment and its operational costs. According to Timm (2011:63), incubators have started sourcing more innovative means of funding, including taking equity stakes ranging from 5% to 10% in incubated SMEs and accessing funding through venture capital funds. Chandra (2007:34-35) points out that the incubator processes and driving forces in developed and developing countries have many similarities, but the differences are also evident at the macro level of incubation, which is influenced by the nature of the institutional context, for example when funded by government versus a private investor.

**Sustainability**

According to InfoDev (2010:31), since incubators are established to mentor and guide SMEs to a position where they become financially sustainable, incubators should strive to achieve the same. Business incubators are more likely to succeed if they have access to a broad-based partnership of public and private-sector sponsors, whether this is in the form of finance or other types of support such as expertise, access to facilities and others (European Commission, 2002:34). According to InfoDev (2010:15), government, academia including universities and research centres, and industry, work together as a *triple helix* of support to SMEs in incubation.

However, Khalil and Olafsen (2008:74) warn that incubators face a crossroad when pursuing self-sustainability. They are compelled to rely on earned revenue as an income source, and this serves as a trigger for incubators to remain market-orientated while at the same time the very purpose of the business incubator is to assist incubated SMEs at the critical stages of their business lifecycle when they are the most vulnerable, and when it may be impossible for them to pay the full fee for services rendered. Hence incubators need to pay attention to designing their income portfolio since they may also need to adjust their objectives (strategic focus) to ensure their own survival.

The research methodology followed in this study is discussed in the following sections.
RESEARCH METHODOLOGY
The research design of the study is elaborated on next.

Research paradigm and approaches
A qualitative research method was used. In qualitative research, the researcher is considered to be the primary instrument of data collection and analysis (Merriam, 1998:23). The study followed an exploratory and descriptive research approach. The aim of this study is to explore the incubator funding models used by SA incubators and if they plan for sustainability. The study also seeks to describe the types of incubator funding models used and how they go about sustainability planning.

Population and sample
The population of a research study can be defined as all individuals, items or units relevant to a study (Quinlan, 2011:206). In this study the population is all existing incubators in South Africa. The researcher obtained a database of public incubators from the Seda National Office and the South African Business Technology Incubator Association (SABTIA). To identify the private incubators, an internet search was conducted. A list of 38 incubators (33 government funded and five private) was identified. This study used non-probability sampling techniques as well as purposive sampling where the sample was based on certain characteristics such as provincial representation; sectorial representation; both government and private incubators; and incubators in operation during 2012. A final sample of 14 incubators with representation in all nine provinces of South Africa and comprised of a mix of five private incubators and nine public incubators within various sectors, were obtained.

Data collection
According to Nachmias and Nachmias (2008:8), secondary research can be defined as the collection, analysis and interpretation of existing research. Secondary literature sources such journals, internet sources and text books were consulted to identify incubator funding models and sustainability practices. Primary data was collected via a survey by conducting in-depth interviews with 14 South African incubator managers. Firstly, the biographical profiles of the incubators were compiled, where after the funding models and sustainability practices were investigated to determine differences and similarities. Data collection took place over a six month period by conducting face-to-face interviews and telephone interviews. In all cases the interview schedule were emailed or faxed to the managers prior to the interviews. The interview schedule was semi-structured open-ended questions and participants were allowed to elaborate on any issues raised. The interview schedule consisted of two sections. Section A explored their funding models used for both establishment and operations, form of registration and if and how they go about sustainability planning. Section B canvassed the biographic profile of the incubators.

Data analysis
According to Henning (2004:126), data analysis in a qualitative study is not a separate activity from the other activities in the research process, but should happen simultaneously. For the purpose of this study and as advised by Patton (2002:40-41), the data analysis strategies used were inductive analysis. After completion of an interview, the researcher typed the data using the exact words and language recorded by the participants and created an audit trail. Each transcript was assigned an alphabetical letter of the alphabet e.g. Mr. A from Incubator A to ensure participants anonymity. All observations were recorded during the interview process and detailed memos were compiled based on these observations. Where participants tended to provide more information than what was required, the researcher attempted to put the information in context to ensure that data collected was relevant to the topic under investigation. Supporting documents such as annual reports and website information were also collected as a means of triangulation. All information collected was then analysed, using content and the comparative analysis methods.

Content analysis was applied using Tesch’s eight step process to identify relevant themes and sub-themes as described by De Vos, Strydom, Fuche and Delport (2002:340-341). The researcher: read through all the transcriptions and jotted down ideas as they came to mind to obtain a sense of the whole interview; selected and read through one interview schedule to thoroughly understand the underlying meaning of information obtained; completed the same tasks for all interview schedules, and arranged similar topics in groups by forming columns labelled major topics, unique topics, and unrelated topics; abbreviated the topics as codes and wrote the codes next to the relevant sections of text within the interview schedules, and check for new emerging categories or codes;
identified the most descriptive words for themes and converted these into categories while reducing the
categories and grouping together topics that related to each other;
finalised abbreviations for each category and alphabetised the codes;
clustered the data (text material) belonging to each category in one place and perform a preliminary analysis;
and
recoded existing data where necessary.

The comparative analysis was used to compare the findings of the incubator funding models used and their
sustainability planning practices revealed in the interviews with the 14 incubator managers and then
categorised it according to emerging themes and sub themes. These findings were then summarised in a
table to determine if findings were generic or specific to some incubators only.

Trustworthiness
In qualitative studies, trustworthiness is the corresponding term used to measure the quality of qualitative
research. De Vos et al. (2002:351) emphasise that every study requires a level of applicability, consistency
and neutrality. The incubators included in the study meet the sampling criteria. The same questions were
asked to all incubator managers to ensure consistency and in the audit trail the incubator name did not
appear but was referred to as Incubator A. The results of the interviews were compared in the audit trail to
ensure neutrality. Member checking was used to increase credibility by gaining participants’ feedback on the
data collected in other incubators, as well as their interpretations and conclusions. Some of the information
provided by participants was also corroborated through the websites of the incubators and in their published
annual reports (where available), to ensure triangulation of data. The audit trail provided a good summary
of the setting and thus made transferability possible, for instance it was possible to judge whether the findings
in one incubator in a specific province were similar in another province. To confirm dependability, multiple
data collection and analysis methods (triangulation) were used; and all notes, interview schedules,
transcripts and memos were retained, should an audit be required. The researcher continuously compared
the data obtained to establish whether the general findings in the literature review can be confirmed or not, to
ensure conformability.

The key research findings of this study are highlighted in the following section.

EMPIRICAL RESULTS
Results of the biographical profile of the SME incubators
Table 1 shows a summary of the biographical profile of the SME incubators interviews.

<table>
<thead>
<tr>
<th>Incubator location</th>
<th>Sector focus</th>
<th>Registration form</th>
<th>Years in existence</th>
<th>Staff size</th>
<th>No. of incubatees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng (A)</td>
<td>Base metals</td>
<td>Non-profit</td>
<td>5</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Gauteng (B)</td>
<td>Biotechnology</td>
<td>Non-profit</td>
<td>11</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>Gauteng (C)</td>
<td>General</td>
<td>For-profit</td>
<td>1.5</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Eastern Cape (D)</td>
<td>ICT</td>
<td>Non-profit</td>
<td>4.5</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Eastern Cape (E)</td>
<td>Chemical</td>
<td>Non-profit</td>
<td>10</td>
<td>12</td>
<td>68</td>
</tr>
<tr>
<td>Eastern Cape (F)</td>
<td>General</td>
<td>Non-profit</td>
<td>2.5</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>North West (G)</td>
<td>Platinum</td>
<td>Non-profit</td>
<td>6.5</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>Mpumalanga (H)</td>
<td>Steel</td>
<td>Non-profit</td>
<td>13</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Mpumalanga (I)</td>
<td>Agriculture</td>
<td>Non-profit</td>
<td>7.5</td>
<td>21</td>
<td>196</td>
</tr>
<tr>
<td>KwaZulu-Natal (J)</td>
<td>Agriculture</td>
<td>For-profit</td>
<td>5</td>
<td>10</td>
<td>102</td>
</tr>
<tr>
<td>KwaZulu-Natal (K)</td>
<td>ICT</td>
<td>Non-profit</td>
<td>8.5</td>
<td>8</td>
<td>54</td>
</tr>
<tr>
<td>Limpopo (L)</td>
<td>Biodiesel</td>
<td>Non-profit</td>
<td>6.5</td>
<td>17</td>
<td>133</td>
</tr>
<tr>
<td>Northern Cape (M)</td>
<td>General</td>
<td>Non-profit</td>
<td>9.5</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Western Cape (N)</td>
<td>Green energy</td>
<td>Non-profit</td>
<td>&lt; 1</td>
<td>3</td>
<td>15</td>
</tr>
</tbody>
</table>

In Table 1, the incubator reference, provincial location and sector focus can be observed. Out of the 14
incubators 12 are registered as non-profit entities, and only two are registered as for-profit entities. Four
incubators (C, D, F and N) have been operating for less than five years, while seven have been operating for
between five and ten years, and three have operated for more than ten years. The lowest number of staff is
seen in incubator N with three staff members, and the highest number of 27 staff is found in Incubator I. The
average number of SMEs in incubation programmes is 53, with the highest number of SMEs in Incubator I at
196 SMEs, and the lowest number of SMEs in incubation, 15 SMEs, in Incubator N.
Results of government funded SA incubators

Nine (A, B, E, G, I, J, K, L and N) of the 14 incubators indicated that they were established through funding sourced from government through the Seda Technology Programme (STP). These government-funded incubators highlighted some challenges experienced including the fact that the Public Finance Management Act requires stringent compliance conditions and rigorous reporting against prescribed performance indicators. Where these conditions are not met, the receipt of continued funding is compromised, causing severe cash-flow challenges for the affected incubator.

Eight (B, D, E, H, I, K, L and M) of the 14 incubators were fully dependent on government sources for operational funding. Incubator L mentioned that in addition to sourcing operational funding through Seda Technology Programme, they also obtained funding through the Department of Agriculture in Limpopo. Incubator M indicated that they received its full operational funding from the Department of Economic Development and Tourism. It must be mentioned that incubator N indicated that although they source their full operational funding from government sources (Seda Technology Programme), a small portion of their funding is secured through own income generation for instance through rental collection.

Results of private sector funded SA incubators

Two of the 14 incubators indicated that they were established solely through private sector-funding. Incubator C was fully funded through a single corporate funder as part of their enterprise development funding to comply with their BBBEE scorecard. Incubator F has received funding from multiple private sector funders to establish the incubator and has been established as an enterprise development beneficiary. In addition, incubator C mentioned that they have secured significant operational funding over a three-year period from an automotive company as part of its BBBEE enterprise development, while incubator F has also secured it from its BBBEE benefactor. Incubator F explained that where private sector companies are the principal funders, they often dictate what the funding must be spent on, as well as how many SMEs are to be assisted.

Results of combined government and private sector funded SA incubators

Eight of the 14 incubators stated that their establishment costs were co-funded through government and private sector sources. Incubator A indicated that they source 50% of their operational funding through government sources (Seda Technology Programme) and the local municipality. They source the remaining 50% through enterprise development support from local mining companies, the Gauteng Enterprise Propeller, and the local economic development agency. The establishment of incubator D were partly funded by the local municipality, Seda Technology Programme and private sector funders. Incubator G indicated that they secure 80% of their operational funding from government sources (Seda Technology Programme) and 20% is generated from private sector support, namely mines, training and academic institutions and sectoral education and training authorities (SETAs). Incubator H mentioned a number of stakeholders assisted in the establishment of the incubator, e.g. the building was funded by provincial government while renovations and refurbishments were funded through private sector funding support.

Incubator J highlighted that they pre-finance the incubation programme through its own private capital and that it only sources 70% of their operational funding from government sources once they report that the SME clients they service have achieved production yields of at least 10% more than the industry average. Incubator L mentioned that in addition to sourcing operational funding through Seda Technology Programme, they also obtained funding through the Department of Agriculture in Limpopo. Incubator M also indicated that their establishment was part-funded through the local municipality and private sector (mining) companies, while they received its full operational funding from the Department of Economic Development and Tourism. As indicated previously, incubator N indicated that although they source their full operational funding from government sources (Seda Technology Programme), a small portion of their funding is secured through own income generation for instance through rental collection.

Results of sustainability planning

Ten of the 14 incubators interviewed mentioned that they have pursued alternative income streams to alleviate their government funding dependence. A number of the government funded incubators lamented the instability of payment cycles and the effect that had on their operations. They added that when their performance reports were not timeously and accurately submitted, it caused delays in receipting repeat funding from government funders. These challenges have spurred the incubators to seek strategies to augment the funding received from government.

Incubators A and B indicated that they are pursuing alternative funding opportunities due to cash-flow challenges experienced when government funding disbursements are not received punctually. Incubator A
stated that they collect a levy based on a percentage of their SMEs turnover and incubator C indicated that they charge nominal fees for rental of workspace and training.

Incubator E and F said that they had launched an enterprise development strategy which seeks enterprise development funding from private sector companies and that they take equity in high-tech clients as an alternative, long-term income generation strategy. Incubator G indicated that they have applied for in-kind support from mines that sponsor metal, training institutions offering both technical and business skills and sectoral education and training authorities providing technical training to their SME clients. Incubator I and L indicated that they levy a charge for the rental of tooling, machines and workspace cubicles to generate income for the incubator.

Incubator J indicated that they provide fee-based consulting services to small-scale farmers and corporate agricultural clients to generate additional income for the incubator. They added that revenue streams also include equity stakes and profit sharing in agricultural SME client companies. Incubator K mentioned that they have implemented a cross-subsidisation model where bigger clients who can afford to pay, are charged at a premium rate so as to subsidise smaller SMEs. Incubator N stated that they actively pursue private sector enterprise development funding and generate income from rental of workspace, administrative support services and business development support services provided to SME clients.

Four incubators make no effort or plan to pursue financial sustainability. Incubator D mentioned that they lacked an incentive to pursue sustainability given the nature of funding received from Seda Technology Programme. A three-year renewable funding cycle has been secured as long as the performance indicators are met. Incubators C and F stated that they anticipate renewable funding secured through private sector funders for their incubator and thus had no intention to plan for sustainability. Instead they pursue a funder retention strategy to ensure that private sector funders continue to support the incubator. Incubator M indicated that there is no sustainability plan in place and that they strive to maintain their relevance in the local municipality development plan and have guaranteed continued annual funding from the Department of Economic Development.

Form of business registration
Twelve out of the 14 incubators indicated that they were registered as non-profit organisations. These included all of the incubators except Incubators C and J. When asked what influenced the decision for this legal form, most of the incubators indicated that they registered as non-profit organisations to raise donor and grant funding, and that Seda Technology Programme had this as a criterion for funding, but also for them to attain tax exemption through South African Revenue Services as public benefit organisations. Only two out of the 14 incubators indicated that they are registered as for-profit organisations, namely incubators C and J, who emphasised that they run the incubator according to business principles and have a profit motive, to lead the SME clients by their example. In the next section an analysis of the results is made by comparing the sources of funding of SA private and government-funded incubators.

CONCLUSIONS
Most (twelve) of the incubators are government funded while only two private sector incubators emerged who indicated that they are fully funded through private sector funders. Government funded incubators mostly obtain funding for both establishment and operational purposes. There were however complaints of delays to receiving the funding which influences their operations and prompt them into exploring how to become sustainable. Government establishment funding were linked to clear performance indicators which if you have met it impacted future operational funding. Once impact was achieved through incubation, government funding was guaranteed. Government operational funding was normally based on a three year cycle based on the attainment of KPIs and rigorous reporting requirements. Incubators using government operational funding needed to annual apply for repeat funding.

Private incubators were fully funded through enterprise development funding sourced from private/corporate companies who provide either programme or annual funding linked to clearly defined and measurable performance indicators. It was clear that the private funded incubators have been established to obtain good BBBEE ratings. While privately funded incubators are gaining momentum in SA it was evident that there are still more government-funded incubators than privately funded incubators. Private sector establishment funding could be either obtained from a single enterprise development funder or from multiple funders. However the amount of annual funding was not guaranteed. Private sector operational funding was linked to the attainment of key milestones in incubation. Some private incubators received multiple year funding contracts and could be required to be branded incubators (naming rights) in exchange for funding. The strategic intent of the private incubator was dictated by the funder e.g. BBBEE beneficiaries.
There was a strong tendency towards sustainability planning. Many government incubators considered alternative income streams by selling of or/ charging for services, charging a turnover fee or nominal premises rental fee or for shared equipment. They also alternatively pursued enterprise development funding or cross-subsidisation of PDI SMEs by larger SMEs who could pay for services. However, private sector incubators did not seem to be sustainability driven due to lack of incentives for self-sustainability, secured multi-year funding and funder retention strategies in place.

Not-for-profit as a registration form could be linked to a specific purpose in terms of generating income, accessing donor funding and for tax purposes. For-profit as a registration form could be linked to latitude to act, ability to secure hybrid funding streams, take equity and profit sharing from SME clients or to be entrepreneurial.

From the above it could be observed that SA incubators used similar funding models than observed in literature in both developing (Brazil and India) and developed (China, USA and UK) countries. They had to meet certain criteria to ensured guaranteed future operational funding. This is important as indicated by Herrington, et al. (2009:61) that if incubators just rely on government funding they compromise on becoming sustainable. However, SA incubators are still heavily dependent on government sources of funding, although there seem to be a tendency towards the hybrid model as advocated by literature with pursuing government, private sector and third stream funding. The leveraged funding model used by Brazil or diversified model practiced in India in terms of accessing funding from a variety of government and non-government funders, was evident in most of the incubators. Their consideration of obtaining a third stream income could be regarded as a way to become less reliant on government funding and become sustainable. They pursued the property and venture capital model as practiced in the UK which provided them with third stream income. More emphasis needs to be put on their financial sustainability planning to align to best practice in developing and developed countries by having both government and private sector partnerships as indicated by literature. In the next section, some recommendations for incubator funding are provided based on the literature and empirical findings.

RECOMMENDATIONS FOR INCUBATOR MANAGERS ON FUNDING BEST PRACTICES

Incubator’s managers should engage in sustainability planning in line with incubator funding practices in developing countries like Brazil and developed countries such as USA and UK. The incubator can be managed as a viable business with multiple income streams to reduce the dependency on government funding. It is proposed that incubator managers strive to raise at least 50% of the incubator’s income from alternative sources and set a realistic timeframe of about five to seven years to achieve it. They could follow the example of developing countries such as Brazil and India and developed countries including USA and UK, by using a funding model where they charge rental for workspace and administrative services, business development services and training provided to SMEs. South African incubator managers can develop the same funding model as used in the USA and UK who take equity in viable SME prospects with a hope of earning dividends in future when the SMEs are highly profitable. This is already evident in a few incubators in Gauteng.

Incubator managers should review the registration form of the incubator (non-profit to for-profit) to align it with specific funding sources available. Non-profit organisations obtain grants which unfortunately impede them to secure new sources of funding for instance low interest loans from niche financial institutions or taking equity on high-growth oriented SMEs. The incubator manager could register the incubator as a Public Beneficiary Organisation and obtain a Section 18A certificate which allow for tax deductibility of funding received.

Incubator managers must assess the BBBEE verification of the incubator and ensure that they are rated as per the Codes of Good Practice (2007). The BBBEE generic scorecard, as well as any industry or sector codes that are based on it, can thus be used to measure BBBEE compliance of the incubator. Based on the rating received the manager can then position the incubator as a beneficiary entity. The incubator can thus become ideal ‘Enterprise Development (ED)’ or ‘Socio-economic Development (SED)’ enablers. Through this strategy, private sector companies will be able to channel their ED and/or SED funding to the incubators while they gain points on their scorecards in respect of BBBEE compliance and the incubator benefit from securing non-government funding.

Managers of incubators must lobby that government organisations such as the DTI and Seda (technology programme) shift from operational funding to performance funding/incentive and put mechanisms in place to
reduce government dependence of continued long-term operational funding. This is achievable as government could impose qualitative criteria other than quantitative objectives met, that is, jobs created and number of SMEs started by limiting operational funding to a certain period such as five years, after which the incubator is only eligible to access funding in the form of a performance incentive. Incubator management efficiency and effectiveness could be measured in terms of the extent of SME improvement in terms of business incubators and small enterprise development: The Nigerian experience. Available at: http://www.wider.unu.edu/publications/working-papers/research-papers/2009/en_GB/rp2009-52/. (Accessed 23 April 2014).

Performance incentives should be made available to private sector incubator managers and staff in South Africa as they also play a meaningful role in economic development. Private incubators could like in the UK and China perform against predetermined criteria based on their governments’ incubator performance incentives. This will also assist SA incubators in ensuring competitiveness of government versus private incubators.

LIMITATIONS AND FUTURE RESEARCH

It is acknowledged that some managers could have provided valuable information on their funding models but were restrained due to confidentiality agreements. Not all incubators in all provinces were interviewed, so different findings may emerge from those not willing to participate in the study. Only two privately funded incubators participated in the study and given the relatively small sample size of private incubators, the research findings cannot be generalised to the entire population of private incubators. However, there are not many private incubators in South Africa. Due to the dynamic nature of SME incubation there are many interesting trends which provide valuable grounds for future research and include:

Enterprise development funding as a source of incubator funding; and

A longitudinal study which investigates the survival rate of incubators post government funding support.

REFERENCES


THE IMPACT OF A COMESA FREE TRADE AGREEMENT ON ZIMBABWE

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Key words: COMESA, FTA, Zimbabwe

ABSTRACT

The study provides a quantitative assessment of the potential revenue, welfare and trade implications of the COMESA FTA on Zimbabwe using WITS/SMART simulations. The findings of the study reveal that on one hand, the gains from trade, that is, welfare gains and increased exports are insignificant. On another hand, the possible costs which comes with an FTA such as revenue loss and potential industrial closure which comes with trade creation are also insignificant. This strongly suggests that Zimbabwe suffers from absence of complementarities with its trading partners in COMESA. This calls for need to establish a financial facility aimed at building export diversification. In order to mitigate revenue loss, government must improve revenue collection from other sources such as, excise duties, VAT and income tax.

Key words: COMESA, FTA, Zimbabwe

INTRODUCTION

Zimbabwe joined Common Market for Eastern and Southern Africa (COMESA) at its inception in 1981 as the Preferential Trade Area for Eastern and Southern Africa (PTA) within the framework of the Organisation of African Unity's (OAU) Lagos Plan of Action and The Final Act of Lagos (COMESA, 2010). COMESA is made up of 19 member states. These are Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe (COMESA, 2012). COMESA has a population of more than 400 million people with a Gross Domestic Product (GDP) of US$300 billion (COMESA, 2010). COMESA represents a ready market for Zimbabwe. It remains to be proven empirically if Zimbabwe has been able to exploit this market.

In November 2000, COMESA launched its free trade area with duties on a wide range of goods reduced to zero percent (COMESA, 2002). The FTA has 14 Member States. Trade within the FTA is on a duty and quota free basis. Members currently participating in the FTA are Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe (COMESA, 2002).

Since its establishment in 2000, the COMESA FTA has made significant achievements since the launch of the FTA in year 2000. Intra-COMESA trade has increased from US$734 million in 1985 to US$15 billion in 2009 (COMESA, 2010). Intra-COMESA trade grew by 8 percent in 2011 over 2010 levels, from US$17.3 billion to US $18.8 billion (COMESA, 2011). Zimbabwe is one of the beneficiaries of the trade liberalisation program as competition from the region has increased industry's competitive edge and has opened up new market for our products. Zimbabwe's major trading partners in COMESA are Zambia, Malawi, DRC, Swaziland, Kenya and Egypt. Zambia tops the list with a total trade volume of US$970 million in 2005 (COMESA, 2010).

Table 1 shows how Zimbabwe trade has evolved in COMESA from 2004 to 2010. Zimbabwe’s exports to COMESA in 2004 were US$146.304 million while imports were US$116.560 million, representing a trade surplus of US$29.744 million. In 2005, Zimbabwe imports overshoot to US$942.220 million with exports registering a mere US$117.494 million. As a result, the country witnessed a trade deficit of $824.726 million. In 2006, Zimbabwe’s exports to COMESA witnessed a dramatic surge as the country recorded a staggering US$2.655 billion in exports against imports of US$82.870 million. The country posted a trade surplus of $2.572 billion.

Surprisingly, in 2007, the country’s exports plummeted to US$325.947 million while imports were US$306.652 million with a trade surplus of a mere US$19.295 million. The poor performance of Zimbabwe’s exports ensued in the subsequent years with the country even recording negative trade surplus for 2009, 2010 and of US$35.187 million, US$306.389 and US$ 345 million, respectively. The mediocre in Zimbabwe’s trade performance is worrisome. When a country records a staggering US$2.655 billion in exports in a year one will be tempted to think that it has found its steam. And, as a result, this surge in
exports is expected to propel more exports. Zimbabwe’s export performance has been characterised by inconsistency.

Table 1: Zimbabwe’s Trade Performance with Major Trading Partners in COMESA (US$ Millions).

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>5.9</td>
</tr>
<tr>
<td>Kenya</td>
<td>3.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>71.7</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1.6</td>
</tr>
<tr>
<td>Malawi</td>
<td>47.6</td>
</tr>
<tr>
<td>Swaziland</td>
<td>0.19</td>
</tr>
<tr>
<td>DRC</td>
<td>12.7</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.58</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>1.73</td>
</tr>
<tr>
<td>Kenya</td>
<td>1.98</td>
</tr>
<tr>
<td>Zambia</td>
<td>74.4</td>
</tr>
<tr>
<td>Mauritius</td>
<td>5.3</td>
</tr>
<tr>
<td>Malawi</td>
<td>8.9</td>
</tr>
<tr>
<td>Swaziland</td>
<td>8.9</td>
</tr>
<tr>
<td>DRC</td>
<td>7.1</td>
</tr>
<tr>
<td>Sudan</td>
<td>0</td>
</tr>
<tr>
<td><strong>Trade Balance</strong></td>
<td>2004</td>
</tr>
<tr>
<td>Egypt</td>
<td>4.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>-1.4</td>
</tr>
<tr>
<td>Zambia</td>
<td>-2.8</td>
</tr>
<tr>
<td>Mauritius</td>
<td>-3.7</td>
</tr>
<tr>
<td>Malawi</td>
<td>38.7</td>
</tr>
<tr>
<td>Swaziland</td>
<td>-8.7</td>
</tr>
<tr>
<td>DRC</td>
<td>5.6</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: Authors’ Own Calculations and UN COMTRADE Statistics

Zimbabwe’s major imports from COMESA include food and live animals, crude materials, manufactures, beverages and tobacco, while its exports are dominated by food products, manufactures chemicals, transport equipment and machinery (UN COMTRADE, 2012).

**PROBLEM INVESTIGATED**

The implementation of COMESA FTA requires massive climb down by Zimbabwe on its tariffs since only 9.4 percent of the tariff lines are imported duty free (Zimbabwe Revenue Authority, 2013). According to ZIMRA (2013), Zimbabwe’s tariffs on some commodities are as high as 140 percent although the significant contributors of customs revenue are duties in the ranges of 40 percent to 80 percent. In addition, the country has other non ad valorem tax measures in force which represent 6.6 percent of the total tariff lines which is quite significant (ZIMRA, 2013). The coming into effect of the COMESA FTA requires that these tariff and non tariff measure will have to be eliminated.

The move to liberalise trade has thus ripple effect to the country with respect to revenue loss, trade creation and trade diversion which leads to deindustrialisation. Deindustrialisation is imminent considering the fact...
that the economy is still coming out of a decade of economic decline which saw its economy contracting by 50 percent (Ministry of Finance, 2012).

In view of the above discussions, it is clear that the impact of trade liberalisation is not a straight jacket. Hence, the research questions emerged from the discussions are: Has trade liberalisation led to trade creation for Zimbabwe? Has trade liberalisation led to welfare gains? Has trade liberalisation led to loss of revenue in Zimbabwe? Has trade liberalisation led to increase in imports? Has trade liberalisation led to increase in exports? The objectives that address these research questions are presented below.

RESEARCH OBJECTIVES
The study seeks to achieve the following main objectives:
To examine the revenue and welfare implications of the proposed COMESA FTA on Zimbabwe;
To examine the impact of the proposed COMESA FTA Zimbabwe imports and exports;
To examine the impact of the proposed COMESA FTA on trade creation on Zimbabwe; and
To come up with appropriate policy options for Zimbabwe that can be used in negotiations and policy formulation.

LITERATURE REVIEW
This section looked at selected literature on economic integration and specifically on the trade, welfare and revenue implications of FTAs. The assessment covers both theoretical and empirical literature

Theoretical Literature
Theoretical literature discusses static and dynamic effects of an FTA, trade creation and trade diversion.

Static and Dynamic Benefits of an FTA: In theory, the formation of an FTA is associated with some static welfare effects and dynamic benefits. One of the benefits is the administration savings from trade creation, the elimination of customs officers, border patrols for trade among member states (Salvatore, 2007). The removal of economic barriers among member states will result in a better division of labour and consequently in an increase in production and prosperity. The elimination of trade barriers among member states are also associated with increased competition which stimulates development through efficiency and utilisation of new technology (Salvatore, 2007). Many countries are too small to support separately activities that are subject to large economies of scale (EAC, 2004). This might be because insufficient quantities of specialised inputs are available, or because markets are too small to absorb the sales necessary to cover costs. The formation of an FTA offers one route to overcome the disadvantages of smallness, by pooling resources or combining markets thereby forming a critical mass (EAC, 2004). The larger market brings countries into closer contact and competition with each other.

Trade Creation: Trade creation is increase in imports into a country in the same regional trade agreement (RTA) caused by dismantlement of tariffs. Trade creation occurs when more efficient or lower-cost producers in any country in a RTA displace the less efficient or higher-cost producers’ country in the same RTA and consumers therefore benefit from lower prices (Viner, 1950). Bhagwati and Panagariya (1996) argued that a RTA is trade creating if preferential liberalisation by a member country allowed it to replace the higher-cost domestic supply by the lower-cost partner-country supply. Before a RTA such as an FTA domestic producers maintains market dominance because they are protected by high import tariffs from foreign competition. With the coming in of an FTA producers within the region will have additional market access if they are efficient than the producers of the host country. FTAs that are trade creating enhances efficiency, results in fall in domestic prices and unambiguously increase welfare in the importing country (Bhagwati and Panagariya, 1996; Schiff and Winters, 2003). However, in some cases, RTA can lead to trade diversion.

Trade Diversion: Trade diversion is increase in imports into the member of the RTA but these are new imports coming from member states with preferential treatment. Bhagwati and Panagariya (1996) argued that RTAs are trade diverting if preferential liberalisation by a member country led it to replace the lower-cost supply from non-member countries by the higher-cost supply by the partner country. FTAs that were largely trade diverting reduced efficiency and lowers the welfare of the union members as well as the world (Bhagwati and Panagariya, 1996; Schiff and Winters, 2003). Viner (1950) indicated that trade diversion continues after the formation of an FTA. However, some research studies however do not support the possibility of trade diversion as a result of a RTA (Meade, 1955; Ohyama, 1972; Kemp and Wan, 1976). These studies tend to argue, based on what is characterised as the Kemp-Wan Theorem, that trade diversion is averted in an FTA since there would exist a set of most favoured nation rate (MFN) that is ineffective to alter the emerging trading bloc's trade with non-member countries. This is particularly so if imports are coming from industrialised countries such as China with massive specialisation and economies of scale. These countries render MFN too low to effectively divert trade from them. Meade (1955), in particular, argues that when pre-arranged tariffs for member states of the RTA are high, the pressure for
trade diversion may be great in the aftermath of RTA creation. On the other hand, the potential for trade diversion in the regional arrangement may be low since such external barriers offer less scope for the displacement of imports from third countries with regional production (Amponsah, 2002).

From this foregoing argument, it is clear that trade diversion nexus trade liberalisation which comes into effect through a customs union is not automatic. It varies from case to case. Hence, this study fills the gap in literature on whether COMESA FTA is trade diverting or not.

Empirical literature
There are two general types of economic models in the trade literature that have been used to analyse the trade, welfare and revenue impact of regional integration namely ex-ante simulation studies and ex-post. The ex post analysis reviews the impact of RTAs by using simple investigation of intra-regional trade patterns following the formation of the RTA. The ex-ante approach is undertaken at an earlier date before the formation of the RTA. Each of these modelling approaches has its own strengths and weaknesses and is suitable under different circumstances.

Fukunaga and Isono (2013) have investigated the implications of multiple memberships on Asian countries on trade. In this regard, Fukunaga and Isono (2013) took stock of ASEAN's own FTA, and five existing FTAs, to identify any possible benefits and challenges. The coexistence of five FTAs with different rules of origin (ROOs) creates a potential "noodle-bowl" situation, which impedes the effective use of the FTAs (Fukunaga and Isono, 2013).

Lee (2013) has used the CGE model to estimate the impact of the FTA between the US and South Korea (KORUS FTA) on South Korea. The results show that South Korea will witness an economic growth of 6 per cent; while the growth of consumption expenditure and welfare seem to follow a similar pattern as the growth of GDP (Lee, 2013).

Lee (2013) found related results on the Korean-China FTA and Korean – EU FTA (KOREU FTA). In the case of KOREU FTA, Korea's GDP would improve 1.28 per cent and 3.57 per cent and get a 6 per cent increase in exports, on average. The Korea-China FTA has bigger economic effects than KOREU FTA on the Korean economy. The Korean economy would obtain a 2 to 4 per cent increase in GDP growth, and a 0.64 to 3 per cent increase in welfare growth. Furthermore, judging from all economic simulation results between Korea and highly advanced and larger economies in the study, the Korean economy has reaped far more economic benefits than have other countries (Lee, 2013).

Othieno and Shinyekwa (2011) investigated the impact of EAC customs union on Kenya using the WITS/SMART model. Othieno and Shinyekwa (2011) noted that the trade effects are more reflected in the first period of a fully-fledged EAC customs union. This is where all tariff lines across all products are at zero per cent, except for products that do not meet the Rules of Origin criterion. The result seems to suggest that trade created in 2010 would grow by 513.3 per cent, that is, to the tune of US$ 17.3 million, with a diversion effect on a few products including cement, chewing gum, soap products, paints and varnishes, iron and steel, woven fabrics of cotton, aluminium, and base metal.

Brenton, Hoppe and Uexkull (2007) estimated the likely impact of COMESA FTA on Ethiopia, Madagascar, Malawi and Zambia. They found that the impact of the COMESA FTA was insignificant as all countries are expected to lose less than 1 percent of their total revenue.

Onogwu and Arene (2013) have recently investigated the likely trade, revenue and welfare consequences for Cape Verde of embarking on free-trade economic-partnership agreements (EPAs) with the EU, using the partial equilibrium analysis. Onogwu and Arene (2013) show that Cape Verde stands to lose as much as 35 per cent of its total revenue due to the elimination of tariff on imports from the EU. Imports from the EU are expected to increase remarkably for Cape Verde, mainly due to trade creation, diversion and consumption effects, while tariff revenue would fall, as a result of the increase in duty-free access for her EU imports (Onogwu and Arene, 2013).

In Central Africa, Onogwu and Arene (2013) carried out a study to estimate the impact on Burkina Faso of eliminating tariffs on imports from the EU under EPAs, considering trade, revenue and welfare effects. The results show that a complete elimination of tariffs leads to small welfare gains relative to GDP, but potential tariff revenue losses and trade creation.

Mugano et al (2013) estimated the impact of COMESA customs union on Zimbabwe using tariff reform impact simulation tool. The results show that COMESA customs union if adopted will result in imports
marginally increasing by 1.2 percent. With respect to revenue, the study reveals that Zimbabwe’s revenue is likely to fall by 1.4 percent.

In SADC, Mugano et al (2013) estimated the impact of SADC customs union on Zimbabwe using WITS/SMART model. The results show that trade and welfare is likely to increase by US$39.659 million and US$7.091 million. With respect to revenue, the study reveals that Zimbabwe stands to lose about US$42.455 million if the SADC customs union is implemented.

Korinek and Melatos (2009) carried out an in-depth assessment of the trade effects of three regional trade agreements – the ASEAN Free Trade Agreement (AFTA), COMESA and the Southern Cone Common Market (MERCOSUR) – using a gravity model. The results show that the creation of AFTA, COMESA and MERCOSUR have increased trade in agricultural products between the member countries. However, there is no sign of trade diversion with respect to imports from outside the region (Korinek and Melatos, 2009). The agreements are, consequently, not trade-creating.

Korinek and Melatos (2009) noted high intra-regional trade in AFTA and MERCOSUR and low intra-COMESA trade. MERCOSUR and AFTA have good infrastructures, which could assist trade facilitation, and thereby promote trade and a strong supply base, with high complementarities in the products traded (Korinek and Melatos, 2009). Korinek and Melatos (2009) argued that low intra-regional trade in COMESA is caused by a weak supply and a lack of complementarities in product traded, lack of basic infrastructures, such as information and communication technologies, and poor roads with a lack of connectivity in most cases.

The foregoing literature review demonstrates the range of empirical approaches that have been applied in analysing the welfare, revenue and trade effects of an FTA. It is apparent that the results of the studies vary slightly in some cases and widely in other cases. The general conclusion that can be drawn is that the implications of an FTA depend on a number of economic issues, the initial tariff structure of a country and its trade pattern among other things. WITS/SMART model has been extensively by previous researchers and has proved useful in trade policy analysis. Hence, this study adopts this model to evaluate the impact of COMESA FTA on Zimbabwe.

**RESEARCH METHODOLOGY**

This study used the World Integrated Trade Solutions/Software for Market Analysis and Restrictions on Trade (WITS/SMART) model because of its strength in analysing the tariff effect of a single market on disaggregated product lines. The model also has the ability to analyse the effects of trade policy reforms in the presence of imperfect substitutes (Othieno and Shinyekwa, 2011). It is also more adequate than homogenous goods model when examining tariff preferences, as it avoids corner solutions (Othieno and Shinyekwa, 2011). SMART is a static partial equilibrium model which was developed by the United Nations Conference for Trade and Development (UNCTAD) and the World Bank during the 1980’s, mainly to assess the impact of General Agreement on Trade and Tariffs (GATTs) rounds. Its theory is borrowed from Laird and Yeats (1986).

In this study, WITS and SMART model was applied in a partial equilibrium framework. The WITS brings together various databases ranging from bilateral trade, commodity trade flows and various and types of trade protection (Lang, 2006). WITS also integrate analytical tools that support simulation analysis. According to Lang (2006), the WITS/SMART model uses the Common Format for Transient Data Exchange (COMTRADE) - a commodity trade statistics; Trade Analysis Information systems (TRAINs)-tariff; para tariffs and non-tariff measures; Integrated Data Base (IDB) and Consolidated Tariff Schedules (CTs) databases which provide simulated analytical tools to simulate trade policy analysis such as effects of multilateral tariff cuts, free trade agreement, preferential trade liberalisation and ad hoc tariff changes (Lang, 2006). According to Lang (2006), the SMART model runs on information contained in the UNCTAD managed TRAINS database. SMART therefore uses TRAINS data for tariff (applied tariffs) and trade values. For trade values, TRAINS data is based on the data collected in the COMTRADE database.

The model has caveats which measure the effects of specific changes in tariffs on trade flows, revenue, and welfare effects at a given point in time (Lang, 2006). The SMART model assesses policy reform impacts on sectors that are directly affected, commonly referred to as first-round effects. Like any other partial equilibrium model, SMART model fails to represent inter-sectoral links and interactions, as well as macro-level effects (Othieno and Shinyekwa, 2011). Unlike the general equilibrium (GE) model, they ignore the second round effects as the models do not consider impacts of policy reforms on the macroeconomic effects (Lang, 2006). Nevertheless, GE models are criticised for their prouness to aggregation bias; numerous underlying assumptions and vast data requirement, among others.
However, in this study, the main focus is on the static effects of trade liberalisation. Hence, partial equilibrium models emerge as a best option. The partial equilibrium method is an adequate tool to address the principle of special and differentiated treatment (S&D) in a detailed analysis of trade data (Lang, 2006). Literature shows that the partial equilibrium model, mainly the WITS/SMART model has been extensively and successfully used to quantify the static effects of various trade reforms such as FTAs.

**SMART Assumptions and Relevance to Zimbabwe**

SMART relies on the Armington assumption in modelling consumer behaviour (Othieno and Shinyekwa, 2011). On the supply side, the SMART set-up is that, for a given good, different countries compete to export to a given country. The focus of the simulation exercise is on the composition and volume of imports into that country (Lang, 2006). SMART assumes infinite export supply elasticity (that is degree of responsiveness of each foreign exporter’s supply to changes in the price) with a value of 99 (Lang, 2006). In other words, the world price of each export variety is exogenously determined so that exporters are assumed to be price takers. This implies that changes in the level of demand in Zimbabwe do not affect world prices and exporters could continue supplying at any level of Zimbabwean demand. Considering the fact that Zimbabwe is a small player in the global trade arena, the assumption of infinite export supply elasticity is retained under this study.

On the demand side, SMART relies on the Armington assumption which is based on imperfect substitution between different import sources with different varieties. This means that goods, defined at the Harmonised System (HS) 6 digit level, imported from different countries, although similar, are imperfect substitutes. In this study, a value of 1.5 for import substitution elasticity was used for each good. The Armington assumption of imperfect substitution is retained for the purpose of this study. This assumption has a huge implication to preferential agreements since such arrangements will not result in a complete shift of import demands to beneficiary countries.

**Scenarios:** The purpose of this study is to analyse the impact of the COMESA FTA on Zimbabwe a 0 percent import tariff is applied on all the 18 member states within COMESA. The ongoing trade negotiations are centred on Zimbabwe liberalising 80 percent of its economy. However, this research considered a 100 percent trade liberalisation for trade between Zimbabwe and the COMESA for two reasons. Firstly, the investigations aimed at determining the worst case scenario. Secondly, the WITS/SMART model does not have provision of exclusion of sensitive list products. In this study, 2007 was used as the base year since it is the most recent year for Zimbabwe in the WITS/SMART model.

**Data Sources and Manipulation:** The following data was used in the SMART model in this study: import value from each foreign partner, tariff faced by each foreign partner, import demand elasticity for the commodity, export supply elasticity for the commodity and substitution elasticity between varieties of the commodity. This data was easily accessible as it is in-built in the WITS supported by the COMTRADE, TRAINs, IDB and CTs databases. These are real import figures reported by countries (in US$) at customs points at different product levels. In periods where Zimbabwe national statistics failed to submit trade data, mirrored data was used. Mirrored data is data submitted by Zimbabwe trading partners which will be converted to represent Zimbabwe trade information. For example, South Africa imports from Zimbabwe reported to the International Trade Centre will be considered as Zimbabwe exports. The UN COMTRADE has all the trade information for Zimbabwe need for this study ranging from exports, imports, tariffs and non tariff instruments.

WITS software which is hosted by the World Bank was used in this study. The WITS model linked to the UN COMTRADE have high capability to demonstrate the effect of various trade policy instruments in Zimbabwe. These trade policy instruments range from tariff changes and the corresponding effect on welfare, revenue loss, trade creation and diversion which are the objectives of this study.

**Sensitivity Analysis and Robustness Test**

SMART’s results may be sensitive to the modelling assumptions and parameter values used. Although SMART does not provide a built-in sensitivity analysis, this study carried out robustness test by manually by changing parameter values (elasticities) over a reasonable range as suggested by (Plummer, Cheong and Hamanaka, 2010) and Zgovu and Kweka, 2009). The price elasticities of demand for Zimbabwe were obtained from Stern (1974) and the Armington elasticities from Tokarick (2010). The uncertainty as to the actual values for the Armington and demand elasticities implied that rigorous sensitivity analysis was required to ensure the robustness of the results (Thurlow and Holden, 2003; Zgovu and Kweka, 2009, Plummer, Cheong and Hamanaka, 2010; Waglé, 2011). Initially, a ‘base – case’ simulation was run using the elasticities described above. Table 6.1 shows various elasticities used in the study.
Table 5.1: Elasticities Used in Sensitivity Analysis

<table>
<thead>
<tr>
<th>Elasticity</th>
<th>Lower Bound</th>
<th>Base – case</th>
<th>Upper bound</th>
<th>Worst case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substitution</td>
<td>0.5</td>
<td>1.44***</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Export Supply</td>
<td>89.1</td>
<td>99</td>
<td>99**</td>
<td>99**</td>
</tr>
<tr>
<td>Import Demand*</td>
<td>2.7</td>
<td>1.5</td>
<td>3.3</td>
<td>6</td>
</tr>
</tbody>
</table>

* Stern (1976), ** Retained as it is infinite, *** Tokarick (2010)

RESULTS

The study evaluates the impact of COMESA FTA on Zimbabwe. Specifically, the implication of the COMESA FTA on trade creation and trade diversion, revenue, welfare, imports and exports on Zimbabwe which are the objectives of this study are discussed in this section.

Trade Creation and Trade Diversion

Using simulations results from the WITS/SMART model, Table 6.1 shows the trade creation effects of the adoption of the COMESA FTA by Zimbabwe.

Table 6.1: Trade Creation Effects of the COMESA FTA on Zimbabwe (US$ Millions)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Description</th>
<th>Trade Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>560000</td>
<td>Textile Materials</td>
<td>3.09278</td>
</tr>
<tr>
<td>570000</td>
<td>Carpets</td>
<td>3.0276</td>
</tr>
<tr>
<td>810000</td>
<td>Cobalt mattes powders</td>
<td>0.688</td>
</tr>
<tr>
<td>260000</td>
<td>Copper ores and concentrates.</td>
<td>1.798</td>
</tr>
<tr>
<td>Other</td>
<td>Other products</td>
<td>0.64046</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9.312</td>
</tr>
</tbody>
</table>

Source: Author’s Own Calculations Based on Smart Simulations

As shown in table 6.1 the coming into effect of COMESA FTA is expected to result in COMESA firms expanding their trade into Zimbabwe by US$9.312 million. Trade creation is traditionally viewed as positive for consumer as it represent the additional quantities that the consumers can afford thanks to the liberalisation (Lang, 2006). However, some of this increase in consumption may be at the detriment of national producers if the goods concerned were purchased from national producers’ ex-ante. Products that bear the largest trade creation are textiles, carpets, cobalt and copper ores (see table 6.1). There is no sign of trade diversion in Zimbabwe. This therefore means that COMESA member states level of efficiency is very low such that the MFN rates applied to firms outside COMESA cannot deter them from supplying Zimbabwe market. The outcome is consistent with the findings of Cernat (2003) and argument of Meade (1955), Ohyama (1972), Kemp and Wan (1976) and Amponsah (2002) who found out that some regional groupings CET are too weak to divert trade from third parties.

Revenue Effect

Table 6.2 shows the revenue implications of the COMESA FTA on Zimbabwe. The WITS/SMART simulations estimate that Zimbabwe will have a total fiscal revenue loss of US$5.499 million if the COMESA FTA is implemented. The size of this revenue loss is insignificant, that is, 0.000000556 percent of 2009 GDP. This mainly because the base year used in this study, that is, 2007 was almost at the end of tariff alignment which was expected in 2008 after the COMESA FTA was launched in 2000. Although there are only 9.4 percent of the tariffs are zero rated it is clear from this result most tariffs are very low and any movement to zero duties would not affect revenue significantly. According to ZIMRA (2013), 35.5 percent of tariff lines are charged duty in 0 to 5 percent band. This outcome is consistent with the findings of Oxfam (2006).

Table 6.2: Revenue Effect of the COMESA FTA on Zimbabwe (US$ Millions)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Description</th>
<th>Revenue Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>220000</td>
<td>Waters, including mineral waters and aerated waters</td>
<td>-0.469</td>
</tr>
<tr>
<td>560000</td>
<td>Textile Materials</td>
<td>-0.779</td>
</tr>
<tr>
<td>260000</td>
<td>Copper ores and concentrates.</td>
<td>-2.285</td>
</tr>
<tr>
<td>240000</td>
<td>Tobacco</td>
<td>-0.128</td>
</tr>
<tr>
<td>Other</td>
<td>Other products</td>
<td>-1.838</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>-5.499</td>
</tr>
</tbody>
</table>

Source: Author’s Own Calculations Based on Smart Simulations
Major revenue loss comes from copper ores and concentrates with a total loss of US$2.285 million (see Table 6.2). However, it is worth to note that the revenue loss expected as a result of COMESA FTA is insignificant as it constitute 0.002 percent of total tax revenue in 2012 and 1.52 percent of customs revenue in the same year.

**Consumer Welfare Effect**

SMART simulation results reveal that Zimbabwe will experience a gain in consumer welfare valued at US$0.634 million by implementing the COMESA FTA (see table 6.3).

**Table 6.3: Welfare Effect of the COMESA FTA on Zimbabwe (US$ Millions)**

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Description</th>
<th>Welfare Gains/ Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>220290</td>
<td>Plastic bottles or other plastic containers</td>
<td>0.145</td>
</tr>
<tr>
<td>260500</td>
<td>Cobalt ores and concentrates.</td>
<td>0.0293</td>
</tr>
<tr>
<td>56</td>
<td>Textile Materials</td>
<td>0.306</td>
</tr>
<tr>
<td>Other</td>
<td>Other products</td>
<td>0.1537</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>0.634</strong></td>
</tr>
</tbody>
</table>

Source: Author’s Own Calculations Based on Smart Simulations

The total gains in welfare represent 0.01 percent of the 2011 GDP, which stood at US9.656 billion. This is quite insignificant. However, contributions of this welfare gains come from the same commodities that created trade in Zimbabwe. This shows that there is a causal link between welfare gains and trade creation in Zimbabwe. The main reason for this marginal gain in welfare is expected because the base year used to do the simulations in this study, that is, 2007 was almost at the end of the implementation of a COMESA FTA which was launched in 2000 and was expected to be fully implemented by 2008. This is also explained by the fact that 35.3 percent of Zimbabwe tariff lines are within the 0 – 5 percent band. This is a clear sign that Zimbabwe is on course to implement a COMESA FTA. This outcome therefore underscores that COMESA FTA has no significant implication on Zimbabwe welfare. This is consistence with the findings of McKay et al (2005) and Karingi et al (2005) who concluded that although there is presence of net welfare gains in COMESA countries they are insignificant.

**The Impact of COMESA FTA on Zimbabwe Exports**

Trade liberalisation as argued by provides market access beyond their boundaries to participating member states. In this case, Zimbabwe through COMESA FTA, has addition market of 18 member states with a population COMESA has a population of more than 400 million people with a Gross Domestic Product (GDP) of US$300 billion (COMESA, 2010). COMESA represents a ready market for Zimbabwe. Has Zimbabwe been able to increase exports in COMESA? This is one of the research questions answered in this study. Using the WITS/SMART model, exporters’ point of views is used to evaluate if Zimbabwe has been able to increase its exports after implement COMESA FTA. Table 6.4 shows Zimbabwe exports before COMESA FTA, exports after COMESA FTA, changes in exports and geographical distribution of Zimbabwe exports within the COMESA market.

**Table 6.4: Impact of COMESA FTA on Zimbabwe Exports (US$ Millions)**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Exports Before</th>
<th>Exports After</th>
<th>Change in Exports</th>
<th>Share of Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>847.424</td>
<td>844.671</td>
<td>-2.753</td>
<td>88.16</td>
</tr>
<tr>
<td>DRC</td>
<td>77.702</td>
<td>86.080</td>
<td>8.378</td>
<td>8.98</td>
</tr>
<tr>
<td>Tanzania</td>
<td>5.891</td>
<td>9.804</td>
<td>3.913</td>
<td>1.02</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.366</td>
<td>5.364</td>
<td>-0.002</td>
<td>0.56</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.585</td>
<td>4.569</td>
<td>-0.015</td>
<td>0.48</td>
</tr>
<tr>
<td>Seychelles</td>
<td>2.935</td>
<td>2.956</td>
<td>0.020</td>
<td>0.31</td>
</tr>
<tr>
<td>Malawi</td>
<td>2.909</td>
<td>2.900</td>
<td>-0.009</td>
<td>0.30</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.045</td>
<td>1.636</td>
<td>0.591</td>
<td>0.17</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.065</td>
<td>0.068</td>
<td>0.004</td>
<td>0.01</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.030</td>
<td>0.024</td>
<td>0.024</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>947.952</strong></td>
<td><strong>958.074</strong></td>
<td><strong>10.152</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: Author’s Own Calculations Based on Smart Simulations
The coming into effect of a COMESA FTA is expected to lead to a marginal increase in Zimbabwe exports by US$10.152 million. However, it is important to note that Zimbabwe trade in terms of exports in COMESA is skewed towards very few countries (two countries in particular). The lion’s share of Zimbabwe exports goes to Zambia and DRC which constituted 88.16 percent and 8.98 percent of total exports, respectively (see table 6.5). It is therefore clear that Zimbabwe is failing to exploit new markets in COMESA.

Table 6.5: Zimbabwe Major Exports to COMESA FTA (US$ Millions)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Product Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Coffee</td>
<td>6.877</td>
</tr>
<tr>
<td>10</td>
<td>Wheat</td>
<td>16.511</td>
</tr>
<tr>
<td>17</td>
<td>Sugar</td>
<td>19.360</td>
</tr>
<tr>
<td>24</td>
<td>Tobacco</td>
<td>38.014</td>
</tr>
<tr>
<td>26</td>
<td>Iron Ore</td>
<td>50.990</td>
</tr>
<tr>
<td>52</td>
<td>Cotton</td>
<td>47.044</td>
</tr>
<tr>
<td>56</td>
<td>Textile Materials</td>
<td>6.999</td>
</tr>
<tr>
<td>74</td>
<td>Copper</td>
<td>445.927</td>
</tr>
<tr>
<td>81</td>
<td>Cobalt Matters</td>
<td>145.557</td>
</tr>
<tr>
<td>84</td>
<td>Central Heaters</td>
<td>5.823</td>
</tr>
<tr>
<td>85</td>
<td>Electric Motors</td>
<td>16.735</td>
</tr>
</tbody>
</table>

Source: Authors’ Own Calculations Based on SMART Simulations

Table 6.5 shows Zimbabwe’s major exports to COMESA FTA include cotton, iron ore tobacco, cotton, copper wire and cobalt matters. Most of these exports are destined to Zambia. Again, as shown in table 6.5, Zimbabwe exports are mainly concentrated in primary and semi produced commodities.

Impact of COMESA FTA on Zimbabwe Imports

Based on SMART simulations, Zimbabwe imports from COMESA are expected to record a marginal increase of US$9.312 million which is merely of trade creation effect. Using the market view from SMART simulations, table 6.6 shows the Zimbabwe’s major imports from COMESA after FTA.

Table 6.6: Zimbabwe's Major Imports from the COMESA FTA (US$ Millions)

<table>
<thead>
<tr>
<th>HS code</th>
<th>Product Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Coffee</td>
<td>9.199</td>
</tr>
<tr>
<td>10</td>
<td>Wheat</td>
<td>48.711</td>
</tr>
<tr>
<td>15</td>
<td>Cooking Oils</td>
<td>14.869</td>
</tr>
<tr>
<td>17</td>
<td>Sugar</td>
<td>20.3200</td>
</tr>
<tr>
<td>24</td>
<td>Tobacco</td>
<td>66.805</td>
</tr>
<tr>
<td>26</td>
<td>Iron Ore</td>
<td>100.189</td>
</tr>
<tr>
<td>27</td>
<td>Coal Products</td>
<td>194.991</td>
</tr>
<tr>
<td>28</td>
<td>Chlorides</td>
<td>13.093</td>
</tr>
<tr>
<td>29</td>
<td>Sulphuric Acids</td>
<td>33.328</td>
</tr>
<tr>
<td>30</td>
<td>Glands</td>
<td>27.339</td>
</tr>
<tr>
<td>31</td>
<td>Fertilisers</td>
<td>34.449</td>
</tr>
<tr>
<td>39</td>
<td>Polymers</td>
<td>23.167</td>
</tr>
<tr>
<td>48</td>
<td>Paper Products</td>
<td>48.188</td>
</tr>
<tr>
<td>74</td>
<td>Copper</td>
<td>558.674</td>
</tr>
<tr>
<td>81</td>
<td>Cobalt Matters</td>
<td>162.718</td>
</tr>
<tr>
<td>84</td>
<td>Central Heaters</td>
<td>142.338</td>
</tr>
<tr>
<td>Other</td>
<td>Other Products not specified above</td>
<td>528.204</td>
</tr>
<tr>
<td>Total</td>
<td>Imports</td>
<td>2,026.582</td>
</tr>
</tbody>
</table>

Source: Author’s Own Calculations Based on Smart Simulations
As shown in table 6.6, copper, coal products, cobalt materis, central heaters, iron ore and tobacco are top Zimbabwe imports from COMESA market with import bills of US$558.674 million, US$194.991 million, US$162.718 million, US$142.338 million, US$100.189 million and US$66.805 million, respectively. The lion share of these imports comes from Zambia.

Sensitivity Analysis and Robustness Tests
Given the uncertainty on the actual values for the Armington and demand elasticities implied that rigorous sensitivity analysis was required to ensure robustness of the results around the main results presented in the study. Initially, a ‘base case’ simulation was run using the elasticities from Armington, Stern and Tokarick as discussed in section 5.4. Given the possible sensitivity of the models’ results to the elasticity values, the researcher had to rerun the simulations under varying assumptions. Upper bound and lower bound were established for various elasticities (see table 5.1). Finally, given the aim of the study was to determine the largest likely impact of COMESA FTA on Zimbabwe, a ‘worst case’ scenario was devised using the upper bound values by adding 4.

Table 6.7: Robustness and Sensitivity Analysis of EPAs on Trade Creation, Revenue Welfare, Imports and Exports (US$ Million and % Change)

<table>
<thead>
<tr>
<th>Effects/Indicators</th>
<th>Base Case</th>
<th>Lower Bound</th>
<th>Upper Bound</th>
<th>Worst Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare (US$ Million)</td>
<td>0.634</td>
<td>0.707</td>
<td>0.688</td>
<td>0.722</td>
</tr>
<tr>
<td>Revenue (US$ Million)</td>
<td>-5.499</td>
<td>-5.277</td>
<td>-5.597</td>
<td>-5.567</td>
</tr>
<tr>
<td>Trade Creation (US$ Million)</td>
<td>9.312</td>
<td>9.312</td>
<td>9.312</td>
<td>9.312</td>
</tr>
<tr>
<td>Imports (% Change)</td>
<td>0.46</td>
<td>0.46</td>
<td>0.46</td>
<td>0.46</td>
</tr>
<tr>
<td>Exports (% Change)</td>
<td>1.07</td>
<td>1.01</td>
<td>1.1</td>
<td>1.21</td>
</tr>
</tbody>
</table>

Source: Authors’ Own Calculations Based on SMART Simulations

Reducing trade elasticity value to 0.5 shows no change of trade creation from the base case in Zimbabwe (table 6.7). Likewise, increasing trade elasticities to 2 and 6 brings no changes to trade creation. The outcome shows that Zimbabwe’s total change in imports remains the same in value although its composition changes as economic agents substitutes across various imports.

Reducing trade elasticity to 0.5 reduces revenue loss by 3.96 percent from the base case (see table 6.7). Increasing trade elasticity values to 2 and 6 will respectively increase revenue loss by 1.78 percent and 1.24 percent. The resulting deviations from the middle ground results are generally insignificant. Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticity to 0.5 increases welfare gain by 11.51 percent from the base case (table 6.7). Increasing trade elasticity values to 2 and 6 will respectively increase welfare gains by 8.52 percent and 13.88 percent. Although the margin of error slightly higher than 10 percent in the lower bound and worst case scenario, the deviation of welfare gains from the base results in absolute terms is sensible and insignificant (table 6.7). Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticities to 0.5 is expected to cause increase in exports by 1.01 percent from base case (table 6.7). Increasing trade elasticity values to 2 and 6 will respectively increase exports by 1.10 percent and 1.21 percent. The resulting deviations from the middle ground results are generally insignificant. Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticity value to 0.5 shows no change in imports from the base case in Zimbabwe (see table 6.7). Likewise, increasing trade elasticities to 2 and 6 brings no changes to trade creation. The outcome shows that Zimbabwe’s total change in imports remains the same in value although its composition changes as economic agents substitutes across various imports.

CONCLUSIONS
This paper investigated the trade, revenue and welfare implications of the COMESA FTA on Zimbabwe using SMART simulations. Emerging issues from simulations are: COMESA FTA will result in trade creation that will offset trade diversion resulting in net welfare gains for Zimbabwe. The country expects trade expansion of US$9.312 million and improvements in welfare gains by US$0.634 million. The WITS/SMART simulations estimate that Zimbabwe will have a total fiscal revenue loss of US$5.499 million if the COMESA
FTA is implemented. With respect to exports, Zimbabwe is likely to increase its exports to COMESA region by US$10.152 million.

Zimbabwe’s exports across the board (whether in customs union or an FTA) was dominated by primary and semi processed products such as include industrial sugar, tobacco not stemmed/stripped, sun – cured tobacco, sulphur and copper ores and concentrates. Within COMESA, Zimbabwe trade was skewed mainly towards Zambia.

From the above analysis it is apparent that Zimbabwe’s gains from the COMESA FTA are insignificant. On the other side of the coin, the losses that come with a COMESA FTA are such as trade creation effects which may pose threat to local industry and revenue loss are insignificant. The important message from this analysis is that Zimbabwe’s trade structure suffers from lack of complementarities with its member states. This therefore questions the relevance of Zimbabwe in the COMESA regional group.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The policy implications that can be drawn from this study are:

Although revenue loss is insignificant, for a country with tight fiscal space like Zimbabwe, any loss in revenue matters. This calls for strengthening of revenue collection sources such as VAT, personal and company taxes, excise duty and informal sector. The country could reconfigure the income tax bands so that they become more progressive thereby raising more revenue as suggested by Othieno and Shinyekwa (2011), Zgovu and Kweka (2008), Alfieri, Cirera and Rawlinson (2006), Lang (2006) and Karingi et al (2005).

The agreement by member states to have a basket of sensitive products will help to reduce the revenue loss for Zimbabwe. In this regard, Zimbabwe’s negotiators should push for sensitive products that will not be subjected to tariff reduction for some time. This is crucial as it gives member states the needed policy space to develop their sensitive industries before opening up to third countries’ competition. Some of the products which should be considered on the sensitive list based on the findings from this study are motor vehicles, central boilers and electric motors.

In order to create complementarities with regional firms, the country needs to diversify export basket in order to tap into the COMESA market. This calls for establishment of a financial facility aimed at supporting such endeavours.

From this study, COMESA FTA leads to trade creation. This is welfare-enhancing, according to Viner (1950), as consumers would continue to buy the same goods from foreign firms, but at lower prices. However, according to Lang (2006), trade-creation benefits can be theoretical if the market is dominated by an oligopolistic market structure that forms cartels in determining prices, thereby failing to pass on the benefits of trade creation to Zimbabwe’s consumers.

This study recommends the strengthening of competition policy capacities and the legal systems of the Competition and Tariff Commission and the Consumer Council of Zimbabwe, in order to ensure that trade liberalisation delivers its potential benefits.

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PERCEPTIONS REGARDING SOCIAL RESPONSIBILITY AND THE IMPLEMENTATION OF ISO 26000

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R.J. Muller
Nelson Mandela Metropolitan University

ABSTRACT
The purpose of this paper is to investigate businesses’ perceptions regarding social responsibility and ISO 26000 implementation within Nelson Mandela Bay. Businesses have a role to play in solving problems faced globally, such as poverty, high unemployment rate and poor education levels and should thus behave in a socially responsible manner. Social responsibility has received attention globally and in 2010 a social responsibility standard, ISO 26000, was launched by the International Organisation for Standardisation. To provide a theoretical framework for this research project, a comprehensive literature study was undertaken. Primary data was collected by means of empirical research using the survey method. A self-administered questionnaire was distributed to 120 respondents from the designated population. It appears that limited research has been done regarding ISO 26000 implementation in South Africa hence the need for this study. Some general and practical guidelines are also provided for assisting businesses in implementing the seven chapters of ISO 26000. “Sustainability is frequently an object of standardization … guidelines for social responsibility is now the object of standardization highlighting the tendency to decouple complex CSR issues in the organizational context. This is relevant to current problems of poor working conditions, weak regulatory compliance, and corruption … existing codes of conduct are frequently decoupled from actual organizational performance … CSR standardization risks isolating complex and contested social issues and more radical attempts at change conflicting with striving for legitimacy … CSR issues also risk becoming decontextualized with the application of standardized approaches such as the ISO 26000 standard.” (Schwartz & Tilling 2009:289)

Key words: ISO 26000; social responsibility; businesses

INTRODUCTION
The International Organisation for Standardisation (ISO) launched an initiative to develop the international standard ISO 26000, a guidance document on social responsibility. ISO 26000 is a voluntary framework for social responsibility providing definitions and methods for evaluation (Castka & Balzarova 2007:740). The standard assists businesses in addressing social responsibility while respecting cultural, societal, environmental, legal differences and economic development (Engerler & Liegl 2008:77).

A business functions through the co-operation of stakeholders such as consumers, employees, society, shareholders, government and the environment. Social responsibility is a concept that allows businesses to operate profitably but in a socially and environmentally responsible manner to achieve sustainability and stakeholder satisfaction (Rakotomavo 2012:199). According to Adewuyi and Olowookere (2010:523), there is a great necessity for businesses to part take in sustainable development activities because stakeholders are becoming more knowledgeable about the impact of business activities on their lives and future generations. Social responsibility usually goes beyond profit maximisations to include the organisation’s responsibility to a broad range of stakeholders (Othman 2009:37). In addition, Katrinli and Gunay (2011: 32) and Le Bruyns (2009:222) state that social responsibility consists of actions that appear to further some social good beyond the interest of the firm and social responsibility has become more important in recent years because it is increasingly valued as a method that enhances public services, corporate responsibility, development in some communities to eliminate poverty and decrease high employment rates. Sustainable business means not only to provide products and services that satisfy the customer but also to operate in a socially responsible manner by providing guidance (Frost 2009:8).

The main aim of this paper is to assess perceptions regarding social responsibility and compliance with the ISO 26000 standard. The first part of this paper covers aspects such as the introduction, problem statement and research objectives. This is followed by a theoretical overview of aspects regarding ISO 26000 and the research methodology of the study. The last part deals with the empirical results and main conclusions and recommendations.
LITERATURE REVIEW

Social Responsibility
According to Navarro and Martinez (2009:500), social responsibility is shown by a business which carries its activities in an ethical, legal, commercial way that meets up to the expectations of the community at large. According to Castka and Balzarova (2008:276), social responsibility refers to “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”. According to Olufemi (2009:358), corporate social responsibility (CSR) has been defined and employed variously to depict social investment, social involvement and good organisational citizenship in the work place and community.

ISO 26000
Castka and Balzarova (2007:78) identify ISO 26000 as a global guidance standard on social responsibility which has no certification requirements from the third party, meaning that it is a voluntary standard. Weinestedt (2009:15) concurs that the standard refers to a process of methodologically considering actual and potential negative impacts of business activities to avoid risk or social harm.

Theoretical overview of ISO 26000
International organisation for standardization (ISO) is an independent, non-governmental organisation that develops international standards for products, service and good practices. The organisation was founded in 1947 with representatives from 25 countries and has since grown to 163 countries and 3368 technical bodies across different regions and different economies (ISO 2011). The organisation ensures safety, reliability and good quality for products and services. It allows for suppliers from different economies to compete on the global market and creates a platform for countries and businesses to share knowledge, technological advances and good management practices. ISO 26000 is a social responsibility international standard that was initiated in 2005 by experts from 54 different countries (Castka & Balzorova 2007:740).

The standard is a social responsibility guidance tool that can be used to help businesses in trying to conduct their operations in a social responsible manner. The guidance tool can be used in all business sectors, private and public and in developing and developed countries. Some of the reasons for non-certification of the standard include the fact that there are many ways businesses can contribute positively to the community, society needs and expectations differ over time. Certification would give attention to the formal side while substantive social responsibility promotes the well-being of the community (Gurtler 2012). Table 1 provides an outlay of ISO 26000.

Table 1: Outlay of ISO 26000

<table>
<thead>
<tr>
<th>Clause title</th>
<th>Clause number</th>
<th>Clause description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Clause 1</td>
<td>Defines the scope of ISO26000 and identifies certain limitations and exclusions.</td>
</tr>
<tr>
<td>Terms and definitions</td>
<td>Clause 2</td>
<td>Identifies and provides the definition of key terms that are of fundamental importance for understanding social responsibility and for using ISO26000.</td>
</tr>
<tr>
<td>Understanding social responsibility</td>
<td>Clause 3</td>
<td>Describes the important factors and conditions that have influenced the development of SR and also the concept of social responsibility itself - what it means and how it applies to organisations.</td>
</tr>
<tr>
<td>Principles of social responsibility</td>
<td>Clause 4</td>
<td>Introduces and explains the principles of social responsibility, namely accountability, transparency, ethical behaviour, respect for stakeholder interests and rule of law, international norms of behaviour and human rights.</td>
</tr>
<tr>
<td>Recognising social responsibility and engaging stakeholders</td>
<td>Clause 5</td>
<td>Addresses two practices of social responsibility: an organisation’s recognition of its social responsibility, and its identification of and engagement with its stakeholders.</td>
</tr>
<tr>
<td>Guidance on social responsibility core subjects</td>
<td>Clause 6</td>
<td>Explains the core subjects and associated issues relating to social responsibility. For each core subject, information has been provided on its scope, its relationship to social responsibility, related principles and considerations and related actions and expectations</td>
</tr>
<tr>
<td>Guidance on integrating social responsibility</td>
<td>Clause 7</td>
<td>Provides guidance on putting social responsibility into practice in a businesses. This includes guidance to: understanding the social responsibility of an businesses, integrating social responsibility throughout an businesses, communication related to social</td>
</tr>
</tbody>
</table>
Examples of voluntary initiatives and tools for social responsibility

| Examples of voluntary initiatives and tools for social responsibility | Annex A | Presents a non-exhaustive list of voluntary initiatives and tools related to social responsibility that address aspects of one or more core subjects or the integration of social responsibility throughout an businesses |

Source: ISO (2010)

**Implementation guidelines on ISO 26000**: Sitnikov and Bocean (2012:59) postulate that ISO 26000 provides a global harmonised guidance for all types of corporations and support the implementation of best practices in global social responsibility. Table 2 below highlights some ISO 26000 implementation steps.

<table>
<thead>
<tr>
<th>No</th>
<th>Step</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assess current situation</td>
<td>Description of business and ideals Identify own views towards social responsibility</td>
</tr>
<tr>
<td>2</td>
<td>Evaluation of seven core subjects</td>
<td>Assess importance of seven core subjects Evaluate own programmes in terms of seven subjects Identify gaps in terms of actions towards seven subjects</td>
</tr>
<tr>
<td>3</td>
<td>Engaging with stakeholders</td>
<td>Identify main stakeholders and their engagement in terms of the seven subjects Enter into two-way discussions and seek cooperation</td>
</tr>
<tr>
<td>4</td>
<td>Develop plans for improvement</td>
<td>Identify key issues for CSR improvements Choose CSR changes in terms of impact, capability and visibility Draw action plan with strategies, resource allocation and deadlines</td>
</tr>
<tr>
<td>5</td>
<td>Public reporting</td>
<td>Create public report and commitment to CSR Use report to engage with stakeholders Make report accessible to public</td>
</tr>
<tr>
<td>6</td>
<td>Claiming credit</td>
<td>Communicate that ISO 26000 has been achieved</td>
</tr>
</tbody>
</table>

Source: Adapted from Ecologia (2010)

Hahn (2011:18) and Perera (2009) highlight the following guidelines on implementing ISO 26000:
- Liaising with regional businesses and bodies involved in CSR implementation.
- Employing the standard as an aid to improve effectiveness and efficiency of the business.
- A checklist to be developed by national standards bodies to identify and assist various stakeholders in understanding the guidance given the standards and its use.
- Adopting ISO 26000 as a national standard.
- Developing a national standard to make it more accessible and easy to use.
- Recourse to a public awareness-raising campaign on a large scale.
- Creating website pages to promote social responsibility and ISO 26000.
- Advancing the inclusion of ISO 26000 core subjects and principles into workshops and seminars dealing with social responsibility related issues.
- Disseminating the standard to those stakeholders who wish to implement it.

**Core subjects of ISO 26000**: Figure 1 indicates the seven core subjects of ISO 26000.
The international standard concentrates on seven core subject’s namely organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development.

**Human rights:** It recognises that human rights transcend the principle of social responsibility. The subject has due diligence, human rights situation, avoidance of complicity, resolving grievances, discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights and fundamental principles and rights at work as issues within the human resource core subject (ISO 2010).

**Labour practices:** This refers to all policies and practices relating to work performed within, by or on behalf of the organisation. This subject entails looking after the employees of the organisation, providing safe and healthy working conditions and encouraging career growth and development (Ecologia 2011:29-30).

**The environment:** This core subject deals with issues such as prevention of pollution, sustainable resource use, climate change mitigation and protection of environmental biodiversity and restoration of nationals habitats (Hemphill 2013:310).

**Fair operating practices:** This subject deals with issues such as anti-corruption, responsible political involvement, fair competition, promoting social responsibility in the value chain and respect for property rights (ISO 2010).

**Consumer issues:** Deals with the following issues fair marketing, factual and unbiased information and fair contractual practices, protecting consumers’ health and safety, sustainable consumption, consumer services, support, complaint and dispute resolution, consumer data protection and privacy, access to essential services and education and awareness (Ecologia 2011:31).

**Community involvement and development:** Issues in this subject include community involvement, education and culture, employment creation and skills development, technology development access, wealth and income creation, health and lastly social investment. Community involvement also helps business enterprises to familiarise themselves with community needs and priorities, so that the business enterprise’s developmental and other efforts are compatible with those of the community and society (Ecologia 2011:32).

**Organisational governance:** Business governance is the system by which the enterprise makes and implements decisions in pursuit of its objectives. The business should strive toward ethical conduct by treating others with honesty and fairness by balancing the needs of the business and its stakeholders to ensure sustainability for future generations (Hemphill 2013:309).

**Global Reporting Initiative**

The Global Reporting Initiative (GRI) is an independent non-governmental organisation (NGO) established in 2002; its global secretariat is based in Amsterdam. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products and services (Global Reporting Initiative 2012). The main business of the GRI is to develop and promote a coherent framework for non-financial reporting. To this end, the GRI regularly updates its sustainability reporting guidelines in complex multi-stakeholder processes that include the participation of business, organised civil society, labour, consultancies, academics and representatives of governmental as well as intergovernmental organisations (Dingwerth & Eichinger 210:74). The current reporting framework is called G4, referring to the fourth generation of Sustainability Reporting Guidelines. The performance indicators specify which aspects of an organisation’s activities and impacts are to be covered. The indicators embrace different substantive areas, including economic and environmental impacts, impacts on labour practices and human rights, and the broader issue of product responsibility. In terms of relevance, the GRI is commonly regarded as the world’s leading voluntary scheme for corporate non-financial reporting. (Sustainability Reporting Guidelines 2000-2006).

The link between ISO 26000 and GRI is the reporting guidance provided by GRI and this link will help businesses that follow the global reporting initiative to prepare their reports to understand how GRI reporting aspects and indicators are related to ISO 26000 clauses. The guidance on social responsibility emphasises the value of public reporting on social responsibility performance to internal and external stakeholders such as employees, local communities, investors and regulators. The emphasis represents an important level of international attention to the issue of reporting, and is aligned with GRI’s mission to make disclosure on economic, environment, and social performance common practice. ISO 26000 does not offer guidelines on social responsibility performance reporting, but it does cover a similar range of topics to that in the GRI reporting structure for businesses to organise their activities, which can be measured and presented in the report (Brown et al., 2009:575).

Some research studies have uncovered several factors that contribute to skill shortages (Canterford, 2006:9; Department of Water and Environmental Affairs, 2009: 68; Johnston and Bernstein, 2007:25; Mok, Mason, Stevens & Timmins, 2012: 20 and Rasool & Botha, 2011: 6-9). Based on the analysis of these literature...
studies of skill shortages, four variables that could influence skill shortages were identified, as depicted in Figure 1.

PROBLEM INVESTIGATED

Puneet and Ashish (2012:9) argue that organisations around the world are becoming more aware of the need for and the benefits of acting in social responsible manner. The purpose of social responsibility is to contribute to sustainable development. A businesses’ performance in relation to the society in which it operates and its impact on the environment have become a critical part of measuring its overall performance and ability to continue operating effectively. However, in many sectors and industries, people and businesses still lack the spirit or understanding of being socially responsible. ISO 26000 is a response to the urgent need for all people to have a positive impact on those around them (Ecologia 2010:3). Social responsibility is thus important because businesses that neglect to incorporate socially responsible behaviour into their strategies, systems and practices are likely to lose out to competitors as customers, employees, investors, business partners, government and communities increasingly decide not to support businesses that don’t care about the well-being of people and take little care of the environment. Businesses should include social responsibility in their strategies and start to take care of the environment they operate in (Porter & Kramer 2006:1).

Businesses have a role to play in solving problems such as poverty, high unemployment rate and poor education levels. Businesses could have an influence in these aspects through complying with standards such as ISO 26000 (De Geer, Borglund & Frostenson 2009:269). Initially it was believed that focusing on social responsibility would decrease efficiency and would result in the failure of the organisation to optimally allocate resources. However, there is now a necessity for organisations to take part in sustainable development programmes because stakeholders are becoming more knowledgeable about the impact business activities have on their lives and the environment (Chen & Wang 2011:362).

ISO 26000 is a newly emerging international standard for social responsibility which gives guidance on how organisations can be involved in social responsibility programmes. The standard is voluntary meaning that it has no certification and is intended to be used by all organisations regardless of size (Brown, de Jong & Levy 2009: 571). Although some international research (see for example Castka & Balzarova 2007: 738 and Dobers & Halm 2009: 237) on ISO 26000 implementation has been done, there has been limited research on whether there are South African businesses complying with the standard or whether organisations already practicing social responsibility have used the standard to improve their practices.

The research question to be addressed in this study is: What are the perceptions regarding social responsibility and ISO 26000 compliance of businesses in Nelson Mandela Bay?

RESEARCH OBJECTIVES

The primary objective of this study is to assess perceptions regarding social responsibility and compliance with the ISO 26000 standard by organisations in Nelson Mandela Bay. To give effect to the primary objective of this study, the following secondary research objectives have been formulated:

To conduct a literature review on the nature and importance of social responsibility and compliance to ISO 26000.

To empirically test if businesses are ISO 26000 compliant and assess the perceptions of businesses regarding social responsibility.

To provide guidelines on how to implement ISO 26000 within the businesses.

RESEARCH METHODOLOGY

The following section provides a brief overview on research paradigm, research approach, population, sampling, data collection used, questionnaire design and data analysis.

Research paradigm

For the purpose of this study, the positivism research paradigm will be used to investigate if businesses are ISO 26000 compliant through the use of questionnaires.

Research approach

There are two main approaches that are used in the research approach which are descriptive and exploratory research. The study will conduct descriptive research to know if the businesses are acting in a socially responsible manner and their perceptions regarding ISO 26000.
Population
Population is a “collective term used to describe the total quantity of cases of the types which are the subjects of your study, so population can consists of objects or people” (Walliman 2001:232). For the purpose of this study, the population refers to all small, medium and large businesses within the Nelson Mandela Bay area.

Sampling
For the purpose of this study a non-probability technique, namely convenience sampling was used. This entails a sampling procedure used to obtain those units or people most conveniently available and knowledgeable on ISO and social responsibility issues.

Data collection
To achieve the research objectives, the study will make use of primary and secondary data. Secondary data is the data that already exists such as textbooks, journal, newspaper articles and internet sources to obtain information. Primary data will be gathered using self-administered structured questionnaires. The questionnaires will be distributed to small, medium and large businesses in Nelson Mandela Bay.

Questionnaire design
The questionnaire will consist of three sections:
Section A investigated general perceptions regarding social responsibility and ISO 26000, using a five-point Likert-type ordinal scale ranging from strongly agree, agree, uncertain, disagree and to strongly disagree.
Section B assessed the perceptions regarding implementation of ISO 26000 using a five-point Likert-type ordinal scale.
Section C gauged the demographics of respondents using a nominal scale.

Pilot study
As the questionnaire has never been used before, it was pilot-tested among 10 organisations from the designated population. Some few minor corrections were made regarding the wording and sequence of some of the questions.

Data analysis
The Statistica 10 programme was used to analyse the data. Data analysis techniques used included descriptive statistics (mean and standard deviation), frequency distributions, Cronbach’s alpha reliability testing, exploratory factory analysis and correlation analysis.

Validity and reliability of measuring instruments
Face and content validity were used by means of expert judgement and conducting a pilot study. Exploratory factor analysis was used to conduct the factor analysis. Cronbach’s alpha values were used as a measure of internal reliability.

RESULTS
Demographic profile of respondents
Information relating to the respondents was in Section C of the questionnaire. Table 3 provides a summary of personal information of the respondents who participated in this study.

Table 3: Demographic profile of respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Classification</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>80</td>
<td>67</td>
</tr>
<tr>
<td>Ethnic Affiliation</td>
<td>SA Black</td>
<td>47</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Asian</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Position in the businesses</td>
<td>CEO</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Manager/Owner</td>
<td>51</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>66</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Period of current employment</td>
<td>1-5 years</td>
<td>59</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>33</td>
<td>27</td>
</tr>
</tbody>
</table>
It appears that the majority of the respondents were females (67%) and 33% males. In terms of ethnicity, 39% were black, 30% white and 29% coloured. Fifty-five per cent of the respondents were employees and 42% manages or owners. The majority (76%) were employed with their current employer for between one and 10 years in small businesses (55%) and 45% in medium to large enterprises. Seventy-six per cent are employed in the private sector and 24% in the public sector. In terms of type of industry, 38% are employed in the retailing industry as private companies (33%) and partnerships (23%).

Exploratory factor analysis
Table 4 shows the exploratory factor analysis for perceptions regarding implementation of ISO 26000 chapters.

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Factor 6</th>
<th>Factor 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR1</td>
<td>0.256962</td>
<td>0.302711</td>
<td>-0.054792</td>
<td>0.374438</td>
<td>0.018258</td>
<td>-0.116523</td>
<td>0.404706</td>
</tr>
<tr>
<td>HR2</td>
<td>0.501280</td>
<td>0.098913</td>
<td>-0.154129</td>
<td>0.527704</td>
<td>-0.093121</td>
<td>-0.141955</td>
<td>0.255282</td>
</tr>
<tr>
<td>HR3</td>
<td>0.738131</td>
<td>-0.032951</td>
<td>0.004268</td>
<td>0.038361</td>
<td>0.265769</td>
<td>0.139142</td>
<td>-0.006745</td>
</tr>
<tr>
<td>HR4</td>
<td>0.596656</td>
<td>-0.083578</td>
<td>-0.023430</td>
<td>0.330560</td>
<td>0.279201</td>
<td>-0.170142</td>
<td>0.100914</td>
</tr>
<tr>
<td>HR5</td>
<td>0.594882</td>
<td>-0.026613</td>
<td>-0.075770</td>
<td>0.157171</td>
<td>0.416509</td>
<td>0.100795</td>
<td>0.131962</td>
</tr>
<tr>
<td>LP1</td>
<td>-0.014908</td>
<td>0.700957</td>
<td>0.391518</td>
<td>-0.027525</td>
<td>0.091429</td>
<td>0.125810</td>
<td>0.125962</td>
</tr>
<tr>
<td>LP2</td>
<td>0.226382</td>
<td>0.708839</td>
<td>0.231326</td>
<td>0.101589</td>
<td>-0.213890</td>
<td>0.000851</td>
<td>0.005861</td>
</tr>
<tr>
<td>LP3</td>
<td>0.040527</td>
<td>0.637047</td>
<td>0.138292</td>
<td>-0.077696</td>
<td>-0.123252</td>
<td>0.199517</td>
<td>-0.014884</td>
</tr>
<tr>
<td>LP4</td>
<td>0.152147</td>
<td>0.587463</td>
<td>-0.090006</td>
<td>0.072769</td>
<td>-0.167939</td>
<td>-0.134877</td>
<td>0.171358</td>
</tr>
<tr>
<td>LP5</td>
<td>0.063893</td>
<td>0.741549</td>
<td>0.078117</td>
<td>-0.022626</td>
<td>0.035367</td>
<td>0.220041</td>
<td>0.065861</td>
</tr>
<tr>
<td>EV1</td>
<td>0.015582</td>
<td>0.079015</td>
<td>0.585473</td>
<td>0.248080</td>
<td>0.223501</td>
<td>0.301359</td>
<td>-0.048154</td>
</tr>
<tr>
<td>EV2</td>
<td>0.097841</td>
<td>0.136562</td>
<td>0.797085</td>
<td>0.076530</td>
<td>0.071141</td>
<td>0.065590</td>
<td>0.115888</td>
</tr>
<tr>
<td>EV3</td>
<td>-0.021488</td>
<td>0.059757</td>
<td>0.737736</td>
<td>0.127142</td>
<td>0.171146</td>
<td>0.085530</td>
<td>0.146650</td>
</tr>
<tr>
<td>EV4</td>
<td>0.020274</td>
<td>0.209246</td>
<td>0.317910</td>
<td>0.101285</td>
<td>-0.090026</td>
<td>-0.140620</td>
<td>0.078222</td>
</tr>
<tr>
<td>EV5</td>
<td>-0.012631</td>
<td>0.122066</td>
<td>0.306350</td>
<td>-0.048482</td>
<td>-0.106198</td>
<td>0.024757</td>
<td>0.070186</td>
</tr>
<tr>
<td>FOP1</td>
<td>0.224713</td>
<td>-0.040843</td>
<td>0.178996</td>
<td>0.758357</td>
<td>0.038563</td>
<td>0.043016</td>
<td>0.146249</td>
</tr>
<tr>
<td>FOP2</td>
<td>0.040868</td>
<td>-0.015147</td>
<td>0.249872</td>
<td>0.768565</td>
<td>0.133695</td>
<td>0.050059</td>
<td>0.127777</td>
</tr>
<tr>
<td>FOP3</td>
<td>0.230287</td>
<td>-0.207745</td>
<td>0.158706</td>
<td>0.503157</td>
<td>0.168532</td>
<td>0.203748</td>
<td>0.389497</td>
</tr>
<tr>
<td>FOP4</td>
<td>0.252895</td>
<td>-0.020880</td>
<td>0.254227</td>
<td>-0.055533</td>
<td>0.169352</td>
<td>0.213247</td>
<td>0.588651</td>
</tr>
</tbody>
</table>
Table 6 highlights the descriptive statistics of Section A and B of the questionnaire. Descriptive statistics can therefore be concluded to indicate consistent reliability. The reliability coefficients of Cronbach’s alpha values for the 10 factors are all above 0.70. It can therefore be concluded that all seven factors are internally reliable.

### Reliability results
The Cronbach’s alpha values for the seven chapter factors of ISO 26000 are indicated in Table 5.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights (HR)</td>
<td>0.85</td>
</tr>
<tr>
<td>Labour practices (LP)</td>
<td>0.80</td>
</tr>
<tr>
<td>Environment (EV)</td>
<td>0.73</td>
</tr>
<tr>
<td>Fair operating practices (FOP)</td>
<td>0.71</td>
</tr>
<tr>
<td>Consumer issues (CI)</td>
<td>0.70</td>
</tr>
<tr>
<td>Community development (CD)</td>
<td>0.66</td>
</tr>
<tr>
<td>Governance (GOV)</td>
<td>0.74</td>
</tr>
</tbody>
</table>

To establish the reliability of the seven factors, Cronbach’s alpha values were calculated (indicating internal consistency). The reliability coefficients of Cronbach’s alpha values for the 10 factors are all above 0.6. It can therefore be concluded that all seven factors are internally reliable.

### Descriptive statistics
Table 6 highlights the descriptive statistics of Section A and B of the questionnaire.
Table 6: Descriptive statistics

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General perceptions regarding social responsibility and ISO 26000</td>
<td>3.86</td>
<td>0.81</td>
<td>7.11</td>
</tr>
<tr>
<td>Human rights</td>
<td>4.02</td>
<td>0.53</td>
<td>12.91</td>
</tr>
<tr>
<td>Labour practices</td>
<td>3.95</td>
<td>0.60</td>
<td>9.00</td>
</tr>
<tr>
<td>Environment</td>
<td>4.04</td>
<td>0.59</td>
<td>6.87</td>
</tr>
<tr>
<td>Fair operating practices</td>
<td>3.64</td>
<td>0.59</td>
<td>7.64</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>3.96</td>
<td>0.63</td>
<td>7.03</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>4.06</td>
<td>0.59</td>
<td>6.11</td>
</tr>
<tr>
<td>Organisational governance</td>
<td>4.05</td>
<td>0.47</td>
<td>8.41</td>
</tr>
</tbody>
</table>

It appears that all the mean values lie on the agree side of the scale (point four). The highest mean value was community involvement and development (4.06). The standard deviation scores are all below one, indicating that there is not much variation around the mean scores and that respondents tend to agree with the statements. The highest variance score was for human rights, indicating that this factor contributed 13% of the variance in the score values.

Frequency distribution results of ISO 26000 implementation of chapters

Table 7 highlights the frequency distribution results of Section B of the questionnaire (implementation of ISO 26000 chapters).

Table 7: Frequency distribution results of Section B of the questionnaire

<table>
<thead>
<tr>
<th>Factor</th>
<th>% Disagree</th>
<th>% Neutral</th>
<th>% Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights</td>
<td>5</td>
<td>29</td>
<td>66</td>
</tr>
<tr>
<td>Labour practices</td>
<td>2</td>
<td>41</td>
<td>57</td>
</tr>
<tr>
<td>Environment</td>
<td>2</td>
<td>25</td>
<td>73</td>
</tr>
<tr>
<td>Fair operating practices</td>
<td>11</td>
<td>51</td>
<td>38</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>5</td>
<td>31</td>
<td>64</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>2</td>
<td>17</td>
<td>81</td>
</tr>
<tr>
<td>Organisational governance</td>
<td>1</td>
<td>35</td>
<td>64</td>
</tr>
</tbody>
</table>

In analysing the frequency distribution results of perceptions regarding the implementation of the seven ISO 26000 chapters, it appears that most respondents agree that aspects related to these seven chapters are being implemented in their respective organisations. There were also indications that some of the respondents were neutral towards these aspects of the seven chapters. The highest percentage agreement was for community development (81%) and the environment (73%) – aspects of the triple bottom line. The lowest percentage agreement was for fair operating practices (38%) and labour practices (57%).

CONCLUSIONS

Social responsibility can be applied by different types of organisations, with different sizes and across all sectors and industries. Previously social responsibility was not considered as an important factor which businesses needed to implement around the communities which they operate, but has now grown to be an important competitive advantage factor. This came about as participants in the global economy (suppliers, consumers and communities) are becoming aware of conducting business with organisations which are involved in social responsibility.

There is link between social responsibility and sustainability because social responsibility focuses on the organisation and its responsibilities to society and the environment. There is thus a need for social responsible behaviour because of the many global environmental and social problems. A social responsible organisation enhancing the reputation of the organisation and fosters greater public trust, enhancing employee loyalty, involvement, participation and morale, improves the safety and health of workers, prevents or reduces potential conflicts with consumers about products or services.

The International Organisation for Standardisation launched a social responsibility standard in 2010. This standard assists a variety of organisations to implement social responsibility programmes in their communities. The standard is known as ISO 26000. The difference between the standard and other standards is that it has no certification, does not contain requirements and there are no third parties involved. It entails recommendations and advice on how an organisation can behave in a social responsible manner. Core principles on which ISO 26000 are build include: accountability, transparency, ethical behaviour, respect for stakeholders and respect rule of law, respect for international norms of behaviour and respect for human rights. The seven core subjects that should be covered by ISO 26000 are: human rights, labour.
practices, environment, fair operating practices, consumer issues, community involvement and development and governance.

This empirical study was conducted to investigate the perceptions regarding the implementation of the ISO 26000 chapters. Exploratory factor analysis was conducted to confirm the validity of the items constituting the seven factors (Chapters of ISO 26000). It is clear from the study that most the surveyed businesses comply with ISO 26000.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Table 8 highlights some recommendations regarding the implementation of the seven ISO 26000 chapters. These guidelines are based on some of the statements used in the measuring instrument. Businesses could use these guidelines when dealing with ISO 26000 implementation.

<table>
<thead>
<tr>
<th>No</th>
<th>RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Businesses should establish fair mechanisms for dealing with human rights grievances raised by all stakeholders.</td>
</tr>
<tr>
<td>2</td>
<td>Businesses should avoid complicity with human right violations by not being silent on abuses carried out by business partners.</td>
</tr>
<tr>
<td>3</td>
<td>Every business should implement environmental risk management programmes to assess and reduce environmental risks from its activities.</td>
</tr>
<tr>
<td>4</td>
<td>Products produced by businesses should be easy to reuses, repaired or recycled.</td>
</tr>
<tr>
<td>5</td>
<td>All businesses should efficiently use financial, natural and human resources, while ensuring fair representation of previously disadvantage groups in top management position.</td>
</tr>
<tr>
<td>6</td>
<td>Opportunities for community members must be broadened by increasing local procurement and hiring.</td>
</tr>
<tr>
<td>7</td>
<td>All businesses should strive to prevent pollution or reduce emissions of pollutants into the air, water or soil as much as possible.</td>
</tr>
<tr>
<td>8</td>
<td>Employees should be held accountable for their actions.</td>
</tr>
<tr>
<td>9</td>
<td>Sufficient information regarding prices, terms, conditions and costs must be provided.</td>
</tr>
<tr>
<td>10</td>
<td>Businesses should encourage human development by providing skills development and career training opportunities.</td>
</tr>
<tr>
<td>11</td>
<td>All businesses should be transparent and open regarding the manner in which they operate, make decisions and handle money.</td>
</tr>
<tr>
<td>12</td>
<td>Businesses should Promote social responsibility throughout its supply chain by stimulating demand for socially responsible goods and services.</td>
</tr>
<tr>
<td>13</td>
<td>Every business should protect itself and consider human rights impacts when operating in risk situations.</td>
</tr>
<tr>
<td>14</td>
<td>Businesses should support social dialogue between employers and employees).</td>
</tr>
<tr>
<td>15</td>
<td>Environmental risk management programmes should be implemented by businesses to assess and reduce environmental risks from its activities.</td>
</tr>
</tbody>
</table>

**LIMITATIONS**

The following limitations of the study must be noted:

A convenience sample was drawn from the target population, mainly in Nelson Mandela Bay region, which could have impacted on the representativeness of the sample. Gender and ethnic disparities in the sample could have influences perceptions of respondents and the final results. Respondents were mainly from the retail and wholesale industries which might have different ISO 26000 implementation practices as those from other industries.

The following extract seems appropriate to conclude this paper with:

“This international standard recognizes that social responsibility should be an integral part of a business enterprise's strategy, with assigned responsibilities and accountability at all levels of the organization, and should be reflected in decision-making and considered in the implementation of operational activities ... integrating social responsibility into small and medium-sized firms can be undertaken through practical, simple and cost-efficient actions, and need not be complex or expensive ... social responsibility is closely linked to sustainable development, as it is about the inter-dependent economic, social and environmental goals common to all societies ... the principles, practices and core subjects of this international standard form the basis for a business enterprise's practical implementation of social responsibility and its real contribution to sustainable development.” (Hemphill 2013:306)
REFERENCE LIST


Recognition is hereby given to Ms A Mosalakae and Ms G Ganto who conducted the empirical study (fieldwork).
PERCEPTIONS REGARDING SKILL SHORTAGES AND ITS IMPACT ON THE SUSTAINABILITY OF SOUTH AFRICAN GOLD MINES

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ABSTRACT
This paper aims to investigate perceptions regarding skill shortages and its impact on the sustainability of South African gold mines. This investigation is important in that it test the mediating effect of perceptions regarding skill shortages on four organisational influences and sustainability in gold mines. Based on a comprehensive literature review, a hypothetical model was constructed and six variables were identified and subjected to advanced statistical analysis. A quantitative survey was conducted in three selected gold mining companies in South Africa by means of self-administered structured questionnaires. A purposeful sample of 300 valid responses was obtained. The study found that the working environment, employment conditions, resources and training and development were significantly related to perceptions regarding skill shortages. All four factors, except employment conditions, have positive and a mediating effect on sustainability in the gold mines. Mining management must thus focus more on developing human capital as it is an important factor for mines’ ability to meet its long-term economic, social an environmental objectives. The paper thus not only supports that sustainability is significantly related and serially mediated through perceptions regarding skill shortages but also provide useful and practical guidelines to mining organisations through which they could shift to a more sustainable framework for the mining industry.

Key words: Skills shortages, sustainability, gold mines

“Mining’s role in sustainable development is under scrutiny. Spurred by criticism of what is perceived to be mining companies’ irresponsible treatment of communities and the environment … the challenges and opportunities for CSR in mining has presented more questions than solutions … there is much learning to be done by mining companies, and that they should acknowledge and confront their CSR challenges in an honest and transparent manner.” (Hamann 2003:237).

INTRODUCTION
The mining industry is often being associated with positive economic benefits in that it provides communities with jobs, economic growth, government revenue, foreign exchange earnings and improvements in people’s lives (Cronjé, Reyneke & Van Wyk, 2013). It benefits many stakeholders and that is why the mining industry is widely supported (Development Bank of Southern Africa, 2012:12). However, mining by nature is inherently unsustainable in that the life of the mine depends on a finite and diminishing quantity of mineral deposits (Lins & Horwitz, 2007:9; Mathibe, 2011: 9 and Spitz & Trudinger, 2009). Eventually, these mineral resources will be depleted and mining operations cease to operate, degenerating into “ghost” towns (Mudd, 2010:98) hence an outcry from concerned communities to conserve its natural resources. For that reason, mines are under pressure to demonstrate their ability to operate sustainably by converting finite natural resources in a way that addresses the expectations of stakeholders other than the negative impacts it causes through social disruptions and environmental damage (Reichardt, 2010: 7). The means to address and manage these and other sustainability-related issues have made mining operational decisions more complex. Therefore, mining companies need to equip themselves with skilled people that will be able to understand and conform to applicable complex and regulatory requirements (Moyle, 2010: 7). However, according to Healy, Mavromaras and Sloane (2012:13) and Watson (2012: 45) large companies in agriculture, construction and mining industries are most likely to report skills shortages with complex and multifaceted issues while businesses in the wholesale and retail industry are less likely to report multiple skill shortages. This is based on an unjustified notion that because mining has questionable social and environmental impacts and is technologically obsolete it has become difficult to attract and retain appropriate talent (Peek, Fenard, Gantes, & Thelier, 2008: 24).

Although extensive research has explored interactions between highly skilled employees and sustainability (Bedi, 2010:1; Lins & Horwitz, 2007:3 and Raza, 2012:6) and that the measurement and reporting of sustainability requires highly trained and skilled employees (Byars & Rue, 2008:92; David, 2005:139 and
Kaplan, 2011:19), limited research has investigated the impact of skill shortages on sustainability in the gold mining industry. The continuing decrease in gold production and significant increase in the overall costs (PricewaterhouseCoopers, 2013: 14) express the need for research that extends beyond the interaction, measuring and reporting of sustainability. Sustainability also requires fundamental research in many technical areas that offer integrated thinking of economic, environmental and social issues across the mining value chain (Cawood, 2011: 469). Henceforth, the need to understand the impact of skill shortages on the sustainability of the gold mines in South Africa is warranted. As a result of these and other challenges many production and cost reduction initiatives fall short of their desired target of being sustainable (Marais, 2010:3) and the availability of critical skills needed to drive these programmes is often lacking (Loynes, 2009:3). Henceforth, there was a need to understand the mediating effect of skill shortages on sustainability of the gold mines.

The first part of the paper covers the problem statement, objectives and hypotheses of the study, literature review and research methodology. Thereafter, the results and conclusions drawn from the study are discussed. Finally, the managerial implications, recommendations and limitations of the study are outlined.

**PROBLEM STATEMENT**

As the mining industry matures, it faces a series of economic, financial and operational choices while still have to account to environmental and social challenges. South Africa’s mining industry’s position as the largest gold producer in the world was lost to China in 2007 (Leon & Wentzel, 2010:1 and Swiss Business Hub South Africa, 2009). According to Williams (2013), South Africa is currently ranked first in terms of reserves and fifth in the world in terms of production, after China, Australia, USA and Russia. In order for the industry to survive and remain viable, increasing the life of assets and efficient utilisation of production factors are explored and implemented to ensure long-term economic sustainability (Booyens, 2013 and Norman, 2010: ii). However, such an approach would require diligence and prudence not only from management and professionals but from sufficient and competent artisans, technicians and engineers. The latter occupational categories are where the mining industry is currently experiencing most of its skill shortages (Kolver, 2012).

Mining by its very nature requires that land, air and water systems be disturbed and end-up becoming pollutants (Singh, 2007:1). Lins and Horwitz (2007:11) concurred that when mining organisations create new mines, they strip the land of all plant life, destroying animal habitats and threatening the region’s biodiversity. It is not clear whether the solutions found by the mining industry to mine water seepage, land rehabilitation, ecosystem impacts and many other issues are sustainable (Reichardt, 2010:9). A mine also has a variety of built-in environmental, health and safety hazards owing to chemicals, biological agents, physical factors, adverse ergonomic conditions, allergens, a complex network of safety risks, and many psychosocial factors (Azapagic, 2004:639; Oldfield & Mostert, 2007:68 and Senge, 2007). As a result, the mining industry has been subject to increasing public scrutiny and pressure to address the issue of sustainability as a result of its dependency on maintaining a social license to operate. The social license to operate is maintained through good community relations and being good stewards of the resources impacted by the mining operation (Ernst & Young’s Global Mining, 2010:15 and PricewaterhouseCoopers, 2005). Health and safety regulations and the technical nature of mining operations require professionals such as engineers, technicians and artisans (Norman, 2010: ii) and certain competencies as a prerequisite to being able to work in certain positions at the mines (Badenhorst, 2011). These categories of employees are able to understand factors which can influence mine sustainability (Madsen, Miller & John, 2005:1). However, there are concerns about the future sustainability of the mining industry that relies on certificated appointees, engineers, technicians and trades people as they are highly mobile due to transferability of their skills between specific industries and economies (Landelahni Business Leaders, 2010:2).

Against this background, it is evident that skill shortages are problematic as it seriously undermines sustainable mining in South Africa. The following research question will thus be addressed in this paper: *What is the impact of perceptions regarding skill shortages on the sustainability of South African gold mines?*

**RESEARCH OBJECTIVES AND HYPOTHESES**

The primary objective of this paper was to investigate perceptions regarding skill shortages and its impact on the sustainability of South African gold mines. To help achieve this primary objective, the following secondary goals were identified:

- To provide a brief theoretical overview of skills shortages and sustainability;
- To empirically test the perceptions regarding skills shortages in gold mines and its impact on sustainability;
- To provide practical guidelines regarding skills shortages and its impact on mining sustainability.
The following null-hypotheses were formulated and tested in this study:

H01: There is no relationship between perceptions regarding skills shortages and the working environment in gold mines.
H02: There is no relationship between the perceptions regarding skills shortages and employment conditions in gold mines.
H03: There is no relationship between the perceptions regarding skills shortages and the availability of resources in gold mines.
H04: There is no relationship between perceptions regarding skills shortages and training and development in gold mines.
H05: There is no relationship between perceptions regarding skills shortages and sustainability in gold mines.

LITERATURE REVIEW

Skill shortages

A skills shortage can be defined as a situation in which employers are unable to fill vacancies in a specific occupation or specialisation due to an insufficient number of employees with the required qualifications and experience (Rasool & Botha, 2011:4; Ruiz, 2004:104 and Trendle, 2008:9). Skills shortages are by nature an employer perception construct and require a holistic understanding of the problem in the context of workplace sustainable development initiatives (Tan, Savchenko, Gimpelson, Kapelyushnikov & Lukyanova, 2007:13–18). It is essential that managers, leaders, and organisations develop professionals that understand factors which may influence sustainability and always ensure employees are motivated and prepared for change (Madsen et al. 2005:1).

Sustainability

Sustainability in mining is derived from building long-term value amongst all stakeholders to meet short-term profitable targets and protect its social license to operate (Lins & Horwitz, 2007:3). Sustainability in gold mining depends on maximising efficiency and effectiveness while protecting the environment, building social equity and increasing long-term financial growth (Raza, 2012:6). The 1987 Brundtland Report defined sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs (Drexhage & Murphy, 2010:2). Since mining organisations are only temporary users of the land, they have a responsibility to look after the land so others can use it in the future once mining has finished (BHP Billiton, 2011). Therefore, it must operate in such a way that its business interests and the interests of the environment and society intersect (Quinn & Baltes, 2007:4). The following assumptions could be made:

Skill shortage is a key limitation to economic growth in South Africa (Bhorat, Van der Westhuizen & Goga, 2007, Centre for Development and Enterprise, 2007 and Rasool & Botha, 2011:2); Inadequate skills development is holding back many organisations from fully delivering on their environmental mandates (Bulgarelli, Lettmayr & Kreiml, 2009:13); and Government, the private sector, civil society and relevant international development partners should work together to provide vocational training, retraining and professional development within the context of lifelong learning geared to filling skills shortages in sectors essential to sustainable development (Gallopín, 2003:7).

These three pillars of sustainability cannot be developed in isolation since they are strongly interdependent (Elliott, 2006: 11). Economic growth can provide the additional financial resources for improving the quality of the environment and reinforcing social cohesion. Social policy underpins economic performance and helps citizens to take up their responsibility. Environmental policy contributes to preserving the natural resource base of the economy and to enhanced quality of life (European Commission 2003).

Hypothetical model of the study

Some research studies have uncovered several factors that contribute to skill shortages (Canterford, 2006:9; Department of Water and Environmental Affairs, 2009: 68; Johnston and Bernstein, 2007:25; Mok, Mason, Stevens & Timmins, 2012: 20 and Rasool & Botha, 2011: 6-9). Based on the analysis of these literature studies of skill shortages, four variables that could influence skill shortages were identified, as depicted in Figure 1.
Figure 1: Hypothetical model of perceptions regarding skill shortages in gold mines and its impact on sustainability

Organisational influences
- Working environment
- Employment conditions
- Availability of resources
- Training and development

Perceptions regarding skills shortages
H0₁-H0₄

Sustainability
- Economic
- Environmental
- Social
H0₅

**Working environment**: Working environment refers to the collective view of people in the organisation about the characteristics of the environment in which a person is expected to work and these characteristics are useful in differentiating organisations according to their procedures and practices (Hoskin, Baird & Stanley 2000:45). Awases, Gbary, Nyoni, and Chatora (2004:54) stated that the working environment has been singled out, along with remuneration, as one of the major de-motivators and are often the reason why skilled people leave their occupation. This view was verified by a report by the Canadian Health Services Research Foundation (2001:1-4) which identified work pressures and safety as some of the issues affecting the mining environment. Construct items used to test the working environment included: physical aspects, health and safety issues and occupational fatalities.

**Employment conditions**: Terms and conditions of employment refer those matters that define the essential aspects of the contract of employment or employment relationship (Eurofound 2010). Employment conditions in the mining industry vary by occupation. Most underground jobs are physically demanding as they comprise tasks involving strength, mobility and muscular endurance. (Heine 2008:26). According to Chew and Chan (2008:5) and Willis (2000:20), remuneration and recognition are the most critical issues in terms of attracting and retaining talent. Construct items used to test employment conditions included: retirement, recruitment, contracts, rewards, fringe benefits and placements.

**Resources**: Ethiraj, Kale, Krishnan and Singh (2005:27) refer to resources as all assets, capabilities, institutional processes, institutional attributes, information, knowledge and institutional reputation used to achieve organisational goals. Mine health and safety legislation and regulations set very strict competency requirements for certain positions and without people with the necessary competencies mining operations cannot be sustainable. According to Peek, et al. (2008:11), the low-level of skills development in sub-Saharan Africa is no doubt the principal cause for the lack of skilled employees and some governments in these regions do not allocate adequate funds for skills and infrastructure development. Construct items used to test resources in this study included: funds/cost of hiring, educational qualifications, labour, competency levels and infrastructure.

**Training and development**: Erasmus, Loedolff, Mda and Nel (2011:2) state that training and development create circumstances where an employee can acquire and apply the skills, knowledge and attitudes that prepare a person for life and to perform specific tasks in a particular job. Rasool and Botha (2011:2) argue that the vocational education and training system of the country has been labelled as the main contributor to the national skills crisis and difficulties in supplying the skilled workers needed by the South African mining industry. According to Taylor (2008:17), the lack of relevant and responsive education and training opportunities can result in a mismatch between supply and demand and hence contribute to skills shortages. Quintini (2011:28) reported that there is some evidence that developing existing employees with work-related training could alleviate the skills mismatch and improve individual employee and organisational capabilities. Construct items used to test training and development included: technical and engineering skills training, experience, literacy levels and training institutions.

**Mediation**: Mediation is a hypothesized causal chain in which an independent variable affects an intervening variable that, in turn, affects the dependent variable (Rubin & Babie, 2010: 169). The intervening variable, skill shortages, is the mediator. It mediates the relationship between organisational influences and sustainability (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002:83). According to Iacobucci, Saldanha & Deng (2007: 140), an intervening variable is an indicative measure of the impact of independent variables.
on the dependent variable. These steps are required for several regression analyses to examine and test the statistical significance of the coefficients of these variables (MacKinnon, Fairchild & Fritz 2007: 593).

RESEARCH METHODOLOGY
Research paradigm
A quantitative research study was conducted. It is a form of conclusive research which involves a large representative sample and structured data collection procedures were used. The quantitative research approaches used, were exploratory research and descriptive research (describe perceptions regarding skill shortages and its impact on sustainability in gold mines).

Population
The study was conducted in the Free State, Gauteng and North West Provinces, where the three largest gold mines in South Africa are situated. The population for this study was identified as all managers at these three gold mines.

Sampling
The sampling frame was restricted to management levels (lower, middle, top and professionals) at these three mines. A non-probability sampling technique, namely purposive and convenience sampling was applied to select the 343 participants for this study.

Data collection
Data was collected using both secondary and primary sources. Secondary data was collected by viewing existing literature sources such as textbooks, journals and the Internet. Primary data was collected by means of a survey using self-administered questionnaires. A total of 343 questionnaires were administered and 300 were usable and subjected to further statistical analyses. The effective response rate of this survey was thus 87%.

Questionnaire design
A self-administered structured questionnaire was designed for this survey. The questionnaire consists of four sections:

Section A covers factors influencing skills shortages in gold mines, using a seven-point Likert-type ordinal scale.

Section B was designed to obtain information of general perceptions regarding skills shortages in the mining industry, using a seven-point Likert-type ordinal scale.

Section C concentrated on the perceptions regarding skills shortages and its impact on sustainability in gold mines, using a seven-point Likert-type ordinal scale.

Section D covered the biographical information of the respondents, using a nominal scale.

Pilot study
A pilot study was conducted among 30 managers from the designated population to determine any problem areas and suggestions for improving the measuring instrument.

Data analysis
The questionnaires received were checked for omissions, legibility and consistency and then transferred to an Excel spread sheet and analysed using the STATISTICA computer programme. Data was analysed by means of descriptive statistics, exploratory factor analysis, reliability testing, correlations and regression analysis.

RESULTS
Demographic profile of respondents
Table 1 provides a demographical profile of the respondents of this study.
Table 1: Demographical representation of respondents

<table>
<thead>
<tr>
<th>Demographics (n = 300)</th>
<th>Range</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>21-30</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>94</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>104</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>56</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>60+</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Gender</td>
<td>Female</td>
<td>38</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>262</td>
<td>87</td>
</tr>
<tr>
<td>Ethnic classification</td>
<td>African</td>
<td>211</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>73</td>
<td>24</td>
</tr>
<tr>
<td>Highest qualification</td>
<td>Grade 11 and lower</td>
<td>38</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Grade 12</td>
<td>129</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Diploma/ National cert.</td>
<td>88</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Bachelor’s degree</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Post graduate degree</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Levels of management</td>
<td>Lower</td>
<td>204</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Middle</td>
<td>61</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Professionals</td>
<td>33</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 1 indicates that 13% of respondents are females and 87% males with the majority (66%) in the age category of 31-50. Seventy one per cent of respondents were Africans and 24% of white origin. It appears that the majority of the respondents (43%) had a grade 12 qualification and 29% a diploma or national certificate. Sixty eight per cent of the respondents were supervisors (first-level management).

Descriptive statistics and exploratory factor analysis

Table 2 summarised the scores for each of the six factors on the seven-point Likert-type ordinal scale and indicate that the mean values tend to cluster around point five (agree somewhat) for all the variables, except for training and development (point six referring to agree) and resources (point 4 referring to neutral). It however appears that for most of the variables the responses tend to vary somewhat around the mean scores (standard deviation scores higher that one).

The six research factors were subjected to an exploratory factor analysis. According to Vinayan, Jayashree and Marthandan (2012:36), a cut-off point of 0.5 is recommended and in general the cut-off line of three items loading per factor were used as the threshold to ensure practical significance for further analysis and to confirm convergent validity (Johari, Yahya & Omar, 2011:140). Table 2 also indicates the exploratory factor loadings of the various factors tested in this study.
Table 2 indicates all those construct items whose value loadings were greater than 0.5 and considered significant. In terms of sustainability, respondents believed that it is very important for the mining company to engage the trust of communities, governments and investors and to minimise their operation on the environment and embracing risk management policies and programmes. This would ensure the company remains profitable and sustainable in the long-run. Therefore, all variables shown in Table 2 have practical significance for further analysis (correlation and regression).

**Reliability and validity of the measuring instrument**

The statistical software package, STATISTICA (version 10), was used to determine Cronbach’s alpha values for the factors that would be tested in this study. The Cronbach’s alpha values provides an indication of the correlation that exists amongst the items tested on a seven-point scale and its value ranges from 0 to 1 (Webb, Shavelson, & Haertel, 2006:1). Values that are close to one indicate high reliability of the scale, while values close to zero happen by chance and indicate low reliability of the scale and negative values indicate agreement less than chance (Viera & Garrett, 2005:361). Table 3 shows the Cronbach’s alpha values for the factors tested in this study.

<table>
<thead>
<tr>
<th>Measuring instrument</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working environment (WE)</td>
<td>0.82</td>
</tr>
<tr>
<td>Employment conditions (EC)</td>
<td>0.89</td>
</tr>
<tr>
<td>Resources (RE)</td>
<td>0.86</td>
</tr>
<tr>
<td>Training and development (ET)</td>
<td>0.82</td>
</tr>
<tr>
<td>Skills shortages (SS)</td>
<td>0.71</td>
</tr>
<tr>
<td>Sustainability (SU)</td>
<td>0.76</td>
</tr>
</tbody>
</table>

To confirm the internal reliability of the six factors the reliability coefficients of Cronbach’s alpha for the various factors are all above the required 0.7 cut-off point. It can therefore be concluded that all factors are internally reliable. Face and content validity were assured by means of expert judgement and a pilot study was conducted. When assessing construct validity for this study, it was necessary to look for evidence of convergent and discriminant validity.

**Correlations analysis**

This section presents a test of relationship between the independent, mediating (perceptions regarding skills shortages) and dependent (sustainability) variables. Variables that were not associated with at least some of the other variables would not contribute to the analysis. Those are variables that were identified as having low correlations of less than a threshold value of 0.5 and were eliminated from further analysis. The correlation matrix in Table 4 illustrates how strongly the six variables were related to each other.

<table>
<thead>
<tr>
<th></th>
<th>WE</th>
<th>Std dev</th>
<th>WE</th>
<th>EC</th>
<th>RE</th>
<th>ET</th>
<th>SS</th>
<th>SU</th>
</tr>
</thead>
<tbody>
<tr>
<td>WE</td>
<td>4.662</td>
<td>1.089</td>
<td>1.000</td>
<td>0.734</td>
<td>0.738</td>
<td>0.757</td>
<td>0.622</td>
<td>0.581</td>
</tr>
<tr>
<td>EC</td>
<td>4.869</td>
<td>1.135</td>
<td>1.000</td>
<td>0.792</td>
<td>0.686</td>
<td>0.534</td>
<td>0.581</td>
<td></td>
</tr>
<tr>
<td>RE</td>
<td>4.470</td>
<td>1.144</td>
<td>1.000</td>
<td>0.796</td>
<td>0.617</td>
<td>0.679</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ET</td>
<td>4.972</td>
<td>0.997</td>
<td>1.000</td>
<td>0.646</td>
<td>0.658</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SS</td>
<td>4.567</td>
<td>1.296</td>
<td>1.000</td>
<td>0.542</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SU</td>
<td>4.798</td>
<td>1.117</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.000</td>
</tr>
</tbody>
</table>

In Table 4, these correlation coefficients indicate that all variables were highly correlated (above 0.05), thus also indicating convergent validity. For instance, WE is positively correlated to SS with a coefficient of 0.622 while SS is positively correlated to SU with a coefficient of 0.542.
Regression analysis
The rationale behind using regression analysis was to assess the predictive ability of the independent variables on continuous dependent variables, in order to determine the mediating effect of perceptions regarding skills shortages on sustainability. Table 5 indicates the regression analysis results of the influence of working environment, employment conditions, resources and training and development on skills shortages in gold mines.

Table 5: Regression analysis: Organisational influences on perceptions regarding skill shortages

<table>
<thead>
<tr>
<th>Organisational influences</th>
<th>Regression summary for dependent variable: Perceptions regarding skills shortages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parameter</td>
</tr>
<tr>
<td>Working environment (WE)</td>
<td>0.311</td>
</tr>
<tr>
<td>Employment conditions (EC)</td>
<td>-0.034</td>
</tr>
<tr>
<td>Resources (RE)</td>
<td>0.228</td>
</tr>
<tr>
<td>Training and development (ET)</td>
<td>0.399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R</th>
<th>R^2</th>
<th>F</th>
<th>Std Error of P estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>69%</td>
<td>0.4703</td>
<td>65.484</td>
<td>0.9497 &lt;0 .00000</td>
</tr>
</tbody>
</table>

* = p < 0.05  
** = p < 0.01  
*** = p < 0.001

Table 5 shows that the R^2 of 0.470 indicates that 47% of the variability in the model is explained by the variables WE, RE and ET. This means that ‘working environment’ (b = 0.311, p < 0.001), ‘resources’ (b = 0.228 p < 0.017), and ‘training and development’ (b = 0.399 p < 0.001) have a positive relationship with the perceptions regarding skills shortages in gold mines. Table 5 also indicates that all independent variables are able to predict skills shortages, except ‘employment conditions’ that was classified as statistically insignificant. This view is based on the reason that when all other variables command positive values, it scored some negative values (b = -0.033 and t = -0.397), so it is not commendable to let it pass on to the next stage of analysis, hence, this variable was withdrawn for further analysis. The reason might be that in South Africa, employment conditions at gold mines are determined at the Gold Mining Bargaining Council forum and governed by the Basic Conditions of Employment Act, 2002, while at operational level is determined unilaterally by management in terms of individual contracts (Bhorat, et al. 2007:5).

Table 6: Regression analysis: The influence of perceptions regarding skills shortages on sustainability

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Regression summary for dependent variable (SU): Perceptions regarding skills shortages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parameter</td>
</tr>
<tr>
<td>Sustainability(SU)</td>
<td>0.466</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R</th>
<th>R^2</th>
<th>F</th>
<th>Std Error of P estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>0.3933</td>
<td>123.70</td>
<td>.94087 p&lt;0 .00000</td>
</tr>
</tbody>
</table>

* = p < 0.05  
** = p < 0.01  
*** = p < 0.001

Table 6 shows that the R^2 of 0.393 indicates that 39% of the variability in the model is explained by the variable SU. This means that perceptions regarding skills shortages have a positive relationship with ‘sustainability’ (b = 0.466, p < 0.001) in gold mines. The dependent variables have a strong impact on skills shortages, ‘sustainability’ with a high t-value (t = 11.121) as indicated in Table 6.

Figure 2 depicts the path coefficients of organisational influences on perceptions regarding skill shortages and in turn on sustainability in gold mines.
CONCLUSIONS

This study aimed to shed light on various factors that may influence perceptions regarding skill shortages and investigated its impact on sustainability in South African gold mines. From the preceding discussion of the research results, it has been tested that there are certain factors that influence skills shortage and that may in turn have an impact on the sustainability of the gold mines. The findings are less clear with respect to the influence of employment conditions as it has a positive relationship but not significantly related to skills shortages. The reason might be attributed to that at operational level, employment conditions of skilled workers are determined unilaterally by management, in terms of individual contracts.

Mining has often been associated with positive economic benefits; however, it may also create some major problems for the environment and human health. Consequently, the economic globalisation and various state institutions have made it vital for mining companies to fulfil their social responsibilities, communicate with stakeholders, and strike a balance between economic growth and environmental protection. In order for this to be achieved, sufficient and competent technical skills, in the form of artisans, technicians and engineers are required. The mine has a responsibility to provide sustainable socio-economic development of mining communities in which it is situated by minimising the impacts of mining practices on biodiversity. Mines in particular, are the main contributors to the many environmental problems that the community is facing and therefore need to play a critical role in addressing such issues. Availability of a highly skilled professional workforce is critical to South African mines’ ability to meet its longer term economic, social and environmental objectives.

The following conclusions could be drawn from the hypotheses testing:

**Hypothesis one (H0₁)** explored the respondents’ views of whether there is a relationship between management perceptions regarding the working environment and skills shortages in gold mines in relation to safety, health, occupational fatalities and physical surroundings. The descriptive statistics in Table 2 indicates M = 4.66 and SD = 1.089, a high score that suggest a slight agreement that working environment does influence skills shortages. In addition, a statistically significant positive relationship was reported between the perceptions regarding the working environment and skills shortages in gold mines (p < 0.001) as shown in Table 5. This means that the working environment positively influences skills shortages (correlation coefficient of 0.622) as displayed in Table 4. Therefore, H0₁ is rejected. The alternative hypothesis is thus accepted.

**Hypothesis two (H0₂)** was formulated to investigate the respondents’ views of whether there is a relationship between perceptions regarding employment conditions in gold mines and skills shortages in relation to retirement, recruitment or head-hunting, contracts, rewards, fringe benefits and placements. The descriptive statistics in Table 2 indicates M = 4.87 and SD = 1.134, a high score that suggest a slight...
agreement that employment conditions does influence skills shortage. However, the relationships with employment conditions were positive but not significantly related to skills shortages ($p > 0.691$) despite the correlation coefficient of 0.534, as shown in Table 4 and 5 respectively. This means that the employment conditions were unrelated to skills shortages. Therefore, $H_0$ is thus accepted.

**Hypothesis three ($H_0$)** examined the respondents’ views of whether there is a relationship between perceptions regarding the availability of resources and skills shortages in gold mines in terms of funds or costs to hire, educational qualification, labour, competency level and infrastructure or accessibility to technology. The descriptive statistics in Table 2 indicates $M = 4.47$ and $SD = 1.144$, a high score that suggest a neutral response that availability of resources does influence skills shortages. In addition, a statistically significant positive relationship between the availability of resources and skills shortages ($p < 0.017$) with correlation coefficient of 0.677, was reported in Table 4 and 5 respectively. Therefore, $H_0$ is rejected and the alternative hypothesis thus accepted.

**Hypothesis four ($H_0$)** scrutinised the respondents’ views of whether there is a relationship between perceptions regarding training and development and skills shortages in gold mines relative to technical or engineering skills, experience, training institutions, literacy levels and on- and off-the job training. The descriptive statistics in Table 2 indicates $M = 5.97$ and $SD = 0.997$, a high score that suggest an agreement that training and development do influence skills shortages. In addition, a statistically significant positive relationship was reported between the perceptions regarding training and development and skills shortages ($p < 0.001$) in Table 5. This means that training and development influence skills shortages in gold mines with correlation coefficient of 0.646, as shown in Table 4. Thus, $H_0$ is rejected and the alternative hypothesis is accepted.

**Hypothesis $H_0$** was formulated to explore the respondents’ views of whether management perceptions of skills shortages relate to the ability to enhance financial growth, protect the environment and develop corporate social responsibility in gold mining areas (sustainability). The descriptive statistics in Table 2 indicates $M = 4.79$ and $SD = 1.117$, a high score that suggest a slight agreement that skills shortages does have an impact on sustainability. In addition, a statistically significant positive relationship was reported between the skills shortages and sustainability of gold mines ($p < 0.001$) in Table 6. This means that perception regarding skills shortages does influence the sustainability of gold mines with a correlation coefficient of 0.542, as shown in Table 4. Thus, $H_0$ is rejected and the alternative hypothesis is thus accepted.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Emphasis should be put on balancing economic benefits with social and environmental needs without compromising future generations in the process of using these natural resources. Balancing benefits with needs of stakeholders require a pool of competent people who will be able to fill scarce skills positions and adapt well to the setup of mining operations. This will be achieved through the integration of sustainability literacy into the learning programmes of higher education and presented as desired learning outcomes.

*Environmental sustainability* must be approached in a manner that is specific and work-related to the mining sector operational needs and environmental incidents such as slime dams collapsing, cyanide or other chemicals spillage and water, air or ground water pollution. It must be ensured that there are strategies to mitigate and adapt to the potential effects of climate change by adhering to the guidelines of quality (ISO 9001) and environmental management (ISO 14001). Also, it must be ensured that risk-management policies and programmes are in place to ensure the occupational hazards and incidents caused by its activities are minimised in order to improve health and safety conditions in the gold mines. The technical nature of mining requires skilled and competent people, such as professionals, engineers, technicians and artisans, are appointed in certain positions, who are able to identify and understand factors which can enhance mining sustainability.

Mining organisations must fulfil a culture of social responsibility towards its employees and the community in which it is situated. Therefore, a balance needs to be struck between cost optimisation and social responsibility such as building houses, schools, hospitals and sports facilities for its employees as well as social investment programmes, in the form of sponsorships and bursaries for skills development for the community. The mining industry has to acknowledge the role of women employment in reducing poverty and raising the standard of living in the community in which the mine is located, for the sake of sustainability. The employment of women and the generation of skilled labour in that community will encourage them to invest in other ventures that will yield long-term income, after mines have cease to operate. Therefore, the sustainable socio-economic development will build long-term value amongst all stakeholders and protect its social license to operate. The most important contribution of this study is that it provides insight into the relationship between perceptions regarding skills shortage and sustainability and provides information on how gold mines can contribute effectively to a sustainable mining framework.
LIMITATIONS
The following limitations of the study must be noted:
The influence of the independent variables on skills shortages was tested by means of a cross-sectional study, while true results may have been obtained through a longitudinal study and testing of reversal causal effects.
The focus of the study was on the South African gold mining sector but only the top three gold producers were investigated.
Due to time and costs constraint, a convenient sample was selected which might have influenced the representativeness of the population.
The following extract seems appropriate to conclude this paper with:
“… traditionally been assumed that mining contributes to economic development of countries that possess rich mineral deposits. Despite this intuitive appeal of mining in economic development, the positive relationship between mineral extraction and economic development is now questioned … to ensure that mining contributes as much as possible to economic development and the reduction of poverty, and how to minimise its negative socio-economic and environmental effects. Despite the economic benefits, the negative aspects of mining include limited wage-employment opportunities from the current skill-intensive mining operations; loss of farmlands from surface mining; resistance from the mining communities, as well as occasional clashes between them and the mining companies over environmental issues…” (Yankson 2010:354).

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TRAVEL MOTIVES OF TOURISTS TO SELECTED BEACHES IN THE COASTAL TOWN OF MARGATE, SOUTH AFRICA

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P. van der Merwe  
North-West University  
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North-West University

ABSTRACT
The aim of this article is to determine the push and pull motives of beach visitors to six South African beaches in the Margate area. The survey was conducted from 28 March to 8 April 2013 over the Easter weekend. A self-administered questionnaire was distributed and 572 usable questionnaires were collected. The profile of beach visitors was determined to be female, married with an average age of 39 years and originating from Gauteng. Furthermore the factor analysis yielded three factors, familiarity, family relaxation and escape and beach characteristics. These factors yielded two push motives, escape and relaxation (which ranked as most important) and familiarity as well as two pull motives, beach attributes (which ranked as most important) and cognisance. It was found that familiarity was the most important motive for beach visitors to visit a beach. The contribution of this research will aid in knowing and understanding what attracts visitors to beaches in order to increase visitor numbers and therefore beach popularity. This was also the first time that push and pull motives were determined for beach visitors in South Africa.

Key words: wildlife tourism, travel motives; marine tourism; coastal tourism

INTRODUCTION
What motivates a person to take a beach holiday at a specific time and at a specific destination? Is there a specific need they wish to have fulfilled? These are some of the questions asked by researchers since the dawn of research regarding beach tourism. In an attempt to answer these questions, an understanding of the motivations of beach tourists is needed. It also forms the baseline for ‘getting to know the beach tourism market’ and being able to differentiate between beach visitors and other market segments within the tourism industry (Fluker & Turner, 2000:381).

According to Phillips and House (2009:176) beaches (which forms part of marine tourism) are considered as one of the largest attractions within the tourism industry (Asafu-Adjaye & Tapsuwan, 2008:1122). Eagles and McCool (2002:211) state that beach tourism growth rate exceeded that of any other form of tourism. The overall tourism growth in this market is due to the fact that people are directed to the seashore to enjoy nature, for escape and for relaxation (Zacarias, Williams & Newton, 2011:1075). Beach tourism is defined as the area of unconsolidated land that extends landward from the low water line to the place where there is a change in the physiographic form or where permanent vegetation starts and where people are enjoying nature, escaping routine lifestyles and relaxing (Zacharias et al., 2011:1075).

In the case of South Africa where visitors have the opportunity to choose between a variety of beaches situated along a 2798 km coast line (Map 1) (SouthAfrica.com, 2013). One such destination is Margate, situated in the heart of the Hibiscus coast in KwaZulu-Natal. Margate attracts thousands of tourists to the area (Van der Merwe, Slabbert & Saayman, 2011:458). Well-known for the natural beauty of the area, Margate is one of the foremost choices local tourists to visit (Van der Merwe et al., 2011:458; SouthAfrica.net, 2014). Stretching for one km, the beach is especially busy over the Easter holiday (28 March 2013 to 4 April 2013) and provides family activities including scuba diving, snorkelling, surfing and swimming (SouthAfrica.net, 2014).

Yoon and Uysal (2005:45) state that marine tourism is becoming more saturated. Binns and Nel (2002:240) support this notion and indicated that this saturation can be due to the fact that tourism activities in a country needs constant development for the industry to remain economically viable. One possible manner in which tourism development can be sustainable is the constant marketing to both new and current markets (Binns & Nel, 2002:240). It therefore becomes important for destinations such as Margate to conduct thorough market research on marine tourism, specifically beach tourism, in order to successfully improve their market share of marine tourists. Marketing initiatives of beach destinations will be effectively improved by the knowledge
gained from the motive of the market (Pike, 2004:108). This will also allow for effective application of marketing plans and strategies, ensuring long-term growth (Saayman, 2006:65).

Map 1: South African coastline

![South African coastline map](source)

Source: SouthAfrica.com, 2013

Brown (2005:481) defines travel motives as a set of attributes that, when aggregated together, describes a place as a travel destination. Furthermore, Park and Yoon (2009:100) describe motives as a set of needs that causes a person to take part in tourist activities. Travel motives can be classified into two groupings, namely push motives and pull motives. These travel motives indicate that people travel to destinations because they are pushed or pulled by certain aspects, such as personal reasons or destination attributes (Park & Yoon, 2009:100).

Despite the importance of beaches for South African tourism, very little is known about tourists visiting South African beaches (Nahman & Rigby, 2008; Saayman, Slabbert & Van der Merwe, 2009; Van der Merwe et al., 2011; Tiedt, 2011) and what influence their behaviour and travel motives (Slabbert & Viviers, 2012:68). Therefore it becomes important to have an adequate understanding of the travel motives which push tourists to visit a destination and those travel motives which pull them towards a destination (Slabbert & Viviers, 2012:68).

The aim of this article is to determine the travel motives of tourists to selected beaches in Margate, South Africa with specific reference to push and pull motives. In order to achieve this, factor analyses will be conducted to determine the main motives of beach visitors as well as tourists push and pull motives. The article will take the following structure: firstly a literature review based on previous similar studies, followed by the methodology, results, findings and implications and finally concluding remarks.

**LITERATURE REVIEW**

Very little is known about the factors which have an influence on the behaviour of visitors to beaches (Asafu-Adjaye & Tapsuwan, 2008:1122). It is further important to understand tourists’ behaviour leading up to certain decisions being made (Bennet, Jooste & Strydom, 2005:100), seeing as tourists’ attitudes and responses towards certain products or services have a significant impact (March & Woodside, 2005:1). Tourist behaviour can be described as the behaviour shown by tourists in selecting, purchasing, using, evaluating and disposing of tourism products and services that they expect will satisfy their needs (Schiffman & Kanuk, 2004:8). Tourist behaviour consists of various factors: (1) internal influences (perception, learning, motivation, attitudes, personality), (2) External influences (culture, subculture, reference groups and family), (3) Situational factors (physical surroundings, social surroundings, temporal perspective, task definition and antecedent); (4) Demographic factors (age, education, income, household, race and marital status) and (5) Marketing mix factors (product, price, place and promotion) (Kinnear, Bernhardt & Krentler, 1995).

According to Kollmus and Agyeman (2010:249) of all the factors just mentioned, motives is one of the strongest internal stimulus on which behaviour is primarily based, therefore the motives of a tourist indirectly guides his/her behaviour. One definition of motives which have been used most often is that of Deci and
Ryan (2000). Deci and Ryan (2000:227) state that motives are activation, drive and/or reason to engage in certain behavioural traits and to maintain that specific form of behaviour. According to Mill and Morrison (1985) motives are important benefactors in the process of travelling, either for pleasure or business.

Various models and theories have been developed explaining travel motives. These are Maslow’s Motivation Theory (1943), which is probably the most known, Crompton’s socio-psychological motives (1979) as well as the theory of push and pull factors by Dann (1977). The theory of push and pull was used for this research due to the fact that a review of literature regarding push and pull motives of tourists indicate that these aspects (push and pull) are the forces driving the decision-making behaviour of tourists, and therefore plays a fundamental role in the identification of needs and forms the essence of market segmentation (Smith, Costello & Muenchen, 2010:19). These theories will be discussed accordingly.

Maslow’s Theory consists out of the stages of needs which form the basis for human beings. This theory is defined as a pyramidal ranking of human needs, from basic psychological needs, safety, love and belonging, esteem and self-actualisation. The theory is based upon five stages, each of which a person must fulfil first before he/she can fulfil the next stage of needs. These five stages are psychological needs (food, water and shelter), safety and security (freedom from fear and anxiety), love and belonging (affection from others and the ability to show love), self-esteem (evaluation of one self) and self-actualisation (development of one’s potential) (Saayman, 2006:35). According to Brown (2009:481) this is a well-adapted theory in tourism research which proves that tourists are capable of recognising certain needs in a way that allows them to pursue it at the same time.

Crompton (1979) researched the vacation and pleasure motives of tourists and indicated that the possibility to identify specific guidelines to serve in directing tourists in choices regarding destinations amongst all available alternatives (Saayman, 2006:25). Crompton identified nine cultural-socio-psychological motives which are applicable to the decision of destinations as well. These motives include escape from a routine and familiar environment, exploration and self-evaluation, relaxation and/or recreation, prestige, regression, family togetherness and enhancement of relationships, facilitating social interaction, novelty and education. It is important to note that the first seven factors can be classified as socio-psychological factors whereas novelty and education is classified as alternate cultural factors (Venkatesh, 2006:97).

Yoon and Uysal (2005:46) suggest that these motives describe how tourists are pushed by certain motivational variables to travel and how they are pulled to a certain destination based on attractions and attributes. In other words, push motives relates to a tourist’s desire, while pull motives associates with destination attributes (Mohammad & Som, 2010:42). An easy way of stating the difference between push and pull factors is push factors induce people to travel, whereas pull factors influence the decision about which destination to visit (Kay, 2003).

The theory of push and pull has been developed through research which distinguished two forces associated with the travel behaviour of tourists (Kim, Oh & Jogaratnam, 2007:74). Yoon and Uysal (2005:46) state that the concept of push and pull “involves the theory that people travel because they are pushed and pulled to do so by ‘forces’”. Push motives which influence visitors to engage in activities to satisfy their needs involve aspects such as escaping, relaxation, status, novelty, regression, prestige, facilitation of social interaction, enhancement of family ties, discovery and self-evaluation (Saayman, 2006:24), adrenaline or excitement seeking (Loker & Perdue, 1992), self-enhancement (Fodness, 1994), safety and comfort (Oh, Uysal & Weaver, 1995), exploring new/different cultures (Lee, Lee & Wicks, 2004), education (Basal & Eislet, 2004), health and fitness (Swanson & Horridge, 2006), facilities, events and cost (Jang & Wu, 2006) and nature and the environment (Molera & Albaladejo, 2007).

Pull motives are those which are inspired by the attractiveness of a destination, such as beaches, recreational facilities, cultural attractions, entertainment, natural landscapes, shopping opportunities and natural parks (Yoon & Uysal, 2005:47). Pull factors are described as external motivators including tangible resources, such as beaches, recreational activities and cultural attractions, as well as the expectations and perceptions of tourists (Swanson & Horridge, 2006:672). Kim et al. (2003:171) clearly state that that pull factors involve attractions or attributes (for example climate and cleanliness of water) of destinations. Brown (2009:482) states that pull motives are associated with the destination’s attributes. According to Yoon and Uysal (2005:46) pull motives are connected to external, situational or cognitive aspects. Whereas push motives have been described as inducing an individual to travel, Kay (2003) describes pull factors as being the influence on the decision regarding which destination to travel to.

Researchers suggest that push and pull factors should not be viewed as independent constructs but rather as being fundamentally related (Klenosky, 2002). For example, tourists are pushed to travel but
simultaneously will be pulled towards a specific destination. Tourists deciding to travel will take into consideration the “pull factors” of the destination and whether it corresponds with their “push” motives (Dann, 1981:91).

This force which “pushes” a tourist away from routine (home or work) creates a desire to get away from the everyday life and be somewhere else, without specifying where that may be (Bansal & Eislet, 2004:388). According to Kozak (2001) push factors models the intangible, intrinsic desires of a tourist to go on holiday. Push factors are also described as the socio-psychological needs that encourage a tourist to travel (Fluker & Turner, 2000:381). Gnoth (1997) indicate that push factors are internally generated drive forces which causes the tourist to search for signs in objects, situations and events containing the promise of reducing prevalent drives. It is a socio-psychological motivation which affects a tourist’s decision to travel. Chon (1989) also suggests that push factors include cognitive processes and travel motives including socialisation, novelty-seeking, adventure-seeking, fulfilling a dream and the need to escape. Iso-Ahola (1982) on the other hand suggests that examples of push factors can include seeking or escaping.

Several studies in the field of tourism have made use of the push and pull framework to examine the travel motives of tourists to specific destinations or activities (Klenosky, 2002:385; Kim, Lee & Klenosky, 2003:169; Yoon and Uysal, 2005:47; Kim, Lee & Jogaratnum, 2006:346; Smith et al., 2010:19; Prayag & Ryan, 2011:121). As seen above, there is a lack in research regarding push and pull motives of visitors, the following studies were used as they have some relation to marine and beach tourism.

A study conducted by Yoon and Uysal (2005) on the travel motives of tourists to northern Cyprus (an island in the Mediterranean Sea which offers warm sandy beaches, therefore regarded as a marine destination) was based solely on Cyprus as a vacation destination. Yoon and Uysal (2005:49) measured the push and pull motives of visitors and thereby determined the destination loyalty. They identified eight push motives, namely excitement, knowledge/education, relaxation, achievement, family togetherness, escape, safety/fun and being away from the mundane. These motives proved that marketers should consider the practical implications which can raise the overall level of satisfaction and increase destination loyalty (Yoon & Uysal, 2005:54). Along with the eight push motives Yoon and Uysal (2005:54) found nine pull motives. The pull motives they identified include a modern atmosphere and activities, wide space and activities, small size and reliable weather, natural scenery, different culture, cleanliness and shopping, night life and local cuisine, interesting town and village and water activities These pull motives, along with the push motives identified in the same study contributed to an increase in destination loyalty of Northern Cyprus amongst international visitors.

Kozak (2002) researched the travel motives of tourists visiting Mallorca in Spain (which is an Island and include some form of beach tourism) and identified two push motives, culture and relaxation, as well as two pull motives namely the physical environment and pleasure seeking/fantasy. Kozak (2002) found these motives to be of importance to both groups of travellers. In a South African, Kruger and Saayman (2010:98) identified the push motives of tourists to Tsitsikamma National Park, a marine park on the Indian Ocean and south coast, to be escape and relaxation. The pull factors found by Kruger and Saayman (2010:98) include having a nature experience, photography and park attributes. This was the only study in this regard (marine tourism), conducted in South Africa. Turnbull and Uysal (1995) further identified six pull factors among visitors from Germany to the Caribbean, namely heritage/culture, city territories, comfort and relaxation, beach resorts, outdoor resources and rural and inexpensive accommodation.

While only a few studies have been conducted on the push and pull motives of tourists to beach or marine destinations, it is clear that the most important push motives for tourists to marine or beach destinations are seeking escape, relaxation and having fun, while the most important pull motives include the physical environment and destination attributes.

It is important to remember that the discoveries surrounding the push and pull motivational factors of tourists play a valuable role in the attempt to understand the variety of different needs and wants that drive and have an influence on tourist behaviour (Yoon & Uysal, 2005:47). The research conducted on the relationship between push and pull motives has significantly impacted the tourism marketing industry (Kim, Borges & Chon, 2006:347), for example emphasis has been placed on how people are motivated to travel and thereby more effective marketing plans and initiatives have been produced for specific markets (Kim et al., 2003; Yoon & Uysal, 2005; Kim et al., 2006:347; Swanson & Horridge, 2006). From the just mentioned it is evident that limited research exist regarding pull and push motives of beach tourists (Brown, 2005; Asafu-Adjaye & Tapsuwan, 2008; Phillips & House, 2009; Zacarias et al., 2011).
In the case of South Africa only few studies have been conducted in context beach tourism or for that matter marine tourism, let alone identifying the push and pull motives of this market. Nahman and Rigby (2008) determined the economic value of Blue Flag beaches thereby identifying the contingent behaviour of tourists to these beaches. Van der Merwe et al. (2011) identified the travel motives of beach visitors to five popular beach destinations, namely Hartenbos, Jeffrey’s Bay, Margate, Amanzimtoti and Plettenberg Bay. Tiedt (2011) determined the travel motivations of tourists to the oldest Marine National Park in South Africa namely Tsitsikamma National Park. Saayman et al. (2009), on the other hand, identified the travel motivations of beach tourists to Hartenbos and Jeffrey’s Bay.

Each of these studies were conducted in a South African setting but none have focussed on identifying the push and pull motives of beach tourists specifically. Therefore the problem that this research will address is to determine the travel push and pull motives of beach tourists to selected beaches in Margate.

**RESEARCH OBJECTIVES**
The objective of this research is to determine the travel motives of tourists to selected beaches in Margate, South Africa with specific reference to push and pull motives of tourists.

**RESEARCH METHODOLOGY**
To identify the push and pull motives of visitors to beaches, a survey was conducted at six beaches in Margate KwaZulu-Natal, South Africa, over a seven day period from 28 March to 8 April 2013. The reason for selecting these beaches specifically is that they are a popular tourist attraction during the time of year (Nahman & Rigby, 2008:721). They are also located within close proximity of each other, making the results more reliable (Nahman & Rigby, 2008:721). Table 1 is a summation of the beaches surveyed for this research. The method of research used was systematic sampling, where every second individual/group of people on the beach was asked to complete a structured, self-administered questionnaire. The fieldworkers explained the nature of the research to participants and collected the completed questionnaire after a period of time.

Table 1: Summation of beaches included in this research

<table>
<thead>
<tr>
<th>BEACH</th>
<th>NUMBER OF QUESTIONNAIRES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lucien Beach</td>
<td>99</td>
</tr>
<tr>
<td>2. Ramsgate Beach</td>
<td>95</td>
</tr>
<tr>
<td>3. Marina Beach</td>
<td>96</td>
</tr>
<tr>
<td>4. Uvongo Beach</td>
<td>92</td>
</tr>
<tr>
<td>5. St. Michaels On Sea</td>
<td>95</td>
</tr>
<tr>
<td>6. Margate Main Beach</td>
<td>95</td>
</tr>
</tbody>
</table>

The questionnaire was adopted based on previously used questionnaires for determining visitor profiles and travel motives of beach visitors (Saayman et al., 2009; Van der Merwe et al., 2011; Tiedt, 2011). The questionnaire consists of demographic details, decision-making aspects and travel motives. For the purpose of this research, only the demographic details and travel motives were used. Respondents were asked to indicate to what extent the constructs are of importance to them when visiting a beach according to a six-point Likert scale. The data was captured with Microsoft™Excel™ and analysed using The Statistical Package for Social Sciences, version 17 (SPSS, 2013).

Principal Axis Factoring analyses with Oblimin and Kaiser Normalisation were then performed to obtain the motives of beach visitors to six South African beaches. Furthermore, the push and pull factors of visitors to these beaches were determined by means of Principal Axis factoring analyses with Oblimin and Kaiser normalisation. The total variance explained of the factor analysis for the travel motives is 56%.

**RESULTS**
The results of this research are three-fold. Firstly, the profile of the visitors was determined by means of the demographic details obtained from the data. Secondly, the motives of visitors to all six beaches were identified. Thirdly, the push and pull motives were established.

**Profile of beach visitors**
Table 2 is a summary of the profile of beach visitors to six South African beaches. The largest percentage of respondents were female (62%) with an average age of 39 years. They are mostly married (69%) and live in Gauteng (53%), followed by North West or KwaZulu-Natal (12%). They have a diploma or degree from a tertiary institute (41%) and visit beaches between one and three times per year. Visitors stay mostly an
average of 8 nights in the area of the beach. There are between four and six people in a travelling group and the average number of people paid for is four.

### Table 2: Demographic profile of beach visitors

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>BEACH VISITORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Female (62%), Male (38%)</td>
</tr>
<tr>
<td>Age</td>
<td>Average age of 39 years</td>
</tr>
<tr>
<td>Marital status</td>
<td>Married (69%), followed by single (13%)</td>
</tr>
<tr>
<td>Province of residence</td>
<td>Gauteng (53%), followed by North West/KwaZulu-Natal (12%)</td>
</tr>
<tr>
<td>Level of education</td>
<td>Diploma/Degree (41%), followed by Grade 12 (28%)</td>
</tr>
<tr>
<td>Type of visitor</td>
<td>Overnight visitors (75%), followed by Day Visitors (16%)</td>
</tr>
<tr>
<td>Nr of beach visits annually</td>
<td>1 – 3 times a year</td>
</tr>
<tr>
<td>Size of travelling group</td>
<td>Between 4 and 6 people</td>
</tr>
<tr>
<td>Nr of people paying for</td>
<td>Average of 4 people</td>
</tr>
<tr>
<td>Nights spent in the area</td>
<td>Average of 8 nights</td>
</tr>
</tbody>
</table>

Source: Author’s own compilation

### Travel motives of beach visitors

Fodness (1994) identified that empirical research regarding the travel motives of tourists is an important area when determining the behaviour of tourists. Furthermore, Kozak (2001) states that empirical examination of travel motives is important as this will aid in the identification of attributes that will be promoted and to identify markets in which tourist motivations and destination attributes and resources are to be matched.

The factor analysis was conducted using Principal Axis Factoring with Oblimin Kaiser Rotation. Three factors were identified. Cronbach’s Alpha determines the validity of each construct with the underlying factor while the mean value indicates the importance of each factor in relation to the other factors (Salkind, 2007:114:156). These factors accounted for 58.67% of the total variance explained. A Cronbach’s Alpha of 0.5 is rated as moderate to high reliability (Maree, 2007:216) which indicates that the factors in Table 3 all have a high reliability. A score below 0.5 is regarded as low (Maree, 2007:216). Mean values are used to determine the average score for each of the factors. Mean values give an indication of the importance of the factor in relation to the other factors (Salkind, 2007:156). A six point Likert scale was used, where 1=not at all important, 2= less important, 3=important, 4=very important, 5=extremely important and 6=not applicable.

### Table 3: Travel motives of beach visitors

<table>
<thead>
<tr>
<th>CONSTRUCTS</th>
<th>FACTORS</th>
<th>1: Familiarity</th>
<th>2: Family relaxation and escape</th>
<th>3: Beach Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRONBACH’S ALPHA</td>
<td></td>
<td>0.802</td>
<td>0.772</td>
<td>0.720</td>
</tr>
<tr>
<td>MEAN VALUE</td>
<td></td>
<td>4.15</td>
<td>3.06</td>
<td>4.00</td>
</tr>
<tr>
<td>I grew up with this beach</td>
<td></td>
<td>0.760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I know many people here</td>
<td></td>
<td>0.700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This beach is well-known</td>
<td></td>
<td>0.613</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For a specific event held here</td>
<td></td>
<td>0.549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have a holiday home/timeshare here</td>
<td></td>
<td>0.488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This beach is child friendly and safe</td>
<td></td>
<td>0.474</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To relax</td>
<td></td>
<td></td>
<td>0.743</td>
<td></td>
</tr>
<tr>
<td>To get away from my routine</td>
<td></td>
<td></td>
<td>0.625</td>
<td></td>
</tr>
<tr>
<td>For family recreation</td>
<td></td>
<td></td>
<td>0.620</td>
<td></td>
</tr>
<tr>
<td>For the climate/weather</td>
<td></td>
<td></td>
<td>0.601</td>
<td></td>
</tr>
<tr>
<td>Great accommodation and facilities in the area</td>
<td></td>
<td></td>
<td>0.490</td>
<td></td>
</tr>
<tr>
<td>To explore a new beach</td>
<td></td>
<td></td>
<td></td>
<td>0.689</td>
</tr>
<tr>
<td>Attractive people at this beach</td>
<td></td>
<td></td>
<td></td>
<td>0.630</td>
</tr>
<tr>
<td>Enough activities</td>
<td></td>
<td></td>
<td></td>
<td>0.507</td>
</tr>
<tr>
<td>For great waves</td>
<td></td>
<td></td>
<td></td>
<td>0.365</td>
</tr>
<tr>
<td>To spend time with friends and family</td>
<td></td>
<td></td>
<td></td>
<td>0.359</td>
</tr>
</tbody>
</table>

The three factors identified include Family relaxation and escape, Familiarity and Beach characteristics. These factors are a summation of the most important reasons for beach visitors to the selected beaches. **Factor 1: Familiarity:** This factor is made up of I grew up with this beach, I know many people here, this beach is well known, for a specific event held here, I have a holiday home/time share in the area and this
beach is child friendly and safe. The Cronbach’s Alpha for this factor is 0.802, which is highly acceptable, and the mean value is 4.15, which rates this factor as the most important factor for beach visitors. Previous research studies have not determined familiarity as a factor for beach visitors, thus making this factor unique to this research.

**Factor 2: Family relaxation and escape**: This factor encompasses the reasons for families visiting beaches to relax and escape their busy everyday routines. It consists of the following constructs: to relax, to get away from my routine, for family recreation, for the climate/weather and for great accommodation and facilities in the area. This factor scores a Cronbach’s Alpha of 0.772 and a mean value of 3.06, making it the third most important factor. Yoon and Uysal (2005) found family togetherness to be one of the important reasons why tourists visit beaches in northern Cyprus. In a South African context, Kruger and Saayman (2010) found relaxation and escape to be important for beach visitors at the Tsitsikamma Marine National Park.

**Factor 3: Beach characteristics**: Beach characteristics consist of the following constructs: to explore a new beach, for the attractive people at this beach, enough activities, for the great waves, and to spend time with friends. The mean value for this factor is 4.00 and the Cronbach’s Alpha is 0.720, making this factor the second most important factor for beach visitors. Kozak (2002) found that the physical environment is of importance to visitors to Mallorca, Spain.

Beach visitors go to beaches for various reasons and the most important reason for South African beach visitors is to visit a beach with which they are familiar and have visited before, making the results unique in relation to previous literature on beach tourism.

**Push and pull motives of beach visitors**

To identify the push and pull motives, separate Principal Axis Factoring analyses were conducted from the existing data set using Oblimin Rotation with Kaiser Normalization. Mean values and Cronbach’s Alphas were used to identify the reliability of these factors.

**Push motives of beach visitors**: The seven push factor items yielded two factors. These factors were labelled escape and relaxation (Factor 1) and familiarity (Factor 2). Factor 1, escape and relaxation, consists of aspects such as to relax, to get away from my routine, for family recreation, for the climate/weather and to explore a new beach. Factor 1 was identified as the most important push factor for beach visitors, with a mean value of 4.00 and a Cronbach’s Alpha of 0.698, making this an acceptable score. The second factor, familiarity, includes I grew up with this beach and I know many people here. It scored a mean value of 2.45 and a Cronbach’s Alpha of 0.757, which is highly acceptable. These factors accounted for 56.87% of the total variance explained. Kozak (2002) found relaxation to be of importance to visitors in Spain and Turkey, suggesting that tourists value beaches with relaxing atmospheres during summer vacations. In a South African context, Kruger and Saayman (2010) also identified escape and relaxation as an important push motive to the Tsitsikamma Marine National Park.

**Table 4: Push motives of beach visitors**

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Escape and Relaxation</th>
<th>Familiarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.698</td>
<td>0.757</td>
</tr>
<tr>
<td>Mean values</td>
<td>4.00</td>
<td>2.45</td>
</tr>
<tr>
<td>To relax</td>
<td>0.724</td>
<td></td>
</tr>
<tr>
<td>To get away from my routine</td>
<td>0.696</td>
<td></td>
</tr>
<tr>
<td>For family recreation</td>
<td>0.580</td>
<td></td>
</tr>
<tr>
<td>For the climate/weather</td>
<td>0.524</td>
<td></td>
</tr>
<tr>
<td>To explore a new beach</td>
<td>0.222</td>
<td></td>
</tr>
<tr>
<td>I grew up with this beach</td>
<td></td>
<td>0.792</td>
</tr>
<tr>
<td>I know many people here</td>
<td></td>
<td>0.777</td>
</tr>
</tbody>
</table>

**Pull motives of beach visitors**: Nine pull factor aspects were used in a similar factor analysis as for the push motives, which resulted in two pull motives. These motives were labelled beach attributes (Factor 1) and cognizance (Factor 2). Beach attributes consists of the following aspects: for great waves, enough activities, attractive people at this beach, for great accommodation and facilities in the area, to spend time with friends, this beach is well known and this beach is child friendly and safe. This factor scored a mean value of 3.37 and a Cronbach’s Alpha of 0.775, making it the most important pull factor of beach visitors and an acceptable score. The second factor is labelled cognizance and consists of the factors for a specific event held here and I have a holiday home/timeshare in the area. This factor scored a mean value of 2.59 and a Cronbach’s Alpha of 0.752, making this also a highly acceptable score. These factors accounted for 52.58%
of the total variance explained. Kim, Crompton and Botha (2000) revealed the physical environment of a destination to be a pull motive for tourists.

Table 5: Pull motives of beach visitors

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Cronbach's Alpha</th>
<th>Cognisance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beach Attributes</td>
<td>0.775</td>
<td>0.752</td>
</tr>
<tr>
<td>Mean values</td>
<td>3.37</td>
<td>2.59</td>
</tr>
<tr>
<td>For great waves</td>
<td>0.750</td>
<td></td>
</tr>
<tr>
<td>Enough activities</td>
<td>0.699</td>
<td></td>
</tr>
<tr>
<td>Attractive people at this beach</td>
<td>0.694</td>
<td></td>
</tr>
<tr>
<td>For great accommodation and facilities in the area</td>
<td>0.476</td>
<td></td>
</tr>
<tr>
<td>To spend time with friends</td>
<td>0.455</td>
<td></td>
</tr>
<tr>
<td>This beach is well known</td>
<td>0.394</td>
<td></td>
</tr>
<tr>
<td>This beach is child-friendly and safe</td>
<td>0.337</td>
<td></td>
</tr>
<tr>
<td>For a specific event held here</td>
<td></td>
<td>0.780</td>
</tr>
<tr>
<td>I have a holiday/home/timeshare in the area</td>
<td></td>
<td>0.731</td>
</tr>
</tbody>
</table>

CONCLUSIONS

The aim of this article was to determine the push and pull travel motives of visitor to selected beaches at Margate. In doing so, valuable knowledge was ascertained with regards to the literature of marine and beach tourism.

Three travel motives were identified from the factor analysis, familiarity, family relaxation and escape and beach characteristics. Of these factors, the most important travel motive for beach visitors to Margate and surroundings was identified as familiarity. This means that beach visitors will travel to beaches that they have visited previously and know well. Along with the travel motives two push and two pull motives were also identified. The push motives are escape and relaxation and familiarity, of which escape and relaxation was identified as the most important push motive of beach visitors. The pull motives were identified as beach characteristics and cognizance. From these motives beach characteristic proved to be the most important pull motive for beach visitors.

Beach tourism is a very important market in the tourism industry and is well worth our attention and focus. It is important for beach managers to stay competitive within the industry. To ensure that tourists keep flocking to South African beaches, it is important for beach managers to know why visitors visit these beaches and the most important reasons for their visits. Along South Africa's coastline a variety of beaches are situated. Thus to be the first choice for beach visitors, it is necessary for beach managers to engage in constant marketing. To ensure that beach visitors are satisfied with the quality and will return annually, beach managers need to ensure that visitors can relax as families and spend their holiday in a clean and familiar environment which provides a break from their busy lifestyles. Furthermore, activities should be provided that will not only entertain children but will aid in enhancing social relations between visitors. Thus, marketing efforts should be focused on creating a familiar environment with a family oriented outlook and promotional events, such as the aforementioned festival. This festival can be based on the beach and its history. Locals can celebrate their heritage while visitors enjoy a unique experience while having “fun in the sun”.

This study ensures useful information on the topic of beach tourism as this is an area of study still lacking research in South Africa. The beach tourism industry of South Africa can make use of this information to improve their offering and to stimulate product development so as to give beach visitors what they expect.

This research is significant because even though previous studies were conducted on beaches in South Africa, the profile and travel motives of beach visitors were not known, especially since this research proved slightly different from previous studies. Therefore, this research contributes to the literature of marine tourism by profiling beach tourists in a South African context. This research further contributes in identifying the push and pull motives of visitors to selected beaches, which is a first in South Africa. Given the limited amount of research available within a South African context, many research opportunities still exist that need to be addressed. For example, what is the value of beach tourism in South Africa? Further research on beach tourism in South Africa will not only improve and enhance our knowledge of beach tourists but will also aid in product development and the improvisation of the beach industry. Similar research can also be conducted at other beaches in South Africa to allow for comparative studies.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The results showed that beach tourism at Margate and surroundings is based on familiarity and what the beach has to offer its visitors (characteristics of the beach). Van der Merwe et al. (2011:465) identified personal attachment as a motive which consists of aspects such as growing up with a specific destination and owning a holiday home at the particular destination. The most important reason for beach visitors to these beaches is because they grew up with the beach as holiday destination and they have made valuable memories at the beach with friends and family and they have a holiday home in the area, therefore ensuring they are familiar with the surroundings. The friends made at the beach are a great influence on visitors to keep returning. These visitors will also keep returning to the beach because they feel comfortable and are well-known with the beach; they know the area by now and are comfortable with the surroundings. The managerial implications are that marketing activities should be aimed at creating an environment to which visitors can relate and with which they feel at home. In other words, create an atmosphere where beach visitors feel they can make life long memories with friends and family and they will keep returning. This would be similar to the City Lodge hotel group’s advertisements where “feel at home” is the main focus. A marketing slogan such as where you are known can be used in marketing and promotional activities.

The results revealed that the push motives are stronger than the pull motives (mean value of push motives is higher than that of pull motives). The push motives include escape and relaxation and familiarity. Escape and relaxation ranked highest. These are all intangible motives. Visitors want to break away as a family and relax away from their daily routines. This finding is also revealed in the factor analysis of travel motives (Table 3). People want to relax and strengthen the bonds between family members. It is clear that ‘relaxation’ is very important for beach tourism and adds significant value to the tourism value of this industry (Slabbert & Viviers, 2012:81). This finding correlates with that of Yoon and Uysal (2005:54), who state that family togetherness and relaxation is of importance to visitors to beaches in Northern Cyprus. Yoon and Uysal (2005:54) further state that motives such as these have practical implications which should be considered by marketers as this can aid in raising the level of satisfaction and destination loyalty. The managerial implications are that marketers should make use of relaxation as a prominent idea in marketing material, such as brochures and billboard advertisements. For example, make use of visual aids such as photos of the beach and people sunbathing. In other words, marketing material should push visitors to these beaches.

The result indicated that visitors are also pulled to these beaches for the beach attributes and cognizance, therefore tangible aspects are just as important intangible (push factors). Pulled factors include clean ocean, sand, litter free beaches, safety and clean facilities (bathrooms). Thus, what the beach looks like and what it offers is very important to visitors. It is very important for management to focus on the beach’s tangible aspects and to keep it up to standard. This will ensure that the destinations stay competitive. Beach managers need to identify the attributes of the beach and use that in their marketing activities. If the beach has good waves, good facilities or if the activities offered there are diverse, for example, the advertising message needs to address that. Making use of the resources in the area is a good way to stimulate product development as a way of gaining competitive advantage. Another noble way in which a tourism manager can improve a beach image is by hosting an event during peak season, such as a “Sun and Sand” festival, which will attract more visitors. Place emphasis on the uniqueness of the beach, whether it is the quality of the water or accommodation in the area, marketing activities should aim to attract visitors based on what the beach has to offer.

The results revealed that the largest percentage of respondents is from Gauteng. This is in line to previous studies conducted at marine destinations in South Africa. Van der Merwe, Slabbert and Saayman (2011:461) conducted a study on the travel motives of visitors to selected marine destinations, Hartenbos, Plettenberg Bay, Jeffrey's Bay, Margate and Amanzimtoti. They identified that most visitors are from Gauteng. The profile of beach visitors also shows that the average age of respondents is 39 years old. Van der Merwe et al. (2011:461) found the average age of visitors to the selected marine destinations to be 38 years of age, which also suggests that this research is in agreement with previous studies. It is thus important for marketers to target the Gauteng area with a corresponding average age. This market will typically be families with young children and teenagers. The managerial implication is that marketing material should be focused on advertising a family holiday. It is recommended that marketers should focus on attracting families to these beaches by developing holiday packages that include activities enjoyed by all members of the family, including children, teenagers, young adults and parents or older generations. The package compilation should include activities such as snorkelling trips, Jet Ski rides (if available), fishing trips and boat trips.
RECOMMENDATIONS

The first recommendation which can be made is that beach visitors travel to a beach because they are familiar with the beach and the surroundings. Municipalities need to address this in marketing efforts so as to increase the number of visitors. Make use of a slogan such as your home away from home in marketing efforts.

Secondly, Escape and relaxation is the main push motive of beach visitors. They want to get away from everyday life and relax. Family holiday packages should be compiled that include activities for all members of the family, including toddlers, teenagers, young adults (students), parents and older generations. Include activities such as deep sea fishing and shore fishing, snorkelling trips, scuba diving opportunities, Jet Ski rides and boat trips in the package.

Lastly the attributes of the beach are of importance to visitors. They are attentive to the cleanliness of the beach and facilities, activities offered and the accommodation in the area. Managers and municipalities need to keep beaches and facilities in the area clean. This will help with increasing visitor numbers. This will also enhance the “pull” aspects of the beach which are motives for visitors visiting the beach.

After reaching these conclusions and making these recommendations concerning beach tourism in South Africa, it is clear that this is an area that is rich with research opportunities, seeing as research regarding marine and coastal tourism in South Africa is limited. Further research of this industry will aid South Africa in developing a new and fast growing market which will result in South African beaches competing on an international level. This will also aid in increasing South Africa’s global competitiveness as a whole. Further research of marine and coastal tourism will also aid in determining the value and contribution which beaches have on the tourism industry of South Africa and the economy.

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EXPLORING ONLINE CREDIT CARD PURCHASE INTENTIONS AMONG UNIVERSITY STUDENTS: A SOUTH AFRICAN PERSPECTIVE

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University of the Witwatersrand
R. Naidoo
University of Pretoria

ABSTRACT
The Theory of Reasoned Action (TRA) was adapted and integrated with theoretical and empirical findings on risk and trust mechanisms from marketing and online shopping research to explore the influence on student online credit card purchase intentions. Results from a preliminary survey that assessed the online credit card purchase intentions of 84 University students show that perceived risk has the greatest single influence on student online credit card purchase intentions. Modest direct relationships also exist between reputation, technology anxiety, trust and online credit card purchase intentions. Online shopping reputation was found to be mediated by perceived risk while customer orientation acted as a strong antecedent to trust and reputation. Male students were found to have significantly more positive intentions to make credit card purchases online when compared to female students. Implications of these findings for online retail firms contemplating targeting the student market in the South African context are discussed.

Key words: Online Credit Card Purchasing Intentions, Student Market, Perceived Risk, Trust.

INTRODUCTION
Despite the relative lack of credit card penetration in African markets, accounts of students’ online credit card purchase intentions are crucial to practitioners, as this market segment is potentially more lucrative, on the basis of their current and lifetime value and future revenue streams, when compared to most other customer segments. After all, many university students after graduation have a greater chance of obtaining employment in relatively secure and high paying jobs in Africa’s developing countries. However little is known about the student market segment’s attitudes towards the use of credit card for online shopping in Africa (Brown, Letsididi and Nazeer, 2009). One of the major barriers to online shopping among students in the African context may be the perception of poor security associated with payment methods (Miyazaki and Fernandez, 2001; Sallsbury, Pearson, Pearson and Miller 2001). More specifically the student market may be still wary about transmitting their credit card information over the Internet. While recent innovations in payment technologies and processes have improved the security and ease of making payments online, incidents of security breaches and the inadvertent exposure of customers’ credit card information may be seriously undermining consumer confidence (Smith 2004, Belanger, Hiller and Smith 2002). Hawk (2004) found that low credit card penetration and poor delivery systems are serious problems for business to consumer (B2C) in developing countries such as Russia, India and places in Latin America, generally. As a result, the extent and nature of the changes related to new ICTs and globalisation among developing nations are significantly different in terms of quality, magnitude, and intensity compared with related transformations taking place in the Western world. For instance, in countries like the US, it is estimated that 91% of graduate students have at least one credit card and 56% carry four or more cards (Warwick and Mansfield 2000; Joireman, Kees and Sprott, 2010). Credit cards have become particularly problematic for students and according to Mae (2005) the average college student in the US graduates with more than $2,800 in credit card debt and up to one-fifth carry a credit card debt of $10,000 or more. An increasing trend in the South African market is the efforts of credit card companies to encourage students to become customers through on-campus recruitment and other forms of promotion (Kornberger, Aires, Cant and Botham 2010). According to Student Village, a local youth marketing research specialist organisation and the Department of Marketing and Retail Management at UNISA (Kornberger et al., 2010), South African students enrolled at tertiary institutions spend R28 Billion annually. But Kornberger et al. (2010) found that only 25% of these students made an online purchase and just 9.6 percent of students had credit cards.

According to recent ‘net generation’ perspectives, this student generation in particular differs considerably from preceding generations by the encouraging manner in which they assimilate technology mediated instruments, in their day to day practices (Kennedy, Krause, Churchward, Judd and Gray 2006; Leung, 2004; Bakewell and Mitchell, 2003; Tapscott 1998, 1999). However, little is known about the suggested universality of the techno-optimism of the ‘net generation’, in emerging markets like South Africa where the digital divide is more oblique (Brown, 2002; Parasuraman, 2000). Even less is known about student attitudes towards Internet purchases by means of credit card transactions (Kara, Kaynak, and Kucukemiroglu, 1994). The ‘net generation’, referring to those individuals born between 1977 and 1994 is often described as a “technology
savvy" generation. According to the 2001 census (Statistics South Africa, 2001), 17.2 million (38%) of a total population of 44.8 million people, in South Africa, fall within this market segment, and by 2012 many of these individuals will be between the ages of 15 and 34. Arguably, key among this 'net generation' group are university students - a market segment that is crucial to monitor in terms of technology-related attitudes and behaviour. However information and communication technology (ICT) access remains a crucial problem for students in developing countries (Warschauer, 2004; Norris, 2001). It seems plausible that the digital divide challenge is being exacerbated further by utilization issues related to a number of socio-psychological factors (Barnard and Rensleigh, 2008; Brown, 2002). Apart from resolving the accessibility issues, it is therefore also important to understand the socio-psychological factors to bridge the digital divide between the information-haves and have-nots. In particular, understanding the factors influencing online credit card propensities is especially important when one considers that many students upon graduating will not have equal opportunities to access Web resources (Barnard and Rensleigh, 2008). It is also important to research how these individuals differ from the so-called developed countries so that marketing strategies, online shopping business models, web-site design, and product selection may target the needs and attitudes of these consumers, who are about to enter the workplace and participate in greater economic activity (Musa, 2006).

In light of these digital divide issues, this paper aims to develop a more holistic model for explaining student online credit card purchase intentions in a developing country context. It proposes to use five key constructs from the Marketing and Online Shopping to develop a model explaining online credit card purchase intentions. Drawing from recent research, this study examines the extent to which risk-reducing strategies such as perceived risk and technology anxiety and trust-building mechanisms such as customer orientation, consumer trust and reputation encourages students’ intentions to make purchases online using a credit card (Poddar, Donthu and Wei, 2009; Verhagen and van Dolen, 2009; Ranaweera, Bansal and McDougall, 2008). The paper also aims to examine the extent to which gender differences influences online credit card purchase intentions (Akhter, 2003; Venkatesh and Morris, 2000; Gefen and Straub, 1997). The next two sections adopt the TRA as the theoretical framework to expand on the five key factors explaining online credit card intentions and to state the study’s hypotheses.

LITERATURE REVIEW
Model Overview
One of the difficulties of researching the student market is observing the actual behaviour of students. Although actual online credit card purchase measures are more objective, they are sometimes more difficult to obtain and provide some ethical issues over the subject's privacy (Straub, Limayen and Karahanna-Evaristo, 1995). Fortunately, theoretical and empirical support exists for the strong correlation between intention to engage in behaviour and actual behaviour (Straub, Limayen and Karahanna-Evaristo, 1995). The Theory of Reasoned Action (TRA) represents intention as the most compelling and approximate predictor of actual behaviour (Bhattacharjee and Sanford 2009; Davis, 1989). Behavioural intentions can be defined as the likelihood of engaging in a particular behaviour and is regarded as the immediate predictor of actual behaviour (Ajzen, 1991; Fishbein and Ajzen, 1975). In other words based on their dominant beliefs, people form attitudes about a certain object as an intention on how to behave towards the object. Therefore TRA asserts that behavioural intention is a strong determinant of actual behaviour. TRA provides a strong conceptual basis for linking consumer beliefs about online shopping and their actual intentions (Bhattacharjee, 2001). A number of studies in information systems have also measured behavioural intentions instead of behaviour itself (Venkatesh and Davis, 2000; Brown, 2002; Järveläinen, 2007). The justification for this association also comes from cognitive dissonance theory which argues that individuals adjust their behaviour to relieve the psychological tension (cognitive dissonance) created by the discrepancies between intentions and behaviour (Oliver, 1980). This study aims to pay more attention to students’ pre-adoption behaviour, specifically their intentions to use a credit card payment mechanism to transact online. As such, 'online credit card purchase intentions' was chosen as a surrogate for actual credit card purchasing behaviour.

The proposed research model is based on TRA (See Figure 1). However Figure 1 differs from TRA as it has been transformed to explain intentions to use an e-payment device for online shopping and therefore adopts online credit card purchase intention as the best predictor of intention as opposed to broader intentions towards online shopping. Moreover constructs that are instrumental in achieving online credit card purchase intentions are argued to be more important than conventional usage intentions factors (Lee, 2009). While accessibility factors have been well researched, there is limited empirical work which simultaneously captures utilization success factors (positive factors such as customer orientation) and resistance factors (negative factors such as perceived risk) that influence students to adopt a credit card as a payment device for online shopping (Barnard and Rensleigh, 2008). The factors considered below may give practitioners an
increased understanding of students’ risk perceptions which can then be used to devise risk-reducing strategies and trust-building mechanisms to encourage online shopping adoption, especially when promoting the use of credit cards as an e-payment option.

**Figure 1: Student Online Credit Card Purchase Intentions Model**

**Perceived Risk**
Perceived risk, the most salient belief in Figure 1 shows that a student's perception about the potential risks of using a credit card online for making online purchases engenders a negative affect towards it. Empirical support for the relationship between perceived risk and online shopping in general has been provided by a number of studies (Liebermann and Stashevsky, 2002). Some researchers suggest that in the context of the Internet, a very high subjective estimate of the probability of a loss by the consumer, can lead to the consumer avoiding a purchase altogether (Cunningham, Gerlach and Harper, 2005). Technology such as the Internet can be grouped specifically into the category of technological risk – a fear of technological innovations (Liebermann and Stashevsky, 2002). Perceived risk is considered to be most important during the initial stages of the consumer buying process (Cunningham et al. 2005). Van der Heijden, Verhagen and Creemers (2003) found that perceived risk had a strongly negative relationship with attitudes towards online purchasing in general. Additionally, Jarvenpaa, Tractinsky and Vitale (2000) found that the lower the consumer's perceived risk for an online store, the more favourable their attitudes towards purchasing from that online store. However these studies have been limited to online shoppers and online shopping purchases in general (Chen and Feng, 2003). Very little is known about how perceived risk influences the student market segment and the use of a credit card as a payment instrument (Nelson, Lust and Story 2008). In developing countries, the relationship between perceived risk and credit card usage requires further inquiry. It follows that perceived risk attributes such as personal financial loss and the failure of products or services to meet user expectations intuitively apply to student decisions to use their credit card. Therefore this paper asserts that there is a negative association between student beliefs about the perceived risk of online shopping and their online credit card purchase intentions. Hence the first hypothesis states that:

**H1.** There is a negative association between students' beliefs about the perceived risk of online shopping and their online credit card purchase intentions.

**Online Shopping Reputation**
Casalo, Flavian and Guinaliu (2007a) view reputation as the result of the firm's relational history within the context in which it functions. Researchers have also shown that reputation is related to the individuals' familiarity with online stores (van der Heijden et al., 2003). The reputation of online shopping depends on the ability of online shopping stores to meet customer’s expectations on what they promise to deliver. If online shopping firms continually fail to deliver on their promises, they will lose their credibility. While credibility is
the belief in the online shopping firm’s current intention, reputation is a more enduring variable that is evaluated by the sum of all past behaviours of online firms (Herbig, Milewicz and Golden, 1994). Little research has been conducted into the effects of online shopping sites’ reputation on purchase intentions in general and online credit card purchase intentions, specifically (Nelson et al., 2008; Chu, Choi and Song 2005). Based on this discussion, it is expected that the healthier the students’ beliefs about the reputation of online shopping, the greater their credit card purchase intentions. Therefore, this research proposes a second hypothesis:

H2. There is a positive association between students’ beliefs about the reputation of online shopping and their online credit card purchase intentions.

The marketing and information systems literature is replete with studies demonstrating that a particular independent variable such as firm reputation explains variability in online shopping intentions (Casalo et al., 2007a; Casalo et al., 2007b). Of even greater interest to both researchers and practitioners is explaining how or by what means a potential causal effect occurs. Figure 1 depicts a simple mediation model and shows how reputation’s causal effect can be apportioned into its indirect effect on credit card purchase intentions through perceived risk and its direct effect on credit card purchase intentions. A number of authors provided a theoretical basis for perceived risk as a mediating variable by citing earlier research studies that provided theoretical and empirical evidence for an association between reputation and online purchases. Given these studies on reputation, it follows that the inclusion of the perceived risk construct as an intermediate processing stage between the evaluation of online stores and behavioural intentions should be explored. We should expect to see if reputation influences students’ perceived risk and how this associates with online credit card purchase intentions. Therefore, we test the role of perceived risk as a mediator that accounts for the relationship between the firm’s reputation and online credit card intentions. We hypothesize that, in many instances, students’ perspectives of perceived risk is important to the reputation of the firm. Thus, this study aims to test the hypothesis that students’ perceived risk mediates, and therefore helps explain, the relationship between reputation and online credit card use intentions. It follows that:

H3. Perceived risk is a mediator of online shopping reputation and students’ intentions to use their credit cards for online purchases.

Technology Anxiety
Meuter, Ostrom, Bitner and Roundtree (2003) state that technology anxiety (TA) describes a user’s mental state concerning their ability and willingness to use technology tools. Those users with higher levels of TA have been associated with lower usage of online shopping sites (Parasuraman, 2000). However the students in this study who are part of the ‘net generation’ are generally characterised as being comfortable with technology. Nevertheless, Meuter et al. (2003) found that despite the demographic characteristics such as age, gender, income and education - TA is the most significant predictor of the usage of online technologies. Therefore the third hypothesis proposes that since technology anxiety has a negative effect on online shopping in general, it should also have a direct negative effect on online credit card purchase intentions. Therefore the fourth hypothesis states that:

H4. There is a negative association between students’ anxiety about online shopping and their online credit card purchase intentions.

2.5 Trust
Trust has traditionally been seen as being composed of cognitive and behavioral components (Bhattacherjee, 2002; McKnight, Choudhury and Kacmar, 2002). Trust has commonly been defined as an action, a state of character or orientation, or a feeling of faith. However online shopping is different from traditional purchasing in that there is no physical interaction and there is payment by a credit card before the goods are delivered, resulting in a greater perception of uncertainty by consumers. Perceptions of specific trust indicators (such as professionalism and sensitivity) affect the consumer’s assessment of the trustworthiness of a Web site. Belanger, Hiller and Smith (2002) argue that consumers feel more trust during face-to-face interactions, and that more trust is required in an online shopping environment than in a brick-and-mortar store (van der Heijden et al., 2003). Marketers of online channels may be able to increase consumer perception of trustworthiness by making use of effective customer interfaces (Belanger et al., 2002). Trust is generally considered to be a major barrier to online transactions, since consumers need to provide their credit card and other personal information. A study conducted by Jarvenpaa et al. (2000) found that higher consumer trust in online stores lead to more favourable attitudes towards online purchasing. Similarly, this paper supports the notion that trust will have a direct influence on student online credit card purchase intentions and consequently the fifth hypothesis states that:
H5. There is a positive association between students’ trust beliefs about online shopping and their credit card purchase intentions.

**Customer Orientation**

In a brick-and-mortar setting, customer-oriented selling is an important marketing concept. Customer orientation refers to directing all of the firm’s activities toward customer satisfaction and the establishment of long-term, mutually beneficial relationships with the firms market (Saxe and Weitz, 1982). Customer-oriented selling describes the degree to which salespeople engage in behaviours that promote long-term customer satisfaction and avoid behaviours that forgo the customer’s interest, in order to increase the probability of making an immediate sale (Saxe and Weitz, 1982). The concept of customer-oriented selling should increase customer satisfaction (as products are aimed at meeting the needs of individual customers). This should result in better performance when salespersons are rewarded with repeat orders placed by satisfied customers (Poddar, Donthu, and Wei, 2009). Similarly, Poddar et al. (2009) argue that e-commerce sites are better able to tailor their offerings to individual customer needs than their brick-and-mortar counterparts. It can be argued that an online shopping environment may be better at executing customer orientation features. For instance, customer orders can be tailored and tracked, thus increasing customer satisfaction. Furthermore, web-sites that focus on gaining repeat sales and referrals should be more successful than those that only focus on attracting new customers. Online shopping sites also provide customers with more purchasing choices and some sites establish a cooperative relationship with their customers by allowing them to conduct product reviews and recommend items. Poddar et al. (2009) surveyed University students after they had browsed one of twenty-two possible shopping sites. Their study found that higher website customer orientation related positively to online purchase intentions. In the same way, this study hypothesises that there will be a similar relationship between attitudes and beliefs about the customer orientation of online shopping sites and student online credit card purchase intentions:

H6. There is a positive association between students’ customer orientation beliefs about online shopping and their credit card purchase intentions.

**Gender**

Powell and Ansic (1997) provide support for gender differences in risk behaviour in financial decision making in general. Recently, TRA and e-commerce studies have being paying more attention to the role of incorporating gender more explicitly into their model (Wahid 2007; Gefen and Straub, 1997; Venkatesh and Morris, 2000). Gefen and Straub (1997) found that gender effects influenced user perceptions about an e-mail system. More recently, Wahid (2007) found that technological factors had different influences on the adoption and use of the Internet between male and female users in a developing country context. It is not clear if there are differences between male and female students in their intentions to use a payment mechanism i.e. with respect to their intentions to use their credit cards to make online purchases. Following the previous studies mentioned above, this study asserts that:

H7. Gender differences will have a significant effect on credit card purchase intentions.

The next section describes the methodology used to empirically test the research model.

**RESEARCH METHODOLOGY**

Since the study is interested in the perspectives of students belonging to the so called ‘net generation’ and more specifically the student market, the sampling frame for this study was an ethnically diverse group of male and female students in a developing country context. Five scholars, as well as two practitioners experienced with managing online shopping firms were asked to pre-test the survey for content validity. A pilot study was conducted to ensure face validity of the online survey questionnaire. 11 students were asked to complete the survey and provide feedback. A few of the students from the pilot test indicated that they did not understand the word “benevolent” in the statement “I expect that online shopping sites intentions are benevolent”, this statement was then rephrased to say “I expect that online shopping sites are considerate towards their customers” (See Instrument in the Appendix). Non-random, convenience sampling was used to invite 876 first year students during the month of June 2009, from the University’s School of Economics and Business Sciences via e-mail to participate in the survey. A total of 99 responses were received amounting to a response rate of approximately 12%. 15 responses were disregarded after screening for incomplete information and univariate outliers. The final sample consisted of 84 usable responses. The sample characteristics are presented in Table 1.
Six constructs were measured in this study: online credit card purchase intentions, perceived risk, trust, technology anxiety, reputation, and customer orientation. Each of the constructs shown in Fig. 2 was measured with multiple items derived from prior literature on marketing, online shopping and Information systems and modified slightly to fit the specific context of online credit card purchases. The detail items measuring each of the study’s variables can be seen in the Appendix. The items measuring online credit card purchase intentions, perceived risk and trust were adapted from Chang and Chen (2008) while the items measuring technology anxiety were from Meuter et al. (2003). The items for customer orientation were derived from Poddar et al. (2009). The 3 perceived risk items measured the participant’s perception of the risk of financial loss and poor service delivery. The 5 items measuring trust attempted to capture the participant’s perceptions of the competency, benevolence, service, intentions and supplier consideration towards their customers. The 4 items used to measure technology anxiety covered the students’ confidence and apprehension relating to technology use, understanding technology, self-confidence and the ability to keep up with technological advances. The 3 items measuring reputation were concerned with the participant’s perceptions of the quality of goods and services offered by online shopping sites and their relationship with their customers. The 4 items measuring customer orientation were concerned with the perceptions of the features of online shopping sites and product relevance. To maintain overall consistency they were measured using five-point, Likert scales, ranging from “strongly disagree” to “strongly agree”. The next section presents the results.

RESULTS

Descriptive statistics and Cronbach alphas are depicted in Table 1. Alpha values which range from .60 to .87 were deemed to be acceptable for demonstrating reliability (Hair, Anderson, Tatham and Black, 1998). The main constructs means and standard deviations are also presented. Although customer orientation (mean=3.54, SD=.56) and trust (mean=3.43, SD=.86) had the highest performance scores respectively (mean=3.43, SD=.86), interestingly the sample mean for technology anxiety (mean=2.89, SD=.75), suggests that the sample is perhaps generally more apprehensive of technology than would be expected of the so-called ‘net generation’. The low sample mean (mean=2.80, SD=1.12) also indicates low interest in online credit card purchase intentions.

Table 1: Instrument reliabilities and validities

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of Items</th>
<th>Mean</th>
<th>SD</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Card Purchase Intentions</td>
<td>3</td>
<td>2.80</td>
<td>1.12</td>
<td>.866</td>
</tr>
<tr>
<td>Perceived Risk</td>
<td>2</td>
<td>3.06</td>
<td>.94</td>
<td>.735</td>
</tr>
<tr>
<td>Trust</td>
<td>2</td>
<td>3.43</td>
<td>.86</td>
<td>.752</td>
</tr>
<tr>
<td>Technology Anxiety</td>
<td>3</td>
<td>2.89</td>
<td>.75</td>
<td>.856</td>
</tr>
<tr>
<td>Reputation</td>
<td>3</td>
<td>3.02</td>
<td>.74</td>
<td>.856</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>4</td>
<td>3.54</td>
<td>.56</td>
<td>.728</td>
</tr>
</tbody>
</table>

Note: All loadings were greater than 0.60. 5-point scale: 1=Strongly Disagree, 5=Strongly Agree

Table 2 indicates that only 17% of all the participants indicated that they had used a credit card in an online context before. 21% of males had used a credit card online before compared to only 13% of female respondents. Surprisingly, nearly half of the sample (46%) indicated that they had no intention of using their credit cards online to make purchases in the future. Meanwhile, a majority of males (63%) while only 46% of females intended to use a credit card online in the future. The reported findings below are particularly relevant to younger and students with less online purchasing experiences from diverse ethnic groups.

Table 2: Characteristics of respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
<td>61.9</td>
</tr>
<tr>
<td>Male</td>
<td>32</td>
<td>38.1</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0</td>
</tr>
<tr>
<td>2. Used Credit Card online previously</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>14</td>
<td>16.7</td>
</tr>
<tr>
<td>No</td>
<td>70</td>
<td>83.3</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0</td>
</tr>
<tr>
<td>3. Intend to use Credit Card online in the future*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>45</td>
<td>53.6</td>
</tr>
<tr>
<td>No</td>
<td>39</td>
<td>46.4</td>
</tr>
<tr>
<td>Total</td>
<td>84</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: Nearly half of the respondents do not intend to use their credit cards online in the near future.
Prior to performing PCA the suitability of the data using exploratory factor analysis was assessed. The Kaiser-Meyer-Olkin value was .84 exceeding the recommended value of 0.60 and the Bartlett’s Test of Sphericity reached statistical significance (p =.000), supporting the factorability of the correlation matrix. Principal components analysis with varimax rotation was conducted for the 18 items representing the five independent variables of the study. Absolute values less than .4 were removed from the analysis. A technology anxiety item was removed as well as one item for customer orientation, two items for trust, and two items measuring perceived risk (See Table 3). Removal of some of the items suggests that students may differ from the general online shopper in the manner in which they evaluate these factors. Once this was done the factor loadings were found to be satisfactory, with all items loading on their expected factors with factor loadings greater than 0.6, and approximately less than 0.4 on other factors. As expected, PCA revealed the presence of five independent factors with eigen values exceeding 1. Since the intercorrelations among the scales did not exceed 0.70, the independence of the scales was considered adequate for this study (Hair et al., 1998).

Table 3: Factor Analysis

<table>
<thead>
<tr>
<th>Components</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>.656</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>.622</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R3</td>
<td>.694</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA2</td>
<td></td>
<td>.846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA3</td>
<td></td>
<td>.696</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA4</td>
<td></td>
<td>.603</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR4</td>
<td></td>
<td></td>
<td>.695</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR5</td>
<td></td>
<td></td>
<td>.863</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR1</td>
<td></td>
<td></td>
<td></td>
<td>-.729</td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.774</td>
</tr>
<tr>
<td>CO2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.674</td>
</tr>
<tr>
<td>CO3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.763</td>
</tr>
<tr>
<td>CO4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.776</td>
</tr>
</tbody>
</table>

Table 4 shows the correlation analysis results. Hypotheses 1, 2, 4, 5 and 6 were supported. There was a strong negative correlation between beliefs about perceived risk and credit card purchase intention (r= -.520, n=84, p < 0.01) and a strong positive correlation between the reputation construct’s relationship with online credit card purchase intentions (r= .442, n=84, p < 0.01). Trust was moderately and positively associated to online credit card purchase intentions (r= .263, p < 0.01). There was also minor support for the negative relationship that exists between students’ anxiety about technology and their online credit card purchase intentions (r= -.216, p=.048). Surprisingly the support for the direct relationship between customer orientation and purchase intentions was not statistically significant (r = .141, p = .20). Therefore, hypothesis 6 did not hold.

Table 4: Correlation Matrix and Descriptive Statistics for perceived risk, trust, technology anxiety, reputation, customer orientation towards online credit card purchase intentions

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Credit Card Purchase Intention</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Risk</td>
<td>-.569**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>.442**</td>
<td>-.520**</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>.263*</td>
<td>-.270*</td>
<td>.563**</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Anxiety</td>
<td>-.216*</td>
<td>.227**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.564**</td>
<td>.494**</td>
<td></td>
<td></td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>Mean</td>
<td>2.80</td>
<td>3.06</td>
<td>3.02</td>
<td>3.43</td>
<td>.289</td>
<td>3.54</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.12</td>
<td>.94</td>
<td>.74</td>
<td>.86</td>
<td>.75</td>
<td>.56</td>
</tr>
</tbody>
</table>

Note: N=84 Online Credit Card Purchase Intention is the dependant variable. (***) Correlation is significant at the 0.01 level; (*) Correlation is significant at the 0.05 level
Hypothesis 3 stated that perceived risk will also be mediated by reputation and online credit card purchase intention. To test for the mediator effect, multiple regression was first conducted with all the independent variables on online credit card purchase intentions. Only perceived risk was found to have a significant effect on purchase intentions. Perceived risk was then removed from the regression, and the multiple regression was conducted again. Reputation was then found to have a significant effect on purchase intentions. This provided evidence for the mediating effect of perceived risk on reputation.

Table 5: Multiple regression perceived risk, trust, technology anxiety, reputation, customer orientation on online credit card purchase intentions

<table>
<thead>
<tr>
<th>Y</th>
<th>Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Risk</td>
<td>-.439</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>0.68</td>
<td>.549</td>
</tr>
<tr>
<td>Technology Anxiety</td>
<td>-.76</td>
<td>.415</td>
</tr>
<tr>
<td>Reputation</td>
<td>0.233</td>
<td>.104</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>-.110</td>
<td>.337</td>
</tr>
</tbody>
</table>

Adj R^2 = .363

Note: Standardised beta coefficients are shown for the independent variables; *=p < 0.05

An independent-sample t-test was conducted to compare males and female students online credit card purchase intentions. A significant difference in the means was found between males (M=3.24, SD=1.18) and females (M=2.54, SD=1.00); t=2.89 p< 0.05. The results suggest that gender does have a significant effect on purchase intentions (Table 5). The mean scores suggest that females are less likely to use their credit cards to make online purchases. There was no significant difference between males and females on any of the other variables.

Multiple regression analysis was used to test if reputation, technology anxiety, trust and perceived risk significantly predicted online credit card purchase intentions. The analysis indicated that the independent variables explained 13% of the variation (R^2 = 0.36) in online credit card purchase intentions. Furthermore the 5 independent variables were evaluated jointly to determine their unique contribution to explaining online credit card purchase intentions. Standard multiple regression (Table 4) revealed that only perceived risk makes a strong unique contribution (Sig. less than .05, beta=-.439, after rounding) to predicting online credit card purchase intentions. As expected this analysis provides additional support for the argument that perceived risk leads to negative intentions to using credit cards online. More importantly, this study shows that perceived risk is also particularly relevant in the context of the student market segment.

Table 6: Gender specific effects on online credit card purchase intentions

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Male Students</th>
<th>Female Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.24</td>
<td>2.54</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.18</td>
<td>1.00</td>
</tr>
<tr>
<td>t value</td>
<td>-.289*</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Standardised beta coefficients are shown for the independent variables; *=p < .05

The final section discusses the study’s key findings and limitations and concludes with some suggestions for practitioners and future research efforts.

DISCUSSION

Jarvenpaa et al. (2000) found a strong relationship between perceived risk and the willingness to buy while Van der Heijden et al. (2003) also found that perceived risk had a negative relationship with attitudes towards online purchasing. The finding that a strong negative relationship also exists between perceived risk and online credit card purchase intentions is consistent with a number of similar studies that focuses on risk and overall purchase decisions. By focusing on a particular payment mechanism, this study isolates a payment technology and process, as a root cause that is undermining confidence among students to make online purchases. Although there was strong support that reputation influences online credit card intentions in a standalone analysis, no significant relationship could be found in the context of all the other variables. However, data analysis did support the assertion that perceived risk has a mediating effect on the reputation that students hold about online firms. This suggests that the higher an online store’s reputation, the lower the student’s perception of the risk involved in making purchases using a credit card.

The paper also asserted that lower technology anxiety would influence greater online credit card purchase intentions. While a moderate negative relationship was found between online credit card purchase intentions and technology anxiety, a joint analysis found no significant relationship between technology anxiety and
online credit card purchase intentions. Nevertheless, the sample mean for technology anxiety suggests that the sample is slightly anxious when dealing with technological concerns – arguably an attitude that would not be expected of the so-called ‘net generation’. While a study conducted at the University of Melbourne found that students were generally technology savvy (Kennedy et al., 2006), we now may have evidence that this is clearly not a universal experience, particularly in a predominantly emerging market context with its unique socio-political and historical context, particularly for transactions which exposes a student to a financial risk. Given accessibility issues associated with the digital divide, it is perhaps not surprising that the preliminary results from this sample suggest that ICT utilization are also being exacerbated by socio-psychological factors – at least for the purposes of online credit card purchases. This paper also asserted that greater student trust towards online retailers would lead to greater credit card purchase intentions. There was no noteworthy direct effect of trust on purchase intentions in the context of the variables such as perceived risk. This is consistent with the study conducted by Van der Heijden et al. (2003) which determined that trust did not have a direct effect on attitudes towards online shopping purchase intentions. However trust appears to have an important influence on reputation and therefore should not be dismissed as it remains an important factor.

The paper also proposed that customer orientation has a direct, positive effect on online credit card purchase intentions. Despite having the highest performance score, students’ perception of customer orientation did not appear to have a significant direct standalone relationship with online credit card purchase intentions. This is inconsistent with the results of the study conducted by Poddar et al. (2009), which surveyed university students across the United States. However the Poddar et al. (2009) study involved asking the students to browse one of 22 sites and then complete a survey in the absence of perceived risk, while this study attempted to determine students’ perceptions of the customer orientation of online shopping sites in conjunction with other factors. Interestingly, in this study customer orientation was found to act as a potential antecedent that may be strongly influencing trust and reputation beliefs about online shopping. Next, the results of data analysis found that females are significantly less likely to purchase online using a credit card than males. The result that males seem to be inclined to purchase more online may be due to males using the internet more frequently, or that there is a perception that online stores offer goods that are more tailored towards males (Akhter, 2003).

Several limitations of this study, involving the characteristics of the sample, voluntary nature of the data collection procedure, and the identification of factors related to student online credit card purchase intentions, should be considered when interpreting the study’s results and developing future research models. The proposed research model omitted other salient online shopping attitudes relevant to the student market. For instance, intrinsic and hedonistic factors such as entertainment may be better able to account for online shopping purchases among students. Perhaps future research efforts could use an archival strategy to examine students’ actual credit card purchase behaviour data in order to minimise the disadvantages associated with self-reported data. While it was assumed that students have access to technology on campus, including a question relating to general access to technology in the survey instrument would also have shed better insight.

These caveats notwithstanding, this study provides interesting preliminary observations of key factors such as perceived risk, reputation, trust, technology anxiety and customer orientation and potential influences on student intentions to make purchases online, using a credit card. Perceived risk was found to have had the greatest single influence on student online credit card purchase intentions, although moderate relationships were found between online credit card purchase intentions and three of the independent variables – reputation, technology anxiety and trust. It appears that many students are either generally not aware or are perhaps not confident about the online shopping safeguards that exist. Perhaps they are still concerned about the privacy and security problems related to using their credit cards online. The mediating impact of perceived risk on the online shopping reputation-credit card purchase intentions relationship was specifically examined. Empirical results confirmed that not only does online shopping reputation lead to positive intentions to make credit card purchases, but that online shopping reputation reduces perceived risk. Therefore perceived risk was found to be an important mediator of the online shopping reputation-credit card purchase intentions relationship.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Unless online merchants can persuade the South African student market about the existence of high security standards and/or safeguards, it may be difficult to change their existing reticent attitudes toward online shopping. The findings also suggest that to build confidence, on-line retailers should focus more on improving the trust and reputation of their brand. In other words, students perceive the risk to be lower when the online stores have a better reputation. Perceived risk can also be minimised by enhanced credit card
loss assurance, product warranty and merchandise return policies. Privacy statements and third-party involvement can also reduce levels of perceived risk.

While facets of customer orientation do not appear to have a notable direct influence on student credit card purchase intentions, it appears to be a strong antecedent that can influence trust and reputation beliefs of online shopping. Anecdotal evidence such as the competitiveness of the leading online shopping site Amazon.com can be attributed to its usage of features like customer reviews, product suggestions and search facilities, which contribute to higher customer orientation and thus stronger trust and reputation. Practitioners can improve customer orientation by providing excellent customer service throughout the buying process, improving product and service quality and by encouraging customers to recommend products to their friends. While the process of building an online reputation via a focus on customer orientation can be gradual, the process of losing it can be steep. Furthermore online reputation could be lost if offline customer orientation is poor. Thus, customer orientation requires a multi-channel strategy to build a positive reputation. Furthermore, reputation of online shopping is the combined responsibility of the different organisations such as retailers, logistic partners, and banks that must work well together to attract the student market.

Male students were found to have significantly more positive intentions to make credit card purchases online when compared to female students. Given that women are a key target market of many online merchants, reducing female perceptions of online credit card purchase risks could play a central role in their success. Recommendations from friends may strongly influence females to buy online. Therefore online marketers can encourage positive word of mouth to have a positive effect on credit card purchase intentions among female students. Practitioners should investigate the reasons for this attitude more closely so that future interventions such as marketing campaigns and web-site designs can be tailored to target the female student market. In fact, as many students of both genders do not always have direct personal experience with an online store, word of mouth can help the store attract many within this market segment. Being influenced by someone else who had a positive experience with an online store can lessen a student’s perception of risk in interacting with the store. For example, firms that market primarily to female students might benefit by offering rewards to those female customers who refer their site to others.

CONCLUSION

Future studies should investigate the particular reasons why students fear that using a credit card may lead to personal financial loss. Certainly, the study also challenges the universality of the ‘net generation’ concept as technology savvy, and suggests that markets in an emerging country context, or countries with a unique socio-political history should perhaps be segmented according to their technology readiness. Failure to do so may lead to overoptimistic predictions of online shopping among the so-called ‘net generation’. Future studies with a larger sample could also analyse for differences in intentions and technology anxiety, among the different student socio-economic groups and countries. Furthermore, other research avenues could examine whether the tendency to make online purchases among females is related to the degree to which they are affected by recommendations from others. To conclude, given the potential lucrateness of the student market segment in the online shopping setting in South Africa and other African markets, an understanding of risk-reducing strategies and trust-building mechanisms on online purchasing behaviour, deserves further attention by both practitioners and academics.

REFERENCE LIST


THE GAUTRAIN: A SOCIAL BRAND FOR THE YOUTH

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ABSTRACT
The past two decades have shown a sharp increase in vehicle ownership in South Africa. The Gautrain was introduced to alleviate some of the road congestion caused by this increase. This research is a quantitative study aimed at determining the youth’s usage and perceptions of the Gautrain, as well as to determine the media consumption. Overall, the youth uses the Gautrain, but not as a primary mode of transport. Majority of them used the Gautrain for social purposes such as shopping, visiting friends and family, and for functions and special events. The youth generally has positive perceptions of the Gautrain and regards social media and other digital media as the most effective mediums to receiving information about the Gautrain. Marketers of public transportation systems such as the Gautrain should therefore position such products as more than just a mode of transport, and should target this market on these various platforms. In addition, academics need to develop a reliable scale to measure perceptions towards public transportation better understand travellers.

Key words: Gautrain, perceptions, usage, media consumption, public transport, South Africa

INTRODUCTION
In 2000, the Gauteng Government (South Africa) announced the launching of Gautrain, Africa’s biggest transportation project, worth over R25 billion (Thomas, 2013:80; Du Plessis, 2010:64, Van Der Westhuizen, 2008:333). After years of debate, hesitance and negativity around the train, the train had its first operation in 2010, the day of the first FIFA World Cup game (Andrew & Thomas, 2012:41; Du Plessis 2010:64). More work was done until finally the entire Gautrain route was fully operational in 2011 (Andrew & Thomas, 2012:41; Du Plessis 2010:64). Various academics, bodies and members of society expressed great concern about the train, stretching from its feasibility to its potential social impact (Thomas, 2013:90; Andrew & Thomas, 2012:41; Van Der Westhuizen, 2008:333).

The past two decades have shown a sharp increase in vehicle ownership in South Africa (Du Plessis, 2010:62). This increase in vehicle ownership has not only resulted in road congestion, but an overall pressure for an improved transportation system (Du Plessis, 2010:62; Vanderschuren & Galacia, 2003:269). The Gautrain is South Africa’s first high speed train, and public transport system aimed at catering to various target markets in response to this increased pressure on the transportation system. According to Catalyst Research (2012), of the 5.8 million Gautrain users, 20 percent are below the age of 24. Of this youth segment, a key target market is students, particularly University of Pretoria, University of Johannesburg and University of Witwatersrand students, as these universities have campuses situated on the train and bus route.

LITERATURE REVIEW
Public transportation system in South Africa
In South Africa, public transportation has historically been a mode of transport for labourers who, due to segregation laws, lived far from their places of employment (Thomas, 2013:78; Vanderschuren & Galacia, 2003:268). Over the past two decades, the situation has remained the same, where public transport was predominantly aimed at the less privileged, the poor and working class, who rely on minibus taxis, buses and the train for commuting (Van der Westhuizen, 2008:336). The public transportation issue however no longer affects the poor and working class alone.

The past two decades have shown a sharp increase in vehicle ownership in South Africa (Du Plessis, 2010:62, Vanderschuren & Galacia, 2003:269). This increase in vehicle ownership has not only resulted in road congestion, but an overall pressure for an improved transportation system. Research has also shown that the increase in vehicle ownerships has also had a great impact on pollution, a great focus area for the world at large (Beirão & Cabral, 2007:478; Vanderschuren & Galacia, 2003:269). Governments in many countries have therefore had to propose, implement and encourage transport alternatives in response to the increase in private car ownership and usage (Rietvlei, 2010:75; Beirão & Cabral, 2007:478).

One of the main solutions proposed and implemented is that of large scale public transportation systems (Du Plessis, 2010:62). The improvement of public transportation, suitable for all travellers regardless of social class has been implemented in order to get more people out of their private vehicles and into large scale
public transportation systems such as trains and busses, and other alternatives such as walking and cycling (Du Plessis, 2010:62; Beirão & Cabral, 2007:478).

The task of convincing travellers to use their private cars less in favour of public transport, is a central topic in transportation policy and research and is a task easier said than done (Lai & Chen, 2011:318; Rietvlei, 2010:75). Governments and marketers need to understand what consumers need, their behavioural intentions, perceived value as well as the factors that influence their public transport usage (Lai & Chen, 2011:318; Beirão & Cabral, 2007:479). One of the greatest challenges is that travellers perceive public transports in general to be of poor quality, perceptions usually formed with any experience of the public transportation modes (Rietvlei, 2010:75). There is therefore a role for marketers of these services to better communicate the benefits of public transport systems.

Perceptions towards public transportation

The decisions regarding the choice of transportation can be influenced by the existing and changing nature of society and lifestyle habits which provide diversified travel needs (Beirão & Cabral, 2007:480). The decision to use a certain mode of transport can be affected by factors such as individual qualities and lifestyle, the type of journey, the perceived service performance of every transport mode and situational variables (Beirão & Cabral, 2007:480).

Table 1: Motivations and barriers to public transport use

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better service</td>
<td>Not having alternative to car</td>
</tr>
<tr>
<td>Be certain that the timetables are performed</td>
<td>Lack of direct transport</td>
</tr>
<tr>
<td>Direct transport from home to work</td>
<td>Lack of availability of buses</td>
</tr>
<tr>
<td>More information available and easy to understand</td>
<td>Long travel time</td>
</tr>
<tr>
<td>Save money</td>
<td>Buses’ unreliability</td>
</tr>
<tr>
<td>Not having a parking space</td>
<td>Do not know what to expect</td>
</tr>
<tr>
<td>More comfort and air-conditioning on vehicles</td>
<td>Need for multiple journeys</td>
</tr>
<tr>
<td>Contribute to a better environment</td>
<td>Poor information</td>
</tr>
<tr>
<td></td>
<td>Not frequent enough</td>
</tr>
<tr>
<td></td>
<td>Bus stop too far</td>
</tr>
<tr>
<td></td>
<td>Buses are smelly and crowded</td>
</tr>
<tr>
<td></td>
<td>Feeling of personal insecurity</td>
</tr>
<tr>
<td></td>
<td>Having to use more than one transport</td>
</tr>
<tr>
<td></td>
<td>Bad waiting conditions</td>
</tr>
<tr>
<td></td>
<td>Negative feeling towards public transport</td>
</tr>
<tr>
<td></td>
<td>Habit of driving</td>
</tr>
</tbody>
</table>

Source: Beirão & Cabral, 2007:485

A study conducted by Beirão and Cabral (2007:488) revealed that there are various motivations and barriers to using public transportation. Table 1 above is a summary of the motivations and barriers listed in their study. Despite the motivations travellers had to use public transport, they had far more barriers. This is an indication of the negative perceptions that travellers have towards public transport, regardless of whether they had ever used public transport before or not (Rietvlei, 2010:75; Beirão & Cabral, 2007:485).

When making the decision to use public transport in place of a private car, travellers considered the advantages and disadvantages of using public transport. Beirão and Cabral (2007:482) discovered that travellers indicated that public transport was cost effective, less stressful, allowed them to not drive, enabled them to relax, rest, read a book or socialise with other travellers. They however perceived public transport to be a waste of time, too crowded, uncomfortable and unreliable (Beirão & Cabral, 2007:482). They further indicated that public transported resulted in long waiting times as the time was uncertain, and there was sometimes a need to transfer and sometimes resulted in long walking time (Beirão & Cabral, 2007:482).

The Gautrain

Despite the various perceptions of public transport, government, and particularly the Gauteng (South Africa) government has had to respond to the increased demand for improved transportation systems (Du Plessis, 2010:62). Various solutions such as large scale road improvement have been introduced in South Africa. In his article, Du Plessis (2010:62) points out that another impacting factor to the high pressure on the
transportation system is the lack of “large scale public transport facilities”. The introduction of the Gautrain megaproject was therefore one of the solutions to this issue.

The Gautrain is the first high speed rail project in Africa and it demonstrates the continent's largest transportation megaproject (Thomas, 2013:77). The construction of the Gautrain is part of a larger logic of building ‘modern' infrastructure in the country (Thomas, 2013:83).

The Gautrain which is said to symbolise heritage and dreams of a golden future, was built in order to enhance economic growth and create job opportunities, to renew and restructure specific urban nodes, to alleviate traffic congestion and decrease travel time, particularly on South Africa’s busiest highway, the N1 (Thomas, 2013:80; Andrew & Thompson, 2012:53, Du Plessis, 2010:64; Joubert, Pretorius, Morgan, Mtonintshi, 2001:2-3). Another objective of the Gautrain is to act as a catalyst for the introduction of a better public transportation structure (Thomas, 2013:80; Andrew & Thompson, 2012:53, Du Plessis, 2010:64).

The introduction of the Gautrain resulted in Gautrain has created great controversy and debate. Some of the negativity surrounding the Gautrain were concerns related to socio-economic impact as well as performance and success of the Gautrain (Thomas, 2013:83).

In contrast, the Gautrain has been said to have enhanced South Africa’s image and is associated with world-class infrastructure (Andrew & Thompson, 2012:53). The South African population perceives the Gautrain as a tremendous spirit of unity and nation-building that succeeded and encouraged a great sense of pride in what had been accomplished (Andrew & Thompson, 2012:53). A reputation audit was conducted in February 2013 which revealed that the Gautrain has a reputation score of 76 per cent. This was measured by asking respondents their perceptions towards the Gautrain, looking at items such as “the brand represents technological progression”, “I am likely to support the Gautrain” and “I believe Gauteng has benefitted from the Gautrain (Gautrain Management Agency, 2013).

Since inception, the Gautrain has continued to grow its user base, and demand for the train has surpassed expectation. According to Gautrain Management Agency, since the launch of the e-Tolls, the number of passengers on the Gautrain has increased by 10 per cent, and the number of Gautrain Bus users has also increased by 17% (Business Day Live, 2013).

There is however a lack in academic studies evaluating public perception of the Gautrain, particularly relating to its performance. Research relating to the Gautrain’s performance has, by and large, been conducted by the Gautrain Management Agency for performance evaluation, rather than for academic purposes in building the theory on large scale public transportation in South Africa. Various disciplines have conducted research on public transport in South Africa and on the Gautrain specifically, but there is a lack of academic studies from a management and particularly marketing perspective on public transport in South Africa. This study aimed to shed light into this field, with a particular focus on the perceptions, usage and media consumption of Gautrain users.

**PROBLEM INVESTIGATED**

Given the importance of this target market, it is of great interest to determine what the current perception is of the train. It is also of interest to determine what the current usage is of the train among this target market, as well as the demographic profile of current users of the train. This research aims to shed light on the perception of this mode of public transport, and contributes to the limited academic literature on public transport usage and perceptions amongst young South Africans. The Gautrain is currently operating above expected capacity and there is great public pressure to expand the train operations. Therefore this research is of great importance in guiding future plans in the public transportation system, particularly in understanding consumers’ usage patterns and perceptions of public transport offerings.

**RESEARCH OBJECTIVES**

The study aimed to achieve the following primary research objective:

To determine the youth’s Gautrain usage frequency

To determine for what purpose the youth use the train

To determine what media the youth uses to get information about the Gautrain

To determine the youth’s perceptions of the Gautrain

To determine whether there were gender, age, race differences in perceptions of the Gautrain.
The following hypotheses were tested:
H1a: Males and females differ in their perceptions towards the Gautrain
H1b: There are no differences between the different ages in perceptions of the Gautrain
H1c: There are no differences between the different races in perceptions of the Gautrain

RESEARCH METHODOLOGY

Sampling
The target population for the study consisted of undergraduate and postgraduate students studying at the Hatfield campus of the University of Pretoria during the 2013 academic year. This could be viewed as a major limitation to the study due to its inability to provide a representative sample of all Gauteng Residence, particularly those living, working and/or commuting along the Gautrain route. However, research conducted by Catalyst Research (2012) indicated that 20% of Gautrain users were below the age of 24, and that Pretoria and Hatfield were key stations, connecting students, government and business people as well as tourists (Gautrain, 2013). Thus, the decision to conduct the proposed study among these students is still appropriate.

Due to the inability of the researchers to obtain an adequate sampling frame from which to draw a probability sample, the sampling technique used was convenience non-probability sampling. It is important to note that although the chosen sampling technique was convenient, quick and inexpensive, it has its limitations (Burns & Burns, 2008:198). With non-probability sampling, it is impossible to determine whether the sample indeed is representative of the population and may reduce generalizability of the findings (Burns & Burns, 2008:198; McDaniel & Gates, 2006:312). It is also impossible to calculate sampling error and reliability with this type of sampling (Burns & Burns, 2008:198; McDaniel & Gates, 2006:312). The study aimed to include at least 3 000 respondents and a total of 3 901 responses were deemed useable. Incomplete and incorrectly completed questionnaires were excluded from the study.

Data collection
The initial questionnaire was pretested with a convenience sample of 30 undergraduate and postgraduate students from the University of Pretoria. Cooper and Schindler’s (2006:358) researcher pretesting, participant pretesting, and collaborative pretesting methods were used. Data for the main study was collected during March 2013 via campus self-administered intercept surveys conducted at various locations and times at the University of Pretoria’s Hatfield campus. This campus was selected as it located within walking distance of the Gautrain station and is most conveniently located in comparison to other University of Pretoria campuses. Incentives were not used to encourage participation.

Measures
Questions measuring Gautrain usage, the purpose for using the train, as well as questions relating to how respondents get to and from the Gautrain stations (mode) were adapted from previous research conducted for the Gautrain (Gautrain, 2012). A researcher-developed five point Likert scale was used to determine why commuters started using the Gautrain. Perceptions of the Gautrain were measured using a six point Likert scale where 1 is “strongly disagree” and 6 is “strongly agree”, developed and frequently used for Gautrain research (Gautrain, 2012). No Cronbach’s alphas have been reported on any of these scales, as items have been used and analysed in isolation. Media consumption was measured on a five-point Likert scale, and was used to measure where consumers receive useful information about the Gautrain. The demographic variables of gender, age, ethnic grouping, income as well as year of study were also measured. The section to follow contains a detailed discussion on the results obtained from the study.

RESULTS

Data was checked for validity using the screening question. Questionnaires from respondents who were not University of Pretoria students were discarded. All data was captured in Microsoft Excel for clean-up. Once data was simplified it was exported into SPSS for analysis.

The sample consists of 3901 respondents of which 66.1% respondents have used the Gautrain before and the remaining 33.9% respondents have never used the Gautrain before. The main aim of the study was to better understand current users of the train, to determine their usage frequency, what purpose they use the train for, their perceptions of the train and their media consumption. The rest of the analysis will therefore focus only on the users of the Gautrain.

Demographics
Below is a table summarising the demographic profile of respondents (indicated as “sample” as well as a demographic breakdown of people who have used the train at least once (indicated as “Gautrain users”). A
A comparison of the demographic profile has been included in order to better understand users of the train in context of the study sample.

Looking at the table below, it is evident that the demographic profile of the entire sample was similar to that of the Gautrain users. This indicates that there was no skewness towards a specific gender, age, race, income group, year of study or place of residence group when looking at Gautrain users compared to the entire sample.

Majority of the Gautrain users were female (57.8%), which is aligned to the Gautrain overall user profile where 60% of Gautrain users were found to be female (Catalyst Research, 2012). In addition, 67% of Gautrain users were white and 24.1% were black. This is somewhat in line with existing Gautrain research which indicated that the largest population group of users were white, making up 45%. There was however a larger percentage of black users, making up 35% of all Gautrain users. In contrast, the study sample found that coloured and Indian/Asian users made up 5.7% of all Gautrain users, the study conducted by Catalyst Research (2012) revealed that these population groups combined made up 20% of all Gautrain users.

Table 2: Demographic profile of sample compared to Gautrain users (%)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>56.7</td>
<td>57.8</td>
</tr>
<tr>
<td>Male</td>
<td>42.5</td>
<td>41.2</td>
</tr>
<tr>
<td>Non-response</td>
<td>0.8</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race</th>
<th>All</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>24.1</td>
<td>21.2</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>64.4</td>
<td>67.0</td>
<td></td>
</tr>
<tr>
<td>Coloured</td>
<td>3.7</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Indian</td>
<td>4.7</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Non-response</td>
<td>2.3</td>
<td>2.4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>18</td>
<td>7.1</td>
<td>6.1</td>
</tr>
<tr>
<td>19</td>
<td>15.3</td>
<td>14.4</td>
</tr>
<tr>
<td>20</td>
<td>23.5</td>
<td>24.2</td>
</tr>
<tr>
<td>21</td>
<td>22.7</td>
<td>24.6</td>
</tr>
<tr>
<td>22</td>
<td>13.9</td>
<td>14.1</td>
</tr>
<tr>
<td>23</td>
<td>7.5</td>
<td>7.1</td>
</tr>
<tr>
<td>24+</td>
<td>7.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Non-response</td>
<td>2.5</td>
<td>2.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year of study</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year</td>
<td>16.9</td>
<td>16.9</td>
</tr>
<tr>
<td>Second Year</td>
<td>22.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Third Year</td>
<td>39.7</td>
<td>39.7</td>
</tr>
<tr>
<td>Honours</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Masters</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Non-response</td>
<td>7.4</td>
<td>7.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than R500</td>
<td>11.1</td>
<td>10</td>
</tr>
<tr>
<td>R500 - R900</td>
<td>15.6</td>
<td>15.5</td>
</tr>
<tr>
<td>R1 000 - R1 999</td>
<td>26.5</td>
<td>26.6</td>
</tr>
<tr>
<td>R2 000 - R4 999</td>
<td>22.3</td>
<td>24.1</td>
</tr>
<tr>
<td>R5 000 - R9 999</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>R10 000+</td>
<td>2.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Prefer not to answer</td>
<td>14.1</td>
<td>13.6</td>
</tr>
<tr>
<td>Non-response</td>
<td>2.7</td>
<td>2.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residence</th>
<th>Sample</th>
<th>Gautrain Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varsity Residence</td>
<td>20.3</td>
<td>19.4</td>
</tr>
<tr>
<td>Close Flat</td>
<td>32.6</td>
<td>34.9</td>
</tr>
<tr>
<td>Far Flat</td>
<td>6.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Close Home</td>
<td>9.2</td>
<td>9.7</td>
</tr>
<tr>
<td>Far Home</td>
<td>21</td>
<td>20.1</td>
</tr>
<tr>
<td>Home Outside PTA</td>
<td>9.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Non-response</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>
A large proportion of users were between the ages of 19 and 22 (77.3%). 6.3% of users were ages 17 or 18, 7.1% were 23 and 6.7% were ages 24 and older. In addition, 79% of the users were undergraduate students (first, second and third year), and 13.6% of users were postgraduate students (honours and masters).

Considering income, majority of students (76.2%) indicated that they earn R4 999 or below. It is important to note that income was measured as monthly income or allowance available to students. 5.0% of students indicated that they earned an income between R5 000 and R9 999. The small percentage (2.9%) indicated that they earned R10 000 or above.

The final demographic variable considered was place of residence, which was included in the study primarily to determine whether students needed to commute to and from university or whether they lived in and around campus. Respondents were asked whether they lived in a university residence, in a flat close to campus, in a flat far from campus, at home close to campus, at home far from campus, or at home outside of Pretoria. Of the Gautrain user, 64.0% lived on or close to campus (university residence, in a flat close to campus or at home close to campus). 4.8% of users lived in a flat far from campus, 9.9% lived at home far from campus, and a substantial 20.1% of Gautrain users lived at home outside of Pretoria.

Usage purpose, mode and perceptions
Although 66.1% of respondents indicated that they are users of the train, 47.1 percent of the users indicated they “hardly ever” use the train. A total of 19.5% of users indicated that they use the Gautrain quarterly, 19.4 indicated that they use the train monthly, 7% indicated they use the Gautrain weekly and only 3.6% indicated they used the Gautrain daily. The balance of responses were classified as non-responses.

Table 3 below is a summary of the main reasons respondents used they Gautrain as well as the most often used modes of getting to and from the Gautrain station. It can be said that the most common usage of the train is for social and entertainment purposes, where 43.4% of users indicated they use the Gautrain for entertainment and recreational purposes, 39.8% indicated they used the Gautrain for social and or family visits and 18.3% indicated they use the Gautrain for special events and functions. The Gautrain is also used for shopping purposes (28.5%) as well as getting to and from the airport (27.8%). Not surprisingly, only 18.7% of users indicated that they use the Gautrain to get to university, as most users (64.0%) indicated that they either live on campus or in a flat or at home close to campus. Lastly, 4.8% of users indicated that they use the Gautrain to get to and from work.

<table>
<thead>
<tr>
<th>Purpose of Gautrain usage</th>
<th>% of users</th>
<th>To and From Gautrain Mode</th>
<th>% of users</th>
</tr>
</thead>
<tbody>
<tr>
<td>To get to varsity</td>
<td>18.7</td>
<td>Walk</td>
<td>24.8</td>
</tr>
<tr>
<td>To get to work</td>
<td>4.8</td>
<td>Drive own car</td>
<td>37.7</td>
</tr>
<tr>
<td>To go shopping</td>
<td>28.5</td>
<td>Drop off</td>
<td>26.7</td>
</tr>
<tr>
<td>For entertainment and recreation</td>
<td>43.4</td>
<td>Gautrain Bus</td>
<td>5.2</td>
</tr>
<tr>
<td>For social and/or family visits</td>
<td>39.8</td>
<td>Taxi/Cab/Bus</td>
<td>2.6</td>
</tr>
<tr>
<td>To get to the airport</td>
<td>27.8</td>
<td>Bicycle</td>
<td>0.6</td>
</tr>
<tr>
<td>For special events / functions</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Perceptions of the Gautrain
On a scale of 1 to 6, where 1 indicated “strongly disagree” and 6 “strongly agree” users agreed that the Gautrain was clean and that they did not have to stress about traffic (m = 5.2, s.d = 1.020; m = 5.3, s.d = 1.135 respectively). Gautrain users also agreed that the Gautrain was convenient (m = 5.0, s.d = 1.234), comfortable (m = 5.0, s.d = 1.078), was a nice experience (m = 5.0, s.d = 1.097), safe (m = 5.1, s.d = 1.594), and easy to use (m = 5.1, s.d = 1.030). Users of the Gautrain however didn’t view the Gautrain as their main mode of transport (m = 2.4, s.d = 1.826). They also did not perceive the Gautrain as cost effective (m = 3.8, s.d = 1.473). Users somewhat agreed that the Gautrain was well-run (m = 4.9, s.d = 1.361), had friendly staff (m = 4.4, s.d = 1.408), was always on time (m = 4.7, s.d = 1.564) and contributed to less greenhouse emission (m = 4.8, s.d = 1.613).
Media consumption

Users were required to indicate on a scale of 1 to 6, whether they receive useful information about the Gautrain on the list of various mediums provided and discussed below. The most popular medium for receiving information about the Gautrain were the Gautrain station (m = 4.9, s.d = 1.4), the Gautrain website (m = 4.3, s.d = 1.8) and word of mouth (m = 4.8, s.d = 1.5). Although the Gautrain application had a low mean (3.5) indicating a response in between “somewhat disagree” and “somewhat agree” that this medium provide useful information about the Gautrain, the standard deviation was high (2.1) which indicates that users either strongly agreed or strongly disagreed with this statement. The same can be said for brochures (m = 3.6, s.d = 2.1) and social media (m = 3.4, s.d = 1.9). The tradition mediums of television, radio and magazine had the lowest means (m = 2.8, s.d = 1.8; m = 2.9, s.d = 1.7; m = 2.8, s.d = 1.7 respectively) indicated that they were the least used mediums for receiving information about the Gautrain.

The last variable considered required that users indicate which medium they thought would be the most effective in advertising the Gautrain to the youth. Users had to give their number one, two and three most effective medium from a list provided. Table 4 below is a summary of the users’ responses.

Table 4: Top 3 most effective medium

<table>
<thead>
<tr>
<th>Top 3 effective medium</th>
<th>Number 1 (First)</th>
<th>Number 2 (Second)</th>
<th>Number 3 (Third)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posters</td>
<td>7.7</td>
<td>6.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Billboards</td>
<td>16.0</td>
<td>13.4</td>
<td>13.9</td>
</tr>
<tr>
<td>Leaflets</td>
<td>2.4</td>
<td>4.5</td>
<td>7.6</td>
</tr>
<tr>
<td>E-mail</td>
<td>4.2</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>TV</td>
<td>13.8</td>
<td>17.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Radio</td>
<td>5.2</td>
<td>15.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Campus</td>
<td>7.4</td>
<td>11.6</td>
<td>10.3</td>
</tr>
<tr>
<td>Magazines</td>
<td>1.2</td>
<td>5.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Social Media</td>
<td>34.9</td>
<td>11.7</td>
<td>13.7</td>
</tr>
<tr>
<td>Non-response</td>
<td>7.2</td>
<td>8.3</td>
<td>10.0</td>
</tr>
</tbody>
</table>

In the table above, it is evident that the first most effective medium for advertising to the youth, according to users, is social media (34.9%). 16.0% of users indicated that billboards were the first most effective medium and 13.8% indicated that television was the first most effective medium. The second most effective mediums were television, radio and billboards, where 17.0% of users indicated that television was the second most effective medium, 15.8% indicated that radio was the second most effective medium and 13.4% indicated that billboards were the second most effective medium for advertising the Gautrain to the youth. Lastly, the third most effective mediums according to users were billboards, social media and radio. 13.9% of users indicated that billboards were the third most effective medium for advertising the Gautrain to the youth, 13.7% indicated that social media was third most effective medium, and 13.3% indicated that radio was the third most effective medium.

Perceptions in greater detail

Factor analysis was conducted to determine whether underlying dimension existed with the perceptions of the Gautrain. Using principal component with varimax rotation, only two factors were revealed (Eigen value greater than one). The total variance explained was 43.9%. Majority of the items (10 out of 13) loaded onto factor one, with only three loading onto factor two. Looking at the reliability of the scale, factor one (with 10 items loaded) had a Cronbach’s alpha of 0.8 which is greater than 0.7, indicating that it was reliable in measuring this factor. The deletion of any item resulted in a decrease in the Cronbach’s alpha. A closer look at the factor however revealed that interpreting this into a dimension would be difficult as the items loading onto the factor did not reveal any pattern. Items ranged from the Gautrain being perceived as well-run, on time, clean, safe, comfortable, convenient, green, to the Gautrain providing a nice experience and resulting in less stress and no traffic.

The second factor had three items (cost effective, easy to use, main transport) loading on to it, and had a Cronbach’s alpha of 0.4 (less than 0.7). The three items were therefore not reliable in measuring this factor. The deletion of any of the items resulted in an even lower Cronbach’s alpha.

It was therefore concluded that the scale as is could not be reduced into a smaller number of underlying dimensions. Further analyses were conducted at an item level. Cross tabulations of perceptions with the various demographics were conducted to determine whether any differences in perceptions of the Gautrain existed. Pearson’s Chi-Square was considered for significance.
**Perceptions and gender:** There were no significant gender differences in the perception of the Gautrain as all the Chi-squared tests statistics (for each item measuring perceptions of the Gautrain) revealed p-values greater than 0.05, therefore we cannot reject the null hypothesis that there are no gender differences with regards to perceptions of the Gautrain.

**Perceptions and age:** The same can be said for age. There were no significant age differences in the perception of the Gautrain as all the Chi-squared tests statistics (for each item measuring perceptions of the Gautrain) revealed p-values greater than 0.05, therefore we cannot reject the null hypothesis that there are no age differences with regards to perceptions of the Gautrain.

**Perceptions and race:** The same can be said for race. There were no significant race differences in the perception of the Gautrain as all the Chi-squared tests statistics (for each item measuring perceptions of the Gautrain) revealed p-values greater than 0.05, therefore we cannot reject the null hypothesis that there are no race differences with regards to perceptions of the Gautrain.

**CONCLUSIONS**

Overall a 66.1% of respondents had used the Gautrain at least once before. However, users largely lived in and around campus and therefore did not need to use the Gautrain frequently to commute to and from university. Of the students who had used the Gautrain, majority of them used the Gautrain for social purposes such as shopping, visiting friends and family, and for functions and special events. Most students either walked or got dropped off at the Gautrain and did not use the Gautrain buses. This could be because students indicated that they lived in and around campus, where the Gautrain Hatfield station is walking distance from.

Students who had used the Gautrain had a positive perception of the Gautrain, indicating that the Gautrain was clean, comfortable, easy to use, resulted in less traffic and stress, convenient, provided and nice experience and was safe. The Gautrain was however not a main mode of transport for students. Students also indicated that they did not perceive the Gautrain to be cost effective.

Students received useful information about the Gautrain mainly from the Gautrain stations, Gautrain website as well as word of mouth. Although the Gautrain application, on average, was not widely used, this could be because either students knew of the application and therefore used it, or they did not know or have the application at all. The same can be said for brochures and social media, which on average were not widely seen as providing useful information. The tradition mediums of television, radio and magazine were the least used mediums for receiving information about the Gautrain.

Students indicated that they thought the number one most effective medium for advertising the Gautrain to the youth were social media, billboards and television. The second most effective mediums were television, radio and billboards, and the third most effective mediums according to users were billboards, social media and radio, all in that order. Given this, it could be said that the most popular medium were social media, television and billboards for advertising the Gautrain to the youth.

The current scale measuring perceptions did not reveal any underlying dimensions and therefore could not be reduced. This could be because the scale was not developed for academic research and was not based on any theories or previous research. Despite the lack of reduced dimensions, age gender and race differences with regard to perceptions of the Gautrain were considered (at an individual item level). There were no gender, age or race differences with regards to perceptions towards the Gautrain.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Despite students’ low income levels and no need for using the Gautrain to commute to and from university, students largely used the Gautrain. Students used the Gautrain for social reasons and made no use of the Gautrain buses. The Gautrain Management Agency (GMA) can therefore position itself as a social brand and promote social benefits of using the Gautrain to this target market. The GMA can also pay attention to special events targeted at the youth market and ensure that at least Gautrain buses are available to take the youth to special events that may not be in walking distance to the Gautrain stations.

Despite students perceiving the Gautrain as not cost effective, they continued to use the Gautrain. The GMA could find various value-added benefits not related to the cost of the Gautrain that cannot be received from using alternative modes of transport. This way the Gautrain may not necessarily be seen as cheaper, but as providing more value for money.
In implementing the positioning of the Gautrain in the minds of this target market, as well as communicating any value-added benefits, the GMA should make use of mediums such as social media, billboards and television. The GMA should continue providing information in existing platforms such as the website and Gautrain stations, but should create greater awareness of the Gautrain application. In addition, the GMA need not have separate marketing and communication strategies for the different gender, age (youth) and race groups as no differences were evident in these groups perceptions towards the Gautrain.

A shortfall to the study is that only a youth target market was investigated. It would be worth merit to consider a broader target market as the youth only constitutes 20 per cent of the total Gautrain user.

From an academic perspective, to better understand, the Gautrain, and more broadly public perception towards public transport, it is important that more marketing research is conducted in this field. A scale needs to be developed in other to measure perceptions and determine underlying dimensions that perceptions are comprised of. This will assist, not just South African marketers, but marketers in the rest of Africa, where as the economies grow, such large scale public transportation systems may likely be introduced.

**REFERENCE LIST**


THE MANAGEMENT OF BEACHES IN NELSON MANDELA BAY: A CHOICE EXPERIMENT APPLICATION

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ABSTRACT
Beaches are areas of high economic value derived largely from high demand for recreational goods and services. These outdoor recreational resources are likely to succumb to considerable health pressures and trade-offs in the allocation of scarce local government level funding. An area of coastline where the recreational experience is being compromised due to high levels of tourist demand is the Nelson Mandela Bay area. The primary objective of this paper is to inform policy makers on key public preferences regarding the use of beaches in Nelson Mandela Bay that can be used as inputs to the complex coastal resource allocation process. The application of a choice experiment, based on the concept of random utility theory, revealed that the level of public safety is a very important predictor of public choice and should receive immediate attention as far as beach management is concerned.

Key words: choice experiment, beach recreation, willingness to pay, conditional logit

INTRODUCTION AND BACKGROUND TO THE STUDY
Coastal ecosystems are important ecological resources that generate high levels of economic value from activities associated with tourism and outdoor recreation (Kline & Swallow, 1998). In South Africa specifically, the value of the direct benefits generated from coastal goods and services in 2000, was estimated at approximately 35 percent of gross domestic product (GDP) (White Paper, 2000). South Africa’s coastline stretches for about 3200 kilometres (km) from North of Richards Bay on the East Coast, to Alexander Bay on the West Coast. Coastlines are largely viewed as steady permanent assets; however, this view is unrealistic, given evolving natural processes, as well as the dynamic nature of human activities (Phillips & Jones, 2006). With increased urbanisation, coastal areas in South Africa, specifically beaches, face a number of mounting pressures, including declines in water quality and competition for limited recreational space (Costanza & Farley, 2007).

Currently, public entities tasked with the conservation and management of coastal areas are facing increasing pressures on their allocated budgets making it difficult to balance society’s needs and values while at the same time maintaining ecosystem integrity (Loomis & Santiago, 2013). In the past, the management of coastal resources was largely resource-orientated and focused mainly on regulation and control from a ‘top-down’ perspective. This ‘top-down’ approach implied that only the more senior levels of management were involved in developing coastal management policies. The new coastal policy, however, advocates a people-centered, or ‘bottom-up’ approach. This policy considers the actual and potential value of the coast as the foundation for growth in economic activity (Breetzke, Moore & Meyer, 2013). As outlined in the White Paper for Sustainable Coastal Development in South Africa (2000), hereafter referred to as the Paper, this approach requires co-operation and shared responsibility between a number of stakeholders regarding control and regulation of coastal management initiatives. Another approach advocated by the literature is the ecosystem-based management approach (Fluharty, 2005; Lester, McLeod, Tallis & Ruckelhaus, 2010). One of the main objectives of this approach is to consider both human and natural factors as key inputs into the management process (Nobre, 2011). Whichever of these approaches is preferred, a key element of both remains the importance of public preferences when it comes to coastal resource allocations (Loomis & Santiago, 2013).

The primary objective of this paper is to inform policy makers on key public preferences regarding the use of beaches in Nelson Mandela Bay (NMB) that can be used as inputs to the complex coastal resource allocation decision-making process. The aims of this paper are to (1) estimate the economic value that recreational users attach to selected beach characteristics (attributes) through the use of a non-market valuation technique\textsuperscript{15}, and (2) recommend the use of these values as inputs to the multi-dimensional task of allocating scarce resources between competing coastal management policies. This paper provides insights into the quantitative and qualitative aspects of dimensional analysis as presented below.

\textsuperscript{15} A non-market valuation technique is used to value environmental goods and services that are not traded in a marketplace.
A BEACH MANAGEMENT STRATEGY FOR SOUTH AFRICA

The management of coastal areas in South Africa for the purposes of tourism, leisure and recreation is dealt with in the “Coastal Planning and Development” priority area of the Eastern Cape Coastal Management Programme (ECCMP) (Breetzke et al., 2013). One of the goals within this priority area is to promote the vitality and long-term viability of coastal economies and activities (Breetzke et al., 2013). This would be implemented through improving public facilities in order to meet the recreational, health and safety requirements of users. Although this ECCMP lays out a timeframe and resource plan for this priority area, it does not address the more specific issue of individual beach management and the various inputs required for this process (Breetzke et al., 2013). Managing beaches in South Africa is a complex task as they require a multi-faceted approach that addresses all possible use areas (McLachlan, Defeo, Jaramillo & Short, 2013). Factors effecting beach use include (1) the geophysical environment, (2) ecological and biological features and ecosystem processes, and (3) socio-economic factors (McLachlan et al., 2013). At local management level, there needs to be (1) management of recreational use, (2) management for conservation, and (3) multi-purpose management (McLachlan et al., 2013).

Simm, Beech and John (1995) provide a detailed definition of beach management that encompasses social, economic as well as environmental aspects of beach use. Micallef and Williams (2002) provide a definition that puts more emphasis on the importance of meeting beach-user needs. More formally, beach management involves the maintenance and improvement of beaches as recreational resources through meeting the needs of the recreational user in terms of preferred public beach management policies (Micallef & Williams, 2002). Effective beach management is a function of socio-economic factors as well as environmental sustainability issues (Micallef & Williams, 2002). Given the complexity of this task, the dimensional analysis approach was indicated (Jensen, 1978). This approach was examined in more detail by Micallef and Williams (2002), when they applied it to the concept of beach management. The dimensional nature of this approach allowed for an integrated beach management strategy where various aspects of each dimension could be individually explored. These dimensions included (1) substantive aspects, (2) spatial aspects, (3) temporal aspects, (4) quantitative aspects, and lastly, (5) qualitative aspects.

The substantive aspects of beach management include providing the beach users with pertinent information regarding beach laws in order to gain an understanding of their attitudes and behaviours towards recreational beach use (Micallef & Williams, 2002). Leatherman (1997) attempted to identify beach user perceptions and priorities through the administration of questionnaire surveys. Other substantive measures in the context of beach management would include determining whether current policies are in line with provincial and/or national objectives. The spatial dimension to beach management involves determining what external factors can influence the beach system through analysing surrounding areas. Williams and Simmons (1997), for example, tested for sources of litter by applying a strategy aimed at addressing all possible sources, rather than limiting the search to more obvious beach user areas. Another approach to this spatial problem would be to assign quality indicators to external issues (for example, level of pollution inflows) that are acceptable to both policy makers and beach users. Temporal aspects refer to time issues in the context of beach management. Past problems within and external to the beach system that could influence its current use and management requirements need to be identified. The temporal dimension requires a forward-looking approach to beach management whereby present use beach patterns are investigated, and the resulting implications for future beach use can then be accommodated. Quinn (1980) referred to this as the process of ‘logical incrementalism’, whereby the management strategy is continuously updated in order to accommodate environmental changes. In terms of the quantitative aspects of beach management, the main issues or problems facing beach users need to be identified through the use of focus groups and public meetings. These problems could differ between various beach user groups which would require the simultaneous application of relevant beach management initiatives to address priority use areas (Micallef & Williams, 2002). Qualitative aspects of beach management refer to the need to identify various socio-economic and environmental values associated with beach recreation and conservation. Morgan, Jones and Williams (1993) demonstrated that these values could differ greatly depending on the physical and psychological profile of the beach user. In order to estimate environmental values, a public valuation of beach resources is required.

The process of dimensional analysis provides a more structured approach to the complex task of beach management. This study provides inputs to the quantitative and qualitative aspects of this process. This was done through carrying out the following tasks:
- Carry out focus group discussions,
- Determine the most important beach issues facing the public,
- Assess the relevant beach management policies required for addressing these priority areas,
- Develop a questionnaire that applies a non-market valuation techniques in order to value the relative importance of these beach issues/attributes to the public, and
Provide feedback to beach managers/policy makers on where the limited beach resource funding should be allocated.

METHODOLOGY
The choice experiment
The primary valuation method used in this study is the Choice Experiment (CE) technique. It is a survey based method that models preferences for goods and services, where these goods and services are represented in terms of different levels of attributes (Louviere, 1988). This technique has the capacity to estimate individual values for attributes (for example, beach characteristics) within the context of a multi – attribute good (for example, a beach). Respondents have to choose their most preferred alternative from a set of alternatives, where each consists of different attributes and levels (Liu & Wirtz, 2010). The CE technique was initially developed for the analysis of markets (Louviere, 1988; Batsell and Louviere, 1992), but further development allowed for the increased use of this technique in valuing non-market goods (Adamowicz, 1995; Boxall, Adamowicz, Swait, Williams & Louviere, 1996; Hanley, Macmillan, Wright, Bullock, Simpson, Parrison & Crabtree, 1998a; Hanley, Wright & Adamowicz, 1998b; Hanley, Mourato & Wright, 2001). Previous international applications to value wetland, estuary and river attributes include: Adamowicz, Louviere and Williams (1994) to water-based recreation activities in Alberta, Canada; Carlsson, Frykblom and Liljenstolpe (2003) on wetland management in Staffanstorp, Sweden; Eggert and Olsson (2004) on improving coastal water quality on the Swedish west coast; Kragt, Bennett, Lloyd and Dumsday (2007) for improved health of the Goulburn River in Victoria, Australia; and Smyth, Watzin and Manning (2009) on preferred management scenarios for Lake Champlain, situated in Vermont and New York, but also bordering Quebec.

There are a number of studies that use stated preference and revealed preference techniques to value various beach management improvement scenarios (Kline & Swallow, 1998; Bin, Landry, Ellis & Vogelsong, 2005; Nde, 2011; Ariza, Ballester, Rigall-I-Torrent, Salo, Roca, Villares, Jimenez & Sarda, 2012; Loomis & Santiago, 2013), however, the application of the CE in particular has not been extensively covered in the literature. Economics for the Environment Consultancy (EFTEC) (2002) conducted a CE on the environmental benefits of a revised bathing water quality directive in England and Wales. It was found that respondents were willing to pay more for a reduction in the risk of stomach upsets from poor water quality. Landry, Keeler and Kriesel (2003) applied a CE to estimate economic efficiency of three distinct beach erosion management policies in Georgia, USA. They found that an improved beach management strategy provided higher recreational benefits. Meyerhoff, Dehnhardt and Hartje (2010) applied a CE to estimate the preferences of bathers in the metropolitan area of Berlin for improving the quality of bathing sites. Results indicated that bathers would benefit greatly from such improvements with improved water quality and better facilities positively valued. Beharry-Borg and Scarpa (2010) carried out a CE in order to value quality changes in coastal waters for snorkelling versus non-snorkelling users in Tobago. Willingness to pay (WTP) estimates were found to differ greatly between these two groups of users. More specifically, non-snorkellers were more willing to pay for attributes representing a lower level of environmental quality. More recently, Loomis and Santiago (2013) applied a CE to value improvements in beach water quality in Puerto Rico. They compared values obtained from a contingent valuation study and a CE study and found the results from both studies to be statistically similar. Both studies found that increased water quality leads to higher WTP estimates, i.e. individuals are willing to pay more for an improvement in water quality. In South Africa, the CE method has yet to be applied to guide policy makers on publicly preferred beach management initiatives. To the author’s knowledge, this is the first attempt within the South African context.

Conceptual framework
The theoretical background to the CE method dates back to Lancaster’s model of consumer choice (Lancaster, 1966) and random utility theory (Thurstone, 1927). It is argued that consumers enjoy utility not from the good as a whole, but rather from the attributes or characteristics that comprise this good (Lancaster, 1966). Random utility theory is the basis for analysing respondent behaviour within the context of a CE. It is based on the assumption that individuals make their choices based on the good’s observable attributes, together with a random element. Indirect utility for individual i in choice scenario q can be defined as $U_{iq}$, where:

$$U_{iq} = V_{iq}(βx_{iq}) + ε_{iq}$$

(1)

$x_{iq}$ is a vector of observed attributes, while $β$ is a vector of the parameters to be estimated (Hanley et al., 2001). This indirect utility function comprises one observable component of utility, $V_{iq}$, and a random component, $ε_{iq}$. It is assumed that individuals make choices in order to maximise their utility. An individual (i) will select alternative q if and only if $U_{iq}$ is greater than the utility derived from any other alternative (for example, j) facing person i in the choice set $C(U_q)$. This probability is formulated by:

The utility of each alternative \((q \text{ and } j)\) is divided into two parts, namely an observable component and a random element. Equation 2 is rewritten to include this information:

\[
P_i(q) = \Pr(U_{iq} \geq U_{ij}, \forall j \in C_i, q \neq j)
\]

Choice can be predicted by estimating the probability of individual \((i)\) ranking alternative \(q\) higher than any other alternative \(j\) in the set of choices available (Louviere, Hensher & Swait, 2000; Nam Do & Bennett, 2007). In order to derive this probability expression, an assumption needs to be made with regards to the distribution of the error term (Hanley et al., 2001). If the error terms \((\mathcal{E}_i)\) are assumed to be Independently and Identically Distributed (IID), and have an extreme-value type 1 distribution (EV1) with density:

\[
P(\varepsilon) = \exp\left(-\varepsilon - \exp(-\varepsilon)\right)
\]

then the probability of any option \(q\) being chosen can be expressed in terms of a logistic distribution (McFadden, 1974). This logistic distribution is adapted to reflect the conditional logit (CL) model:

\[
P\left(U_{iq} > U_{ij}, \forall j \neq q\right) = \frac{\exp(\mu r_{iq})}{\sum_{k \in C} \exp(\mu r_{ik})}
\]

where there are \(a\) different alternatives in choice set \(C\). The scale parameter, \(\mu\), is typically assumed to be one (Ben-Akiva & Lerman, 1985). This model can be restrictive in terms of its underlying assumptions. In addition to the IID assumption of the error term, it assumes that random components do not exhibit serial correlation, i.e. they are Independent of Irrelevant Alternatives (IIA), that utility parameters are set, and that homogeneity of preferences across respondents is maintained (Bhat, Eluru & Copperman, 2000). Despite these assumptions, however, the CL model is still considered the ‘work horse’ of discrete choice analysis (Hensher, Rose & Greene, 2005).

NELSON MANDELA BAY (NMB) BEACHES: A CASE STUDY

The study site

Nelson Mandela Bay is situated in the Eastern Cape Province, and covers an area of approximately 1 950 km. It is managed by the Nelson Mandela Bay Municipality (NMBM), which was formed as an administrative area in 2001. This municipality covers Port Elizabeth, Uitenhage, Despatch and some surrounding agricultural areas (Statistics South Africa (STATSSA), 2011). The population of NMBM is approximately 1.15 million people forming about 325 000 households. All these individuals have free access to the 16 bathing beaches that line the NMB coastline (see Figure 1 below). These beaches are situated both inside and outside Algoa Bay.

Figure 1: Bathing beaches in NMB
The value of these beaches cannot be measured directly in monetary terms, given the problem of open access. This adds to their risk of being neglected by public entities during the decision making process (Liu & Wirtz, 2010). Effective beach management in this instance requires that policy makers and stakeholders within this municipality familiarise themselves with the requirements and preferences of beach users in an attempt to optimise use of available funds.

**Survey design**

The first step in designing the survey was to identify which beach characteristics were considered most important to the recreational user of NMB bathing beaches (as identified above). In March 2013, interviews were conducted with the NMBM beach manager, Mr Fernando Cain, who identified a number of concerns that the public have when it comes to the recreational use of these beaches. Mr Cain has been the NMBM beach manager for the previous five years (at least) and, as such, has the necessary experience to provide relevant expert opinion. A pilot study was then conducted (May 2013) where approximately 40 respondents, i.e. NMB bathing beach users, were asked to rank these concerns in order of importance. Those recreational beach concerns ranked most important by the public were then specified in terms of attributes with differing levels. Following the steps outlined by Hasler, Lundhede, Martinsen, Neye and Schou (2005), a questionnaire was developed. The four steps followed during this development process included:

- Providing introductory information for the study, as well as an explanation of the environmental issue being analysed,
- Setting out the CE. This was done by providing detailed descriptions of the payment vehicle as well as the attributes of interest and their levels,
- Providing follow-up questions, which allow for reliability and validity testing, and lastly,
- Collecting socio-economic information about the respondent.

The draft questionnaire was pre-tested through a further pilot survey. Approximately 35 NMB bathing beach users were approached on-site during August 2013 to take part in this follow-up pilot survey in order to assess the clarity and complexity of the questions within the completed survey instrument.

The design of the CE part of the questionnaire started with the generation of a partial factorial design in SPSS, which yielded a minimum of 16 different treatment combinations or alternatives. For the purposes of this study, three alternatives per choice set (or choice card) were adopted, namely ‘Option A’, ‘Option B’ and the status quo. Options A and B were randomly allocated to 16 different questionnaires containing four choice sets each. This allocation was done through the use of a random number generator in Microsoft (MS) Excel. In each choice set, the respondent had to choose one of the three scenarios as their most preferred alternative. See Appendix A for an example of a choice set or choice card. Each of these choice sets included an option A, option B, and set status quo alternative, and each questionnaire included four different versions of these choice sets. Note that the status quo option remains the same across all choice sets.

A status quo option was included in the study as advocated by Mallawaarachchi, Blamey, Morrison, Johnson and Bennett (2001), Morrison and Bennett (2004), and Nam Do and Bennett (2007). The four beach management attributes selected by the public included ‘Number of lifesavers’, ‘Presence of dogs’, ‘Bathing water quality’ and ‘Level of public safety’. One of the attributes was quantitative in nature whereas the others were defined in qualitative terms. Qualitative attributes were mostly used as respondents relate more confidently to these. They are also considered less cognitively demanding (Hasler et al., 2005). The fifth attribute represented the payment vehicle and was defined as an annual water charge added onto the NMB resident’s municipal rates statement. It was expressed by five different Rand values in the CE. Attributes selected for this study and their corresponding levels are presented in Table 1 below.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Levels</th>
<th>Description of levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lifesavers</td>
<td>5 (current)</td>
<td>Proposed number of permanent lifeguards for bathing beaches in NMB.</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Presence of dogs</td>
<td>Ban dogs</td>
<td>Ban dogs from ALL bathing beaches</td>
</tr>
<tr>
<td></td>
<td>Do not ban dogs (current)</td>
<td>Do not ban dogs from ALL bathing beaches</td>
</tr>
<tr>
<td>Bathing water quality</td>
<td>Poor</td>
<td>Less than 100 e.coli bacteria per 100ml of water</td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td>100 to 300 e.coli bacteria per 100ml of water</td>
</tr>
<tr>
<td></td>
<td>Good</td>
<td>301 to 2000 e.coli bacteria per 100ml of water</td>
</tr>
<tr>
<td></td>
<td>Excellent (current)</td>
<td>More than 2000 e.coli bacteria per 100ml of water</td>
</tr>
<tr>
<td>Level of public safety</td>
<td>Visible policing</td>
<td>Introduce dedicated security teams to monitor bathing beaches</td>
</tr>
</tbody>
</table>
No visible policing (current) | Do not introduce dedicated security teams to monitor bathing beaches
---|---
Water surcharge | A fixed annual sum added to existing rates and taxes paid by the NMB residents. This added charge will be directed back to the NMBM for recreational beach management
R0 (current) |  
R7.50  
R15  
R22.50  
R30  

### Sample design

The target population included all individuals who, at the time of the survey, made use of the NMB beaches for recreational purposes. In some cases, it is not possible to find a sample frame that lists the entire target population (Bateman, Carson, Day, Hanemann, Hanley, Hett, Jones-Lee, Loomes, Mourato, Ozdemiroglu & Pearce, 2002). If no lists exist, a sample frame cannot be specified and sampling necessarily has to be carried out directly from the sample population. For this reason, the sample selection process that was followed used underlying knowledge of the specific target population. This form of sampling can be used, especially when the target population refers to visitors to a beach (Bateman et al., 2002; Dillman, Smyth & Christian, 2009). These visitors would therefore have to be sampled on site. This ‘on-site’ sampling, also known as an intercept survey, was employed when beach users were identified when they were actually engaged in carrying out their recreational activities (Bateman et al., 2002).

Sample size was determined through the use of a non-probabilistic sampling technique, known as the rule of thumb (Hensher et al., 2005). A ‘rule of thumb’ guideline commonly applied is a sample of 50 respondents, if each respondent faces 16 choice sets (50 * 16 equals 800 observations) (Bennett & Adamowicz, 2001). This translates into a sample of 200 respondents if they are being offered four choice sets each (200 * 4 equals 800 observations). This sample was first stratified according to annual visitation percentages for each bathing beach. It was then further stratified according to population statistics representing NMB in terms of gender and population group. These strata using the overall population proportions are presented in percentage terms in Table 2.

In total, 210 completed questionnaires were collected. These beaches were sampled as per the ratios given in Table 2. For example, of the 210 questionnaires completed, 36 were administered at Kings Beach. The face-to-face interview method is the most common approach to use when valuing recreational sites (Lee & Han, 2002). This personal interview method was adopted for the study. Although costly, it affords the interviewer the best opportunity to encourage the respondents to cooperate with the survey. The interviewer is also given an opportunity to explain complex information and valuation scenarios to the respondent – which is very important in the CE setting (Mitchell & Carson, 1989).

### Table 2: Sample strata percentages for NMB population representation

<table>
<thead>
<tr>
<th>Stratum 1</th>
<th>Sample Percentage</th>
<th>Stratum 2</th>
<th>Sample Percentage</th>
<th>Stratum 3</th>
<th>Sample Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kings</td>
<td>17</td>
<td>Male</td>
<td>48</td>
<td>African</td>
<td>61</td>
</tr>
<tr>
<td>Humewood</td>
<td>18</td>
<td>Female</td>
<td>52</td>
<td>Coloured</td>
<td>24</td>
</tr>
<tr>
<td>Hobie</td>
<td>34</td>
<td>Total:</td>
<td>100</td>
<td>Indian/Asian</td>
<td>1</td>
</tr>
<tr>
<td>Pollock</td>
<td>7</td>
<td>White</td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Wells Estate</td>
<td>15</td>
<td>Total:</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bluewater Bay</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brighton beach</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St Georges strand</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beachview</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Van Stadens</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Horizon Bay</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millers</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sardina Bay</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denville</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willows</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maitlands</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>100</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: STATSSA (2011); Cain (2012)
Note: Totals could differ due to rounding.
The questionnaire was administered on-site by four trained interviewers during January and February of 2014. Interviewer training took place in November 2013 and included seminars presented by the researchers on the proper administration of CE questionnaires, based on the guidelines given in Hasler et al. (2005).

RESULTS

Socio-economic characteristics

Section four of the questionnaire included questions relating to socio-economic information of respondents. This information is presented in Table 3, and is representative of the underlying NMB population.

Approximately 52 percent of the sample was female – in line with the NMB population breakdown. The majority of recreational beach users surveyed were between the ages of 21 and 40 (63%). In terms of educational attainment, 39 percent had a matric qualification with university exemption. The majority of respondents sampled earned a gross annual income of less than ZAR150 000 (66%).

Table 3: Socio-economic characteristics for NMB bathing beach visitors

<table>
<thead>
<tr>
<th>Gender</th>
<th>%</th>
<th>Number</th>
<th>Age</th>
<th>%</th>
<th>Number</th>
<th>Education</th>
<th>%</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>48</td>
<td>101</td>
<td>&lt;=20</td>
<td>9</td>
<td>19</td>
<td>No schooling</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
<td>109</td>
<td>21 - 30</td>
<td>34</td>
<td>71</td>
<td>Primary</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>210</td>
<td>31 – 40</td>
<td>29</td>
<td>61</td>
<td>Incomplete Secondary</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>41 – 50</td>
<td>17</td>
<td>36</td>
<td>Matriculation</td>
<td>39</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>51 – 60</td>
<td>9</td>
<td>19</td>
<td>Diploma</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>61+</td>
<td>2</td>
<td>4</td>
<td>Degree</td>
<td>20</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>210</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CE results

A CL model specification was estimated using the LIMDEP NLOGIT Version 4.0 programme. The model estimated showed the importance of choice set attributes in explaining respondents’ choices across three different options, one of which represented the status quo. This model provides an estimate of the effect of a change in any of these beach attributes on the probability that one of these options will be chosen. Table 4 gives the estimated model results.

Table 4: Estimation results of the CE

<table>
<thead>
<tr>
<th>Variables</th>
<th>CL Coefficient</th>
<th>Std Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASC</td>
<td>-.86894</td>
<td>.5228</td>
</tr>
<tr>
<td>Number of lifesavers</td>
<td>.04665*</td>
<td>.0070</td>
</tr>
<tr>
<td>Presence of dogs</td>
<td>.14030*</td>
<td>.0576</td>
</tr>
<tr>
<td>Good water quality</td>
<td>-.10603</td>
<td>.1530</td>
</tr>
<tr>
<td>Moderate water quality</td>
<td>-.37439*</td>
<td>.1553</td>
</tr>
<tr>
<td>Poor water quality</td>
<td>-.86570*</td>
<td>.1591</td>
</tr>
<tr>
<td>Level of public safety</td>
<td>.70980*</td>
<td>.0581</td>
</tr>
<tr>
<td>Cost</td>
<td>-.02090*</td>
<td>.0074</td>
</tr>
<tr>
<td>No. of Respondents</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>No. of Choice Sets</td>
<td>840</td>
<td></td>
</tr>
<tr>
<td>Pseudo R²</td>
<td>.13535</td>
<td></td>
</tr>
</tbody>
</table>

* indicates significance at the 5 percent level

The Alternative Specific Constant (ASC) coefficient determines whether respondents have shown status quo bias. It is suggested that the inclusion of a status quo alternative could provide an ‘easy way out’ for respondents if they want to avoid the choice task, thus exhibiting a ‘bias’ towards the status quo (Dhar & Simonson, 2001; Kontoleon & Yabe, 2003). The ASC coefficient, calculated as -.868, is negative in the model. This implies that respondents did not show a preference for the status quo over the other given options (A and B) when making their choices. If anything, there appears to be a movement away from the status quo, given the negative coefficient. This could indicate that respondents are seemingly unhappy with the current management of beaches in NMB.
All the attribute coefficients have the expected signs. Respondents were more likely to choose an option if there were a higher number of lifesavers indicated. Respondents attitudes provided support for this result as almost half of them indicated that the number of lifesavers was not sufficient to ensure adequate bathing safety. Respondents were also more likely to choose an option if dogs were banned from all bathing beaches and if the municipality introduced dedicated visible policing units. Approximately 67 percent of respondents felt that the lack of public safety is a severe threat to the quality of the recreational services provided by bathing beaches. In terms of water quality, respondents were less likely to choose an option the greater the movement away from the status quo level of water quality, i.e. ‘Excellent’. This relationship is only statistically significant when facing the moderate or poor levels of water quality. Respondents appear to be indifferent between the ‘Excellent’ and ‘Moderate’ water quality levels.

**Estimation of WTP values**

Measures of welfare can be calculated from the estimated coefficients in the form of marginal WTP values (Goibov, Schmitz, Bauer & Ahmed, 2012). These values, also known as implicit prices, are point estimates of the value of a unit change in an attribute. They are calculated by determining the marginal rates of substitution between the attributes. This is done by using the coefficient for cost as the “numeraire” (Hanemann, 1984). The ratios of the attribute in question to the cost coefficient can be interpreted as the average marginal WTP for a change in each of the attribute values (Hanemann, 1984). If \( X = X_1, \ldots, X_a \) attributes, then implicit prices can be derived using Equation 6 below:

\[
IP = \left( \frac{\beta_a}{\alpha} \right)
\]

where \( IP \) refers to the implicit price, \( \beta_a \) is the parameter estimate of the specific attribute \( X_a \), and \( \alpha \) is the parameter estimate of the price variable (Hanley, Wright & Alvarez-Farizo, 2006).

Table 5 reports the implicit prices, or marginal WTP, for each of the recreational beach attributes estimated using the Delta method (Wald procedure) in LIMDEP NLOGIT Version 4.0 (Greene, 2007).

**Table 5: Marginal WTP (MWTP) for attributes and confidence intervals (CI)**

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Marginal WTP (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lifesavers</td>
<td>2.25; (0.46; 4)</td>
</tr>
<tr>
<td>Presence of dogs</td>
<td>6.70; (1.77; 11.65)</td>
</tr>
<tr>
<td>Moderate water quality</td>
<td>-17.90; (-29.14; -5.96)</td>
</tr>
<tr>
<td>Poor water quality</td>
<td>-41.40; (-73.87; -8.95)</td>
</tr>
<tr>
<td>Level of public safety</td>
<td>33.95; (9.59; 58.31)</td>
</tr>
</tbody>
</table>

* Confidence intervals in parentheses.

These values indicate that the maximum amount, on average, that a person is willing to pay in order to increase the number of permanent lifesavers for the NMB bathing beaches is ZAR2.25 per user per annum (2014 prices). Users are also willing to pay ZAR6.70 per annum in order to assure that dogs are no longer allowed on these beaches (2014 price level). For the beach manager, there is a disincentive in allowing water quality levels to drop below a ‘Good’ standard as this would decrease beach user welfare. Lastly, for the introduction of dedicated visible policing units on bathing beaches, users are willing to pay ZAR33.95 per annum (2014 prices).

**POLICY ANALYSIS AND CONCLUSIONS**

This paper reports the findings of a CE application carried out on beach recreationists in NMB. The aims of this paper were to estimate the economic value that recreational users attach to selected beach characteristics (attributes) and to recommend the use of these values as inputs to the multi-dimensional task of scarce resource allocation.

This study has provided inputs to the process of dimensional analysis through addressing the quantitative and qualitative aspects as applied to the management of recreational beaches. The quantitative aspects of dimensional analysis, when applied to beach management, recommend the identification of key beach problem areas through the use of focus groups and public discussions. There were differing opinions as to

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16 Whilst this option may be restrictive in terms of the required choice, i.e. banning dogs from all beaches or not banning dogs at all, the majority of recreational beach users felt that dogs should not be allowed any access whatsoever. When asked in a follow-up question if dogs should have limited access to a select number of beaches, the majority (60%) responded once again in the negative.
what issues were considered most in need of policy attention. As a result, four key beach attributes were included. The qualitative aspect requires the public valuation of those beach resources selected during the quantitative analysis process. The valuation of these beach attributes through the use of a CE revealed the relative importance of each in terms of the allocation of limited budgetary resources.

Results from this study suggest that beach users place a relatively high value on public safety and would be willing to pay approximately ZAR34 per annum in order to introduce dedicated visible policing units in order to improve the safety of all bathing beaches. There is also a preference for the introduction of more permanent lifesavers at these beaches. The presence of dogs on beaches appears to reduce user welfare. Approximately 60 percent of respondents would like dogs to be banned from all bathing beaches. This is further evidenced by a positive WTP of ZAR6.70 per user per annum.

RECOMMENDATIONS FOR BEACH MANAGERS

The primary objective of this survey was to determine WTP estimates for public preferences regarding key beach use areas. These public WTP values could then be used to inform policy makers of the most important aspects of beach management that require immediate policy intervention. This paper provides insights into this process through making the following recommendations:

It is recommended that beach management implements visible policing units at bathing beaches in the NMB area in order to improve public safety for beach users. This will be funded through increased rates collections from NMB residents (approximately ZAR34 per user per annum – 2014 prices). It is recommended that beach manager/s allocate resources to the permanent employment of additional lifesavers to ensure the safety of NMB bathers. This will be funded through increased rates collections from NMB residents of approximately ZAR2.25 per user per annum (2014 prices). It is recommended that dogs be banned from all bathing beaches. The funds that NMB residents are willing to pay to achieve this management intervention (ZAR6.70 per user per annum – 2014 prices) could be used to develop a separate dog-friendly area where residents can walk their dogs as an alternative to the current situation. In order to maintain the current level of water quality, it is recommended that beach managers carry out regular water quality assessments. To fund this initiative, NMB residents are willing to contribute approximately ZAR18 per user per annum (2014 prices).

These CE results allow beach managers to develop a pricing policy whereby the most important management issues can be funded simultaneously. This specific management ‘package’ would include all the beach attributes discussed above and represent overall public preferences for each. In order for these management policies to be put in place, the overall additional charge recommended for NMB residents is estimated as the sum of all the WTP values – ZAR61 per user per annum at 2014 prices.

REFERENCES


**Appendix A: An example of a completed choice set**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Option A</th>
<th>Option B</th>
<th>Status Quo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of permanent lifesavers</td>
<td>8</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Presence of dogs</td>
<td>Ban dogs</td>
<td>Ban dogs</td>
<td>Do not ban dogs</td>
</tr>
<tr>
<td>Bathing water quality</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Excellent</td>
</tr>
<tr>
<td>Level of public security</td>
<td>Visible policing teams</td>
<td>Visible policing teams</td>
<td>No visible policing teams</td>
</tr>
<tr>
<td>Cost to you(R)</td>
<td>R7.50</td>
<td>R0</td>
<td>R0</td>
</tr>
</tbody>
</table>

I would choose (TICK ONE BOX ONLY): √ □ □
PUBLIC PREFERENCES FOR RHINOCEROS CONSERVATION MANAGEMENT IN PRIVATE ECOTOURISM GAME RESERVES IN THE EASTERN CAPE: A DISCRETE CHOICE MODEL

D.E. Lee
Nelson Mandela Metropolitan University
M. Du Preez
Nelson Mandela Metropolitan University

ABSTRACT
South Africa currently holds 95 percent of the threatened white rhino (18 000) and 40 percent of the critically endangered black rhino (1 950). The plight of the rhino in South Africa has raised important concerns with regards to existing management policies, and their effectiveness in protecting endangered species. This study applies a choice experiment to private ecotourism game reserves in the Eastern Cape, in order to estimate willingness to pay values for selected supply-side rhino management strategies. The aim of this study is to provide various wildlife agencies and stakeholders with management strategies that Eastern Cape private game reserves can implement in order to raise much needed funding for further anti-poaching measures. Results suggest that visitors to private ecotourism reserves are willing to donate towards dehorning operations. Results also indicate a complete lack of support for the introduction of trophy hunting or the continuation of rhino darting experiences in the area.

Key words: rhinoceros management, choice experiment, management, conditional logit, implicit prices

INTRODUCTION AND BACKGROUND TO THE STUDY
Prior to the 20th Century, there were vast numbers of black rhinoceros (rhino) across Africa. The black rhino (Diceros bicornis) numbered in the 100 000s in the early 20th century (Crawford, 2011). At that time, however, the southern white rhino (Ceratotherium simum simum) was on the verge of extinction. During the mid-20th century, the implementation of ‘Operation Rhino’ allowed the population of white rhino to recover to almost 900, these being found largely in the Kwazulu-Natal Province (Milliken & Shaw, 2012). Whilst these white rhino numbers were recovering, the black rhino was being hunted almost to extinction. In an attempt to protect, inter alia, these species, a multilateral treaty to protect endangered plants and animals was signed by 80 countries, which then came into force in 1975 (CITES, 2013). This treaty, known as the Convention on International Trade in Endangered Species (CITES), regulated plant and animal trade through placing species in different categories (Appendix I or II), based on their endangered status (Conrad, 2012). In 1975, the white and black rhino were allocated to Appendix I, implying they were both in danger of becoming extinct, and thus all commercial trade in their product was prohibited (Conrad, 2012). With ‘Operation Rhino’ in force, and the implementation of CITES, the numbers of white rhino were able to recover to approximately 18 800 in 2012. This is evidenced by the down-listing of the white rhino from Appendix I to Appendix II in 2005, where potential trade was not prohibited per se, but was now subject to strict regulation (Conrad, 2012). Despite the ratification of CITES and the African governments’ best conservation efforts given limited resources, the numbers of black rhino have dropped from about 100 000 in 1960 to approximately 4 880 today (Crawford, 2011).

South Africa currently holds approximately 95 percent of the threatened white rhino (18 000) and 40 percent of the critically endangered black rhino (1 950) (Crawford, 2011). The plight of the rhino in South Africa has raised important concerns with regards to existing conservation policies, and their effectiveness in protecting endangered species (Swanson, Mourato, Swierzbinski & Kontoleon, 2002). Recent data suggests that the poaching of rhino on public and privately owned land has tripled in South Africa between 2010 and 2013 (Department of Environmental Affairs (DEA), 2013). These statistics reveal an urgent need to develop a more holistic conservation approach, consisting of complementary management plans in order to secure the future sustainability of the species. The Endangered Wildlife Trust (EWT), the Wilderness Foundation (WF), the Private Rhino Owner’s Association (PROA) and the Rhino Management Group (RMG) have reiterated the importance of such an approach stating that the development of an appropriate conservation framework for the protection of rhino requires immediate attention (Crawford, 2011).

PROBLEM STATEMENT AND RATIONALE FOR THE STUDY
An unprecedented amount of poaching of rhino horn in South Africa is steadily moving the black and white rhino towards extinction. There are a number of independent elements that have contributed to this high level of demand. Firstly, there is relatively inelastic demand for this product, implying that any increase in its
price will not affect demand (Conrad, 2012). From early times, rhino horn has been demanded for use in medicine. Traditional Chinese medicine used rhino horn for a range of different ailments, including treating high fevers, and cleansing the liver (Shaw, 2011). The most recent addition to the market for rhino horn is Vietnam. Increasing affluence in Vietnam has led to the use of rhino horn as a status symbol (Shaw, 2011). Consumption of this good has become an indication of wealth and connections, suggesting that higher prices for this product could simply add to its status value. Inelastic demand for rhino horn also stems from the belief that it can cure serious illnesses. Secondly, the banning on and/or restriction of trade by CITES has moved the market ‘underground’. Competition from legal sources is prevented whilst black market syndicates push up prices (Conrad, 2012). Thirdly, a large number of poached rhinos come off public land. The ‘tragedy of the commons’ exists whereby unclear property rights impede conservation efforts as nobody wants to be responsible for the cost of rhino protection. Fourth, rhino can cause conflict with humans which impose further costs on their sustainability. Fifth, violating trade restrictions should incur immediate penalties, however, elements of corruption in the legal system add to the length of time it takes to prosecute a case. The combination of these factors, referred to as ‘the perfect storm’ makes the poaching and illegal trading of rhino horn an extremely lucrative business (Conrad, 2012). These high financial returns for illegal traders, coupled with high costs of protection, can threaten the economic viability of the rhino in the long run.

In order to curb rhino poaching in South Africa, both demand-side and supply-side policies have been investigated. Demand-side policies attempt to decrease foreign demand for rhino horn through changing the ‘mindset’ of those individuals who believe in its medicinal value. While demand-side policies should be initiated, it is debatable whether they will change the individual ‘mindset’ in time to stop the rhino population dropping below the minimum population threshold (Fischer, 2010). Conservationists have thus suggested that supply-side policies be investigated as an alternative approach for the recovery of endangered species populations (Damania & Bulte, 2007).

AIMS AND OBJECTIVES OF THE STUDY

The aim of this study is to provide various wildlife agencies and other stakeholders with supply-side management strategies that the public have indicated as their most preferred options for rhino conservation. The primary objective of this study is to determine the public’s willingness to pay (WTP), by means of a choice experiment (CE), for these different management plans. In order to achieve this primary objective, the following tasks were carried out: Firstly, focus groups and discussion sessions were set up with various stakeholders, including, inter alia, conservation authorities and private game reserves. Secondly, information provided by the focus groups and discussion sessions was then used to determine feasible management plans on behalf of the public. This process identified possible management options that could be implemented for rhino conservation. Thirdly, the most appropriate non-market valuation technique, i.e. the CE, was then applied in order to determine which of these management options was most favoured by the public. Fourth, a questionnaire was then administered in order to obtain the necessary preference information. Lastly, results obtained from the questionnaire facilitated the development of a multi-faceted conservation management plan for the protection of rhino.

A MANAGEMENT STRATEGY FOR RHINO CONSERVATION IN SOUTH AFRICA

A strategy for the management and conservation of the southern white rhino was developed by the RMG and approved by members of the RMG Executive Council in 2000. This strategy, published in 2003, was entitled ‘A strategy for the conservation and sustainable use of wild populations of southern white rhino’. A strategy entitled ‘The biodiversity management plan for South Africa’s black rhino’ was recently put forward by the Minister of Environmental Affairs, Minister Edna Molewa (DEA, 2013). This strategy, developed by South African members of the Southern African Development Community (SADC) and the RMG, aims to ensure the survival and ultimate growth of the black rhino population in South Africa.

Given rising concerns regarding the drastic increase in rhino poaching, the DEA also drafted a policy document entitled ‘National strategy for the safety and security of rhino populations in South Africa’ (DEA, 2013). Short-term interventions require the implementation of an immediate plan aimed at mitigating the poaching threat to the rhino population. This intervention requires supply-side policies which can aid in law-enforcement and provide financial and related support to private landowners and public structures (DEA, 2013).

Longer-term strategies include firstly, securing the commitment of government, private landowners and international bodies in order to implement this policy, secondly, supporting the development of a national structure for co-ordinated information management, including enforcement, investigation and prosecution, if required, thirdly, developing an integrated management information system where all rhino information can
be centrally and securely stored to aid security efforts, and lastly investigating other proactive measures for the possible implementation of regulated and controlled international trade into the future (DEA, 2013).

This study provides input to the ‘National strategy’ short-term intervention, by investigating public preferences for selected supply-side management policies through the application of a case study. This case study focuses on private ecotourism game reserves situated in the Eastern Cape (EC) province.

PRIVATE ECOTOURISM GAME RESERVES IN THE EC: A CASE STUDY
The EC scenario
With an estimated size of 169,000 square kilometres, the EC is the second largest province in South Africa. It has a population of roughly 6.5 million people, representing 13 percent of the national total (CENSUS, 2011). The EC Private Nature Reserve Association (known as INDALO), formed in 2002, represents ecotourism based private game reserves in the EC. These game reserves are referred to as ecotourism game reserves, as they not only promote sustainability through their management practices, but also run local projects aimed specifically at uplifting communities in the area. The ten member reserves within INDALO agree that rhino poaching is a growing threat to rhino populations in this province. This province is also home to an established black rhino breeding population, which implies higher costs for those reserves tasked with their protection (Centre for African Conservation Ecology (CACE), 2011).

The protection of rhino involves substantial costs to the private landowner (Damania & Bulte, 2007). Since the government removed financial and related support for the protection of rhino from private game reserves in the EC, it is increasingly difficult for private landowners to keep rhino as they are no longer economically viable – the costs of protection outweigh the monetary benefits of tourism. This study investigates different supply-side policies which could be put in place to fund further anti-poaching security measures for private ecotourism game reserves in the EC. This not only provides them with funds to protect their rhino, but also makes it financially sustainable to grow these private rhino populations into the future.

Possible supply-side management policies for private ecotourism game reserves
The sale of live rhino: In South Africa, it is permissible to sell white and black rhino. The owner of the rhino, however, requires a permit before the sale can take place (DEA, 2013). The average price of a live rhino has, however, fallen. This is largely due to costly increases in anti-poaching security necessary to keep them alive (Collins, Fraser & Snowball, 2012). The costs of keeping rhino have increased for the private owner making them less economically attractive. There is also the issue of illegal purchases of privately owned rhino, for the sole purpose of killing them for their horns (Rademeyer, 2012). The attractiveness of this option to the private ecotourism game reserve owner, however, is that the sale can still generate much needed revenue for funding existing or new anti-poaching security measures.

The potential sale of privately-held stockpiled rhino horn: This option involves selling existing, privately-owned, stockpiled horns in a controlled market setting. Although currently illegal, this process could be facilitated by applying to the CITES for a trial period during which a certain percentage of public and privately-owned stockpiled, dry horn is sold. A study by Brown and Layton (2001) showed that the sale of stockpiled rhino horn could potentially help address the issue of poaching with respect to the black rhino. Currently, the existence of a trade ban on stockpiled rhino horn is argued to be worsening the poaching crisis, having the opposite intended effect on the species it is supposed to protect (Conrad, 2012). Economic theory states that prohibiting the sale of confiscated goods increases scarcity, thus pushing up prices (Fischer, 2004). Damania and Bulte (2007) argued that prices of horn could be lowered through flooding the market with stockpiled horn. There are those, however, who argue that the sale of stockpiled horn on the open market might simply increase demand for rhino horn, providing further incentives to increase their poaching efforts (Brown & Layton, 2001; Conrad, 2012).

Dehorning operations and the potential sale of new privately-owned rhino horn: Dehorning refers to a medical procedure where trained personnel (with a vet present) shoot an adult rhino with a tranquiliser gun and then carefully saw off a portion of its horn. This horn would then be sold in a controlled environment where proper structures are already in place. The dehorning of rhino has found some support within the private game reserve community (Lindsey & Taylor, 2011). This process, however, is expensive with the dehorning of one rhino costing between ZAR6 000 and ZAR10 000 each time (Lindsey & Taylor, 2011). Rhino horn is estimated to grow about six centimetres (cm) each year. This implies dehorning would have to take place at least once every two years.

The introduction of trophy hunting on ecotourism game reserves: Private ecotourism game reserves do, for the most part, not promote or allow trophy hunting expeditions. In South Africa, trophy hunting is legal, however only a limited number of permits are issued per annum (DEA, 2013). This number is based on current numbers of rhino as well as the population growth rate. Some studies have shown that trophy hunting can generate important incentives for rhino conservation (World Wildlife Fund South Africa
(WWFSA), 2008). In Namibia, a maximum of five hunting permits are sold per annum with the entire trophy fee of US$350 000 going to a trust fund that supports rhino conservation efforts in the country (Conniff, 2014). On such a low scale in South Africa, it is believed that carefully-managed and controlled hunting expeditions would not endanger the survival of the rhino, but could add value to owning and protecting them into the future.

The accompanying of rhino-darting experiences: Darting safaris or ‘green hunts’ are no longer allowed by the South African conservation authorities (DEA, 2013). Accompanying a darting team, however, can be an attractive outdoor experience for private ecotourism game reserve visitors (Sholto-Douglas, 2013). This experience includes tracking of the rhino by helicopter, the darting of the animal by the qualified veterinarian, and an informative discussion on the processes that follow. The visitor is allowed to take photographs while the veterinarian notches the animal’s ear, draws blood for DNA purposes and tags the animal for future monitoring. Not only is this a personal experience for the visitor, it can also assist with the creation of public awareness of current rhino management conservation efforts (Joubert, 2013; Visser, 2013).

RESEARCH METHODOLOGY

Once possible supply-side management policies have been identified, the most appropriate non-market valuation technique must then be applied. This study applies a CE in order to generate WTP values for these proposed management strategies. The CE model and its applications are discussed in more detail below.

The CE model

The primary valuation method proposed for this study is the CE technique. It is a survey based method that models preferences for goods and services, where these goods and services are represented in terms of different levels of attributes (Louviere, 1988). The CE approach to valuation was first proposed by Louviere and Hensher (1982). The conceptual roots of this technique can be found in Lancaster’s characteristics theory of value (Lancaster, 1966). It is the most frequently used tool for modeling the behaviour of individual choice (Bateman, Carson, Day, Hanemann, Hett, Jones-Lee, Loomes, Mourato, Ozdemiroglu, Pearce, Sugden & Swanson, 2002; Hensher, Rose & Greene, 2005).

These models are founded in classic economic consumer theory, which is where many of the important assumptions of the models were derived. Within economic consumer theory, consumers are assumed to be rational decision-makers (Howard, 1989; Engel, Blackwell & Miniard, 1995). In other words, when they are faced with a set of possible consumption bundles of goods, they assign preferences to each of these bundles and then select the most preferred bundle from the set of affordable alternatives. This choice optimises the consumer’s utility and provides the basis for the demand function and indirect utility. In the context of discrete choice modeling, this indirect utility function is simply referred to as a consumer’s ‘utility’.

An extension to the concept of utility, originally proposed by Thurstone (1927), and further developed by Luce (1959) and Marschak (1960), is the concept of random utility theory. Classic consumer theory assumes that consumers behave in a deterministic or rational manner. Random utility theory introduces the concept that a consumer’s behaviour is inherently probabilistic. In other words, even though consumers can exercise discrimination when making choices, they do not have complete information and thus there is an element of uncertainty that must be taken into account. Following this line of thinking, the utility function may be considered as the sum of two parts. The first part is the observed or measurable component, and the second part, the unobserved or random component. The random component accounts for uncertainty due to incomplete information.

The random utility approach to model estimation is adopted in this study, i.e. a model that provides for random (error) influences in addition to identified fixed ones (McFadden, 1984). More formally, total utility can be presented as:

\[ U_{iq} = V_{iq} + \varepsilon_{iq} \]  

(1)

Where \( U_{iq} \) represents utility derived for consumer \( q \) from option \( i \), \( V_{iq} \) is an attribute vector representing the observable component of utility from option \( i \) for consumer \( q \), and \( \varepsilon_{iq} \) is the unobservable component of latent utility derived for consumer \( q \) from option \( i \) (Nam Do & Bennett, 2007). Assuming a linear additive form for the multidimensional deterministic attribute vector \( (V_{iq}) \):

\[ V_{iq} = \beta_{i1} f_1(s_{iq}) + \ldots + \beta_{ik} f_k(s_{iq}) \]  

(2)

Where \( \beta_{ik} \) are utility parameters for option \( i \), and \( s_{iq} \) represents 1 to \( k \) different attributes with differing levels, Equation 1 can be expanded to:

\[ U_{iq} = \beta_{i1} f_1(s_{iq}) + \ldots + \beta_{ik} f_k(s_{iq}) + \varepsilon_{iq} \]  

(3)
This random utility model is converted into a choice model by recognising that an individual (q) will select alternative i if and only if \( U_q \) is greater than the utility derived from any other alternative in the choice set. The probability of consumer q choosing option i from a choice set may be estimated by means of the maximum likelihood estimation (MLE) approach, whereby estimates are obtained through the maximisation of a probabilistic function with respect to the parameters (Hensher et al., 2005; Nam Do & Bennett, 2007). This estimation approach requires the random components to be independently and identically distributed (IID) and this, in turn, requires the error term to be independent of irrelevant alternatives (IIA). This type of statistical distribution is referred to as the Extreme Value Type 1 distribution (EV1) (Louviere et al., 2000). Using the EV1 distribution, the unobserved random components associated with each alternative must be converted into a workable component of the probability expression. The resultant choice model only has unknowns relating to the utility parameters of each attribute within the observed component of the random utility expression, and is called the multinomial logit (MNL) or (more correctly) the conditional logit (CL) model (Hanley, Mourato & Wright, 2001). The CL model has the following form (Louviere et al., 2000):

\[
P(i | A) = \frac{1}{\sum_{j=1}^{j=J} \exp(V_i - V_j)}
\]

(4)

\( P \) is the probability of an individual choosing the \( i^{th} \) alternative over the \( j^{th} \) in the set of choices A, \( V_i \) is the representative utility from the \( i^{th} \) alternative, and \( V_j \) is the representative utility from the \( j^{th} \) alternative. This model can be restrictive in terms of its underlying assumptions, however, the CL model is still considered the ‘work horse’ of discrete choice modeling.

The CE method’s main claim to superiority over the dichotomous elicitation format of the contingent valuation method (CVM), its close methodological relative, is that it is better suited to the analysis of changes that are multidimensional and less prone to protest bids and strategic bidding and yeah saying biases (Hanley et al., 2001). For the purpose of rhino conservation management, the CE method is appropriate because the decision issues are typically multidimensional and inter-dependent. By including a price attribute within the set of management options, marginal value for the specific management interventions can be deduced, and utilised to assist to help prioritise management effort.

Review of international studies

There are a number of international studies that attempt to value endangered species through the application of a stated preference technique i.e. the CVM. These studies included the valuation of the possum in Australia (Jakobsson & Dragun, 2001), the Panda in China (Kontoleon & Swanson, 2003), the turtle in China, Philippines, Thailand and Vietnam (Jianjun, Indab, Nabangchang, Thuy, Harder & Subade, 2006; Tuan & Lindhjem, 2012), the elephant in Sri Lanka and India (Bandara & Tisdell, 2005; Ninan & Sathyapalan, 2005) and the shark in the Philippines (Indab, 2006). A review of this international literature, however, revealed that only two CVM studies, in particular, have been conducted to value the endangered rhino. A study conducted by Swanson et al. (2002) valued management options for the preservation of the Namibian black rhino. Various conservation management options put forward by Swanson et al. (2002) for the conservation of black rhino (in Namibia) included firstly, an increase in entry fees, secondly, the sale of live rhinos, thirdly, the sale of stockpiled horns, fourth, dehorning operations, fifth, darting safaris, and sixth, trophy hunting. The increase in entry fees was aimed at photographic safaris and the general viewing of animals in the wild. The sale of a small number of live rhino could be carried out each year on a long-term basis. It was also suggested that any existing stockpiled horns be marketed in a controlled trade environment. This option was only feasible, however, if the legal trading of rhino horn was allowed. The dehorning option allows for the safe removal of the rhino horn, however, was also only feasible if the harvested horns could be sold in a controlled trade environment. There was also a potential demand for darting safaris where tourist-hunters could shoot rhino with tranquiliser guns. The trophy hunting option allowed tourist-hunters to shoot and kill an adult black rhino, however this could only be done in small numbers and required stringent control measures in order not to endanger the survival of the species. Swanson et al. (2002) postulated that these management options would provide sources of funding for the conservation of rhino. It was, however, conceded that the money generated through these management options would not be enough to fund the entire conservation effort required to protect rhino in Namibia. The study argued that the shortfall should be made up by funding from government agencies.

The second study by Thuy (2007) measured the WTP for a conservation program for the Vietnamese rhino. This study formed part of a larger research project on the WTP for the conservation of endangered species in Southeast Asia. The study employed the dichotomous elicitation format where five bid levels were offered randomly to respondents. A sample of 800 households was targeted in two Vietnamese cities, namely Ho
Chi Minh City and Hanoi City. The response was 690 households and the mean WTP for the conservation of the Vietnamese rhino was estimated at US$2.50 per household.

The studies mentioned above made use of the CVM in order to estimate WTP for conservation of the specific endangered species. The CE method, however, is more appropriate in this case as it forces the public to make trade-offs among various conservation management alternatives, and in so doing, reveal which of these is most preferred. This information is vital in the context of resource management decision making, where scarce resources need to be allocated between competing conservation management issues. To the authors’ knowledge, this is the first application of a CE in the context of rhino conservation management.

RESEARCH DESIGN AND IMPLEMENTATION
Research design and implementation refers to designing the survey instrument, determining an appropriate sample size, and administering the survey through the most appropriate data collection mechanism.

Survey design
The first step in designing the survey was to identify which rhino management options were considered feasible for inclusion in the study. Interviews were conducted with the general public as well as managers/owners of private ecotourism game reserves in the EC. The proposed rhino management options ranked most important by members of the public as well as owners of private game reserves were then specified in terms of management attributes with differing levels. Following the steps outlined by Hasler, Lundhede, Martinsen, Neye and Schou (2005), a questionnaire was developed and pre-tested through a pilot survey which assessed the clarity and complexity of the questions.

The design of the CE part of the questionnaire started with the generation of a partial factorial design in the ‘Statistical Package for the Social Sciences (SPSS), which yielded a minimum of 16 different treatment combinations or alternatives. For the purposes of this study, 16 different questionnaires were generated containing four choice sets each. Within each choice set, the respondent had to choose between three rhino conservation management alternatives, one of which represented the status quo (current situation) (see Appendix A). The five rhino management options (attributes) selected through focus groups and interviews included ‘The sale of live rhino’, ‘The potential sale of existing privately owned stockpiled horn’, ‘Dehorning operations and the potential sale of new stockpiled horn’, ‘The introduction of trophy hunting expeditions’ and ‘The accompanying of a rhino darting experience’. The sixth attribute represented the payment vehicle and was defined as a voluntary, once-off donation made by visitors to private ecotourism game reserves in the EC on an annual basis. Collection of this proposed donation would occur on entry to private ecotourism game reserves in the EC. Visitors would be asked at the gate if they are willing to make a donation to finance rhino anti-poaching measures. This donation would be in support of a publicly preferred set of conservation management programmes, and would be directed back to these private ecotourism game reserves. The funds would be forwarded to, and managed by the PROA and allocated according to a set of qualifying PROA anti-poaching criteria. These donations are purely voluntary, and as such, do not put undue pressure on visitors, but rather provide them with a chance to ‘help’ the rhino by contributing to rhino anti-poaching management initiatives in the area. The donation values are based on the cost of funding an additional entry level ranger for a maximum period of one week. These values include ZAR0, ZAR60, ZAR120, ZAR360 and ZAR720. The status quo refers to the value of ZAR0. The management attributes selected for this study and their corresponding levels are presented in Table 1 below.

Table 1: The CE attributes and their levels

<table>
<thead>
<tr>
<th>Indicator/attribute</th>
<th>Levels</th>
<th>Description of levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sale of live rhino</td>
<td>Yes (current)</td>
<td>Allow the sale of live rhino</td>
</tr>
<tr>
<td>No</td>
<td>Do not allow the sale of live rhino</td>
<td></td>
</tr>
<tr>
<td>The potential sale of existing privately owned stockpiled horn</td>
<td>Yes</td>
<td>Allow a once-off sale of stockpiled, privately owned rhino horn</td>
</tr>
<tr>
<td>No (current)</td>
<td>Do not allow a once-off sale of stockpiled, privately owned rhino horn</td>
<td></td>
</tr>
<tr>
<td>Dehorning operations and the potential sale of new stockpiled horn</td>
<td>Yes</td>
<td>Carry out dehorning operations and sell off the new stock</td>
</tr>
<tr>
<td>No (current)</td>
<td>Do not carry out dehorning operations</td>
<td></td>
</tr>
<tr>
<td>The introduction of trophy hunting expeditions</td>
<td>Yes</td>
<td>Introduce trophy hunting expeditions at privately owned ecotourism reserves</td>
</tr>
<tr>
<td>No (current)</td>
<td>Do not allow trophy hunting at privately owned ecotourism reserves</td>
<td></td>
</tr>
</tbody>
</table>
The accompanying of a rhino darting experience

| Yes (current) | Introduce and promote the rhino darting experience |
| No | Do not promote the rhino darting experience |

Voluntary donation (ZAR)

| R0 (current) | Voluntary, once-off donation managed by the Private Rhino Owners Association, and directed back to qualifying private ecotourism game reserves |
| R60 | |
| R120 | |
| R360 | |
| R720 | |

Sample design

As with other survey-based research, the sample design strategy for this CE exercise entailed four distinct steps: selecting the target (sample) population, determining who to sample (the sample frame), determining the appropriate sample size and choosing the method of respondent selection and elicitation of response technique (Bateman et al., 2002). The target population included all individuals who, at the time of the survey, had visited a private ecotourism game reserve in the EC at least once in the past year. A sample frame for this study was difficult to compile, as the population of visitors are not found on one specific list, but rather made up of a diverse number of individuals from differing countries of origin. For this reason, the sample selection process that was followed used data representative of the specific target population.

In the context of a CE, sample size can be determined through the use of both probabilistic and non-probabilistic sampling techniques (‘rule of thumb’ approaches) (Hensher et al., 2005). Probabilistic sample size approaches are very often abandoned in favour of ‘rule of thumb’ approaches due to practical considerations – budget and time constraints often supersede theoretical preference (Hensher et al., 2005). Researchers commonly determine the minimum sample size as the number of observations needed to estimate “robust models” (Hensher et al., 2005). A ‘rule of thumb’ approach was used in this study to calculate the minimum sample size required to estimate a model of choice - a sample of 50 respondents each exposed to 16 choice sets is deemed acceptable (Bennett & Adamowicz, 2001). This translates into a sample of 200 respondents if they are offered four choice set questions each. In order to be representative of the target population, this sample was stratified according to visitor origin. This percentage information was taken from a report commissioned by INDALO and developed by the CACE at Nelson Mandela Metropolitan University (NMMU) (CACE, 2011). This information is presented in Table 2.

<table>
<thead>
<tr>
<th>Visitor origin</th>
<th>Sample Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>70</td>
</tr>
<tr>
<td>Local</td>
<td>30</td>
</tr>
</tbody>
</table>

Data collection

Once the sampling frame and sample size have been determined, the response selection and collection mechanisms must be established. The three main survey collection modes employed include mail surveys, telephonic interviews, and face-to-face interviews (Dillman, Smythe & Christian, 2009). The most commonly used approach when carrying out a CE is the face-to-face interview (Lee & Han, 2002). Although costly, it affords the interviewer the best opportunity to encourage the respondents to cooperate with the survey. The interviewer is also given an opportunity to explain complex information and valuation scenarios to the respondent – which is very important in the CE setting. The personal interview method was adopted in this study. Interviewers followed the intercept sample method whilst applying the quota criteria as set out in Table 2. In total, 257 completed questionnaires were collected.

CE RESULTS

Socio-economic characteristics

Socio-economic characteristics of respondents are presented in Table 3. These results are representative of visitor origin i.e. approximately 30 percent of respondents were local whilst 70 percent of respondents were international visitors.

Approximately half of the sample was female. In terms of educational attainment, 67 percent had obtained a higher education qualification. The average age of those sampled was 41 years. At least 55 percent of respondents sampled earned a gross annual income of more than ZAR400 000.
Table 3: Selected socio-economic characteristics of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>%</th>
<th>Education</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>49.8</td>
<td>No schooling</td>
<td>0</td>
</tr>
<tr>
<td>Female</td>
<td>50.2</td>
<td>Primary</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>Matriculation</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vocational training</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>University qualification</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

In terms of attitudes, 46 percent of respondents felt that the level of rhino conservation and protection in South Africa is inadequate. This is compared to 16 percent of respondents who thought it was sufficient. Another key finding was that 58 percent of respondents did not want CITES to lift the trade ban on rhino horn. There is a feeling amongst respondents that the sale of stockpiled rhino horn would not be of a sufficient quantity to decrease its market price. The survey did, however, find large support for dehorning operations. Most respondents did not believe that dehorning a rhino would devalue their ecotourism experience (60%), while 66 percent would still choose to visit a reserve whether the rhino is dehorned or not. When choosing which private ecotourism game reserve to visit, respondent choice was largely driven by recommendations by friends, as well as the presence of the ‘Big Five’.

CE model estimation

Using LIMDEP NLOGIT Version 4.0, a standard CL model was estimated. This model shows the importance of choice set attributes in explaining respondents’ choices across the three options: option A, option B and the status quo. The model provides an estimate of the effect of a change in any of these rhino management attributes on the probability that one of these options will be chosen. Table 4 gives the estimated model results.

Table 4: Estimation results of the CE

<table>
<thead>
<tr>
<th>Variables</th>
<th>CL Coefficient</th>
<th>Std Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative specific constant ASC</td>
<td>-.1521*</td>
<td>.1534</td>
</tr>
<tr>
<td>Sale of live rhino</td>
<td>.1457</td>
<td>.1026</td>
</tr>
<tr>
<td>Sale of stockpiled horn</td>
<td>.1134</td>
<td>.1058</td>
</tr>
<tr>
<td>Dehorning operations</td>
<td>.3482*</td>
<td>.1046</td>
</tr>
<tr>
<td>Trophy hunting</td>
<td>-1.184*</td>
<td>.1091</td>
</tr>
<tr>
<td>Rhino darting</td>
<td>-.4165*</td>
<td>.1083</td>
</tr>
<tr>
<td>Voluntary donation</td>
<td>-.0011*</td>
<td>.0002</td>
</tr>
<tr>
<td>No. of Respondents</td>
<td>257</td>
<td></td>
</tr>
<tr>
<td>No. of Choice Sets</td>
<td>1028</td>
<td></td>
</tr>
<tr>
<td>Pseudo R²</td>
<td>.0734</td>
<td></td>
</tr>
</tbody>
</table>

*Indicates significance at the 5 percent level

Scarpa, Willis, Acutt and Ferrini (2004) argue that the inclusion of a status quo or 'opt-out' option can create new biases in the estimates. It is also suggested that the status quo could provide an 'easy way out' for respondents if they want to avoid the choice task (Dhar & Simonson, 2001; Kontoleon & Yabe, 2003). The ASC coefficient is, however, negative in the model, implying that respondents did not show a preference for the status quo over the other given options (A and B) when making their choices. From a design perspective, this suggests that respondents did not experience high cognitive burden when faced with the choice tasks (Dhar & Simonson, 2001).

The coefficients for ‘Live rhino’, ‘Sale of stockpiled horn’ and ‘Dehorning operations’ have the expected signs based on surveyed respondent attitudes. Respondents were more likely to choose an alternative (option) if it included the introduction of dehorning operations, the continued sales of live rhino and a relaxation of the ban on trading stockpiled horns. The coefficients for ‘Live rhino’ and ‘Sale of stockpiled horn’ were not statistically significant, implying there is some controversy amongst respondents regarding the use of these management options to raise funds for private rhino conservation. The ‘Dehorning operations’ coefficient is, however, significant at the five percent level. The coefficients for ‘Trophy hunting’ and ‘Rhino darting’ are negative, implying that respondents are against these management options as potential funding sources for privately owned rhino conservation. The proposed introduction of trophy hunting and rhino darting in an alternative decreased the probability of that alternative being chosen.
WTP estimates
Once the CL model has been estimated, the WTP for each attribute can be derived. These estimates are also known as implicit prices and are calculated by determining the marginal rates of substitution between the management attributes. This is done by using the coefficient for cost as the “numeraire” (Hanemann, 1984). The ratios of the attribute in question to the cost coefficient can thus be interpreted as the average marginal WTP for a change in each of the attribute values (Hanemann, 1984). Table 5 reports the implicit prices, or marginal WTP, for each of the significant rhino management attributes estimated using the Delta method (Wald procedure) in LIMDEP NLOGIT Version 4.0 (Greene, 2007).

Table 5: Marginal WTP (MWTP) for attributes and 95% confidence intervals (CI)*

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Marginal WTP (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dehorning operations</td>
<td>317; (124; 510)</td>
</tr>
<tr>
<td>Trophy hunting</td>
<td>-1075; (-1520; -630)</td>
</tr>
<tr>
<td>Rhino darting</td>
<td>-378; (-616; -140)</td>
</tr>
</tbody>
</table>

* Confidence intervals in parentheses.

These values indicate that the maximum amount, on average, that a person is willing to pay for the promotion of the dehorning management option is ZAR317 per visitor per annum (2014 prices). Visitors are also willing to pay ZAR1 075 per annum in order to ensure that trophy hunting is not allowed in private ecotourism game reserves (2014 price level). The rhino darting experience is also not favoured by the public as a possible management intervention. A visitor is willing, on average, to contribute R378 per annum to the PROA conservation fund in order for these expeditions to be discontinued (2014 prices).

DISCUSSION AND CONCLUSIONS
This paper applied the CE method to estimate tourist’s WTP for different management alternatives aimed at conserving the black and southern white rhino. These values were estimated through the application of a case study to private ecotourism game reserves in the EC. The aim of this study was to provide various conservation bodies with supply-side management strategies that the public preferred for conserving and protecting rhino on privately owned land. With no government funding support for rhino protection on private land, it was envisaged that these WTP estimates could be used to assist private landowners by improving the quality of information available to them for decision making in rhino anti-poaching measures.

Results from this case study indicate a WTP by private ecotourism game reserve visitors for dehorning operations in the EC. This confirms results found by Lindsey and Taylor (2011), who also reported support for the dehorning management alternative in private game reserves. This is an expensive process which implies that any donations received from private game reserve visitors could be used to supplement these procedures. A key finding of this study is the complete lack of support for trophy hunting on private ecotourism game reserves in the EC. The private game reserve visitor is willing to donate approximately ZAR1 075 per annum to make sure this management alternative is not introduced. A similar scenario exists for the introduction of rhino darting experiences. Visitors are against the introduction of these experiences and are willing to donate about R380 to make sure they are not introduced. This result is surprising as these darting experiences could potentially assist with the creation of public awareness of difficulties faced by private landowners with current rhino anti-poaching efforts. It is clear from the results, however, that respondent attitudes towards the sale of live rhino are varied. There is also disagreement when it comes to the potential relaxation of the trade ban on stockpiled rhino horn. These results suggest a need for further research in these two specific areas of rhino management.

IMPLICATIONS FOR MANAGEMENT
The primary objective of this study was to determine the public’s WTP, for different supply-side rhino conservation management alternatives through the use of a case study in the EC. This information could then be used to inform private ecotourism game reserve owners on the most preferred management options that could potentially be implemented for improved private rhino conservation in the area. This paper provides insights into this process by making the following recommendations:

It is recommended that private ecotourism game reserves in the EC investigate the feasibility of implementing large scale dehorning operations. These could partially be funded through asking visitors, upon entry to these reserves, if they would be willing to donate ZAR317 to such a rhino conservation initiative (2014 prices).

It is recommended that private ecotourism game reserves in the EC promote the donation of ZAR1 075 by willing visitors in order to decrease the need for trophy hunting as a means of raising funds for rhino anti-poaching measures (2014 prices).
It is recommended that private ecotourism game reserves in the EC request a donation of ZAR378 to prevent the need for rhino darting experiences as a means of raising rhino anti-poaching funds (2014 prices).

These CE results allow private ecotourism game reserve owners, through the control of the PROA, to develop an integrated pricing policy whereby the most important rhino management alternatives can be funded simultaneously. This specific management ‘package’ would represent all preferences indicated by visitors to private ecotourism game reserves in the EC. In order for these visitor preferences to be met, these reserves would request a voluntary donation per visitor of ZAR1 770 per annum. These funds would be collected and administered across the EC by the PROA. In terms of affordability, this amount is relatively high for local visitors. Foreign visitors, however, were found to be more willing to donate such a high amount for the conservation of rhino in these game reserves.

While these figures add weight to the implementation of such supply-side management policies for raising much needed funding for private ecotourism game reserves in the EC, it does not provide much insight into those management scenarios preferred by visitors to public game reserves i.e. National Parks. Given time and budgetary constraints, this study focussed on a private case study in the EC, however, further research is required in order for these results to be reflective of the South African public’s preferred supply-side management alternatives for not only private, but public game reserves as well.

REFERENCES


Appendix A: An example of a completed choice set

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Option A</th>
<th>Option B</th>
<th>Status Quo</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sale of live rhino</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>The potential sale of existing privately owned stockpiled horn</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Dehorning operations and the potential sale of new privately owned stock</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>The accompanying of a rhino darting experience</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>The introduction of trophy hunting expeditions</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Voluntary donation amount (R)</td>
<td>R60</td>
<td>R720</td>
<td>R0</td>
</tr>
</tbody>
</table>

I would choose (TICK ONE BOX ONLY): √ □ □
SHOPPING CENTRE ATTRACTIVENESS IN TSHWANE: PERCEPTIONS OF OLDER GENERATION Y PATRONS

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University of Pretoria, Pretoria  
R. Hattingh  
University of Pretoria, Pretoria

ABSTRACT
The primary objective of this study was to investigate the perceptions of the attractiveness of Menlyn Park Shopping Centre in Tshwane, amongst older Generation Y patrons. Data was collected through self-administered questionnaires which were distributed among undergraduate students at the University of Pretoria. The measuring instrument used in this study was based on an international scale identified, as the SCATTR instrument which was adapted for local use. The study found that older males and females of Generation Y did not differ significantly with regard to how they perceived the overall attractiveness of shopping centres. Results of this study did however indicate that ethnic differences exist between white and non-white respondents regarding the attractiveness of décor in shopping centres. This study contributes to the current literature and provides valuable information to managers of shopping centers in South Africa, specifically with regard to the marketing aimed at older Generation Y consumers. Suggestions for future research are also offered.

Key words: Shopping centre attractiveness, SCATTR instrument, Generation Y, gender, ethnics

INTRODUCTION
The last few years have witnessed an accelerating increase in the South African retail sector. According to Muller (Financial Mail, 2011) retail developers and property investors have been criticised for building too many large shopping centres across South Africa. Figures by the South African (SA) Council of Shopping Centres (2012), show that since 2007, centres larger than 30 000m² has grown by 50%, rising from 88 to 131 in a short period of time. The SA Council of Shopping Centres have also anticipated that 25 new shopping centres exceeding 30 000m² in size, will be opened between 2013 and 2016 (Business Day, 2013). With the number of shopping centers growing at a rapid pace within South Africa, the retail environment has become more competitive hence the need to effectively attract patrons to specific shopping centres have become extremely important for shopping centre managers.

According to El-Adly (2007:936), customers have become more selective due to the increased choice of shopping centres they have available. Previous studies have established that consumers’ characteristics, demographics (Farrag, El Sayed & Belk, 2010:95) and shopping values (Jones, Reynolds & Arnolds, 2006:976) all influence their shopping centre satisfaction. Consumers tend to choose shopping centres that are attractive and have a wide variety of merchandise which match their preferences and tastes (Wong, Lu & Yuan, 2001:83). El-Adly (2007:936) found that consumers are more inclined to visit shopping centres that are perceived to be attractive. Ambient atmospheric conditions also contribute to attracting customers (Babin & Attaway, 2000:91). Therefore, it is essential for the managers of shopping centres to understand what influences the attractiveness of shopping centers in order to attract more patrons. The purpose of this study is therefore to determine the elements that affect the attractiveness of shopping centres within South Africa.

Wong et al. (2001) developed an instrument to assess the perceived attractiveness of shopping centres. The instrument known as the SCATTR instrument measures consumers’ perceptions of shopping centre attractiveness. It includes five dimensions namely location, quality and variety, popularity, facilities and sales incentives. This tool has been recommended for use to better understand the perceptions of different consumer segments with regard to the attractiveness of shopping centres. For the purposes of this study the elements of the SCATTR instrument will therefore provide a guideline in terms of the elements that potentially contribute to shopping centre attractiveness.

The attractiveness of The Menlyn Park Shopping Centre, situated in Tshwane, South Africa was the focus of the investigation for this particular study. The selection of this shopping centre was based not only on convenience but also on its accolades. In 2012, Menlyn Park Shopping Centre was presented with a Gold Award at the Annual SA Council for Shopping Centres’ Footprint Marketing Awards which recognises shopping centres for their exceptional marketing, innovations, creative achievements as well as economic success (SA Council of Shopping Centres, 2012). In 2013, Menlyn Park Shopping Centre also received two awards at The Times Sowetan Retail Awards for the Favourite Gauteng Shopping Mall as well as the Top...
Shopping Centre nationwide (Media Division, 2013). It is thus evident that Menlyn Park Shopping Centre is regarded among the top shopping centres in South Africa and is therefore the shopping centre of choice for this study.

The attractiveness of shopping centres is often dependent on shoppers' preferences. What may be attractive to some shoppers may not necessarily be attractive for all shoppers (El-Adly, 2007:937). South Africa, like most developing countries, has a very young population, with a larger disposable income than the older population (Sunday Times, 2010). This segment of the market, known as Generation Y can be described as individuals who are between the ages of 8 and 22 years old and is often considered an attractive segment for marketers to target (Sunday Times, 2010). According to Martin and Turley (2004:464), the wealthiest members of the Generation Y consumer group are generally the older members, many of whom are employed either full or part-time. Due to its attractiveness to marketers it is important to understand this consumer group, hence older Generation Y patrons was the sample for this study.

From a theoretic al perspective, even though shopping centre research has been ongoing for many years, the majority of previous research has focused primarily on retail stores as opposed to shopping centre environments (Haytko & Baker, 2004:68). Similarly these studies have predominantly examined only the behaviours of much older consumers while disregarding the perceptions of younger consumers, such as Generation Y (Martin & Turley, 2004:464). There have been a few studies that have included Generation Y when examining shopping centre attractiveness, yet it distinctly focused on the differences between younger and older consumers (Massicotte, Michon, Chebat & Sirgy, 2009; Jackson, Stoel & Brantley, 2011:1). Even though extensive research has been done to date on shopping centre attractiveness (Haytko & Baker, 2004; Jackson, Stoel & Brantley, 2011; Martin & Turley, 2004; Massicotte, Michon, Chebat & Sirgy, 2009) empirical research within a South African context remains limited. The constant growth of the shopping centre industry in South Africa (Business Day, 2013) calls for more empirical research to be conducted; hence the purpose of this paper is to contribute to existing body of knowledge of shopping centre attractiveness within South Africa.

From a practical perspective, the identification of the youth's perceptions of shopping centres could be useful for building retail strategies. Through these targeted strategies shopping centre managers and marketers alike ultimately have an opportunity to encourage more sales. Furthermore it could be beneficial to gain insight into the perceived shopping centre attractiveness of the youth, specifically the older Generation Y patrons, in order to determine demographic differences or similarities.

In assessing shopping centre attractiveness in South Africa, North and Kotzé (2004:30) found that there are currently some demographic differences and similarities that exist amongst shoppers in respect to their perceptions of the attractiveness of shopping centres. Their study found that perceptions of shopping centre attractiveness vary amongst different ethnic groups (white and non-white patrons) yet not amongst gender groups. As their study primarily focused on a much older population it is likely that the results may differ from a study conducted only amongst a younger population such as Generation Y consumers. Hence the objective of this study is to understand whether ethnical and gender differences exist amongst older Generation Y patrons in respect to their perceptions of shopping centre attractiveness.

The underlying purpose of this study, therefore, is to understand which attributes of shopping centre attractiveness, specifically Menlyn Park Shopping Centre, is deemed as important among older Generation Y patrons. The main objectives are to investigate if gender and ethnical differences exist amid older Generation Y patrons, with regards to their perceptions of the attractiveness of Menlyn Park Shopping Center. It is important to understand whether current shopping centres in South Africa, such as the Menlyn Park Shopping Center are adequately attractive and entertaining to older Generation Y patrons.

**RESEARCH OBJECTIVES**
The study specifically aims to achieve the following research objectives:

- To determine gender differences between Generation Y patrons’ perceptions of the overall attractiveness of a shopping centre
- To determine gender differences between Generation Y patrons’ perceptions of the entertainment facilities of a shopping centre
- To determine gender differences between Generation Y patrons’ perceptions of the attractiveness of the décor in a shopping centre
- To determine ethnical differences between the Generation Y patrons’ perceptions of the overall attractiveness of a shopping centre
To determine ethnical differences between the Generation Y patrons’ perceptions of the entertainment facilities of a shopping centre
To determine ethnical differences between the Generation Y patrons’ perceptions of the attractiveness of the décor in a shopping centre

LITERATURE REVIEW

Shopping centre attractiveness

A pleasant shopping environment can increase the time shoppers spend at a shopping centre and can encourage future visits. In the challenging retail environment today, consumers tend to be more selective about where they shop. According to East Asian Executive reports (in Wong et al., 2001:83), consumers tend to choose shopping centres that are attractive and have a variety of merchandise that meet their preferences and tastes. It is therefore important for shopping centre managers to continuously measure the performance and attractiveness of shopping centres in the eyes of consumers.

A shopping centre or mall is defined as a “planned retail development comprising of at least three shops, under one freehold, managed and marketed as a unit with a minimum gross retail area of 5000m² and some covered pedestrian area” (Dennis, 2005:42). Shopping centre or mall attractiveness however can be considered as the personality of the mall. According to Visser, Du Preez and Janse van Noordwyk (2006:49), shopping centre attractiveness is defined by its functional, physical and psychological attributes (i.e. the way in which the mall is perceived in the minds of consumers). Dennis (2005:54) has noted that consumers’ perceptions of shopping centre attractiveness heavily influence their shopping centre selection and their shopping behaviour.

The traditional attraction of shopping centres was the availability of a wide assortment of stores and merchandise in a single location. According to Kim and Kim (2005:65) over the years, shopping centres and malls have grown larger by increasing its range of social and entertainment providers and activities (e.g. special events, food court, cinemas, video arcades, and family entertainment centres). This is evident that shoppers are attracted to shopping centres for different reasons. Consumers’ perceptions of store attractiveness specifically, have been investigated across various types of retail outlets such as apparel stores (Paulens & Geisfields, 2003:372), hypermarkets (Dhurup, 2008:70) and lifestyle centres (Yan & Eckman, 2009:24), yet little research has placed emphasis on shopping centre environments (Haytko & Baker, 2004:68). Therefore due to the current economic climate, technological advancements, consumers’ lifestyle changes and the increasingly competitive retail environment, it is becoming crucial for shopping centre managers to continuously investigate the perceptions of shopping centre attractiveness in order to differentiate themselves from other players in the market. According to Visser et al. (2006:49), shopping centre managers can develop superiority above their competition by establishing a unique and attractive store environment.

Previous studies identified various dimensions and attributes that contribute to shopping centre attractiveness. In a study conducted by Wong et al. (2001:82) consumers’ perceptions of shopping centre attractiveness was measured on a SCATTR instrument, containing five dimensions: location, quality and variety, popularity, facilities and sales incentives. Similarly a study conducted by El-Adly (2007:945) revealed six dimensions, namely: comfort, entertainment, diversity, mall essence, convenience and luxury. El-Adly’s (2007) study further suggests that shopping centre managers should enhance convenience for customers, decide on an accessible location, extend the shopping hours and include a supermarket within the mall or centre in order to attract more shoppers. Shopping centres have to be promoted as unique and should be detailed in its external appearance, architecture, layout, interior design and decoration (El-Adly, 2007:946). It is therefore evident that there are currently a few distinct views on what exactly constitutes shopping centre attractiveness and the factors perceived as most favourable by patrons.

Generation Y, Shopping Values and Gender and Ethnical Differences

Generation Y or the echo boomers (Anon, 2003:1) as they are also known, has a sizeable disposable income, and is therefore a lucrative segment to target. Previous research has defined Generation Y differently in terms of age, ranging from 5 to 20 years of age (Taylor & Cosenza, 2002:393) or 14 to 31 years of age (Sullivan & Heitmeyer, 2008:285). As mentioned before, a survey conducted by the Sunday Times (2010), a South African newspaper, defined Generation Y between the ages of 8 and 22 years old. Hence for the purposes of the study, Generation Y will be referred to as individuals between the ages of 8 and 22 years old; however as previously alluded to, emphasis will only be placed on the older Generation Y segment, which varies between the ages of 18 and 22 years old. Generation Y is often classified as being highly consumption oriented and very sophisticated in terms of their tastes and shopping preferences (Jackson et al., 2011:2). According to Martin and Turley (2004:464), this generation can often be described as a free
spending generation whereby they spend their money as quickly as they acquire it. The substantial amounts of disposable income easily available to older Generation Y patrons is often beneficial to retailers and marketers who essentially become the recipients of the large sums of money being spent by this generation (Martin & Turley, 2004:466).

According to Jackson et al. (2011:1) shopping value captures and defines a consumer’s response to a set of shopping centre attributes. There are two dimensions to shopping value that assess the overall shopping experience; they are referred to as hedonic and utilitarian shopping value. Hedonic value reflects “worth found in the shopping experience itself” (Jackson et al., 2011:3) therefore hedonic shoppers are motivated by the emotional and entertainment dimensions of shopping (Martin & Turley, 2004:472). These shoppers often perceive “shopping as fun” (Jackson et al., 2011:3). Utilitarian value however “reflects task-related worth” (Jackson et al., 2011:3) therefore utilitarian shoppers are motivated to purchase products deliberately and efficiently (Martin & Turley, 2004:472). These shoppers perceive “shopping as work” (Jackson et al., 2011:3). A study by Carpenter and Moore (2009:73) suggest that regardless of the specific store, females perceive significantly higher levels of hedonic shopping value as compared to males.

According to Sit, Merrilees and Birch (2003:90) notable gender differences have been identified within different shopping centre segments, as males and females usually evaluate the attributes of shopping centres differently (Jackson et al., 2011:4). Due to the fact that females enjoy shopping more than males they have a greater tendency to visit centres more frequently than males (Raaipoot, Sharma & Chebat, 2008:829). Lee, Ibrahim and Hsueh-Shan (2005:328) found that males only enjoy the shopping experience when the store or shopping centre is clean, the level of service quality is acceptable and the sales people have good product knowledge. Otnes and McGrath (2001:116) also further elaborate in their study that gender differences are undeniably evident in the attitudes that males and females have towards shopping, especially as a social activity. A study by Jackson et al. (2011:7) also highlights the fact that females evaluate store attributes differently than males and tend to be more sensitive to environmental aspects within a shopping context. It can therefore be hypothesised that:

**H1:** There are significant gender differences between older Generation Y patrons’ perceptions of the overall attractiveness of Menlyn Park Shopping Centre

Generation Y shoppers are often classified as “recreational quality seekers,” seeking entertaining shopping experiences (Bakewell & Mitchell, 2003:102). According to Parsons (2003:74), shopping centre entertainment is increasingly being used to differentiate between centres in order to increase visits and to stimulate purchases. Entertainment is increasingly an integral part of the market strategy used by shopping centres to entice patrons (Sit et al., 2003:80). Traditionally the attraction of shopping centres was the availability of a wide assortment of stores and merchandise in a single location, but over the years, shopping centres have grown larger by increasing its range of social and entertainment providers and activities, e.g. special events, food courts, cinemas, video arcades, and family entertainment centres (Kim & Kim, 2005:65). Shopping centres in South Africa, for example, are increasingly utilising the marketing opportunities offered by various kinds of entertainment activities to attract patrons (North & Kotzé, 2004:30) to shopping centres. What is important for Generation Y is that they seek shopping experiences linked to entertainment (Sullivan & Heitmeyer, 2008:287). According to Jackson et al. (2011:7), the existence of gender differences are also evident towards the perceptions of entertainment features of shopping centres. It can therefore be hypothesised that:

**H2:** There are significant gender differences between older Generation Y patrons’ perceptions of the entertainment facilities of Menlyn Park Shopping Centre

Dean (2005:7) suggests that cutting edge designs that were once only seen in bars and restaurants are now crossing over to the retail sector. The presence of design cues within shopping centres tends to have a higher impact on the reaction and evaluation of shopping centres by females (Raaipoot et al., 2008:828). Michon, Chebat and Turley (2008:458) conducted a study amongst fashionable female shoppers and found them to be “highly involved shoppers” in terms of store décor. They also scored higher on a shopping centre orientation scale, showing high appreciation levels for shopping centre atmospherics and décor than males. Hence, the third hypothesis:

**H3:** There are significant gender differences between older Generation Y patrons’ perceptions of the attractiveness of décor in Menlyn Park Shopping Centre

In terms of individuality, one’s ethnic background is a fundamental part of a person’s self-image, which ultimately shapes perceptions including perceptions of shopping centre attractiveness. According to Alam,
Bakar, Ismail and Ashan (2008:82) there appear to be no significant differences amongst various ethnic groups with regards to online shopping behaviour. However a study conducted in South Africa by North and Kotzé (2004:33) found that ethnical differences do exist between the perceptions of white and non-white patrons, regarding their perceptions of the dimensions used to measure shopping centre attractiveness. For the purposes of this study the following can therefore be hypothesised:

H4: There are significant ethnical differences between older Generation Y patrons’ perceptions of the overall attractiveness of Menlyn Shopping Centre
H5: There are significant ethnical differences between older Generation Y patrons’ perceptions of the entertainment facilities of Menlyn Shopping Centre; and
H6: There are significant ethnical differences between older Generation Y patrons’ perceptions of the attractiveness of décor in Menlyn Shopping Centre

**RESEARCH METHODOLOGY**

This study was quantitative in nature and followed a descriptive research design. The sample for this study consisted of students from the University of Pretoria who were between the age of 18 and 22 years old. Campus intercept surveys were conducted and respondents had to complete self-administered questionnaires to rate shopping centre attractiveness with reference to Menlyn Park Shopping Centre. No incentives were given to respondents for the completion of the questionnaires.

**Sample**

A non-probability convenience sampling approach was used to select respondents for this study. This method was used as no other sampling methods could be conducted, due to the unavailability of a sampling frame. It had to be ensured that the sample included both male and female respondents from different ethnic groups who were 18 years or older. A screening question ensured that only respondents, whom had visited Menlyn Park Shopping Centre within a period of six months prior to the survey, were able to take part in the survey. A total of 200 usable questionnaires (representing a 95.3% response rate) were realised.

Respondents were assured of the confidentiality and anonymity of their responses, as they were asked to not only rate Menlyn Park Shopping Centre on all the SCATTR attributes but also to provide their demographic information. Table 1 provides a demographic profile of the respondents who participated in the study.

**Table 1: Demographic profile of respondents**

<table>
<thead>
<tr>
<th>Gender</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>99</td>
<td>49.50</td>
</tr>
<tr>
<td>Female</td>
<td>101</td>
<td>50.50</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>122</td>
<td>61.00</td>
</tr>
<tr>
<td>Non-white</td>
<td>78</td>
<td>39.00</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Both males and females had an almost equal representation, with slightly more females (50.50%) than males (49.50%). The sample was dominated by white respondents (61%). The average age of respondents was 20 years old (mean = 2.76, standard deviation = 1.204).

**Measurement**

Wong’s (2001) SCATTR instrument was adapted to measure older Generation Y patrons’ perceptions of shopping centre attractiveness. The SCATTR instrument is a reliable and valid tool to assess the attractiveness and performance of shopping centres as perceived by consumers (Wong, 2001). The original SCATTR instrument included 21 attributes categorised into five dimensions, namely, location, quality and variety, facilities and sales incentives. However in a study regarding South African consumers’ perceptions of shopping centre attractiveness, North and Kotzé (2004:30) adapted the SCATTR scale slightly, based on previous studies by Frasquet, Gil and Mollé (2001) and Sit et al. (2003), to include only 18 attributes. This adapted version of the SCATTR instrument has therefore also been used for the purposes of this study. Respondents indicated their perceptions on all 18 statements on a 7-item scale ranging from very poor to excellent. None of the items had to be reverse-scored. The questionnaire also requested respondents to supply demographic data such as gender and ethnic group. Before distributing the final questionnaire, a draft questionnaire was pre-tested with a convenience sample of 10 respondents (both male and female) who had shopped at Menlyn Park Shopping Centre.
RESULTS
The Cronbach alpha coefficient for the 18 items measured, indicated acceptable internal consistency, with an alpha value of 0.880. None of the items had to be removed from the scale as none had a low item-to-total correlation, therefore removing any items would not have resulted in a higher Cronbach’s alpha coefficient for this study.

Hypothesis tests
The independent samples t-test was conducted to test the hypotheses of this study to establish whether there are differences between two or more groups (males and females as well as white and non-white respondents). It was however not sufficient to use this parametric test as the data did not satisfy its underlying assumptions, namely the assumption of normality and the assumption of equality of variances. Since all the assumptions were not satisfied, the non-parametric Mann-Whitney U test was used to test the hypotheses in this study.

Overall attractiveness of a shopping centre was determined by adding all single items of the SCATTR instrument and calculating an overall attractiveness score. Perceptions of the entertainment facilities and the attractiveness of décor in a shopping centre were however measured as single items within the SCATTR instrument and were therefore treated as ordinal scales.

The results in Table 2 indicate that there are no significant gender differences in the perceptions of the overall attractiveness of Menlyn Park Shopping centre (p-value = 0.866). Similarly there are no significant gender differences in the perceptions of entertainment facilities of Menlyn Park Shopping centre (p-value = 0.414) and the attractiveness of décor in Menlyn Park Shopping Centre (p-value = 0.998). The p-values are bigger than 0.05 (level of significance), thus null hypotheses 1, 2 and 3 is accepted.

Table 3 shows the results of hypotheses 4, 5 and 6 concerning ethnical differences. Results for hypothesis 4 indicate (at a significance level of 0.05) that there are no significant ethnical differences between white and non-white respondents’ perceptions of the overall attractiveness of Menlyn Park Shopping Centre (p-value = 0.354). Null hypothesis 4 is therefore accepted. Similarly results for hypothesis 5 indicate (at a significance level of 0.05) that there are no significant ethnical differences between white and non-white respondents’ perceptions of the entertainment facilities of Menlyn Park Shopping Centre (p-value = 0.90). Null hypothesis 5 is therefore accepted. On the contrary the result for hypothesis 6 indicate that there are significant ethnical differences between white and non-white respondents’ perceptions of the attractiveness of décor in Menlyn Park Shopping Centre (p-value = 0.036). Null hypothesis 6 is therefore rejected.

CONCLUSIONS
This study presented no significant gender differences in perceived shopping centre attractiveness (overall attractiveness, entertainment facilities, attractiveness of décor) amongst patrons of the older Generation Y consumer group. This is in accordance with a previous study by North and Kotzé (2004:30) who also found that males and females do not differ significantly with respect to their perceptions of shopping centre attractiveness. However these results do contradict findings by Sit et al. (2003:80) and Otnes and McGrath (2001:116) who found notable gender differences with regards to shopping in general as well as the evaluation of attributes of shopping centres.

The lack of gender difference could be ascribed to the definite trend wherein consumers are moving from a traditional gender orientation to a more modern gender orientation (Hawkins, Best & Coney, 2001:98). It can therefore be presumed that males of the older Generation Y consumer group are starting to pay as much attention to shopping centre attractiveness, entertainment facilities and décor, as females. These findings are aligned with a study conducted by Hu and Jasper (2007:17) who found that both males and females are starting to adopt an understanding that shopping centres are in fact good environments for entertainment.

This study also presented no significant ethnical differences between white and non-white respondents’ perceptions of overall attractiveness and entertainment facilities of shopping centres. There was however a significant ethnical difference between white and non-white respondents’ perceptions of the attractiveness of décor in shopping centres. According to Babin and Darden (1995:49) a similar physical environment can be perceived differently by consumers with diverse personality traits. It could therefore be reasoned that white and non-white respondents have different personality traits thereby explaining the differences in perceptions of shopping centre atmospherics or décor.
Table 2: Male and female hypotheses results

<table>
<thead>
<tr>
<th></th>
<th>Independant samples</th>
<th>Kolmogorov Smirnov test of normality</th>
<th>Levene's test for equality of variances (Sig.)</th>
<th>Mann-Whitney U test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>Mean</td>
<td>Std. deviation</td>
<td>Mean ranks</td>
</tr>
<tr>
<td>Overall attractiveness</td>
<td>Male 99</td>
<td>5.38</td>
<td>0.71</td>
<td>0.20</td>
</tr>
<tr>
<td></td>
<td>Female 101</td>
<td>5.39</td>
<td>0.68</td>
<td>0.05</td>
</tr>
<tr>
<td>Entertainment facilities of the centre</td>
<td>Male 99</td>
<td>4.81</td>
<td>1.28</td>
<td>0.00*</td>
</tr>
<tr>
<td></td>
<td>Female 101</td>
<td>4.92</td>
<td>1.37</td>
<td>0.00*</td>
</tr>
<tr>
<td>Attractiveness of décor in the shopping centre</td>
<td>Male 99</td>
<td>5.40</td>
<td>1.12</td>
<td>0.00*</td>
</tr>
<tr>
<td></td>
<td>Female 101</td>
<td>5.35</td>
<td>1.26</td>
<td>0.00*</td>
</tr>
</tbody>
</table>

Note: Mann-Whitney U test p-values are indicated in the last right hand column.

Table 3: White and non-white hypotheses results

|                                | Independant samples | Kolmogorov Smirnov test of normality | Levene's test for equality of variances (Sig.) | Mann-Whitney U test |
|                                | n       | Mean  | Std. deviation | Mean ranks | Sum of ranks | Sum of ranks | Asymp. Sig. (2-tailed) |
| Overall attractiveness          | White 122 | 5.34  | 0.71           | 0.00* | 0.86         | 97.47 105.24 11891.50 0.354 |
|                                | Non-white 78 | 5.46 | 0.68 | 0.00* |          |
| Entertainment facilities of the centre | White 122 | 4.85 | 1.30 | 0.00* | 0.64 | 100.10 101.12 12212.50 0.90 |
|                                | Non-white 78 | 4.55 | 1.38 | 0.00* |          |
| Attractiveness of décor in the shopping centre | White 122 | 4.95 | 1.20 | 0.00* | 0.02 | 93.82 110.95 11446.00 0.036 |
|                                | Non-white 78 | 5.28 | 1.44 | 0.00* |          |

Note: Mann-Whitney U test p-values are indicated in the last right hand column.
MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

It can be summarised that older Generation Y consumers frequent shopping centres not only for buying goods and services, but also to get involved in the “total experience” (Schiffman, Kanuk & Wisenblit, 2010:386). The results of this study can be used by shopping centre management to understand the importance of shopping centre attractiveness to attract older Generation Y consumers. Managers of shopping centres should further explore this lucrative market segment to determine what other dimensions of shopping centre attractiveness are of importance to this segment, to serve as an additional attraction for these shoppers.

It is also important for management to determine the extent to which white or non-white respondents visit shopping centres, as they have significantly different perceptions with regards to shopping centre atmospherics or décor. Shopping centre managers should therefore incorporate various elements of décor to break ethnic barriers and create a favourable atmosphere that is appealing to all ethnic groups. In addition, management could also determine what other underlying differences exist between white and non-white patrons with regards to shopping centre attractiveness, to ensure that the needs and expectations of all patrons are equally satisfied.

Although research indicates no significant gender differences among older Generation Y consumers in their perceptions of shopping centre attractiveness, entertainment facilities and décor. Table 2 does however indicate that older Generation Y consumers have high expectations with regard to shopping centre attractiveness, due to the high mean scores (all above 4.80) attained. Therefore, even though shopping centres do not need to invest vast amounts of money to target each gender individually, it is still imperative to ensure that the overall attractiveness (including entertainment facilities and décor) is of a high standard in order to attract a lucrative market such as older Generation Y consumers. Due to the sizeable disposable income of Generation Y consumers (Anon, 2003:1) and the large numbers of Generation Y consumers that visit shopping centres (Kim & Kim, 2005:65; Setlow, 2001:16), the Generation Y consumer group should be gaining more attention from marketers and management of shopping centres. Generation Y consumers can therefore be considered as an ideal market segment for the managers of shopping centres to take advantage of.

Recommendations for future research include using a probability sampling method to generalise findings across the South African population; to determine the perceptions of shopping centre attractiveness among younger Generation Y consumers that does not necessarily have a formal education as yet; to geographically expand the study to other regions within South Africa and to not just focus on one shopping centre situated in one region such as Tshwane; include more non-white respondents as distinct ethncal differences are apparent with respect to shopping centre atmospherics or décor; to understand the reasons behind the existence of ethnical differences with regards to shopping centre atmospherics or décor; to develop a South African SCATTR tool to determine the perceptions of shopping centre attractiveness locally; and lastly to make use of mall intercept surveys as opposed to campus intercept surveys, because respondents at the shopping centres or malls will have a better recollection of the attractiveness of a shopping centre therefore influencing the results accordingly.

REFERENCE LIST


STANDARDISATION OF AN ARTS CONTRIBUTION QUESTIONNAIRE FOR SOUTH AFRICAN ARTS FESTIVALS: THE CASE OF THE VISUAL ARTS

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P. Viviers
North-West University
K. Botha
North-West University

ABSTRACT
An arts contribution questionnaire was used to determine the current contribution that selected arts festivals in South Africa are making to the visual arts that they present. This questionnaire evaluates those factors of an arts festival contributing to the visual arts. The current educational, emotional, economic, marketing and growth and developmental contribution climate regarding the arts can be determined from the results of the analysis. A quantitative research approach, with 1584 respondents from three arts festivals, was used to determine the validity and reliability of the questionnaire. Exploratory and confirmatory factor analyses revealed that items measuring the contribution factors in the questionnaire grouped together with each corresponding contribution thus confirming the validity of the questionnaire. According to Cronbach’s alpha coefficient, the questionnaire can be regarded as being reliable. Recommendations are made to modify the questionnaire so that it could be even more applicable to South African arts festivals and their contribution to the visual arts.

Key words: arts festivals, contribution, questionnaire, standardisation, visual arts.

INTRODUCTION
An arts festival can be viewed as a place for celebration (Tassiopoulos; 2010:5); the celebration of an individual artist; the celebration of a human creative skill in areas such as poetry, painting and music; or the celebration of the arts (Inkei, 2005:6; Mayerfield & Crompton, 1995:41). Arts festivals provide a showcase for local talent and display considerable diversity in the forms, as well as in the types of art that are featured. They present the arts to the visitor with a unique perspective of ordinary, everyday life, together with an opportunity to participate in the arts (Williams & Bowdin, 2007:306; Quinn, 2005:927). Further, arts festivals were established to provide excellent support for artistic, cultural and audience development and have their primary focus to fall on the development, presentation and/or participation in the arts (Falassi, 1987:1). Thus, in summary, the purpose of an arts festival could be to contribute to the enhancement and livelihood of all the forms of the arts it presents (Hutter & Throsby, 2008:17; Quinn, 2005; Visser, 2005). In recent years, based on the aforementioned definitions of an arts festival, it is evident that it has become necessary to determine whether the arts festival contributes (or is still contributing), and equitably, to all the arts forms. This applies both to the performing arts (for example, dance, song and drama productions) and to the visual arts (including painting, sculpture, writing and photography) (Yan, Zhang & Li, 2012; Yoon, Lee & Lee, 2010:335; Quinn, 2006, 2005). However, the focus of this article will be on the visual arts; determining the contribution the arts festival makes to the visual arts.

This article furnishes an outline of the process that was undertaken in order to make recommendations regarding the development of a suitable measurement instrument – a questionnaire – to determine the arts festival’s contribution to the visual arts. This was achieved by, firstly, highlighting the problem investigated; secondly, by identifying the research objectives; thirdly, by conducting a literature review on arts contribution and recalling the main standardisation concepts upon which the empirical work is based; and fourthly, a description of the research methodology describing the development of the questionnaire, followed by a description of the study population, as well as of the data collection process. Subsequently; and fifthly, by interpreting the results of the data analysis where the validity of a visual arts questionnaire is critically assessed through discussing the exploratory factor analysis and conducting a confirmatory factor analysis to investigate the goodness-of-fit between the factors; sixthly, by determining the reliability of the questionnaire through viewing the Cronbach's Alpha values and the inter-item correlations between the factor items; seventhly, highlighting the implications and recommendations; and, finally, drawing conclusions based on the results of the standardised questionnaire for the visual arts.
PROBLEM INVESTIGATED
There seems to be a lack of interest by the festival attendee in the visual arts at arts festivals that present both performing and visual arts (Pretorius, 2012:215). A study conducted by Pretorius (2012:215) indicates that festival attendees prefer the performing arts in preference to the visual arts. Therefore, it can be said that, from the perspective of festival attendees, performing arts are more popular than visual arts (Pretorius, 2012:215). This statement contradicts the stated purpose of an arts festival, as arts festivals are designed to embrace and support all genres of the arts and to ensure the preservation of all art forms – including the visual arts (Dunjic, 2011:16; Ivanovic, 2008:84). Thus, each of the art forms must be developed and preserved for an arts festival to reach its goal of contributing to the arts (Besculides, Lee & McCormick, 2002:304). It is, therefore, of utmost importance to measure the arts festival’s contribution to the visual arts, thereby enabling equal attention to all art forms. Unfortunately, there is currently a paucity of research being carried out to determine the contribution of an arts festival to the arts, and in particular, to the visual arts (Getz, Anderson & Carlsen, 2010:34). A study done by Pretorius (2012) developed a measurement instrument (that is, a questionnaire) to determine the arts festival’s contribution to the arts, indicating that the arts festival does indeed contribute equal to the art forms. Again, a validation and reliability measurement of the questionnaire has not been conducted. Therefore, in the field of measuring the contribution of the arts festivals to the visual arts, a problem of standardisation arises. This needs to be urgently addressed. By standardising the measurement instrument determining the contribution of an arts festival to the arts it presents, the arts festival can then more successfully follow in its purpose and direction, to contribute effectively to the arts (Quinn, 2005:999). Thus, the purpose of the subject research is to develop a standardised questionnaire that can be used to measure the level of the perceived contribution of arts festivals to the arts. The standardised questionnaire will measure the various contributing factors such as the educational, emotional, economic, marketing, quality and growth and development contribution of an arts festival to the arts (Pretorius, 2012). The result of a standardised quantitative measure of the arts festival’s contribution to the visual arts may provide some insights into how festival attendees rate the level and type of contribution of a particular arts festival, thus enabling arts festival organisers to identify their own contribution to the visual arts. This will enable the organisers to identify the dimensions of the contribution where they excel or where they need to improve.

RESEARCH OBJECTIVES
The aim of this study is to assess the validity and reliability of the questionnaire that measures the contributions that arts festivals make to the visual arts. More specifically, the research goal was to standardise the current arts contribution questionnaire. To achieve this goal, two research objectives arise, namely (1) to determine the validity of the questionnaire by conducting an exploratory factor analysis and a confirmatory factor analysis; and (2) to determine the reliability of the questionnaire through the Cronbach Alpha’s values and inter-item correlations between the items.

LITERATURE REVIEW
Contributions of an arts festival to the visual arts
Despite the long existence of arts festivals, certain characteristics that have contributed to the arts were first recognised only in recent years. Numerous national and international researchers have touched on the concept of the arts festival’s contribution to the arts in general and have identified the following contributing factors of an arts festival (see Table 1): an educational contribution; an emotional contribution; an economic contribution; a marketing contribution; a quality contribution, and a growth and development contribution.

The educational contribution of an arts festival consists of synonyms such as mentoring, teaching and coaching (Farlex, 2014). According to Anheier & Isar (2008:8) and Heilbrun & Gray (2001:229), a festival is set out to teach new or traditional art forms and techniques, encouraging artistic innovation by the learner; to generate own knowledge from existing knowledge; and where information regarding the arts is exchanged among the particular parties. The emotional contribution of an arts festival is associated with the inner-self, where it has an influence on motivation and inspiration (Bradley & Lang, 2007:602). According to Reeves (2002:30) the emotional contribution can be seen as an artistic activity, stimulating creativity and enhancing innovation. The economic contribution of an arts festival is usually associated with terms such as willingness to pay, sales and economic impact (Farlex, 2014). The arts festival can provide other sources of audiences and additional revenues for the arts (Heilbrun & Gray, 2001:324); it can support artistic life and activity and further contribute to the existence of the arts (Hughes, 2012:153); it can make the arts an income opportunity for the artists (Phillips & Steiner, 1999:26); and it can create additional employment (Allen et al., 2012:61). The quality contribution of the arts festival is associated with the degree or grade of excellence (Farlex, 2014). The festival must then focus on service quality, accessibility and festival variety (Getz, 1997:11).
<table>
<thead>
<tr>
<th>Educational contribution of an arts festival to the arts</th>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved knowledge about the arts</td>
<td></td>
<td>The festival improves people’s knowledge about the visual arts</td>
<td></td>
</tr>
<tr>
<td>Promotes research within the arts</td>
<td></td>
<td>The festival promotes research within the visual arts</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emotional contribution of an arts festival to the arts</th>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspire people to become artists</td>
<td></td>
<td>The festival inspires people to become painters, sculptors, photographers and writers</td>
<td>Waterman, 1989:55; Heilbrun &amp; Gray, 2001:228; Reeves, 2002:29,30,37; Axelsen, 2006; Quinn, 2006; Schwarz &amp; Tait, 2007; Finkel, 2009:13;</td>
</tr>
<tr>
<td>Encourage people to attend more productions and/or exhibitions</td>
<td></td>
<td>The festival encourages people to attend more art exhibitions, art markets, art stalls or book exhibitions</td>
<td></td>
</tr>
<tr>
<td>Encourage people to join art associations</td>
<td></td>
<td>The festival influences people to join art clubs (e.g. book clubs, photography clubs, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic contribution of an arts festival to the arts</th>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase investment</td>
<td></td>
<td>The festival creates more employment opportunities for visual artists (painters, sculptors, photographers, writers)</td>
<td></td>
</tr>
<tr>
<td>Create employment opportunities</td>
<td></td>
<td>The festival contributes to a more stable income for painters, sculptors, photographers and writers</td>
<td></td>
</tr>
<tr>
<td>Stable income/increase revenue</td>
<td></td>
<td>The festival encourages people to purchase more paintings, sculptures, photo art</td>
<td></td>
</tr>
<tr>
<td>Increased art product sales</td>
<td></td>
<td>The festival encourages people to purchase more books</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quality contribution of an arts festival to the arts</th>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creates a platform for quality art products</td>
<td></td>
<td>Painters, sculptors and writers at the festival create a quality experience of visual arts during the festival</td>
<td></td>
</tr>
<tr>
<td>Artists create quality experience</td>
<td></td>
<td>The festival promotes the quality of visual artists</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marketing contribution of an arts festival to the arts</th>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>More awareness for productions and/or art work in the country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Markets artists (well-known and new)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish networking opportunities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Growth and development contribution of an arts festival to the arts**

<table>
<thead>
<tr>
<th>As in literature</th>
<th>As in the questionnaire</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased number and variety of productions and/or art work</td>
<td>Because of the festival, the number and variety of art works have increased. Because of the festival, there is a growth in the number of painters, sculptors, photographers and writers who enter the market. Because of the festival, there is a growth in the number of paintings, sculptures, photo art and literature works. Financial contribution contributes to growth in visual arts. Develops infrastructure for exhibition of visual art.</td>
<td>Korza &amp; Magie, 1989:3; Waterman, 1998:55; Hauptfleisch, 2001:170; Faulkner et al., 2001:138; Heilbrun &amp; Gray, 2001:228; Kitshoff, 2004:240; Visser, 2005:160; Quinn, 2006:302; Anheier &amp; Isar, 2008:263; Saayman &amp; Rossouw, 2011:611; Koopman, 2012; Hughes, 2012:153;</td>
</tr>
<tr>
<td>Leads to the development of other arts festivals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased production in arts products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growing number of artists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial support increase productions of the arts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's construct
The marketing contribution of an arts festival is associated with the terms awareness, exposure and promotion (Strydom, 2011). The festival can build networks; can create promotional value of the arts to the sponsors (Van Der Vyver & Du Plooy-Cilliers, 2006:192); can create local demand for the arts and related services by raising the profile of the arts (Quinn, 2006:302); and can create awareness of new and upcoming artists as well for well established artists (Hughes, 2012:154). The growth and development contribution of the arts festival involves the process of growing and developing to a higher or more complex form (Farlex, 2014). The arts festival may allow the continuance of productions and art forms (Hughes, 2012); the expansion of infrastructure for the arts (Quinn, 2006:306); creating demand for new services and products (Quinn, 2006:291); strengthening of the capacity of arts (Quinn, 2006:302); act as a catalyst for further creativity (Quinn, 2006:302); can contribute to the preservation and revival of the traditional art forms (Phillips & Steiner, 1999:29); and can keep the arts alive for future generations (Anheier & Isar, 2008:37).

Main concepts of standardisation

Cronbach (1970:27) and Stodola & Stordahl (1967:167) define standardisation as the point where the procedure, apparatus and scoring have been fixed so that precisely the same test can be administered at different times and places. The said researchers, and Taljaard (1984:9), refer to the finalisation of the structure or framework of the test (that is, the questionnaire) as the formulation of test statements, or norms, and the determination of validation and reliability of the test. The measuring instrument can only be regarded as a standardised measure when it consists of quality criteria (Pietersen & Maree, 2010:215). These quality criteria can only be determined through the validity and reliability of the instrument (Van der Walt, 2008:120).

It is important that the standardised questionnaire complies with the different quality criteria for the practical application thereof (Taljaard, 1984:13).

Validity: The validity of the questionnaire refers to the extent to which it measures what it is supposed to measure (Maree & Pietersen, 2010b:147; Leedy & Ormrod, 2005:92). Different aspects of the validity for the items may be distinguished (Madge, 1982:156) as follows: (a) correlation validity (the accuracy of the measure); (b) content validity (all the relevant information is present); and (c) construct validity (to measure that which is meant to be measured). Leedy & Ormrod (2005:97, 99), Mayan (2001) and McMillan & Schumacher (2001) add internal validity (the accurate presentation of a particular context or event) and external validity (the degree to which results can be generalised to the entire population) to the list of quality criteria. If the questionnaire is proved to be valid, then the study have sufficient controls to ensure that the conclusions which are drawn are truly warranted by the data and that generalisations about the topic under investigation can be made (Leedy & Ormrod, 2005:97).

Reliability: Leedy & Ormrod (2005:93) and Anastasi (1961:105) define the reliability (the trustworthiness or dependability) of a questionnaire as the consistency of scores obtained by the same individual on different occasions or with different sets of equivalent items. The reliability of a measuring instrument can also refer to the level of consistency regarding continued usage of the measures (Taljaard, 1984:9). There are a number of different types of reliability. They are: (1) test-retest reliability (by administrating the instrument to the same subjects on two (or more) occasions); (2) equivalent form reliability (by administering the instrument and then, on a second occasion, administering an equivalent instrument – measuring the same construct – to the same subject); (3) split-half reliability (the items that make up the instrument are divided in two, forming two separate instruments); and (4) internal reliability (internal consistency between items, since they are supposed to measure one common construct).

RESEARCH METHODOLOGY

Development of the questionnaire

The measuring instrument used to conduct the research was a self-administered questionnaire. According to the literature on arts contribution, the questionnaire was developed to measure the perceptions of arts festival attendees regarding the selected arts festival’s contribution to the visual arts it presented. A pre-developed questionnaire to measure the perceived contributions of South African arts festivals to the arts, together with the data collected through this questionnaire, formed part of the secondary sources and serve as guideline for the standardisation of this measurement instrument (Pretorius, 2012). Respondents could give their perceptions concerning the contributions the arts festival has to the arts by completing the questionnaire when attending these events. The questionnaire is divided in two sections. Section A focused on questions relating to the visual arts. These questions were developed to comply with the six different kinds of arts contribution categories of arts festivals in South Africa (based on literature – also see Table 1). Twenty-three questions were assigned to the arts festival’s contribution to the visual arts. The items were phrased both positively and negatively in order to prevent bias (Gillham, Baker, Thompson, Birbeck, McGuire, Tomlinson, Eckersley, Silveira & Brown, 1996:48). The items was measured on a 5-point Likert scale taken from 1 to 5, where 1 = I do not agree at all; 2 = I moderately disagree; 3 = I agree; 4 = I agree more; 5 = I totally agree. Additional questions measured the personal involvement of the respondents to the
arts to determine their role in the arts festival’s contribution to the arts in Section B of the questionnaire. In this second section, the socio-demographic profiles of the festival visitor were determined through open ended and closed ended questions and, again, a five-point Likert scale of agreement. In this research, attention will only be paid to Section A of the questionnaire, as this section included the items for measuring the arts festival’s contribution to the visual arts, that are necessary for standardising the questionnaire.

Data collection procedure
The study was quantitative in nature. The descriptive survey design was selected for this study, as it assisted in obtaining information from various cases in the sample population, and allowed a focus on the exact characteristics under consideration (Bless & Higson-Smith, 1995). A stratified random sampling method was conducted. According to Blair, Czaja & Blair (2014:91) and to Mendenhall, Beaver & Beaver (2006:257), stratified sampling can be conducted when the population consists of two or more subpopulations, called strata. Instead of selecting a sample from the entire population, first, the sample is divided into subgroups or strata (Blair et al., 2014:91; Andres, 2012:105; Argyrous, 2011:284; Brunt, 1998:69). When using this sampling plan, it is necessary to ensure that each population is represented in the sample (Brunt, 1998:69). Strata for this study were formed according to the paid shows where the festival visitors purchased tickets for shows and/or productions; at the social points of the paid-entrance festival grounds, such as at the stalls, the wine tasting booths and at picnic sites; and also at the free shows in and around the festival area. These subsets of the strata were pooled to form a random sample (Investopedia, 2014). The self-administered questionnaire was distributed evenly throughout the duration of the three selected arts festivals. This study was designed to gather information once at the different settings and locations, so avoiding the difficulty of locating the respondents after the duration of the arts festival.

The data was collected at three selected arts festivals in South Africa, namely, the Klein Karoo National Arts Festival – hereafter referred to as KKNK –, the Innibos Lowveld National Arts Festival – hereafter referred to as Innibos – and the Vryfees Arts Festival – hereafter referred to as Vryfees, using the questionnaire developed by Pretorius (2012) to measure the contribution of arts festival’s to the visual arts. The arts festivals were chosen due to their differing geographical locations, varying lengths of existence and their different sizes (Pretorius, 2012:183). The KKNK is annually hosted in Oudtshoorn, Western Cape, where it celebrated its 20th year of existence (KKNK, 2014). With over 100 000 visitors attending the arts festival each year, a total of 602 completed questionnaires during 31 March and 7 April 2012 was more than adequate to conduct further data analysis on the research. Innibos has been hosted annually in Mbombela, Mpumalanga, since 2003 and attracts 90 000 visitors each year (Innibos Kunstefees, 2014). During 27 June and 1 July 2012, 407 completed questionnaires were collected. Vryfees is hosted annually in Bloemfontein, Free State and has been since 2001 (Vryfees, 2014). A total of 575 completed questionnaires were collected during 10 and 15 July 2012, which was also more than enough for further data analysis, as the festival attracts over 30 000 visitors each year. According to Krejcie & Morgan (1970:607), the respective sample sizes of the three arts festivals is adequate for further data analysis. This is based on the calculation offered by them, stating that when the population is given as 100 000, a sample size of 384 will be representative.

When the data of the three selected arts festivals are combined, 1584 completed questionnaires form the data set. According to Hair, Anderson, Tatham & Black (1998), the minimum sample size to do a principle factor analysis on must be five times more than the number of items in the measuring instrument. Tabachnick & Fidell (2001) on the other hand, state that a sample size of 300 is needed. In this case, the study complies with both Hair et al. (1998) (where 5 x total number of 23 items = 115) and Tabachnick & Fidell (2001) (where n = 1584). This large sample size is therefore sufficient to conduct the standardisation process of the questionnaire (Pretorius, 2012; Tabachnick & Fidell, 2001; Hair et al., 1998).

Data analysis
Data analysis for the standardisation of a questionnaire entails careful and meticulous usage of statistical techniques. The data collected from the questionnaire were captured in Microsoft™ Excel™. The software programme, SPSS (SPSS Inc., 2012) was used to process the data into usable information (Kruger, 2009). The data of Innibos and Vryfees was kept separate from the data of KKNK during the data analysis process. The reason for this was to determine the validity of the questionnaire by conducting an exploratory factor analysis on the combined data of Innibos and Vryfees – two smaller arts festivals when compared to KKNK. The data of KKNK was then used to confirm the data of the exploratory factor analysis through a confirmatory factor analysis. The process of determining the validity of the questionnaire took the following route. Firstly, Bartlett’s Test of Sphericity and Kaiser-Meyer-Olkin’s test of sample adequacy indicated that the sample size was adequate to conduct an exploratory factor analysis on the data of Innibos and Vryfees, where the exploratory factor analysis with Oblimin rotation was thereafter conducted to cluster the specific items of an arts festival that contribute to the visual arts. From these results, a decision was made on the
The results of the statistical analyses on the visual arts determining the validity and reliability of the questionnaire are discussed in this section.

**The validity of the questionnaire**

**Exploratory factor analyses of the data:** An exploratory factor analysis with Oblimin rotation was performed on the combined visual arts data of Innibos and Vryfees (n = 980) in order to determine how the items of the arts contribution questionnaire clustered together as factors. The pattern matrix extracted 2 factors which was complex and difficult to explain. Rotation was done until it was decided on 4 factors being extracted from the pattern matrix by Kaiser’s criterion (see Table 2). All commonalities were greater than 0.2, which indicated that sufficient variance of each item was explained through the extracted factors (Pallant, 2007:197). It was not easy to label the factors because some of the items with different content also correlated with other factors. Based on the literature, items were then placed under factors were interpretation was best. The 4 extracted factors as highlighted in Table 2 are now discussed.

**Factor 1. education and growth and development contribution**, consists of 8 items. These eight items are highlighted, viz. (item rf) the festival contributes to an increase in production of paintings, sculptures, photo art, literature (mean = 0.881); (item qq) the festival leads to a growing number of visual artists that have entered the market (mean = 879); (item pp) the festival leads to an increase in the number and variety of art works in South Africa (mean = 0.824); (item ss) the festival’s financial support contributes to the growth in visual arts (mean = 0.710); (item tf) the festival develops infrastructure for the exhibition of visual art (0.599); (item kk) the festival promotes research within the visual arts (mean = 0.568); (item jj) the festival improves people’s knowledge of the visual arts (mean = 0.416); (item ii) the festival contributes to the development of visual artists’ skills (mean = 0.362). These eight items can be considered as strong indicators of **education and growth and development contribution** (indicated in bold in Table 2). Other items classified as education and growth and development contribution loaded on other factors. Item ii (the festival contributes to the development of visual artists’ skills), loaded on factor 2 (economic and quality contribution) with a mean value of 0.245. Item jj (the festival improves people’s knowledge of the visual arts) also loaded on factor 3 (emotional contribution) with a mean value of -0.227 and on factor 4 (marketing contribution) with a mean value of 0.276. Item kk (the festival promotes research within the visual arts) also loaded on factor 3 (emotional contribution) with a mean value of -0.264. Item tt (the festival develops infrastructure for the exhibition of visual art) also obtained a mean value of 0.231 on factor 2 (economic and quality contribution). This factor loaded somewhat different results than did the findings of other research. In this study, the items of the education contribution and items of the growth and development contribution grouped under one factor. In literature, the two are separate contributing factors to the visual arts (Allen, O’Toole, Harris & McDonnell, 2012:50; Saayman & Rossouw, 2011:611). Education can be seen as a ‘growth’ factor, that is, developing one’s skills, improves one’s knowledge (Farlex, 2014), hence the combined factor between the **education contribution** and the **growth and development contribution**.

**Factor 2. economic and quality contribution**, consists of seven items, namely, (item dd) the festival encourages people to purchase more paintings, sculptures, photo art (mean = 0.844); (item cc) the festival contributes to a more stable income for painters, sculptors, photographers and writers (mean = 0.786); (item bb) the festival leads to more employment opportunities for visual artists (mean = 714); (item ee) the festival encourages people to purchase more books (mean = 0.639); (item gg) painters, sculptors and writers at the festival create a quality experience of visual arts (mean = 0.595); (item ff) the festival creates a platform for availability of quality paintings, sculptures, photo art and books(mean = 0.578); and (item aa) due to festival, there are more people who invest in visual arts (mean = 0.389). These seven items can be considered as strong indicators of **economic and quality contribution** (indicated in bold in Table 2). Three of the items that loaded on factor 2 also loaded on other factors. Item aa (due to festival, there are more people who invest in visual arts) also loaded on factor 3 (emotional contribution) with a mean loading of -0.425. Item ff (the festival creates a platform for availability of quality paintings, sculptures, photo art and books) also loaded on factor 4 (marketing contribution) with a mean value of 0.294. Item gg (painters, sculptors and writers at the festival create a quality experience of visual arts) also loaded on factor 4 (marketing contribution) with a mean value of 0.294. This factor also loaded somewhat differently than did findings of other research, as the items of the **economic contribution** and items of the **quality contribution** grouped under one factor (Allen et al., 2012:61; Snowball, 2010; Quinn, 2006:291,300; Korza & Magie, 1989:12,36;). The relationship between the quality...
contribution and the economic contribution is high, that is, quality in visual arts products will stimulate economic investment (Veldhuis, 2003) and financial support will lead to quality products delivered (Baker, 2012:5). Thus, the combined factor between the economic contribution and the quality contribution are well supported in other literature.

In factor 3, emotional contribution of the arts festival to the visual arts is highlighted by only three items. The three items are: (item x) the festival influences people to join art associations (for example, book clubs and photography clubs) (mean = -0.799); (item y) the festival inspires people to become painters, sculptures, photographers and writers (mean = -0.718); and (item z) the festival encourages people to attend more art exhibitions / art markets / craft stalls / book exhibitions (mean = -0.584). These three items can be considered as strong indicators of the emotional contribution (indicated in bold in Table 2). Item z (the festival encourages people to attend more art exhibitions / art markets / craft stalls / book exhibitions) also loaded on factor 2 (economic and quality contribution) with a mean value of 0.232.

Factor 4, marketing contribution, consists of four items with loading greater than 0.2, namely, (item nn) the festival markets well-known as well as new artists within the visual arts (mean = 0.498); (item mm) the marketing of the festival makes people more aware of South African art work and literature (mean = 0.436); (item ll) the festival promotes the image of visual arts (paintings, sculptures, photo art, books) in South Africa (mean = 0.374); and (item oo) the festival establishes networking opportunities for visual artists (mean = 0.295). These four items can be considered as strong indicators of the marketing contribution (indicated in bold in Table 2). Items also loaded on different factors. Item ll (the festival promotes the image of visual arts (paintings, sculptures, photo art, books) in South Africa) also loaded on factor 1 (education and growth and development contribution) with a mean value of 0.380 and factor 3 (emotional contribution) with a mean value of -0.219. Item mm (marketing of festival makes people more aware of South African artwork and literature) also loaded on factor 1 (education and growth and development contribution) also loaded on factor 1 (education and growth and development contribution) with a mean value of 0.365. Item nn (the festival markets well-known and new artists within the visual arts) also loaded on factor 1 with a mean value of 0.327. Item oo (the festival establishes networking opportunities for visual artists) also loaded on factor 1 with a mean value of 0.504.

It was difficult to explain item hh (the festival improves the quality of painters, sculptors, photographers and writers), as this item did not load where it was supposed to (according to the literature) and so could not be interpreted adequately. The item also loaded on factor 1 (education and growth and development contribution) with a mean value of 0.361, on factor 3 (emotional contribution) with a mean value of -0.206 and on factor 4 (marketing contribution) with a mean value of 0.212. It was then decided to remove item hh from the pattern matrix, leading to only 22 loaded items (Table 2).

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td>Inspires people to become visual artists</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>y</td>
<td>Encourages people to attend more visual art exhibitions</td>
<td>0.232</td>
<td>-0.584</td>
<td></td>
</tr>
<tr>
<td>z</td>
<td>Influences people to join art associations</td>
<td></td>
<td>-0.799</td>
<td></td>
</tr>
<tr>
<td>aa</td>
<td>Due to festival, there are more people who invest in visual arts</td>
<td>0.389</td>
<td>-0.425</td>
<td></td>
</tr>
<tr>
<td>bb</td>
<td>More employment opportunities for visual artists</td>
<td>0.714</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cc</td>
<td>More stable income for visual artists</td>
<td>0.786</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dd</td>
<td>Encourages people to purchase more visual arts</td>
<td>0.844</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ee</td>
<td>The festival encourages people to purchase more books</td>
<td>0.639</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ff</td>
<td>Creates a platform for availability of quality visual arts</td>
<td>0.578</td>
<td>0.294</td>
<td></td>
</tr>
<tr>
<td>gg</td>
<td>Visual artists at the festival create a quality experience</td>
<td>0.595</td>
<td>0.294</td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Contributes to the development of visual artists’ skills</td>
<td>0.362</td>
<td>0.245</td>
<td></td>
</tr>
<tr>
<td>jj</td>
<td>The festival improves people’s knowledge of the visual arts</td>
<td>0.416</td>
<td>-0.227</td>
<td>0.276</td>
</tr>
<tr>
<td>kk</td>
<td>The festival promotes research within the visual arts</td>
<td>0.568</td>
<td>-0.264</td>
<td></td>
</tr>
<tr>
<td>ll</td>
<td>Promotes the image of visual arts in South Africa</td>
<td>0.380</td>
<td>-0.219</td>
<td>0.374</td>
</tr>
<tr>
<td>mm</td>
<td>Marketing makes people more aware of SA art work</td>
<td>0.365</td>
<td></td>
<td>0.436</td>
</tr>
</tbody>
</table>

Table 2: Factor pattern matrix
Table 3 indicates the correlation between factors from the pattern matrix.

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Education and growth and development contribution</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Economic and quality contribution</td>
<td>0.727</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Emotional contribution</td>
<td>-0.694</td>
<td>-0.729</td>
<td>1.000</td>
</tr>
<tr>
<td>4</td>
<td>Marketing contribution</td>
<td>0.475</td>
<td>0.438</td>
<td>-0.277</td>
</tr>
</tbody>
</table>

Source: Author’s construct

According to Table 3, the highest correlations between factors are the following: Factor 1 (*education and growth and development contribution*) and Factor 2 (*economic and quality contribution*) (mean = 0.727), which indicates a visible relationship between the *education and growth and development contribution* and the *economic and quality contribution*; Factor 1 (*education and growth and development contribution*) and Factor 3 (*emotional contribution*) (mean = -0.694) which indicates a visible relationship between the *education and growth and development contribution* and the *emotional contribution*; Factor 1 (*education and growth and development contribution*) and Factor 4 (*marketing contribution*) (mean = 0.475) which indicates a visible relationship between the *education and growth and development contribution* and the *marketing contribution*; Factor 2 (*economic and quality contribution*) and Factor 3 (*emotional contribution*) (mean = -0.729) which indicates a visible relationship between the *economic and quality contribution* and the *emotional contribution*; Factor 2 (*economic and quality contribution*) and Factor 4 (*marketing contribution*) (mean = 0.438) which indicates a visible relationship between the *economic and quality contribution* and the *marketing contribution*; and Factor 3 (*emotional contribution*) and Factor 4 (*marketing contribution*) (mean = -0.277) which indicates a visible relationship between the *emotional contribution* and the *marketing contribution*.

Confirmatory factor analysis of the data: The data were further analysed by means of a confirmatory factor analyses on the KKNK (*n* = 602) data to test the probability that a particular factor structure was supported or confirmed by the data (Cramer, 2004:28), even though the exploratory factor analyses of the combined data of Innibos and Vryfees largely confirmed the construct validity of the questionnaire.

The path diagram (see Figure 1) provides two measures of the extent to which the model fits the data. Firstly, the path diagram graphically displays confirmation that Factor 1, *education and growth and development contribution* (EGDC), consists of 8 items (namely, items *ii, jj, kk, pp, qq, rr, ss* and *tt*); and that Factor 2, *economic and quality contribution* (EQC), consists of 7 items (namely, items *aa, bb, cc, dd, ee, ff* and *gg*). Further, Factor 3, *emotional contribution* (EC), consists out 3 items (namely, items *x, y* and *z*); and Factor 4, *marketing contribution* (MC), consists of 4 items (namely, items *ll, mm, nn* and *oo*).
The path diagram also indicates that the variance of these factors was standardised as 1.00. This can be seen in Table 4. All the estimates for regression coefficients and correlations were significant.
Table 4: Standardised regression weights

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor</th>
<th>Estimate</th>
<th>C.R.</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii</td>
<td>Development of skills</td>
<td>---</td>
<td>0.851</td>
<td></td>
</tr>
<tr>
<td>jj</td>
<td>Improves knowledge</td>
<td>---</td>
<td>0.853</td>
<td>27.397</td>
</tr>
<tr>
<td>kk</td>
<td>Promotes research</td>
<td>---</td>
<td>0.853</td>
<td>27.344</td>
</tr>
<tr>
<td>pp</td>
<td>Number and variety have increased</td>
<td>---</td>
<td>0.843</td>
<td>26.765</td>
</tr>
<tr>
<td>qq</td>
<td>Growing number of visual artists</td>
<td>---</td>
<td>0.853</td>
<td>27.339</td>
</tr>
<tr>
<td>rr</td>
<td>Increase in production</td>
<td>---</td>
<td>0.856</td>
<td>27.503</td>
</tr>
<tr>
<td>ss</td>
<td>Financial support – to growth in arts</td>
<td>---</td>
<td>0.837</td>
<td>26.491</td>
</tr>
<tr>
<td>tt</td>
<td>Develops infrastructure for visual art</td>
<td>---</td>
<td>0.829</td>
<td>26.041</td>
</tr>
<tr>
<td>ff</td>
<td>Platform for quality visual arts</td>
<td>---</td>
<td>0.802</td>
<td></td>
</tr>
<tr>
<td>ee</td>
<td>To purchase more books</td>
<td>---</td>
<td>0.779</td>
<td>24.495</td>
</tr>
<tr>
<td>dd</td>
<td>To purchase more visual arts</td>
<td>---</td>
<td>0.851</td>
<td>29.052</td>
</tr>
<tr>
<td>cc</td>
<td>More stable income for visual artists</td>
<td>---</td>
<td>0.803</td>
<td>25.900</td>
</tr>
<tr>
<td>bb</td>
<td>Employment opportunities</td>
<td>---</td>
<td>0.812</td>
<td>26.450</td>
</tr>
<tr>
<td>aa</td>
<td>People who invest in visual arts</td>
<td>---</td>
<td>0.825</td>
<td>27.238</td>
</tr>
<tr>
<td>gg</td>
<td>Quality experience of visual arts</td>
<td>---</td>
<td>0.808</td>
<td></td>
</tr>
<tr>
<td>z</td>
<td>Inspires people to become</td>
<td>---</td>
<td>0.808</td>
<td></td>
</tr>
<tr>
<td>y</td>
<td>To attend more visual arts</td>
<td>---</td>
<td>0.837</td>
<td>23.085</td>
</tr>
<tr>
<td>x</td>
<td>To join art associations</td>
<td>---</td>
<td>0.804</td>
<td>21.865</td>
</tr>
<tr>
<td>ll</td>
<td>Promotes the image</td>
<td>---</td>
<td>0.869</td>
<td></td>
</tr>
<tr>
<td>mm</td>
<td>Aware of art work</td>
<td>---</td>
<td>0.849</td>
<td>27.576</td>
</tr>
<tr>
<td>nn</td>
<td>Markets well-known / new artists</td>
<td>---</td>
<td>0.863</td>
<td>28.407</td>
</tr>
<tr>
<td>oo</td>
<td>Networking opportunities</td>
<td>---</td>
<td>0.843</td>
<td>27.184</td>
</tr>
</tbody>
</table>

Source: Author’s construct

The path diagram also provides correlation values between the factors to measure the extent to which the model fits the data. Further, Table 5 confirms that there was a very strong and positive relationship between these four extracted factors.

Table 5: Positive correlations between factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>0.878</td>
</tr>
<tr>
<td>1 and 3</td>
<td>0.865</td>
</tr>
<tr>
<td>1 and 4</td>
<td>0.947</td>
</tr>
<tr>
<td>2 and 4</td>
<td>0.861</td>
</tr>
<tr>
<td>3 and 2</td>
<td>0.921</td>
</tr>
<tr>
<td>3 and 4</td>
<td>0.815</td>
</tr>
</tbody>
</table>

Source: Author’s construct

A positive correlation of 0.878 was obtained between Factor 1 (education and growth and development contribution) and Factor 2 (economic and quality contribution); a positive correlation of 0.865 was obtained between Factor 1 (education and growth and development contribution) and Factor 3 (emotional contribution). A positive correlation was also obtained between Factor 1 (education and growth and development contribution) and Factor 4 (marketing contribution) with a correlation of 0.947. The correlation between Factor 2 (economic and quality contribution) and Factor 4 (marketing contribution) was also positive, with a correlation of 0.861, while a positive correlation of 0.921 was obtained between Factor 3 (emotional contribution) and Factor 2 (economic and quality contribution). Finally, there was a positive correlation of 0.815 between Factor 3 (emotional contribution) and Factor 4 (marketing contribution).

The construct validity of the questionnaire was also investigated using the Confirmatory Factor Analysis Goodness-of-fit Measures. According to Suhr (2006:7) and Byrne (2001), the following values of the different measures are necessary to determine a good fit of the model: (1) the chi-square test statistic ($X^2$) must render a p-value greater than 0.05; (2) the chi-square divided by the degrees of freedom is calculated to compensate for the sample size and should preferably be smaller than 2 – however, the $X^2$ and the chi-square divided by the degrees of freedom measures might be influenced by the sample size and in general is small when the sample size is large. Other measures should therefore be used to determine goodness of fit; such as (3) the Comparative Fit Index (CFI) that has a value of between 0 and 1 – values above 0.9 to indicate a good fit; and (4) the Root Mean Square Error of Approximation (RMSEA) should be as small as
possible for a good fit – a 90% Confidence Interval (CI) for the criterion is also given, of which the upper limit should ideally be below 0.06, but is acceptable if it is under 0.08.

Table 6: CFA: goodness-of-fit measures

<table>
<thead>
<tr>
<th>Goodness-of-fit measures</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Chi-square test</td>
<td>$p &lt; 0.001$</td>
</tr>
<tr>
<td>2  Chi-square divided by degrees of freedom</td>
<td>5.285</td>
</tr>
<tr>
<td>3  Comparative Fit Index (CFI)</td>
<td>0.931</td>
</tr>
<tr>
<td>4  Root Mean Square Error of Approximation (RMSEA)</td>
<td>0.084</td>
</tr>
</tbody>
</table>

Source: Author’s construct

These 4 goodness-of-fit measures indicated that the model fit well. The first model, the $X^2$ rendered a $p$-value of 0.001, indicating a average fit – according to UCSC (2012) the data may be "too good to be true" as a too-small value of $X^2$ cannot be indicative of a poor model, but can only increase $X^2$, concluding then that the model fit the data. The second model, the chi-square test statistic divided by degrees of freedom, yielded a value of 5.285, indicating that the model fit well (that is, due to the large sample size). The third model, the CFI-value of 0.931 also indicated a good fit. The fourth model, RMSEA, yielded a value of 0.084 and 90% CI of [0.080; 0.089], thereby indicating an average fit (Blunch, 2008; Suhr, 2006:7). When taking into account the above goodness-of-fit measures, the questionnaire can be seen as valid and as a well-fitting model seeing that the 4 measures of the criteria for goodness-of-fit yielded a satisfactory value. Thus, the questionnaire complies with the criteria of internal validity, content validity, criterion validity and construct validity (Leedy & Ormrod, 2005:92)

The reliability of the questionnaire

The reliability of the questionnaire was analysed to determine whether or not the respondents at the selected arts festivals had understood the questions. The internal consistency of the items of the 4 extracted factors was indicated by the reliability coefficient Cronbach’s alpha. Table 7 records that all the factors of the combined data set of Innibos, Vryfees and KKNK have a Cronbach α-value greater than 0.8. Table 7 also indicates that the four factors obtained a mean inter-item correlation value of greater than 0.6. This indicates that these factors are reliable and practically meaningful. The Cronbach’s Alpha coefficient value of Factor 1 (education and growth and development contribution) was 0.950 and the inter-item correlation value was 0.704; the Cronbach’s Alpha coefficient value of Factor 2 (economic and quality contribution) was 0.925 and the inter-item correlation value was 0.640; the Cronbach’s Alpha coefficient value of Factor 3 (emotional contribution) was 0.840 and the inter-item correlation value was 0.637; and the Cronbach’s Alpha coefficient value of Factor 4 (marketing contribution) was 0.911 and the inter-item correlation value was 0.719. Therefore, all 4 factors can be accepted as reliable. Based on this acceptance, it can be said that the questionnaire measuring the arts festival’s contribution to the visual arts is reliable.

Table 7: Reliability of the questionnaire

<table>
<thead>
<tr>
<th>Factor</th>
<th>Item</th>
<th>Corrected Item-item Total Correlation</th>
<th>Cronbach's Alpha</th>
<th>Inter-item correlation</th>
</tr>
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<tbody>
<tr>
<td>3</td>
<td>Emotional contribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>x</td>
<td>Inspires people to become visual artists</td>
<td>0.732</td>
<td>0.840</td>
<td>0.637</td>
</tr>
<tr>
<td>y</td>
<td>Encourages people to attend visual art</td>
<td>0.676</td>
<td></td>
<td></td>
</tr>
<tr>
<td>z</td>
<td>Influences people to join art associations</td>
<td>0.706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>aa</td>
<td>More people who invest in visual arts</td>
<td>0.727</td>
<td></td>
<td></td>
</tr>
<tr>
<td>bb</td>
<td>More employment opportunities for artists</td>
<td>0.778</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cc</td>
<td>More stable income for visual artists</td>
<td>0.785</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dd</td>
<td>Encourages people to purchase more arts</td>
<td>0.822</td>
<td></td>
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<tr>
<td>ee</td>
<td>Encourages people to purchase books</td>
<td>0.742</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ff</td>
<td>Creates availability of quality visual arts</td>
<td>0.755</td>
<td></td>
<td></td>
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<tr>
<td>gg</td>
<td>Visual artists create quality experience</td>
<td>0.748</td>
<td></td>
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<tr>
<td>2</td>
<td>Economic and Quality contribution</td>
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<td></td>
</tr>
<tr>
<td>1</td>
<td>Education and Growth and development contribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Contributes to development of skills</td>
<td>0.792</td>
<td>0.950</td>
<td>0.704</td>
</tr>
<tr>
<td>jj</td>
<td>Improves people’s knowledge of the arts</td>
<td>0.798</td>
<td></td>
<td></td>
</tr>
<tr>
<td>kk</td>
<td>Promotes research within the visual arts</td>
<td>0.807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pp</td>
<td>Number / variety of art works increased</td>
<td>0.807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>qq</td>
<td>Growing number of visual artists</td>
<td>0.846</td>
<td></td>
<td></td>
</tr>
<tr>
<td>rr</td>
<td>Contributes to production of visual arts</td>
<td>0.852</td>
<td></td>
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</tbody>
</table>
FINDINGS

This article set out to determine two research objectives, firstly, to determine the validity of the questionnaire by conducting an exploratory factor analysis and a confirmatory factor analysis; and secondly, to determine the reliability of the questionnaire through the Cronbach’s Alpha values and the inter-item correlations between the items. Several findings can be identified from the results.

Firstly, this study demonstrated that it is possible to measure the arts festival’s contribution to the visual arts, as the exploratory factor analysis of the combined data of Innibos and Vryfees demonstrated the construct validity of the questionnaire where all communalities of the factors were greater than 0.2. The extracted factors can then be regarded as being valid based on their high mean values of the items representing them. All the items had a mean value ranging between 0.2 and 0.9 for each respective factor. Item rr (the festival contributes to an increase in production of paintings, sculptures, photo art, literature) obtained the highest mean value of 0.881 in Factor 1, education and growth and development contribution, while item dd (the festival encourages people to purchase more paintings, sculptures, photo art) obtained the highest mean value of 0.844 in Factor 2, economic and quality contribution Item z (the festival influences people to join art associations) obtained the highest mean value of -0.799 in Factor 3, emotional contribution; and item nn (the festival markets well-known as well as new artists within the visual arts) obtained the highest mean value of 0.498 in Factor 4, marketing contribution. These four factors confirmed the findings of Allen, O’Toole, Harris and McDonnell (2012:50), Page and Connell (2012:352), Koopman (2012), Hughes (2012:154), Allen et al. (2012:61), Dunjic (2011), Saayman and Rosouw (2011:611), Snowball (2010), Finkel (2009:13), Jonker, Saayman and De Klerk (2009:383), Goeldner and Ritchie (2009:81), Schwarz and Tait (2007), Quinn (2006:291,300), Visser (2005:160), Kitshoff (2004:240), Reeves (2002:29,30,37) and of Korza and Magie (1989:3).

Secondly, item hh (the festival improves the quality of painters, sculptors, photographers and writers), was removed from the exploratory factor analysis leading to only 22 loaded items on the pattern matrix (see Table 2). The reason for this was that the item did not load where it was expected to (according to the literature) and could not be interpreted correctly, for example, item hh loaded on Factor 1 with a mean value of 0.361, on Factor 3 with a mean value of -0.206 and on Factor 4 with a mean value of 0.212.

Thirdly, the 4 extracted factors indicated relationships between one another as they had high correlation values amongst them.

Fourthly, from the confirmatory factor analysis on the data of KKNK, the current measuring instrument was found to be quite effective and a valid measure to determine the perceived contribution of an arts festival to the visual arts. This finding confirms the results of the exploratory factor analysis, which indicated that all items were grouped under the factors (see Table 2 and Figure 1). The path diagram displayed confirmation that Factor 1 (EGDC), consists of 8 items (namely, items ii, jj, kk, pp, qq, rr, ss and tt); Factor 2 (EQC), consists of 7 items (namely, items aa, bb, cc, dd, ee, ff and gg); Factor 3 (EC), consists of 3 items (namely, items x, y and z); and Factor 4 (MC), consists of 4 items (namely, items ll, mm, nn and oo).

Fifthly, the path diagram also indicates that the variance of these factors has been standardised as 1.00 (see Table 4). All the estimates for regression coefficients and correlations of the four factors were significant, ranging between 0.70 and 0.80.
Sixthly, the path diagram also confirmed the correlation values between the factors to measure the extent to which the model fitted the data and confirms that there was a very strong and positive relationship between these 4 extracted factors. Several findings resulted from this research in terms of the positive relationships between factors, as follow:

A positive correlation of 0.878 was obtained between Factor 1 and Factor 2. As the attendees' and artists' skills and knowledge improve concerning the visual arts, so will the quality of visual arts products also improve (Kent, 2004). And as the quality improves, the attendees will be more willing to participate in the visual arts, thus leading to growth and development of the visual arts (Veldhuis, 2003);

A positive correlation of 0.865 was obtained between Factor 1 and Factor 3. There was also a positive correlation of 0.929 between education, growth and development contribution and the marketing contribution as with the previous positive relationship between the economic and quality contribution and marketing contribution. When marketing of the visual arts is effectively and efficiently conducted, greater awareness of visual arts products and activities outside the surroundings (where the arts festival has led to arts exhibitions elsewhere) of the arts festival is created and improved attendance and participation in the visual arts could occur (Heilbrun & Gray, 2001:399);

A positive correlation was also obtained between Factor 1 and Factor 4 with a correlation of 0.947. Participation can be encouraged by improving the attendee’s knowledge and skills – education (stimulating creativity and innovation) – regarding the visual arts (Bonus & Ronte, 1997:104; Hoffman, 1991);

The correlation between Factor 2 and Factor 4 was also positive, with a correlation of 0.861. This could be because attendees tend to participate in the arts based on the quality and economic factors (Veldhuis, 2003). If, according to the attendee, the price of an item is too high or the quality is not of an acceptable standard, then participation by purchasing or attendance might be adversely influenced (Veldhuis, 2003);

A positive correlation of 0.921 was obtained between Factor 3 and Factor 2. By creating awareness of visual arts products and activities, attendees might be more willing to participate and to make an economic contribution (Veldhuis, 2003; Bhattacharya, Rao & Glynn, 1995); and

There was also a positive correlation of 0.815 between Factor 3 and Factor 4. To encourage emotional participation in visual arts, the attendee must be made aware of the different visual arts products and activities on the programme of the arts festival (Tobias, 2004:11; Heilbrun & Gray, 2001:399; Bhattacharya, Rao & Glynn, 1995; Dimaggio & Useem, 1978:187). Greater awareness can once more lead to greater participation in the visual arts.

Seventhly, four goodness-of-fit measures yielded a satisfactory value indicating that the instrument is valid and fits well. The X² rendered a p-value of 0.001, indicating a significant fit; the chi-square test statistic divided by degrees of freedom, yielded a value of 5.285, indicating that the model fit well; the CFI-value of 0.931 also indicates a good fit; the RMSEA, yielded a value of 0.084 and 90% CI of [0.080; 0.089], again indicating a satisfactory fit (Blunch, 2008; Suhr, 2006:7).

Eighthly, the questionnaire was found to be reliable and practically meaningful, indicating that sufficient variance of each item was explained through the 4 extracted factors, based on a five-point Likert scale, and that the respondents at the selected arts festivals had understood the questions. The internal consistency of the items of the 4 extracted factors rendered high Cronbach’s alpha values (see Table 7) – with the factors having a Cronbach alpha value greater than 0.8. The Cronbach’s alpha coefficient value of Factor 1 was 0.950; the Cronbach’s alpha coefficient value of Factor 2 was 0.925; the Cronbach’s alpha coefficient value of Factor 3 was 0.840; and the Cronbach’s alpha coefficient value of Factor 4 was 0.911.

Ninthly, this study confirms that the items under each factor measure that which they are supposed to. It is then possible to measure each contribution that an arts festival makes respectively. These individual contributions are now discussed:

**Education, growth and development contribution** has a mean inter-item mean value of 0.703, indicating that the items do indeed measure the education and the growth and development related contributions. The 8 items of Factor 1 can be considered strong indicators of the education and growth and development contribution. Some of the items: (item rR) the festival contributes to an increase in production of paintings, sculptures, photo art, literature (mean = 0.881); (item qq) the festival leads to a growing number of visual artists that have entered the market (mean = 879); (item pp) the festival leads to an increase in the number
and variety of art works in South Africa (mean = 0.824); and (item ss) the festival’s financial support contributes to the growth in visual arts (mean = 0.710). These results confirm the findings of Page & Connell (2012:352), Koopman (2012), Hughes (2012:153), Allen, O’Toole, Harris & McDonnell (2012:50), Saayman & Rossouw (2011:61), Dunjic (2011), Finkel (2009), Hauptfleisch (2001:170) and Korza & Magie (1989:3);

Economic and quality contribution has a mean inter-item mean value of 0.640. The 7 items of Factor 2 can be considered strong indicators of the economic and quality contribution. Some of the items: (item dd) the festival encourages people to purchase more paintings, sculptures, photo art (mean = 0.844); (item cc) the festival contributes to a more stable income for painters, sculptors, photographers and writers (mean = 0.786); (item bb) the festival leads to more employment opportunities for visual artists (mean = 714); (item ee) the festival encourages people to purchase more books (mean = 0.639); and (item gg) painters, sculptors and writers at the festival create a quality experience of visual arts (mean = 0.595). This confirms the findings of several researchers (Hughes, 2012:13 Allen et al., 2012:61; Snowball, 2010; Jonker, Saayman & De Klerk, 2009:383; Finkel, 2009:12; Finkel, 2009:20; Goeldner & Ritchie, 2009:81; Saayman & Saayman, 2006; Quinn, 2008:301);

The emotional contribution obtained an inter-item mean value of 0.637. The 3 items of Factor 3 can be considered to be strong indicators of emotional contribution and confirms the findings of Finkel (2009:13), Axelsen (2006), Quinn (2006), Reeves (2002:29,30,37) and Heilbrun & Gray (2001:228). The three items are: (item z) the festival influences people to join art associations (for example, book clubs and photography clubs) (mean = -.799); (item x) the festival inspires people to become painters, sculptors, photographers and writers (mean = -.718); and (item y) the festival encourages people to attend more art exhibitions / art markets / craft stalls / book exhibitions (mean = -.584); and

An inter-item mean value of 0.719 was obtained by the marketing contribution. The 4 items of Factor 4 can be considered strong indicators of the marketing contribution. The items include the following: (item nn) the festival markets well-known as well as new artists within the visual arts (mean = 0.498); (item mm) the marketing of the festival makes people more aware of South African art work and literature (mean = 0.436); (item ll) the festival promotes the image of visual arts (paintings, sculptures, photo art, books) in South Africa (mean = 0.374); and (item oo) the festival establishes networking opportunities for visual artists (mean = 0.295). This confirms the results of several researchers (Hughes, 2012:154; Jonker, Saayman & De Klerk, 2009:383; Page & Connell, 2009:393; Quinn, 2006:294; Korza & Magie, 1989:3).

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

A number of implications and recommendations can now be drawn from this quantitative assessment. Firstly, the questionnaire can be administered at other arts festivals and arts events, both in South Africa and internationally, as it is a valid and reliable measure of the festival attendee’s perceptions of the festival’s contribution to the visual arts it presents.

Secondly, as the confirmatory factor analysis supports the construct validity of the measuring instrument, the factors can be regarded as being reliable and that each factor measures what it is supposed to measure. The questionnaire also allows for the measure of individual contribution factors of the arts festival to the visual arts. Thus, the measuring instrument allows festival organisers and managers better to tailor their contributory efforts to the visual arts to ensure that the expectations of attendees are met regarding the individual contributions. This includes identifying, prioritising and improving areas of weakness concerning contributions to the visual arts and ensuring that valuable resources are allocated to the most effective areas. For effective and efficient visual arts contributions, it is necessary to consider factors that have a positive relationship between them, as this will aid in the contribution process. The recommendations for contributions are now discussed:

There is a positive correlation between the emotional contribution and the economic and quality contribution. The arts festival can ensure a high standard of quality visual arts products and activities through its visual arts programme and selection requirements, providing creativity and innovation to encourage participation in the arts; for example, to inspire people to become painters, sculptors, photographers and writers; to encourage people to attend more art exhibitions, art markets, art stalls or book exhibitions; and to influence people to join art clubs (for example, book clubs and photography clubs). In addition, it could make participatory events available for attendees, such as including workshops and dance- and music-productions of high quality and affordability for the attendee to enjoy.

A positive correlation was obtained between the emotional contribution and the marketing contribution. Notice boards should be displayed on the festival grounds regarding book and arts exhibitions and the visual arts route of the arts festival (including all the galleries where paintings, sculptures and books are displayed).
Visual arts do not necessarily have to be displayed in galleries. Furthermore, the arts festival must include the visual arts part of the products being offered on the festival grounds, by incorporating a tent for visual arts that will be surrounded by other arts genres such as craft stalls and music productions. Greater awareness can lead to greater participation in the visual arts.

A positive correlation was also obtained between the emotional contribution and the education and growth and development contribution. Moreover, the correlation between the economic and quality contribution and education, growth and development contribution was positive. Education can be improved by providing workshops and public speeches on the visual arts. The artist could perhaps complete a work of art in front of his collection or in front of the gallery, thus stimulating the curiosity of the attendees. As the skills and knowledge of the attendees and artists improve, so will the visual arts be developed. If an arts festival is successful in increasing participation in the visual arts, the visual arts will experience a growth in the number and variety of visual arts works in South Africa, leading to the preservation of the visual arts for future generations.

A positive correlation was obtained between the economic and quality contribution and marketing contribution. Awareness can be created, for example, the attendee might purchase a book after it was marketed on a notice board or by a public speaker on the arts festival grounds. The arts festival can be marketed as a festival presenting or offering high quality visual arts products and activities (such as exhibitions and stalls), stimulating attendance from further afield.

There was also a positive correlation between education and growth and development contribution and the marketing contribution. The arts festival can be marketed as a festival presenting the visual arts, where knowledge and skills can be developed, creativity can be stimulated and where the visual arts programme consists of a variety of art works.

CONCLUSIONS
In this article, the standardisation of the measurement of contributions to the visual arts for use by arts festivals was assessed. The need for a standardised measurement instrument in determining the contribution of an arts festival to the visual arts was highlighted and the process to do so was undertaken. The visual arts contribution measurement for arts festivals is a valid and reliable measure of the festival attendee's perceptions of the festival's contribution to the visual arts it presents. The standardisation of the measurement instrument therefore allows for the measuring of visual arts contribution at other events, institutions and festivals presenting the visual arts. Researchers may therefore confidently use this questionnaire at various events to conduct comparative visual arts studies, both within the South African context, as well as internationally. Finally, the validation of a measuring instrument for the performing arts would be a fruitful field for future research.

REFERENCE LIST


Farlex see Free dictionary


STORMSRIVER ADVENTURES’ IMPLEMENTATION OF RESPONSIBLE TOURISM MANAGEMENT PRACTICES

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ABSTRACT
The purpose of this paper is to review Stormsriver Adventures’ (SRA) approach to implementing Responsible Tourism. Literature addressing Responsible Tourism is limited, however, that which exists indicates that the private sector finds the implementation of Responsible Tourism to be challenging. The methodology employed for this research encapsulates the qualitative case-study. Data triangulation is established through data corroboration, involving documentation, in-depth interviews with key-informants representing SRA as well as stakeholders in the tourism destination and through observation. Trustworthiness is achieved through member validation. Findings portray SRA’s implementation of Responsible Tourism within the context of the National Minimum Standards for Responsible Tourism. Conclusions indicate that SRA meets and exceeds the National Minimum Standards for Responsible Tourism, thus contextualizing SRA’s reputation of being business best practice in the implementation of Responsible Tourism. Recommendations point to issues that require further attention to assist with the successful implementation of Responsible Tourism by the private sector.

Key words: Responsible Tourism, economic responsibility, social responsibility, environmental responsibility

INTRODUCTION
Responsible Tourism is defined as being “a tourism management strategy in which the tourism sector and tourists take responsibility to protect and conserve the natural environment, respect and conserve local cultures and ways of life, and contribute to stronger local economies and a better quality of life for local people” (Responsible Tourism Requirements SANS 1162, 2011). The aim of implementing Responsible Tourism is with the goal of Sustainable Development in mind (Responsible Tourism Requirements SANS 1162, 2011:1). Sustainability is therefore the prerogative of a tourism business. Sustainability is defined as the “use of resources in an environmentally responsible, socially just and economically viable manner, taking care of present needs without compromising the ability of future generations to meet their own needs” (SANS 1162, 2011: 6).

Stormsriver Adventures (SRA), a tourism business situated within the Storms River Village, in the tourism destination of Tsitsikamma, is reputed to be business best practice, in recognition of its implementation of Responsible Tourism. Established in 1998, SRA is an eco-adventure company and offers the Tsitsikamma Canopy Tours, Woodcutters Journey and a Team Building Facility. SRA has achieved several awards within the different categories of the Federated Hospitality Association of South Africa’s Imvelo Awards - recognizing Responsible Tourism practices. SRA, when compared to other adventure tourism business in Southern Africa, has the most membership and accreditation with industry associations, such as Fair Trade Tourism South Africa (FTTSA), South African Tourism Services Association (SATSA), to name but a few. SRA, due to its reputation as being best business practice for Responsible Tourism practice was considered to be an appropriate choice for case study research, in order to shed more light upon the implementation of Responsible Tourism by the private sector.

LITERATURE REVIEW
Policy pertaining to Responsible Tourism
Tourism in South Africa is regulated by the Tourism Act (Act No. 72 of 1993). Responsible Tourism was introduced as a guiding principle for tourism development in South Africa in the 1996 White Paper on the Development and Promotion of Tourism in South Africa, by the then-Department of Environmental Affairs and Tourism. The South African Government was the first country to call for the implementation of Responsible Tourism in the 1996 White Paper on the Development and Promotion of Tourism (Spenceley, 2010; Goodwin, 2011).

The 1996 White Paper on the Development and Promotion of Tourism in South Africa proposes six guiding principles for Responsible Tourism, namely: that tourism will be driven by the private sector; that government will provide the enabling framework for the industry to flourish; that effective community involvement form the
basis for tourism growth; that tourism development be based upon sustainable environmental practices; that tourism development is dependent upon the cooperation and partnerships of key stakeholders and that tourism will be used as a developmental tool for empowering previously neglected communities (South Africa, 1996:23).

According to Spenceley (2010: 5), the Responsible Tourism Manual for South Africa was published by the then-Department of Environmental Affairs and Tourism in 2002 and provided practical information to businesses to assist with the implementation of Responsible Tourism practices. The Responsible Tourism Handbook is a summary version of the Responsible Tourism Manual for South Africa.

The National Department of Tourism was established in 2009, with the function to establish policy and strategies to guide the management, growth and development of tourism. The National Tourism Sector Strategy (NTSS) identified the need to promote Responsible Tourism practices within the Tourism sector as well as to see an increase in the number of tourism business that practice Responsible Tourism in adherence to the “standards and practices” (NTSS, 2011:18). The National Department of Tourism identified a need to establish a common understanding of a national standard for Responsible Tourism practice that would allow for conformity with accreditation and certification and would be in line with the principles of sustainability (SANS1162, 2011:1).

The National Minimum Standards for Responsible Tourism (NMSRT) was developed in 2011 by National Department of Tourism, private sector and accreditation agencies and aligned according to international standard ISO/IEC 17011 and is said to provide a common understanding of Responsible Tourism. Forty-one criteria are divided into four categories, namely: Sustainable operations and management, Economic criteria, Social and cultural criteria and Environmental criteria. The National Minimum Standards for Responsible Tourism (NMSRT) were formulated to harmonize the different criteria being used to certify the sustainability of tourism businesses (Responsible Tourism Policy for the City of Cape Town, 2009: 6). Therefore the National Minimum Standards for Responsible Tourism can be regarded as the baseline standard for tourism businesses wanting to implement Responsible Tourism practices. The South African government attributes Responsible Tourism practices by the private sector as being business best practice (City of Cape Town Responsible Tourism Policy, 2009:4).

Literature pertaining to Responsible Tourism

Not much literature exists on the subject of Responsible Tourism. Existing literature on Responsible Tourism is inadequate. That which exists is not without criticism either. Goodwin (2011:39) comments on Anna Spenceley’s reference to Ecotourism, Pro-poor Tourism and Community-based Tourism all being under the banner of Responsible Tourism, pointing out that Responsible Tourism is not a type of tourism but a management approach. Husbands and Harrison (1996:9) state:

“As far as Responsible Tourism is concerned, even in the most widely read, professional peer-reviewed journals, although numerous articles examine issues relating to tourism’s impacts, there is a relative paucity of articles that specifically examine “responsible tourism” issues. Ultimately, from a research perspective, most of the themes in the knowledge base are in some way important to generating a framework for responsible tourism and an appreciation of responsible tourism practices. However, only a limited number of articles broach the subject squarely, either as a critique or in a prescriptive sense…”.

The need for research that specifically applies to Responsible Tourism is crucial.

Every tourism destination is unique in terms of its issues, dynamics, situations and role-players. While problems pertaining to sustainability tend to be global, Goodwin (2011:240) points out that the solutions are generally local, and that Responsible Tourism issues differ from place to place. It is therefore understood that businesses and role-players within a tourism destination that choose to adopt the approach of Responsible Tourism will be guided by the local situation. Therefore the manner in which a business or destination chooses to implement Responsible Tourism will be different, even if the two businesses exist in the same destination. Thus, in terms of Goodwin’s (2011) perspective, understanding the role of Responsible Tourism within a particular business must be in terms of the criteria identified by that business and consequently comparisons of this kind of criteria with another business for research purposes becomes problematic.

Overview of literature about the private sector implementation of Responsible Tourism practices in South Africa

The following section presents the extent to which Responsible Tourism is implemented in practice, as indicated by previous research conducted and presented in literature. Few tourism businesses practice
Responsible Tourism successfully in South Africa (Frey and George, 2010:107). Only two percent of tourism businesses are involved in Responsible Tourism practices (Frey and George, 2010:108). The need for the business case for Responsible Tourism is recognized in literature, both on a national level and on an international level.

In 2006 Spenceley replicated the 2001 ‘Tearfund’ study to determine the extent to which South African tour operators engaged in Responsible Tourism practices, according to Frey and George (2010:114). Positive impacts identified were local employment, use of local service providers, purchase of local products and services, partnering and fostering of relationships with suppliers, improved local infrastructure and education, health and conservation initiatives - challenges identified were issues pertaining to crime and security, access, capacity in terms of skills, language, quality and having a Responsible Tourism policy.

According to Frey and George (2010:115), in 2007 Van der Merwe and Wocke researched the level of Responsible Tourism practices in the South African Hotel Sector and found that hotels were implementing about forty-seven percent of the economic guidelines, forty-five percent of the social guidelines and forty percent of the guidelines that encouraged responsible behavior generally. It was noted that the majority of the hotels sampled were members of FTTSA and / or had participated in the Imvelo Responsible Tourism Awards.

According to Frey and George (2010: 115), in 2007 Frey conducted a study to determine what was causing low levels of Responsible Tourism Management practices amongst Cape Town businesses. The relationship between managerial attitude and its effect on financial and non-financial business performance indicators was explored. A response rate of fourteen percent was achieved. Findings revealed that managers had positive attitudes and perceptions of Responsible Tourism however, employee training, local procurement and HIV/AIDS policies are limited. Frey and George (2010: 116) question the view that attitude translates to behavior. Factors such as the level of competitiveness in the business environment, the industry sub-sector wherein the business is situated and the perceived costs of implementing Responsible Tourism practices are identified as being significant. The reasons given are that, as most tourism businesses are small in size, the depth of experience is lacking and the management of Responsible Tourism is regarded to be difficult and expensive, particularly when it comes to issues such as recycling and procurement; thus there is the tendency for managers to leave the social and environmental responsibility to larger corporations or government. Moreover, another study conducted revealed that only seventeen percent of businesses perceived government as being helpful with Responsible Tourism Management practices (Frey and George, 2010:119). It is argued that for Responsible Tourism Management to be effectively implemented, business owners and managers need to believe that government is supporting them (Gilg et al, 2005; Yaman and Gurel, 2006) (as cited in Frey and George, 2010). Social marketing campaigns are thought to be effective if it is perceived that people’s actions benefit the environment (Kotler et al, 2002: 53) (as cited in Frey and George, 2010).

Not many tourism businesses partake in the Imvelo awards or are members of industry associations such as FTTSA, a NPO that promotes Responsible Tourism practices – a possible reason being that these businesses are unable to meet FTTSA’s criteria which they perceive to be difficult and / or unnecessary (Frey and George, 2010:119).

There is the added concern that some businesses practice Responsible Tourism as a “pure public relations exercise” or to promote a “public image” or for reasons such as “greenwashing” (Frey and George, 2010: 112).

Efforts to encourage Responsible Tourism practices by governmental and non-governmental agencies are recognized however, challenges pertaining to the implementation are attributed to a lack of understanding of government policies such as the Responsible Tourism Manual or the BEE Tourism Charter and Scorecard (van der Merwe and Wocke, 2007; Frey, 2007a; Spenceley et al, 2002) (as cited in Frey and George, 2010). It is found that transformation in the SMME sector is limited due to difficulties to achieve the BEE scores, a lack of understanding of the perceived complicated, expensive process and the perception that government tenders are not for small businesses (Frey, 2007a; Yarona Management Consulting, 2007) (as cited in Frey and George, 2010: 121). Furthermore, Frey’s (2007a) study found that only seventeen percent of business sampled had a HIV/AIDS policy in place (as cited in Frey and George, 2010: 120). The need for managers to understand Responsible Tourism is deemed crucial for the success of their business (Frey and George, 2010:119).

It is cautioned that, should non-compliance with transformation lead to stricter government legislation, tourism business owners may decide to opt out of business instead; consequently, it is argued that it would
be better to allow for self-regulation of the industry (Ashley, 2006; Ashley and Haysom, 2006) (as cited in Frey and George, 2010:115).

PROBLEM INVESTIGATED
The South African Government has identified Responsible Tourism to be the underlying philosophy to guide tourism development in South Africa, reflected in the 1996 White Paper on the Development and Promotion of Tourism, developed by the then-Department of Environmental Affairs and Tourism. Subsequently this lead to policy such as the Responsible Tourism Guidelines and the Responsible Tourism Manual for South Africa that was established in 2002 by the then-Department of Environmental Affairs and Tourism to assist the private sector with the implementation of Responsible Tourism (Spenceley, 2010:5). Despite this underlying philosophy towards Tourism by government, Frey and George (2010:107) conclude that there is little evidence of Responsible Tourism management in South Africa. The National Minimum Standards for Responsible Tourism (NMSRT), developed in 2011 by National Department of Tourism, provide a common guideline for tourism businesses implementing Responsible Tourism.

Stormsriver Adventures is a company that is reputed to be best business practice in terms of its implementation of Responsible Tourism. Against this background, SRA’s perspective of their implementation of Responsible Tourism is explored. How SRA interprets and applies government policy in terms of their implementation of Responsible Tourism provides an indication of the extent to which practice and policy align.

RESEARCH OBJECTIVES
Research objectives identified for the study are:
To weigh up Responsible Tourism baseline standards against business best practice in South Africa through conducting an empirical study of SRA’s interpretation and implementation of the National Minimum Standards for Responsible Tourism.
To determine SRA’s approach to Responsible Tourism in terms of what they perceive to be their economic responsibility through documentation, interviews and observation.
To determine SRA’s approach to Responsible Tourism in terms of what they perceive to be their social responsibility through documentation, interviews and observation.
To determine SRA’s approach to Responsible Tourism in terms of what they perceive to be their environmental responsibility through documentation, interviews and observation.
Based on the findings, to make recommendations regarding the challenges pertaining to Responsible Tourism.

RESEARCH METHODOLOGY
This research is based upon Stake’s (1995) instrumental type of case study. Stake (1995) attributes its use as being to obtain an in-depth understanding of a particular phenomenon, as opposed to the focus being on the case. The phenomenon to be studied in-depth in this research is the implementation of Responsible Tourism. The use of a case study assists with narrowing “the gap between the theory and management practice” (Altinay and Paraskevas, 2008: 85).

The inductive approach is used. The rationale for using this approach, as opposed to a deductive approach, is that it allows for an understanding of why something is happening as opposed to merely describing what is happening and in the process helps to generate new theoretical insights with regard to a particular topic (Altinay and Paraskevas, 2008: 74). Furthermore, according to Altinay and Paraskevas (2008: 74), the use of an inductive approach assists with the avoidance of bias. The use of pre-determined variables identified in literature, in order to measure SRA’s responsibility, would not accurately reflect SRA’s implementation of Responsible Tourism. This is particularly significant as the onus is on the business to implement Responsible Tourism in the manner that is most suitable to their situation.

As per case study data collection methods, this study uses multiple qualitative data collection tools such as documentation, in-depth interviews with key-informants and observation in order to establish data triangulation. Key-informants extend to SRA’s owner and CEO, management, employees, supply chain as well as stakeholders within the tourism destination.

Data analysis techniques as identified by Stake’s (1995) are used, namely direct interpretation, pattern seeking, categorical aggregation and naturalistic generalisations. Member validation has been utilised to achieve trust-worthiness of data.
RESULTS

SRA sees its approach to Responsible Tourism as being “the Triple Bottom Line (TBL)” approach. This is reflected in SRA’s slogan: “‘Transition’, ‘Upliftment’, ‘Empowerment’ – before profit!” TBL is an approach used to achieve sustainable development (Liburd and Edwards, 2010: 131). The TBL focus is on the “three pillars of Responsible Tourism”: the Economic, Social and Environmental criteria.

SRA’s Economic Responsibility

According to SANS 1162 (2011:8), the economic responsibility of a tourism business involves the employment of local people from previously disadvantaged groups – their employment must extend to management positions as well. SRA’s perspective of this is to source labour from local communities preferably within a 15 – 20 km radius of SRA. SRA’s management alludes to the difficulty of always finding suitable employees within the local community. When potential employees cannot be located within this radius, SRA employs people from the wider Tsitsikamma area.

According to SANS 1162 (2011:8), the economic responsibility of a tourism business includes using equitable and fair processes in terms of race, gender and disability for recruitment and promotion. SRA, to assist with succession planning, promotion and the recognition of merit, stipulates that “all staff (whether from designated or non-designated groups) will be assessed for promotion or succession irrespective of race, gender and disability, and through the use of common criteria.” Where there is not a suitable candidate from a designated group, an appointment from a non-designated group may be made. It is the view of SRA that an employee will not automatically be recruited because they are the “right gender and race” as it may cause the organisation, as well as the employee, to fail. Consequently SRA’s workforce is not necessarily representative of the current demographics of the Tsitsikamma region, in terms of race – these are still based on the original demographics of the region. With time the demographics have changed as the area has expanded. SRA has set gender and racial targets in terms of management positions. The achievement of SRA’s equity targets are evident in their BBBEE status which, prior to 2011 was 65% (compliant), as of June 2011 88.27% - Level 2 and is 97.72% in 2014.

The bulk of SRA employees are between the age group 20-34 years. SRA’s adventure product requires people able to traverse comfortably up and down trees a number of times a day, hence the nature of the job requires a particular age group. Thus SRA's workforce is not always representative of the demographics of the Tsitsikamma region, in terms of age. SRA recognises that due to the nature of the adventure product, there is little scope for the recruitment of disabled persons and have not made such appointments on a permanent basis. SRA however, contracts a person with a vision-disability from time to time on a temporary basis to assist in the kitchen-area.

According to SANS 1162 (2011:8), the economic responsibility of the tourism business includes having to train staff as per the organizational context. SRA’s general selection criteria require that employees adhere to SRA’s values. Employees, before being appointed, are made aware of the company’s ethos and philosophy and they are required to understand SRA’s ‘10 Point Commitment Statement’. The rationale for SRA’s implementation of Responsible Tourism practices goes back to the establishment of the business in 1998, when SRA owner, Ashley Wentworth, formulated SRA’s “10 POINT COMMITMENT STATEMENT”.

Table 1: SRA’s 10 Point Commitment Statement

<table>
<thead>
<tr>
<th>Number</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>“Total compatibility with sensitive environment issues thus ensuring a sustained commitment to conservation of natural resources used in adventure products.”</td>
</tr>
<tr>
<td>2.</td>
<td>“Forming a synergistic relationship with all parties in the area to the Mutual benefit of all role players without exclusion.”</td>
</tr>
<tr>
<td>3.</td>
<td>“Upliftment of the community through job creation.”</td>
</tr>
<tr>
<td>4.</td>
<td>“Forming of partnerships with individuals / communities through joint ventures.”</td>
</tr>
<tr>
<td>5.</td>
<td>“Committed resource plough-back by providing training for local inhabitants thus creating a highly professional tourist oriented community.”</td>
</tr>
<tr>
<td>6.</td>
<td>“Creation of mini-enterprises through the training of ‘Adventure Contractors’.”</td>
</tr>
<tr>
<td>7.</td>
<td>“Provide marketing expertise for the responsible expansion of tourism in the area and actively promote the entire area in accordance with tourism forum philosophies.”</td>
</tr>
<tr>
<td>8.</td>
<td>“Maintain and enhance optimal safety standards in all adventure operations without compromise.”</td>
</tr>
<tr>
<td>9.</td>
<td>“Expand environmental education packages in collaboration with South African National Parks, Department of Water Affairs and Forestry, Mountain to Ocean (M.T.O) and other organisations.”</td>
</tr>
<tr>
<td>10.</td>
<td>“Actively assist with community fundraising projects.”</td>
</tr>
</tbody>
</table>

Source: SRA
It is also important that employees uphold the principles of "Fair Trade". According to Ashley, in 1998 he was not aware of Responsible Tourism, in terms of the concept and government policy. In 2002 he became aware of Responsible Tourism after reading a government publication, namely the then-Department of Education and Tourism’s Responsible Tourism Handbook. This coincided with his introduction to Fair Trade and Tourism South Africa (FTTSA). He was encouraged to undergo the accreditation process by FTTSA. A FTTSA report to SRA states that SRA, having been FTTSA-certified for more than ten years, is "very familiar with the FTTSA principles and criteria". The following table summarises SRA’s performance as per four FTTSA assessments (2013 outstanding at time of print):

<table>
<thead>
<tr>
<th>FTTSA Category</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal and General</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>92.9%</td>
</tr>
<tr>
<td>Labour Standards</td>
<td>95%</td>
<td>99%</td>
<td>95%</td>
<td>93.4%</td>
</tr>
<tr>
<td>Human Resource Practise</td>
<td>72%</td>
<td>89%</td>
<td>96%</td>
<td>92.9%</td>
</tr>
<tr>
<td>Skills Development</td>
<td>80%</td>
<td>100%</td>
<td>100%</td>
<td>92.3%</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>51%</td>
<td>72%</td>
<td>67%</td>
<td>78.4%</td>
</tr>
<tr>
<td>Ownership and Control</td>
<td>32%</td>
<td>40%</td>
<td>47%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Procurement</td>
<td>87%</td>
<td>99%</td>
<td>99%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Social / Community Investment</td>
<td>79%</td>
<td>81%</td>
<td>94%</td>
<td>100%</td>
</tr>
<tr>
<td>Cultural Sensitivity</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>88.9%</td>
</tr>
<tr>
<td>Environment and Conservation</td>
<td>94%</td>
<td>99%</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Quality and Reliability</td>
<td>91%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Workplace Culture</td>
<td>84%</td>
<td>98%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>HIV/AIDS Policies and Approach</td>
<td>44%</td>
<td>88%</td>
<td>94%</td>
<td>94.1%</td>
</tr>
</tbody>
</table>

Source: FTTSA assessment reports to SRA

It is evident that SRA’s membership with industry associations such as FTTSA is an attributing factor to SRA’s success with the implementation of Responsible Tourism practices. FTTSA’s assessment of SRA provides a constant and continuous indication of SRA’s performance within the various categories that FTTSA evaluates since SRA’s association with FTTSA to the present. In 2010 FTTSA standards were aligned according to global best practices for sustainability; therefore FTTSA notes that the differences in scores in the 2011 assessment could be an indication of this as opposed to SRA’s business operations (FTTSA assessment report to Stormsriver Adventures, March 2012). Looking at SRA’s track-record, it is evident that ‘Ownership and Control’ has been SRA’s weak-point, in terms of FTTSA criteria. This has led to concerns and debate amongst stakeholders and the community. Subsequently, in 2014, SRA has adopted a shareholder approach whereby staff own 48% shares in the business – subject to a number of criteria.

Furthermore, staff training also includes appropriate training in terms of skills development. This requires commitment from employees. According to Ashley, management has identified the need to encourage some employees who do not always pass the first-time, hence, there are ‘hidden costs’ to development. SRA utilizes the Skills Development Act (1988) and Skills Development Levies Act (1999) in order to improve the productivity of their employees. According to SRA, in the past, the THETA has not contributed as expected and the skills development cost has been funded by SRA. A Training Centre has been established on SRA’s premises. Staff are trained in Responsible Tourism, Sustainable Tourism, FGASA Guiding courses, a generic Canopy Tour course and a First Aid course, amongst others.

According to SANS 1162 (2011:8), the economic responsibility of the tourism business includes not allowing forced or child labour or engagement in sexual exploitation. Employees, being subject to the Basic Conditions of Employment Act are as such, not subjected to forced labour. Neither does SRA employ people under the age of eighteen years. SRA’s “Sexual Harassment Policy” stipulates that sexual harassment is not tolerated and, if necessary, disciplinary procedures are conducted according to the Labour Act.
According to SANS 1162 (2011:8), the economic responsibility of the tourism business includes the transparent reporting of guest contributions. SRA implements a “Tipping Policy” that acknowledges guests’ rights to tip employees without the employee soliciting tips from guests and encourages, where more than one employee is involved in the service offered to the guest, that the tip be shared amongst the employees involved. Gratuities are to be declared to SARS as income, the responsibility being on the employee to declare it as such, as SRA cannot monitor this accurately. Employees are not forced to report individual tips to SRA.

According to SANS 1162 (2011:8), the economic responsibility of the tourism business includes the purchasing of and setting targets in terms of local and fair trade goods and services. Goods and services for use and consumption are to be procured within a 65km radius of SRA - where possible preference will be given to local suppliers and contractors. Water, wood, labour, services, crafts, accommodation, are examples of SRA’s procurement requirements. According to SANS 1162 (2011:8), the economic responsibility of the tourism business is to be of assistance and to support small enterprises. SRA assists SMME’s for example, the making of wire crafts, woodwork, beaded cutlery, paintings, cloths, bracelets, key-rings, candles, recycled crafts, frames, jewellery, aprons and bags. These products are sold on consignment (at a 35% mark-up) at the Curio Shop, which is part of SRA. SRA provides marketing support for the crafts that it sells in the retail outlet in order to generate sales for the crafters. Only local crafts are sold at SRA’s Retail Outlet.

SRA has achieved the following awards in acknowledgement of its economic impact:
- 2003 – Imvelo awards finalist – Best Practise Economic Impact
- 2007 – Imvelo awards winner – Best Practise Economic Impact
- 2008 – Imvelo awards finalist – Best Practise Economic Impact
- 2010 – Imvelo awards finalist – Best Practise Economic Impact
- 2010 – Imvelo awards highly commended – Most empowered tourism business

6.2 SRA’s Social Responsibility
The following social and cultural criteria, as listed in SANS 1162 (2011:8), do not directly apply to SRA: protection of the local archaeological, historical, spiritual and cultural sites used; provision of local communities access to local archaeological, historical, spiritual and cultural sites used; use of local art, architecture, cultural heritage, acknowledging intellectual property rights where necessary; not to trade, sell or display archaeological and historical artefacts illegally and having to develop, with stakeholders, a code of behaviour for visits to local historical, religious, cultural sites or communities.

Applicable to SRA, as per SANS 1162 (2011:8), is the social and cultural responsibility of the tourism business to ensure that the provision of basic services to neighbouring communities are not endangered, e.g. water, energy and sanitation.

Applicable to SRA, as per SANS 1162 (2011:8), is the social and cultural responsibility of the tourism business that includes having to consult with locals and support local development initiatives. This is done as per SRA’s Corporate Social Responsibility and is part of SRA’s 10 POINT COMMITMENT STATEMENT.

SRA perceives its Corporate Social Responsibility primarily through its involvement with the following projects:
The School-feeding scheme currently feeds 240 Primary school children four (4) times a week;
The Animal Welfare Programme involves dipping, mange treatment, sterilization and inoculation of animals. The community, not just SRA employees, utilises the services of this programme;
Environmental education excursions involve adventure excursions being made available to 800 previously marginalised school children per year; and
SRA also distributes clothing to poor families, on a needs basis.

Applicable to SRA, as per SANS 1162 (2011:8), is the social and cultural responsibility of the tourism business that includes having to inform staff about HIV/AIDS and general well-being. SRA has a “Chronic and Debilitating Diseases” policy that addresses HIV/AIDS and other illnesses such as cancer and heart disease. Although courses in HIV/AIDS are mandatory for all staff members, employees are not required to be tested prior to or during employment at SRA. Employees are not forced to disclose their status either. Families of SRA’s employees can make use of the HIV/AIDS program that entails a partnership between SRA and the local clinic – to this end SRA employs a qualified in-house counsellor. SRA makes employees aware of HIV/AIDS through workshops, on-going refresher courses, literature and posters. The aim is to protect employees and guests. Condoms are freely available in bathrooms. As long as employees are able to perform according to their job function and are not a threat to themselves or other people, they are treated
SRA has achieved the following awards in recognition of its social responsibility:
2003: Imvelo awards winner – Best Practise in the awareness-raising category
2007: Proudly South African winner – CSI of the year
2008: Imvelo awards winner – Best Social Involvement Programme
2010: Imvelo awards Finalist – Best Social Involvement Programme
2012: Fair Trade in Tourism SA winner – Excellence in the Broader Community

SRA’s Environmental Responsibility
According to SANS 1162 (2011:9), the environmental responsibility of the tourism business is that it has a responsible purchasing policy in place. As per SRA’s Responsible Tourism purchasing policy, only natural bio-degradable soaps are used to wash vehicles. Soaps and detergents are bio-degradable and made from "orange peel residue oils". These are used for dishwashing, floor cleaning, washing machines, and so on – this links to SANS 1162 (2011:9), that states that the environmental responsibility of the tourism business includes awareness of harmful substances and to substitute with environmentally friendly alternatives, for example, pesticides, cleaning materials etc.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business involves the measurement of energy consumption and set goals to decrease consumption. SRA utilises energy saving light bulbs and is conscious of energy resource management. Two insulated hot water geysers are used for SRA’s entire operation.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business involves the measurement of water consumption and set goals to decrease consumption. SRA is conscious of water consumption. Fresh water is supplied from a borehole. Furthermore, two water tanks have been sponsored by SRA to the Storms River Village community. SRA has identified that the water from the borehole has a high iron content which is a potential pollutant and the water's PH is acidic. To this end, SRA has introduced a process whereby settling can remove some of the iron, while the rest is filtered - the PH is raised and the use of ultra-violet light purifies, resulting in utilisable fresh water.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business involves the reduction of contributors to climate change such as its greenhouse gas emissions. SRA is conscious of this. According to SANS 1162 (2011:9), the environmental responsibility of the tourism business involves a waste management plan with goals to minimize waste. SRA has implemented a Waste Management and Recycling Policy. Waste management and recycling is a challenge in the municipal region, due to the remote location of the area in terms of its distance from larger towns. The local Municipality has no recycling facilities and uses overstressed landfill sites. Recycling of waste entails the separation of waste into tins, cans and metals, plastic, glass and bottles, paper, wet waste (for composting) and oils (cooking and engine) - in this way SRA supports a local recycling project, thus reducing SRA’s impact on the landfill sites used by the Local Municipal Authority. Another example is that of the office paper policy that requires that paper, for printing purposes, be used on both sides and is shredded for recycling after use.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business involves the reduction of pollution. SRA’s commitment to water resource management is seen by the operation of their Vehicle Wash Bay system. SRA prevents pollution by means of sand trap filter systems, to filter oil and prevent residual oil pollution, when washing vehicles. Diesel fuel tanks contain enclosed concrete retaining compartments to contain diesel spills, thus preventing fuel pollution.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business includes adhering to and making visitors aware of legalities pertaining to endangered or threatened species, which SRA does. According to SANS 1162 (2011:9), the environmental responsibility of the tourism business includes providing visitors with information about reducing their impact on the environment, which SRA does.

According to SANS 1162 (2011:9), the environmental responsibility of the tourism business includes not holding wildlife illegally captive. This does not apply to SRA.
According to SANS 1162 (2011:9), the environmental responsibility of the tourism business includes planting indigenously and the eradication of alien vegetation. SRA adheres to this. According to SANS 1162 (2011:9), the environmental responsibility of the tourism business includes support of biodiversity conservation and the protection of ecosystems.

SRA has achieved the following awards in recognition of its environmental responsibility:
- 2004: Imvelo award finalist – Environmental Management
- 2008: Imvelo award finalist – Best Overall Environmental Management System
- 2012: Fair Trade in Tourism SA – Environmental Stewardship

The following award, won by SRA, recognises all three components of responsibility:
- 2004: Imvelo awards finalist – Social Involvement, Economic impact and Environmental management

**General Sustainable operations and management:** The added fourth category introduced by the National Department of Tourism in the SANS 1162 document, namely Sustainable Operations and Management, is partially catered for within SRA’s existing economic, social and environmental categories.

According to SANS 1162 (2011:7), the tourism business has to comply with all legislation, regulations, licenses and permits on local, provincial and national level. SRA adheres to an Environmental Management Policy that involves Environmental Impact Assessment Regulations as its activities utilise state land, formerly under the jurisdiction of the Department of Water And Forestry and as of 2005, transferred to SANParks. As a condition of the Concession Permit, SRA has to comply with SANParks Environmental Policies. What this basically entails is that:

Any of the activities offered by SRA may not have a negative environmental impact – to this end, SRA installed non-permanent structures in the forest. There are no nails that penetrate the trees, rubber pads are used as tree protectors and erosion-proof ladders are put at the base of the trees to ensure that the forest floor is not damaged. A wooden boardwalk has been installed at the exit point to the Canopy Tour, to prevent erosion. The rationale for this is that should SRA close, upon leaving, “the forest would be in a better condition that it was found”, thereby contributing to the conservation of the natural resource. Furthermore, the Concession Permit requires that SRA participates in the ‘Tsitsikamma Environmental Forum” that all SRA employees are made aware of and adhere to the Environmental Management Policy – stipulating that SRA supports community environmental conservation initiatives and conducts environmental education at local schools. SRA staff and guides are trained in Eco-Systems by means of local courses about the environment. All Guides have to qualify as Local Field Guides or Level 1- certified through FGASA. SRA supports the local Primary School through providing free educational excursions. Information is freely available and widely accessible to all visitors of SRA.

According to SANS 1162 (2011:7), the tourism business has to establish a realistic Responsible Tourism policy that involves economic, socio-cultural, environmental, health and safety and quality issues as well as establish a long-term sustainability management system that involves economic, socio-cultural, environmental, health and safety and quality issues. This is outlined in section 6.1 in this paper.

According to SANS 1162 (2011:7), the tourism business has to apply procedures that evaluate the effectiveness of actions pertaining to its sustainability which serves as a means to review its sustainability management system. SRA’s certification with accreditation bodies such as Greenline and FTTSA, etc, achieves this.

According to SANS 1162 (2011:7), the tourism business has to train staff to make them aware of its Responsible Tourism policy and make the Responsible Tourism policy available to the public. SRA conforms to this.

According to SANS 1162 (2011:7), the tourism business has to provide information that is accurate and complete and that is not misleading about sustainability. SRA claims to do marketing that benefits Storms River as well as the entire Tsitsikamma area including SANParks. SRA pays the salary of employees who work at the two information centres, one at the Total Garage in Tsitsikamma and the other at the information office in the Storms River Village. Businesses that are members of the Tsitsikamma Tourism Association (TTA) is marketed there. There are also linkages between product owners, for example, a visitor at one product can upon presentation of a voucher, get 10% discount at certain products, Canopy Tours being one of them – in this way SRA assists with the marketing of other products. However, this is one aspect where not all key-informants agree that SRA’s marketing is accurate and complete. They feel that statements made
in the media pertaining to SRA needs to be contextualised, for example: where an amount of money is given and is said to be spent on staff for skills development, information such as the time-period, number of staff trained, percentage funded by SRA or other donors etc should be clearly specified. Similarly, in terms of making claims about sustainability, not all key-informants agree that SRA is the ‘anchor business’ of the Tsitsikamma area. This is a term often used. Key-informants argue there are other tourism businesses that, even though they may not implement Responsible Tourism, attract a considerable amount of tourists to the area. The advantage for SRA has been that it is aligned closely to government policy. This alignment stems from a time when policy guidelines did not necessarily exist, thus in practice SRA has had 10-12 years of media exposure reflecting them as business best practice in South Africa and has allowed them to adjust and adapt their strategies to meet market forces. The benefits for a tourism business that implements Responsible Tourism (as opposed to one that does not) are: enhanced brand equity, customer loyalty and acceptance by the community to operate (Frey and George, 2010:117; Goodwin, 2011); improved staff morale and retention (Goodwin, 2011; Frey, 2007a; van der Merwe and Wocke, 2007); bottom-line profits (Frey, 2007b); better return on investment (Frey, 2007a; van der Merwe and Wocke, 2007) and that it differentiates a business from others in a highly competitive industry (Frey and George, 2010: 111).

According to SANS 1162 (2011:7), the tourism business has to respect the natural and cultural heritage pertaining to infrastructure, building design and construction as well as to apply locally-appropriate principles of sustainable construction. SRA maintains the Yellowwood beams in its building.

According to SANS 1162 (2011:7), the tourism business has to allow for people with disabilities and special needs, to this end SRA is equipped with ramps, etc.

According to SANS 1162 (2011:7), the tourism business must obtain customer feedback about Responsible Tourism and make improvements where necessary. Tourists are also given a breakdown of ‘tourism spend’ e.g. what percentage goes into the conservation of the trees, etc. Tourists are encouraged to rate their SRA experience and to this end, the web is used extensively, particularly TripAdvisor.

SRA, following the Triple-Bottom Line approach of Responsible Tourism, alludes to the three categories (economic, social and environmental) and recognises that these categories overlap in practice. In recognition of SRA’s three components of responsibility, SRA has achieved the following award:

In recognition of SRA’s contributions to sustainable development, SRA has achieved the following award:
2012: Skal International runner up – Sustainable Development in Tourism award for general countryside.

CONCLUSIONS
The paper presents what SRA, reputed to be business best practice in the implementation of Responsible Tourism, is doing, versus what government policy portrays the minimum criteria for Responsible Tourism to be. To this end, the criteria used are those indicated in the National Department of Tourism’s (NDT) latest policy, the National Minimum Standards for Responsible Tourism (NMSRT). By reviewing SRA’s implementation of Responsible Tourism, it becomes apparent that SRA meets and exceeds the National Minimum Standards of Responsible Tourism, specifically those that apply to SRA. SRA’s effort is recognized by membership organizations such as FTSSA and the Federated Hospitality Association of South Africa (FEDHASA) Imvelo Awards for Responsible Tourism – a list of awards that SRA obtained to date endorses this.

Findings confirm Goodwin’s (2011:242) point of view that a business’s responsibility is influenced by the local situation and that it is the decision of a tourism business to decide what it will be responsible for. SRA has consciously developed its waste policy around the local municipality’s challenge with waste services. Goodwin (2011:243) goes further to say that the tourism business is accountable for that which it claims it is responsible for. Consequently, target-setting and measurement needs to be functional in order to transparently report accurately to all stakeholders. This is an on-going process that SRA has just commenced with, being mindful of its challenges.

Even though SRA is portrayed to be a forerunner and leader in its implementation of Responsible Tourism, much can be done to further its role in terms of sustainable development, with regard to SRA’s alignment of its policies to those of government. SRA policies to date are guided by terminology pertaining to ‘economic’, ‘socio-cultural’ and ‘environmental’ terms. In 2011 SANS1162 introduced ‘Sustainable Operations and Management’ as a new term to encapsulate the objectives of Responsible Tourism.
**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Recommendations are:

The Tourism Bill (2012: 25), calls for the provision of “strategies, objectives, indicators, targets, plans, guidelines, procedures and institutional arrangements” to guide tourism development. Furthermore, it is stated: “Provision is made for the Minister to determine norms and standards, and indicators to measure compliance with such norms and standards” in terms of Responsible Tourism practices. SRA can improve on its target setting and the measuring of its performance. This is not a problem unique to SRA though as it is endorsed in the Tourism Bill (2012). To ensure that tourism businesses are successfully implementing Responsible Tourism, it is essential to establish a system whereby targets and evaluation procedures within a specific business can be compared to other businesses in a uniform manner.

It is impossible to divorce SRA’s success from the various awards it has obtained in recognition of its Responsible Tourism practice. In lieu of the National Minimum Standards for Responsible Tourism being developed to lessen confusion amongst different businesses practicing and obtaining accreditation and certification for different aspects of Responsible Tourism, stakeholders should engage in discussions pertaining to the significance of accreditation and certification bodies’ influence upon business practices and ethics. As businesses that implement Responsible Tourism practices (as opposed to businesses that do not) are recognized by government to be business best practice, government has to give clearer direction as to what business best practice entails in terms of guiding businesses to meet the outcomes of Responsible Tourism. This will require government to look at the role of the various independent bodies that influence business policies and the implementation of these policies by individual tourism businesses.

The formation of the fourth pillar of Responsible Tourism, namely, Sustainable Operations and Management as set out in SANS1162, will impact upon the way in which terminology has been used to date. TBL only refers to economic, social and environmental criteria. Similarly, Responsible Tourism terminology, to date, involved economic, social and environmental criteria. Sustainable Development terminology mirrored this through reference to what was called the three ‘p’s’: profit, people, planet. Recent literature about Sustainable Development has introduced a fourth ‘p’, which, according to Sloan, Legrand and Chen (2013:196) is called ‘progress’ and, “acts as a driver for a business to integrate ethics and long-term commitment to a better world within the company's mission statement”. It is recommended that government and the industry stakeholders address the plethora of terminology and that they define the meanings of the terminology in order to lessen the confusion, that attribute to the subjectivity involved in the implementation and interpretation of Responsible Tourism practices.

**REFERENCE LIST**


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STRATEGIC DRIVERS FOR HIGHER EDUCATION

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University of Johannesburg  
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University of Johannesburg

ABSTRACT
All organisations, including higher education institutions (HEIs), are facing challenges which are caused by the rapidly changing environment. It is these challenges known as strategic drivers that have the biggest influence. The problem the researcher faced was the uncertainty regarding which of these challenges are viewed as strategic drivers in higher education. This paper attempts to present a clearer understanding of these drivers in this sector. A literature review was conducted in which content analysis was applied in analysing the text. From the literature review it became evident that various challenges which could be viewed as strategic drivers are present within the higher education sector. By means of coding and theming, the strategic drivers were divided into nine themes, the most prominent of which seems to be the role of government and regulatory bodies. Seeing that these strategic drivers are the most important influence of change, HEIs will have to strategically manage around these drivers to secure a sustainable competitive advantage.

Key words: Higher education, strategic management, strategic drivers

INTRODUCTION
Organisations all over the world are faced with many challenges due to the rapidly changing business environment. These changes are caused mainly by new technology, globalisation and internationalisation, fierce competition within the marketplace and forever-changing consumer needs (Bateman and Snell, 2013:5). Higher education institutions (HEIs) are no exception to the rule. In addition, these institutions are facing issues such as reputability, the extent to which social needs are met, funding challenges and quality and accountability demands from stakeholders (American Association of State Colleges and Universities, 2012:2-6; Sullivan and Richardson, 2011:2; Sursock and Smidt, 2010:6-8-9; Parker, 2002:604; Altbach, 2006; Ronco, 2006:21; and Tabatoni, Davies and Barblan, 2002:5 & 11).

The higher education sector in South Africa, as well as in the rest of the world, is thus being bombarded by various challenges. Most of these challenges are common to the higher education sector worldwide as they mainly originate from international, but also from national and/or local sources. Various authors (Thompson, Strickland, Gamble, Peteraf, Janes and Sutton, 2013:78; De Wit and Meyer, 2004:426; and Hough, Thompson, Strickland and Gamble, 2008:84-85) are of the opinion that strategic drivers may originate from the macro environment and that their presence is then felt within the industry environment, in this case, the higher education sector.

In view of the challenges, it is clear that HEIs nationally and internationally have to be managed strategically. Strategic management is necessary to steer and manage around these changes and challenges originating from the external environment.

Paul and Leese (2009:4) purport that HEIs in Australia need to make serious decisions regarding these changes and challenges in order to stay focused on how they are going to manage around these challenges and how they are going to excel. More specifically, HEIs will have to come up with an integrated response to the following four important strategic questions (Paul and Leese, 2009:4):

What are the current strategic forces (or strategic drivers) within the higher education sector and how will these impact on the HEIs?  
What choices will HEIs have to make regarding where and how to compete?  
What needs to be done to provide HEIs with a competitive advantage?  
What weaknesses will HEIs have to overcome to enhance and sustain their performance?

Knowing the strategic drivers present within the higher education environment is therefore emphasised as one of the four important issues in strategy. This understanding of strategic drivers also coincides with the other issues raised by Paul and Leese (2009:4), such as competitiveness, competitive advantage and sustainable performance. As mentioned, an integrated response to these issues is needed. This implies then that HEIs will have to consider the strategic drivers when managing the institutions strategically. In
summary, the importance of strategic drivers in higher education and therefore also in HEIs in South Africa cannot be ignored.

**LITERATURE REVIEW**

The literature review is introduced with a brief overview of strategic drivers, followed by a discussion on the higher education environment with the purpose of increasing knowledge on strategic drivers in this sector. It is important to clearly understand the concept of strategic drivers, as this clarity assists in identifying strategic drivers from the challenges present within the higher education environment.

**Strategic drivers**

In order to manage an organisation strategically it is important to understand the nature and intensity of the five competitive forces of Michael E. Porter (1980:3-6). However, it is just as important to understand that the general industry conditions or the general conditions of the higher education sector are volatile and subject to change. All industries are influenced by new developments and trends that may develop quickly or gradually over time. These developments create new industry situations which are important and require strategic action from organisations (Thompson, Strickland and Gamble, 2010:79). According to De Wit and Meyer (2004:421), managers have to recognise the direction in which the industry is developing and be able to ensure a healthy strategic fit between the organisation and its industry or sector.

A popular hypothesis is that industries progress through a life cycle which causes change. This life cycle comprises mainly an introduction, a growth, a maturity and a decline phase. However, other aspects apart from the life cycle cause change. It is important to understand that change is also present due to change agents pressurising certain industry role players or competitive forces, such as competitors, buyers and suppliers, to change their actions. The most powerful change agents are known as strategic drivers. These drivers have the biggest impact on changing the industry environment (Thompson, Strickland and Gamble, 2010:79). It is argued in the technology sectors that the identification of and adaption to drivers in good time may provide organisations with a strategic advantage (Littler and Wilson, 1990:159 & 177). According to Johnson, Scholes and Whittington (2008:56), drivers (for change) are environmental factors that will most likely influence the success or failure of strategy and may vary between industries or sectors. De Wit and Meyer (2004:426) view drivers as influences that can change the direction of industry development. Porter (1980:157, 162) describes strategic drivers as evolutionary processes that create incentives for or pressurise industries to change.

According to Thompson *et al.* (2013:78), some strategic drivers may originate from the macro environment, but the majority of them stem from the industry environment itself. De Wit and Meyer (2004:426) say that drivers can either be internally or externally related to the industry. The drivers in the macro environment can more or less be divided into socio-cultural, economic, political/regulatory and technological drivers. The drivers present in the industry environment can be divided into groups surrounding the five forces of Porter, namely suppliers, buyers, incumbent rivals, new entrants, substitutes and complementors. Refer to figure 1 for an illustration of strategic drivers of industry development.

In the process of industry evolution or development Porter (1980:162-163) states that each industry begins with an initial structure. The initial structure is usually, but not always, very different from the configuration the industry will have at a later stage in its development. The initial structure is determined mainly by various technical and economic characteristics of the industry itself, but also by the restrictions inherent to a small industry and the skills and resources associated with organisations that are early entrants. This structure is then pushed towards its potential structure by strategic drivers but no one really knows what it will be. However, the nature of the industry structure will eventually be determined by the success and direction of the strategic drivers. The opposite of drivers may also be present, known as inhibitors of industry development. While strategic drivers may push an industry forward, inhibitors will put brakes on these developments (De Wit and Meyer, 2004:422). Refer to figure 2.
Figure 1: Strategic Drivers of Industry Development

**Socio-cultural Drivers**
(Changing health needs, environmental awareness, consumption habits etc.)

**Suppliers**
(Innovative products, new foreign entrants, consolidation etc.)

**Economic Drivers**
(Changing exchange rates, economic growth, labour productivity etc.)

**Substitutes and Complementors**
(Changed product range, new technology standard etc.)

**New Entrants**
(New business model, diversification strategy, new alliance etc.)

**Incumbent Rivals**
(Improved competencies, new products, new brand positioning etc.)

**Technological Drivers**
(New scientific breakthroughs, innovative technologies, communication standards etc.)

**Political/Regulatory Drivers**
(New trade regulations, Environmental protection laws, privatisation moves etc.)

**Buyers**
(Changed needs, increased prize sensitivity, lower brand loyalty etc.)

Source: Adapted from De Wit and Meyer (2004:427)
Figure 2: Industry Development

It is also important to distinguish between industry change that is triggered by a combination of strategic drivers as opposed to an individual organisation. When one organisation is the major driver in industry, it can claim industry leadership. This leadership position stems from the organisation’s own strengths. If no industry leader is present and the changes are caused by a diverse set of strategic drivers, it is generally known that industry dynamics steers the way for industry development (De Wit and Meyer, 2004:426).

According to Porter (1980:163-184), the initial and potential structure and also the investment decisions by organisations may be industry (or sector) specific, but it is possible to generalise about strategic drivers (or evolutionary processes). Thompson et al. (2010:79-85) supports Porter’s viewpoint that although some strategic drivers may be unique to an industry or sector, these can be categorised into groups as listed in table 1.

Table 1: Category of Strategic Drivers

<table>
<thead>
<tr>
<th>Category of strategic drivers</th>
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<tbody>
<tr>
<td>Changes in the long-term industry growth rate</td>
</tr>
<tr>
<td>Increasing globalisation</td>
</tr>
<tr>
<td>Emerging new internet capabilities and applications</td>
</tr>
<tr>
<td>Changes in buyer segments</td>
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<tr>
<td>Changes in who buys the product and how they use it</td>
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<tr>
<td>Product innovation</td>
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<tr>
<td>Manufacturing process innovation</td>
</tr>
<tr>
<td>Marketing innovation</td>
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<tr>
<td>Experience that is accumulating</td>
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<tr>
<td>Change in government regulations and policies</td>
</tr>
<tr>
<td>Changing societal concerns, attitudes and lifestyles</td>
</tr>
<tr>
<td>Entry into and exit from industry</td>
</tr>
<tr>
<td>Diffusion of knowledge that is proprietary</td>
</tr>
<tr>
<td>Input cost and exchange rate changes</td>
</tr>
<tr>
<td>Growing buyer preferences for differentiated products</td>
</tr>
<tr>
<td>Reduction of uncertainty and risk</td>
</tr>
<tr>
<td>Changes in neighbouring industries</td>
</tr>
<tr>
<td>Accumulation of knowledge by buyers</td>
</tr>
<tr>
<td>Expansion of industry</td>
</tr>
</tbody>
</table>

Sources: Adapted from Thompson et al. (2010:80-85); Porter (1998:22) and Porter (1980:163-184)

The changing higher education environment
In 1998, just before the turn of the century, a World Conference on Higher Education was held by the United Nations Education, Scientific and Cultural Organisation (UNESCO) in Paris. The participants of this conference adopted two documents, namely the World Declaration on Higher Education for the Twenty First Century: Vision and Action, and the Framework for Priority Action for Change and Development in Higher
Education. The challenges highlighted in these documents include issues ranging from financing to collaborations to new opportunities created by technology (World Conference on Higher Education, 1998). Parker (2002:603) also said early in the new century that the Western country HEIs had faced a change in their strategic focus, modus operandi and core values in the past twenty years. For HEIs to adapt to and survive these changes, they had to consider a variety of strategies such as prioritisation of income generation, management professionalisation, resource allocation, restructuring and strategic relationships with government and the private sector. In addition, Taylor, De Lourdes Machado and Peterson (2008:371) indicate that strategic management is also emphasised in the European higher education sector. The manner in which European HEIs had embraced strategic management was an object for attention.

This emphasis on strategic management started when strategic management was recommended by The European HEI Association, which released a document known as the Principles and Practices of Strategic Management in Universities throughout the European higher education community.

Paul and Leese (2009:4) have identified various factors relating to change which have created a situation in the Australian higher education sector requiring institutions to revolutionise their policies and strategies. More recently, Sullivan and Richardson (2011:2) similarly stated that American HEIs are also faced with continuous change. These changes are caused by changing conditions in the global economy, competitive forces that are shifting, changes in the funding streams of institutions and the continuous call for accountability. Sullivan and Richardson (2011:2) further state that these changes have caused the American higher education landscape to be altered and strategic planning is therefore elevated to high levels of importance.

Palfreyman, Tapper and Thomas (2011:xv) take a broader stance when reporting that higher education systems in various regions and countries all over the world are facing their own pressures for change. In the former Soviet Union and Eastern and Central Europe these pressures include the downfall of the economic and political structures. In South Africa it was the political revolution, in China and India there is pressure to develop the economy and in Latin America the pressure is for demographic change.

**Challenges driving higher education**

HEIs must become ‘change-capable’ in order to cope with the societal and economic challenges posed by the 21st century (Fullan and Scott, 2009:1). Tabatoni et al. (2002:5 & 11) describe an actor as anything within the organisation itself or its related environment that can significantly influence an organisation and its environment to change. For an HEI these actors will include students, the faculty and staff, members with whom networking takes place, both public and private regulators and the media. These actors are also known as change agents. Powerful change agents such as new managerial and technical information systems are causing rapid social change and influence how students perceive their position within higher education. These changes include the need to express one’s own opinion, to communicate, to be heard and to be listened to, and the right to be respected and to be informed. In other words, students do not see themselves as members of a separate academic community anymore, but rather as ‘part’ of it.

West (2008:77) uses the analogy of keeping “an eye on the ‘radar screen’” in order to keep managers of HEIs in touch with the changes in the external environment. He suggests the following questions which could assist in the strategic planning and monitoring of these changes:

What is ‘out there’ that might influence the work?
Are there any ‘what if’ scenarios that one must take into consideration?
What may happen out there that could assist or hinder the organisation in doing its work?

According to West (2008:77), these changes include matters such as a change in the immigration regulations and, in this case with specific reference to the United Kingdom, changes which will have an impact on the support for international students, revised legislation regarding the safeguarding of children and a review of the financial support for students in higher education. In this instance, government plays a pivotal role in causing change in the external environment of higher education.

Parker (2002:604) also states that HEIs are influenced by major external environment changes such as funding changes instilled by government and the globalisation of education and business. Governments from many Western countries have reduced funding levels to HEIs, including funding for teaching, research, infrastructure and capital expenses. In global terms, HEIs displayed tendencies to homogenise education and research profiles to one model. In other words, due to pressures internationally and the emphasis on benchmarking, HEIs are ‘forced’ into a common education profile mould. This is known as ‘global convergence’. The reason for this is that globalisation is a reality in daily academic life. HEIs are viewed as part of the world market’s intellectual property and international education and data can be transferred quickly by means of global technologies. These technologies can create a bigger platform for developing
international collaborations. Staff and student movement across borders is also increasing and education policies and the provision thereof could be determined by international trade agreements. All these changes cause HEIs to alter their internal structures to reflect these external demands (Marginson, 1999, 2000:5). One could possibly say this is done to ensure sustainability and effectiveness.

According to Altbach (2006), higher education is been influenced by world trends known as globalisation. These trends include the rapid change of information technology, the reduction of government funding, the question regarding the ideal position of higher education, the privatisation of public higher education, the continuous increase in the demand for access and the massification of education, the position of English as the medium of tuition and the growing leadership of world science. The mutual effect of these trends as well as government policies and what is happening at other HEIs are of great concern. In reality, the effect is caused by a combination of global, national and local trends and developments. Globalisation is in essence the result of a world economy that is increasingly integrating. However, government policies, the impact of multinational organisations, change in technology and other actors such as the World Bank and the European Union will all be steering the future of higher education throughout the world.

A policy document was released by the American Association of State Colleges and Universities (2012:2-6) on the top ten higher education state policy issues for 2012. These issues will be of importance and will have a powerful impact on the higher education sector of the United States. Collectively the purpose of these issues is to restrain the rising cost of HEIs and to enhance access and completion. At the top of the list of policy issues affecting higher education for the fourth year in a row is government funding for public higher education. The impact of reduced funding is viewed in a serious light as it negatively influences virtually every aspect of college and HEI operations. Other issues as set out in this document include the following:

The optimum use of available resources while still boosting student outcome and the quality of academic work.

The consolidation of governing and coordinating boards in order to enhance productivity, cost savings and efficiency but still ensuring transparency and accountability.

The improvement in the number of graduates holding a postsecondary certificate or degree.

The implementation of a performance-based funding (PBF) system to improve productivity in the public higher education sector.

The fees for tuition will be under scrutiny due to rapid increases over the last few years.

The government’s financial aid programmes need to be reformed to assist needy students.

The HEI readiness of high school learners needs attention. There seems to be a lack of alignment between the secondary and postsecondary sectors.

Veterans and military education will continue to put pressure on government resources for higher education.

The admittance of foreign students to HEIs and the provision of government financial aid to these students are being scrutinised.

Sursock and Smidt (2010:6, 8-9) agree that higher education has been influenced by various changes during the past ten years. These changes include internationalisation, an increase in the importance of knowledge-led economies, higher participation rates and an increase in global competition. Due to these changes two policy documents were formulated, known as the Bologna Process and the Lisbon Strategy, which also includes the Modernisation Agenda for HEIs. These international trends and the two policy processes were translated into a national-level policy change impacting directly on the assurance of quality, autonomy, research and funding and the size and shape of many higher education systems. These changes, together with the Bologna reforms, had a fundamental impact on all the HEIs which led to large-scale restructuring (Ronco, 2006:21) in their activities, their partnerships with other HEIs and their stakeholders. This also resulted in an increase in strategic capacity and professionalism. Internationalisation was rated the third most important driver of change by HEIs for three consecutive years after the turn of the century, and it was expected to move to number one in the future, while the enhancement of internal quality processes was the most important change in the past ten years. Institutions are increasingly developing an integrated internationalisation teaching and research approach to strategic partnerships. Interesting to note is that the European Union and Europe are generally viewed as first and second choice for international exchange, while Asia occupies third position, the United States and Canada the fourth position and Latin America, fifth. Africa and the Arab world are the lowest priority for international exchange by European HEIs, followed by Australia, which currently is losing ground.

PROBLEM INVESTIGATED

From the literature review it is evident that HEIs are bombarded by challenges which raise the importance of strategic management. Although all the challenges which were identified during the environmental scanning
process have an impact, it is the strategic drivers which are of importance. However, there is no clarity in the literature as to which of these challenges are viewed as strategic drivers in higher education. Therefore the research problem in this study is defined as the uncertainty around the challenges which are viewed as strategic drivers in higher education, and the research question is formulated as follows:

“Which challenges within the higher education environment of South Africa are seen as strategic drivers?”

Following from the research question as stated above, the objective of this research is:

To identify the strategic drivers that will have an impact on higher education.

To this end, the focus of this research was on the literature. Specifically, higher education literature was reviewed. However, this literature uses a different “language”, as it were, to interrogate the concept known as “strategic drivers” within the management literature. Therefore, parallels are drawn (by means of content analysis of higher education literature) between higher education literature and management literature in an effort to increase our understanding of what the higher education literature purports.

RESEARCH METHODOLOGY

This study followed a qualitative approach. The reason for following this approach was to gain an understanding of strategic drivers present within the higher education environment. An analysis of documentation was undertaken due to this paper being part of the literature review of a PhD study to ascertain the extent to which strategic drivers are referred to within the higher education literature. This is a follow-up paper on two previous papers which all are part of a PhD study. The focus of the previous two papers was mainly on the planning stage of the study and the clarification and differentiation of drivers from other influences in the external and internal environment such as factors and forces.

The literature review of this paper is an excerpt from the literature review of the PhD study and the sources consulted dealt with topics mainly on strategic management and drivers in general, and also referred to specific industries, higher education and the challenges this sector is facing. The recentness of the sources varies. In some cases original sources were consulted to determine the origin of the concepts and challenges. This paper is then a reflection of the results from secondary research which includes relevant accredited articles, textbooks and policy documents.

Summative content analysis was used in which descriptive coding was applied to analyse the text of the literature review on higher education. These codes were categorised and collapsed into themes. The purpose of summative content analysis is to identify and to quantify certain words or content in the text for the purpose of understanding the contextual use of words or content (Hsieh and Shannon, 2005:1285; Smit, 2014).

To ensure trustworthiness of the research, four criteria needed to be considered (Lincoln and Guba, 1985):

Credibility: As this research focused on literature, literature was sourced from the realm of management as well as higher education. Care was taken to search for current literature and literature from South Africa and abroad. As the process of content analysis was applied manually, all notes and schematics informing the final outcome of the content analysis have been preserved to ensure referential adequacy of the data.

Transferability: In this study the idea was not to illuminate further than the context of South African HEIs, so transferability pertains to how findings can be extrapolated to the South African higher education environment. This seems to be covered in this study.

Dependability: As this research focuses on literature applied to the higher education environment as a whole, dependability is not important.

Confirmability: The notes and schematics leave an adequate trail of how conclusions, interpretations and recommendations can be traced to their source.

RESULTS

From coding and theming the literature on higher education, the following results were obtained with regard to strategic drivers.

It was interesting to note when coding the strategic drivers from the literature review that themes emerged (refer to table 2) which are similar to the categories of drivers as suggested by De Wit and Meyer (2004:426-427), Porter (1980:163-184), Porter (1998:22) and Thompson et al. (2010:80-85).
<table>
<thead>
<tr>
<th>Strategic drivers (Themes)</th>
<th>Strategic drivers (Categories)</th>
<th>Verbatim text from the higher education literature review</th>
</tr>
</thead>
</table>
| Government and regulatory bodies | Regulations and regulators | For a HEI these ‘actors’ will include … public and private regulators … 
...a change in the immigration regulations… 
The consolidation of governing and coordinating boards… 
...factors such as the World Bank, the European Union will all be steering the future of Higher Education through-out the world. |
| Legislation and policies | ...revised legislation regarding the safeguard of children… 
...education policies and the provision thereof… 
...government policies… 
...government policies… 
...two policy documents were formulated, known as the Bologna Process and the Lisbon Strategy which also includes the Modernisation Agenda for HEIs. |
| Government funding | ... changes in the funding streams of institutions… 
...a review of the financial support for students in Higher Education. 
...funding changes instilled by government… 
...reduced the funding levels to HEIs which include the funding for teaching, research, infrastructure and capital expenses. 
...the reduction of government funding… 
...issues affecting Higher Education for the fourth year in a row is government funding for public Higher Education… (reduced funding) The implementation of performance based funding (PBF) system… The fees for tuition will be under scrutiny due to rapid increases over the last few years. The government's student financial aid programmes need to be reformed… |
| Government | ...government plays a pivotal role… 
...the massification of education… |
| Globalisation and internationalisation | Globalisation and internationalisation | ...changing conditions in the global economy… 
...the globalisation of education and business… 
Tendencies to homogenized education and research profiles to one model. In other words due to pressures internationally … HEIs are ‘forced’ into a common education profile mould which is known as ‘global convergence’. HEIs are viewed to be part of the world markets’ intellectual property and international education… 
...developing international collaborations. 
Staff and student movement across borders are also increasing… 
...could be determined by international trade agreements. 
...Higher Education is been influenced by world trends known as globalisation. Globalisation is in essence the result of world economy that is increasingly integrating. 
These changes include internationalisation… 
...an increase in global competition. 
Internationalisation was rated the third most important driver of change… Institutions are increasingly developing an integrated internationalisation teaching and research approach… |
| Technology | Technology | ...data can be transferred quickly by means of global technologies. 
...technologies can create a bigger platform… |
<table>
<thead>
<tr>
<th>Social issues</th>
<th>Social issues</th>
<th>Staff and student movement across borders…</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>…the continuous increase in the demand for access…</td>
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<td></td>
<td></td>
<td>…the position of English as medium of tuition…</td>
</tr>
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<td></td>
<td></td>
<td>…higher participation rates…</td>
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**Collaboration**

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<tr>
<th>Collaboration</th>
<th>Collaboration</th>
<th>…members with whom networking takes place…</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>…developing international collaborations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>…could be determined by international trade agreements.</td>
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<tr>
<td></td>
<td></td>
<td>… an integrated internationalisation teaching and research approach on strategic partnerships.</td>
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</table>

**Market**

<table>
<thead>
<tr>
<th>Media</th>
<th>For a HEI these factors will include … and the media.</th>
</tr>
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</table>

**Market priorities**

<table>
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<tr>
<th>For a HEI these factors will include …</th>
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<tr>
<td>…competitive forces that are shifting…</td>
</tr>
<tr>
<td>…the question regarding the ideal position of Higher Education…</td>
</tr>
<tr>
<td>…the impact of multinational organisations…</td>
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<tr>
<td>…an increase in global competition.</td>
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**Students**

<table>
<thead>
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<th>For a HEI these actors will include students…</th>
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<tbody>
<tr>
<td>…how students perceive their position within Higher Education.</td>
</tr>
<tr>
<td>…student movement across borders…</td>
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<tr>
<td>…the continuous increase in the demand for access…</td>
</tr>
<tr>
<td>…boosting student outcome…</td>
</tr>
<tr>
<td>The improvement in the number of graduates holding a postsecondary certificate or degree.</td>
</tr>
<tr>
<td>The fees for tuition will be under scrutiny due to rapid increases over the last few years.</td>
</tr>
<tr>
<td>The government’s student financial aid programmes need to be reformed to assist needy students.</td>
</tr>
<tr>
<td>The HEI readiness of high school learners needs attention. There seems to be a lack in the alignment between the secondary and postsecondary sectors.</td>
</tr>
<tr>
<td>Veterans and military education will continue to put pressure on government resources for Higher Education.</td>
</tr>
<tr>
<td>The admittance of foreign students to HEIs and the provision of government financial aid to these students are being scrutinised.</td>
</tr>
<tr>
<td>…higher participation rates…</td>
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</tbody>
</table>

**Resources**

<table>
<thead>
<tr>
<th>For a HEI these factors will include … staff…</th>
</tr>
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<tbody>
<tr>
<td>The implementation of a performance based funding (PBF) system…</td>
</tr>
<tr>
<td>Staff … movement across borders…</td>
</tr>
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**Quality**

<table>
<thead>
<tr>
<th>…to enhance productivity, cost savings and efficiency…</th>
</tr>
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<tbody>
<tr>
<td>to improve productivity in public Higher Education sector</td>
</tr>
<tr>
<td>…the enhancement of internal quality processes was the most important change in the past ten years.</td>
</tr>
<tr>
<td>…boosting student outcome and the quality of academic work.</td>
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</tbody>
</table>

**Accountability**

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<th>…continuous call for accountability.</th>
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</thead>
<tbody>
<tr>
<td>…ensuring transparency and accountability.</td>
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</tbody>
</table>

Sources: American Association of State Colleges and Universities (2012:2-6); Sullivan and Richardson (2011:2); Sursock and Smidt (2010:6,8-9); Parker (2002:604); West (2008:77); Altbach (2006); Ronco (2006:21) and Tabatoni et al. (2002:5 &11)

Nine themes of strategic drivers emerged. Of these, government and regulatory bodies are mostly emphasised in the literature review, which suggests that this is the most prominent strategic driver. From the coding process, the categories of regulations and regulators, legislation and policies, government funding and the impact of government emanated which developed into government and regulatory bodies as a theme. In these categories, government funding seems to be the most dominant. Refer to figure 3 for the percentage of each category.
Globalisation and internationalisation is viewed as the second most important strategic driver and the impact of students is third. Technology, quality and resources were also major themes (strategic drivers) which developed from the coding process, while the impact of the market, collaborations and social issues also need to be considered. Refer to figure 4.

From the literature review it is evident that these drivers have directly impacted the strategic direction of the higher education sector - in South Africa and across the world. Also important to note is that some of the strategic drivers coded in the text are interrelated and are grouped into more than one category and theme of strategic drivers.

It was also observed that most of the strategic drivers could be grouped into the macro, industry and internal environments, as stated by Thompson et al. (2010:79) and De Wit and Meyer (2004:426).
CONCLUSIONS
This paper provides an understanding of strategic drivers and a confirmation that they are a reality in the higher education sector. From the strategic drivers listed, the role of government and regulatory bodies is paramount in changing the higher education sector across the world. Huisman and Jenniskens (1994:249) said even before the turn of the century that government can be viewed as the biggest influence in the higher education environment, and definitely in Western Europe. However, globalisation and internationalisation, the impact of students, technology, quality, resources, market forces, collaboration and social issues are also of importance as these ‘drive’ governments and HEIs throughout the world to implement changes. In South Africa strategic drivers have directed government, and will continue to do so in future, to implement policy changes to steer the higher education sector to its social and economic developmental goals. Bunting and Cloete (2004:1) are in agreement when saying that government is increasingly linked to global and local influences and it has to respond to these influences of change within the higher education environment. Strategic drivers are therefore of great concern and will directly impact the dynamics of the higher education sector.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
HEIs will have to acquaint themselves with the strategic drivers present in their environment. After gaining an understanding of and knowing what these strategic drivers are, HEIs will have to find strategic ways of managing the impact of these drivers. A variety of strategies can be considered by HEIs such as:
The prioritisation of income generation
Student and technology centeredness
Management professionalisation
Effective resource allocation
Restructuring
Strategic relationships with government and the private sector
Applying total quality management

Knowing what the strategic drivers are and strategically managing around them will assist these HEIs in steering a future and developing a sustainable competitive advantage.

LIMITATIONS
One possible limitation of this paper is that it is based on a literature review only, which may narrow its scope. A further limitation may be in the changing nature of strategic drivers and the vagueness in which drivers are described in higher education literature. This causes difficulty in pinpointing exactly what challenges are seen as strategic drivers in the higher education environment, but it also highlights the relevancy for research to be done on this topic.

FUTURE RESEARCH
This paper paves the way for a better understanding of strategic drivers from higher education literature and emphasises the need for further empirical research on this topic which will form part of the researcher’s PhD studies.

REFERENCE LIST


THE CONSUMER BEHAVIOUR OF DOG OWNERS IN THE TSHWANE METROPOLE

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ABSTRACT
The value of the South African pet food market is R4.7 billion per annum. No research has been done in South Africa to understand the growing pet market. Therefore, the main objective of this study is to investigate the purchasing behaviour of dog owners with regard to luxury items and relate this concept to owners’ attachment to their dogs. Similarities between the owners’ perception of their own weight and their dogs’ weight is examined. Due to time and money constraints, questionnaires were only distributed among 200 adult dog owners in the Tshwane Metropole. The results provide evidence of a relationship between the owners’ perception of their own weight and of their dogs’ weight. The results imply that owners who engage in certain purchasing behaviours display higher attachment levels compared to owners who do not engage in this behaviour. The research results will be useful in determining the purchasing behaviour of consumers with different attachment levels to their dogs.

Key words: Obesity in dogs and owners, attachment, luxury care, dog food brands, dog breeds

INTRODUCTION
Consumer behavior has been defined as the activities people undertake when obtaining, consuming and disposing of products and services (Blythe, 2013:5). The consumer behaviour of pet owners has not yet been researched in South Africa. Owners nowadays see their pets as part of the family and not just as animals to be cared for (Charles, 2014:2; Herzog, 2011:236; Plastow as cited in Durham, 2011:39; and Kumcu & Woolverton, 2010:3). In fact, many pet owners see their pets as children. According to Arnold (as cited in Durham, 2011:39), “pet owners” are now referred to as “pet lovers” which means that pets are a very important part of people’s lives. There are different reasons why people own pets. Dogs can be owned to serve as security and cats can be used to eliminate pests (Durham, 2011:39). Pets can also be owned to improve the overall health of the owner (Utz, 2014:332; Herzog, 2011:236; Shore, Douglas & Riley, 2005:2). Pet lovers are starting to spend more money on the well-being of their pets (Durham, 2011:39). There are more than 5.3 million households with a pet in South Africa. A total of 8 million dogs and 2 million cats live in South African homes according to the Euromonitor International of November 2010 (as cited in in Durham, 2011:39). The value of the South African pet food market is R5 billion per annum (Sherry, 2013). Dog food makes up 83% of the pet food market followed by cat food which makes up 15% (Durham, 2011:39). The pet market is a large and growing industry and South Africans are spending a considerable amount of money on their pets. It is therefore important to do more research on the consumer behaviour of pet owners and pet care in South Africa to gain a better understanding of the market.

Various research studies have been conducted on the pet food and pet care industries in the UK, USA and Australia. Most of these studies focused on the levels of attachment between pet owners and their pets (Ramón, Slater & Ward, 2010:251-263; Shore et al., 2005:1-11), obesity in pets (Byers, Wilson, Stephens, Goodie, Netting & Olsen, 2011; Suarez, Peña, Carretón, Juste, Bautista-Castâno & Montoya-Alonso, 2011:1-5; Nijland, Stam & Seidell, 2009:102-106) and preferred dog breeds (Kelley, Kelley, Evans & Kelley, 2003:12-16). Several previous studies have used the Lexington Attachment to Pets Scale (LAPS) to measure pet owners’ attachment to their pets (Shore et al., 2005:160-175; Johnson, Garrity & Stallones, 1992). Most international studies gathered information from university students. It will therefore be worthwhile to replicate and expand upon these studies in a South African context with a more diverse sample (Shore et al., 2005:1-11). The focus of this study will be on dog owners and their dogs. The units of analysis are individuals who own at least one dog in the household.

LITERATURE REVIEW
The relationship between dog owners and their dogs
Many researchers have shown interest in the relationship between obesity in dog owners and their dogs. Obesity in humans and dogs is a problem that has been escalating over the past few years (Suarez et al., 2011:1; Bland, Guthrie-Jones & Hill, 2009:333; Nijland et al., 2009:102). Obesity is defined as a condition
where the dog receives too much energy from eating food and where it does not get enough physical exercise. This excess energy leads to the dog gaining weight (Suarez et al., 2011:1; Bland et al., 2010:310).

There are several causes of obesity amongst dogs, for example the dog breed as well as the diet and exercise plan (Byers et al., 2011; Suarez et al., 2011:1; Bland Guthrie-Jones & Hill, 2010:310; Bland et al., 2009:334). Various studies have found that the lifestyle and diet of a dog are significantly influenced by the lifestyle and diet of its owner. Owners determine the type and amount of food as well as the amount of exercise their dogs receive (Suarez et al., 2011:2; Bland et al., 2010:310; Bland et al., 2009:334).

Several studies have been conducted to determine the level of obesity among dogs (Bland et al., 2009:333-340; Nijland et al., 2009:102-106; Colliard, Ancel, Benet, Paragon & Blanchard, 2006:1951S-1954S; Mason, 1970:612-616). Suarez et al. (2011:3), Holmes, Morris, Abdulla, Hackett and Rawlings (2007:167) and Byers et al. (2011) confirm that dog owners that have obese dogs are inclined to be obese as well. This leads to the following hypothesis:

H1: Dog owners’ perceptions of the degree to which they are overweight are positively correlated with their perceptions of the degree to which their dogs are overweight.

Another area of research interest is the relationship between luxury care purchased and attachment level between dog owner and dog. Attachment can be defined as a relationship or closeness someone has towards another person who usually acts as a source of security and who is perceived to have a better way of handling life (Crawford, Worsham & Swinehart, 2006:99). However people do not only feel attached to other humans, they can also feel attached to their pets. Crawford et al. (2006:99) define attachment as: “… the emotional bond felt and expressed between a pet owner and his/her pet”. The continuous growth in the pet-related market is driven by a psychographic trend known as ‘humanization’. This occurs as pets are treated like members of the family. This trend reflects the strategy of many marketers to strike an emotional chord with pet owners, who are thinking in human terms as they shop and are applying their own preferences to the pet products they select (Boya, Dotson, & Hyatt, 2012:134).

Once pet owners’ attachment levels have been determined, it will be related to the following forms of luxury care. One form of luxury care is grooming of dogs which include brushing, washing, cutting hair, trimming nails, cleaning ears, brushing teeth and giving treatment for ticks and fleas (Nichas, 2009). Shore et al. (2005:6) classified the trimming of a dog’s nails as a form of standard care. The study found that 72.3% of dog owners with high attachment levels report that their pet’s nails are trimmed compared to 48.5% of dog owners with low attachment levels. These results suggest a relationship between pet attachment and owners’ grooming behaviour.

Another form of luxury care is day care for dogs. Maloney (2011) defines dog day care as: “An organized, controlled and monitored environment for a group of friendly dogs to interact and play throughout the day.” Day care for dogs is available in South Africa (Ananzi, 2011). According to Shore et al. (2005:6), sending the dog to day care can be regarded as luxury care. The level of attachment does not have an effect on whether the dog is sent to day care or not (Shore et al., 2005:8). Only 6% of the respondents in the study by Shore et al. (2005:8) reported that their dogs go to day care.

A third form of luxury care is dog training. Shore et al. (2005:7) classified sending a dog for training as enriched care rather than luxury care. In their study, 64.1% of dog owners with high pet attachment levels reported that their dogs have received training compared to 47.2% of owners with low attachment levels. This suggests a relationship between pet attachment and training as a form of pet care behaviour.

Celebrating a pet’s birthday is classified as luxury care. A survey conducted in the USA by Kelton Research found that 81% of dog owners know their pet’s birthday, while 77% have celebrated the dog’s birthday with a gift (Kelton Research in Spector, 2012). Shore et al. (2005:8) classifies the celebration of a pet’s birthday as a form of luxury care. In their study, 48.8% of pet owners with high attachment levels reported celebrating their pet’s birthdays compared to 17.2% of owners with low attachment levels. This suggests a positive relationship between pet attachment and this form of luxury pet care.

Travelling with dogs can also be classified as luxury care. When people want to travel they have to decide whether to take their animal with them, leave it with a friend or family member or take it to the kennels (Carr & Cohen, 2009:292). Shore et al. (2005:7) found that 63.5% of pet owners with high attachment levels always or sometimes take the pet along when they travel compared to 33.5% of owners with low attachment levels. In addition, 62.4% of owners with high attachment levels reported looking for pet-friendly
accommodation when planning a trip compared to 28.4% of owners with low attachment levels. This suggests that pet attachment is related to pet travel behaviours.

Luxury care can also include buying holiday gifts for pets. Some evidence exists that pet owners give their dogs a holiday gift. It was determined that 63% of dog owners give their dogs a Christmas present (PetFinder.com). Shore et al. (2005:8) found that 86.2% of pet owners with high attachment levels buy their pet holiday gifts compared to 55.9% of owners with low attachment levels. This suggests that pet attachment is related to holiday gifts purchased for the pet.

A last form of luxury care includes buying pet clothing. Dog clothing is defined as clothes that are specifically designed to fit dogs. Clothing available for dogs include t-shirts, jerseys, sweaters, raincoats, hair accessories, hats, shoes, bandanas, costumes, pyjamas and even swimsuits (Andrews, 2012; Anon, 2012). Shore et al. (2005:8) found that pet attachment is positively related to pet clothing owned. The study found that 29.9% of pet owners with high attachment levels have clothing for their pets compared to 6.1% of owners with low attachment levels. The following can be hypothesized:

H2: Dog owners who engage in certain luxury care behaviour have a higher level of attachment toward their dogs compared to dog owners who do not engage in these behaviours.

Exploring the dog food brands purchased in South Africa

There is a large variety of dog food available in South Africa. There are two main groups of dog food, namely dry dog food and wet dog food. The economic recession in 2008/2009 has influenced South African consumers’ choices when it comes to purchasing dog food (Durham, 2011:39). Cheaper dry dog food brands were being preferred to more expensive dog food brands. However there has been an increase in the amount of wet dog food purchased since the recession. Dog owners have also recently moved back to purchasing premium brands of dog food that offer health and nutritional benefits for their dogs (Durham, 2011:39-40). Lifestyle needs can include weight management and the life stage of the dog (Kumcu & Woolverton, 2010:7). Premium brands are typically bought from veterinary shops (Durham, 2011:40). For the purpose of this study, premium brands will be defined as dog food sold exclusively at veterinary shops that promote pet health and provide nutritional benefits. Examples of premium brands include Vets Choice and Hill's Pet Nutrition.

Dry dog food brands that are available in South Africa include Bobtail and Pedigree. Premium pet food brands sold in South Africa are Vets Choice and Hill’s Pet Nutrition. Dogmor is the most frequently purchased dry dog food brand in South Africa in 2012/13 followed by Pedigree and Bobtail (South African Advertising Research Foundation, 2013).

Wet dog food is a cheaper and more convenient food option for dog owners (Durham, 2011:40). Wet food brands in South Africa include Boss and Butch. Premium wet dog food in South Africa is Hill’s Pet Nutrition. The most frequently purchased wet dog food in South Africa in 2012/13 was Pedigree followed by Alpo Husky and Butch (South African Advertising Research Foundation, 2013).

Attitudes towards dog breeds in South Africa

Attitudes towards dog breeds in South Africa

Over the years dogs were kept to hunt or to herd (Kelley et al., 2003:12). In an Australian study, Kelley et al. (2003:12) asked respondents which breeds of dogs they preferred by giving a specific breed a rating out of ten. The findings of the study suggested that the most popular breed of dog in Australia was the Labrador. The Jack Russell terrier was the most popular small dog breed according to the study (Kelley et al., 2003:12).

For the purpose of this study small dog breeds will be dogs that are between 12.7cm and 45.7cm in height. Dog breeds in this group include the Yorkshire terrier and Jack Russell terrier (The Online Dog Encyclopedia, 2012). Large dog breeds will be dogs that are between 48.3cm and 88.9cm in height. The Pitbull and German Sheppard are examples of dog breeds that fall in this category (The Online Dog Encyclopedia, 2012).

Six of the ten most popular dog breeds in South Africa are small dog breeds (Dog Breeders Gallery, 2010). The small dog breeds that are considered to be the most popular in South Africa are the Staffordshire bull terrier (45.7cm), the Bulldog and the Miniature Schnauzer (35.6cm) and the Pomeranian and the Yorkshire terrier (22.9cm). Of the ten most popular dog breeds in South Africa, four are classified as large dog breeds. These dog breeds include the Labrador retriever, Golden Retriever and Rottweiler (all 61cm) and the Bull Terrier (53.3cm) (Dog Breeders Gallery, 2010).
As far as could be determined, no previous academic studies have explored the reasons why South Africans own a small or large dog breed. International research indicates that security used to be the main reason for owning a dog. However, most researchers have moved away from this notion and have found that dogs are kept as companions (Durham, 2011:39). The economic recession has had an impact on the houses that people buy. People are opting to stay in smaller apartments or security complexes and this has impacted the breeds of dogs people buy. The rules of these complexes have seen an increase of ownership of smaller dog breeds because of this trend (Durham, 2011:41).

PROBLEM INVESTIGATED
The overall goal of this study is to determine the purchasing behaviour of dog owners with regard to selected luxury pet care items. The aim is to relate these concepts to the attachment level between owner and dog.

Secondary objectives of this study include examining similarities between the dog owner’s dietary habits and the dog’s diet. The study also examines the most popular dog breeds in South Africa and the reasons why people own a specific dog breed.

RESEARCH OBJECTIVES
The following research objectives will guide this study:
To determine whether there is a relationship between types of luxury care that dog owners purchase and their attachment levels to their dogs as measured by the LAPS scale.
To investigate the relationship between the owners’ perception of his/her own weight and the weight of his/her dog.
To determine the most popular dry and wet dog food brands among South African dog owners.
To determine preferred dog breeds in South Africa in terms of popularity.
To determine the reasons why South Africans own a dog.

RESEARCH METHODOLOGY
Sample
The target population for this study consists of adults (over the age of 18) who own at least one dog and who visited the Wetnose Homeless Animals Day, Atterbury Bird and Animal Hospital or Hakuna Matata kennel in the Tshwane Metropole. The units of analysis are the individual dog owners. Data for the main study was collected through an intercept survey using a self-completion questionnaire collected between 1 September 2012 and 12 October 2012. Participants were not offered any incentives to participate in the study. The questionnaire was pre-tested among ten dog owners in the Tshwane Metropole. Due to time and money constraints the study aimed to achieve a minimum of 200 responses. A non-probability sampling method was used. The response rate was 213 of which only 206 questionnaires was analysed due to missing responses. The sample of the study was predominately female (65.5%) and the majority of the participants fell within the age groups 18 to 30 years of age (31.1%). The majority of respondents that completed the questionnaire resided in the Pretoria area (88.3%).

Measurement
Level of dog attachment: One of the constructs to be measured in this study is the attachment levels between dog owners and their dogs. In order to measure this, the Lexington Attachment to Pets Scale (LAPS) was used. This unidimensional scale consists of 23 questions regarding attachment to pets. This is a four-point Likert scale. For the purpose of this study the scale was adapted to a five-point Likert scale. The Cronbach’s Alpha for the scale used in the current study is 0.942. One of the items on the scale was reversed scored. The scale shows evidence of reliability and validity (Johnson et al., 1992:172) that was also established in a previous study (Shore et al., 2005:1-11). The Cronbach’s Alpha for the scale is 0.928 which is well above the required 0.7. All the scores of the items were added together. A high score indicates a high level of attachment. To relate the attachment level with the luxury care items that are purchased, a few dichotomous questions as well as multiple choice single response questions on luxury care items purchased were included in the questionnaire.

Perception of obesity in owners and dogs: Another construct that was measured in this study is the perception of obesity that the owner has about him-/herself and that of his/her dog. Heuberger and Wakshlag (2010:100,102) measured obesity by asking the owners to indicate whether they would regard themselves and their dogs as being underweight, slightly underweight, ideal weight, slightly overweight or obese. This same method was used in the current study in the form of a 1 item, 5-point rating scale. A high score indicates obesity and a low score indicates underweight. The internal consistency reliability could not be determined as this was a single-item scale.

Demographics: Demographics such as gender, age, race and the area in which the respondents live were included in the questionnaire. Demographic questions about the dog were also included in the questionnaire.
These questions probed the dog’s gender and age as well as where/how the owner purchased their dog. These questions took the form of dichotomous questions as well as multiple choice single response questions.

RESULTS
Descriptive Statistics
Dog-related information: The results suggest that 69.9% of respondents purchase dry dog food with Bobtail being the most frequently purchased (16.7%). Only 3.9% of respondents indicated that they purchase wet dog food. The most frequently purchased wet dog food is Huskey (23%). When examining large dog breeds owned, it was determined that 5.8% of respondents own a Labrador. Comparing the overall results, it was determined that the Jack Russel (15%) is the dog breed that the majority of the respondents owned. These results suggest that smaller dog breeds are preferred compared to larger dog breeds. Of the large dog breeds desired, the respondents indicated that they desire to own a Labrador (9.7%). With regard to small dog breeds desired, 8.7% of respondents indicated that they would like to own a Jack Russel. The overall results of dog breeds desired differs from that of dog breeds owned. Labradors (9.7%) were the overall desired dog breed among respondents. When examining the reasons for owning a dog, univariate statistics indicate that 62.1% of respondents own their dog for companionship. Only 6.8% of respondents specified that they owned their dog for security reasons.

Luxury care items purchased: With regards to grooming, the results suggest that making use of grooming facilities is not popular among respondents. Only 36% of the respondents take their dog to a grooming parlour whereas 63.9% wash their dog at home. The services that the respondents make use of at the grooming parlour are as follows: cleaning of the dog’s ears (64.9%); trimming of the dog’s hair (59.5%); trimming of the dog’s nails (73.0%); cleaning of the dog’s teeth (41.9%); tick and flea dip (63.5%); washing the dog (91.9%); brushing of the dog (2.7%); shaving the dog (1.4%); and drying the dog (1.4%). Almost all of the respondents (97.6%) indicated that they do not take their dog to day care. The results show that only 20.4% of respondents would consider taking their dogs to day care. With regard to dog training, 60.5% of the respondents indicated that their dog has received some form of training and 39.5% indicated that their dog has received no training. A total of 50.5% of the respondents indicated that they celebrate or sometimes celebrate their dog’s birthday. The results suggest that 16.9% of the respondents took their dog with them on their last holiday, 53.7% left their dog at home with constant supervision and 29.4% of the respondents left their dog at home with minimal supervision. The results indicate that 69.3% of the respondents buy or sometimes buy holiday gifts such as on Christmas for their dogs.

Pet attachment and demographics of dog: On average, the total level of pet attachment is 3.99 (SD = 0.61), suggesting that the respondents’ overall level of attachment to their dogs is quite high. The results indicate that 52.4% of respondents own a male dog and 47.6% own a female dog. It was found that 64.1% of respondents own a dog in the age bracket of 0 to 7 years of age and 35.9% of respondents own a dog that is 8 years and older. The majority of respondents bought their dog from a dog breeder (38.8%). Receiving the dog as a gift (19.4%) and buying the dog from a pet store (12.1%) were among the responses most frequently indicated by respondents.

Hypothesis tests
H1: Dog owners’ perceptions of the degree to which they are overweight are positively correlated with their perceptions of the degree to which their dogs’ are overweight

This directional (one-tailed) hypothesis was tested at a 5% level of significance and was measured at an interval level of measurement. Since the assumption of normality is violated, the non-parametric Spearman’s rank order correlation was used to test Hypothesis 1.

The respondents mean perception of the dogs weight is 3.33 (SD = 0.684). This suggests that dog owners perceive their dogs to be at an ideal weight. The owners’ perception of their own weight is slightly higher than the perception of their dog’s weight (M = 3.74, SD = 0.739). Owners therefore perceive themselves to be slightly overweight.

The results suggest that there is a significant positive correlation (p = 0.028) between the perception of the owners’ weight and the dogs’ weight. The finding suggests that there is a relationship between the perception of the owners’ weight and the perception of the dogs’ weight. However this relationship is very weak (r = 0.134).

H2: Dog owners who engage in certain luxury care behaviour have a higher level of attachment toward their dogs compared to dog owners who do not engage in these behaviours.
This is a composite hypothesis that has been broken down into separate sub-hypotheses for each form of luxury care behaviour investigated in this study. Only the alternative sub-hypotheses are stated below:

H2a: Owners who take their dog to the grooming parlour have a higher level of attachment towards their dogs than owners who wash their dogs at home.

H2b: Owners who gave their dogs some form of training have a higher level of attachment towards their dogs than owners who did not train their dogs.

H2c: Owners who celebrate their dog’s birthday have a higher level of attachment towards their dogs than owners who do not celebrate their dog’s birthday.

H2d: Owners who travel with their dog has a higher level of attachment towards their dogs than owners who leave their dogs behind while on holiday.

H2e: Owners who buy holiday gifts for their dogs have a higher level of attachment towards their dogs than owners who do not buy gifts.

H2f: Owners who buy pet clothing for their dogs have a higher level of attachment toward their dogs than owners who do not buy pet clothing.

The testing of H2a, H2b, H2c, H2e and H2f will be discussed first. The forms of luxury care included in these five hypotheses were measured at a nominal level of measurement, while pet attachment was measured at an interval level of measurement. The assumption of normality was not violated and therefore the independent samples t-test was used to test H2a, H2b, H2c, H2e and H2f. The table below provides a summary of the relevant descriptive statistics and significance results.

Table 1: Descriptive Statistics and Results of the Independent Sample T-Test

<table>
<thead>
<tr>
<th>Hyp.</th>
<th>Luxury care item</th>
<th>Subgroup</th>
<th>n</th>
<th>M</th>
<th>SD</th>
<th>Results: Independent sample t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2a</td>
<td>Grooming parlour</td>
<td>Take to parlour</td>
<td>74</td>
<td>4.04</td>
<td>0.60</td>
<td>Test statistic: 153.646 1-tailed p-value: 0.1795 Conclusion: Do not reject the null hypothesis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wash at home</td>
<td>131</td>
<td>3.96</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>H2b</td>
<td>Training</td>
<td>Received training</td>
<td>124</td>
<td>4.05</td>
<td>0.57</td>
<td>Test statistic: 159.124 1-tailed p-value: 0.365 Conclusion: Do not reject the null hypothesis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No training</td>
<td>81</td>
<td>3.90</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>H2c</td>
<td>Birthday</td>
<td>Celebrate</td>
<td>104</td>
<td>4.19</td>
<td>0.57</td>
<td>Test statistic: 204 1-tailed p-value: 0.000 Conclusion: Accept the alternative hypothesis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not celebrate</td>
<td>102</td>
<td>3.77</td>
<td>0.56</td>
<td></td>
</tr>
<tr>
<td>H2e</td>
<td>Gifts</td>
<td>Buy gifts</td>
<td>142</td>
<td>4.10</td>
<td>0.56</td>
<td>Test statistic: 110.744 1-tailed p-value: 0.000 Conclusion: Accept the alternative hypothesis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Don’t buy gifts</td>
<td>63</td>
<td>3.72</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>H2f</td>
<td>Pet Clothing</td>
<td>Buy clothing</td>
<td>103</td>
<td>4.07</td>
<td>0.54</td>
<td>Test statistic: 196.151 1-tailed p-value: 0.023 Conclusion: Accept the alternative hypothesis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Don’t buy clothing</td>
<td>102</td>
<td>3.90</td>
<td>0.65</td>
<td></td>
</tr>
</tbody>
</table>

The results saw significance in H2c, H2e and H2f resulting in them being accepted. No. significance was found in H2a and H2b resulting in them being rejected. H2d dealt with differences in the level of pet attachment of three groups of respondents, namely those who indicated that they took their pets with them when going on holiday (Group 1), those who left their pets at home under constant supervision (Group 2) and those who left their pets at home with minimal supervision (Group 3).

A one-way ANOVA was conducted to examine the level of attachment towards a dog as measured by the Lexington attachment to pets scale (LAPS) and the care people provided for their dogs while they were on holiday. The results of the one-way ANOVA indicate that there is a significant difference in the attachment level scores for the three groups F(2, 198) = 8.02, p = 0.001.
Post hoc comparisons using the Tukey HSD test (Table 2 below) indicate that the mean score for Group 1 (M = 4.17, SD = 0.54) is significantly different from that of Group 3 (M = 3.74, SD = 0.61). The mean score for Group 2 (M = 4.07, SD = 0.58) was also significantly different from that of Group 3 (M = 3.74, SD = 0.61). Therefore, the alternative hypothesis can be accepted.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Took dog with you</td>
<td>34</td>
<td>4.17ab</td>
<td>.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Left dog with constant supervision</td>
<td>108</td>
<td>4.07ab</td>
<td>.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Left dog alone with minimal supervision</td>
<td>59</td>
<td>3.74a</td>
<td>.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-way ANOVA</td>
<td></td>
<td>8.02</td>
<td></td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

Notes: The results of the Tukey HSD post-hoc tests are indicated with a and/or b. All mean values containing the same letters (for example, a) indicate that the groups differ significantly from one another. All mean values containing different letters (for example, an a and b) indicate that these groups do not differ significantly from one another.

The ANOVA results suggest that people who are more attached to their dogs would take their dogs with them when they go on holiday rather than leaving them at home with minimal supervision. There is also a difference between the level of attachment of people who leave their dogs at home with constant supervision and those who leave their dogs with minimal supervision.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The findings of this study suggest that there is no difference in the level of dog attachment between owners who take their dog to a grooming parlour and owners who wash their dog at home. These results contradict previous findings which suggest that there is indeed a relationship between pet attachment and owners’ grooming behaviour (Shore et al., 2005:6). There are a number of grooming services available to dog owners that are underutilised by those that do make use of the service. It is suggested that grooming parlours make their clients aware of all the services offered in order to maximise service delivery and customer satisfaction.

The results of this study indicate that there is no difference in the level of dog attachment between owners whose dog received training and those who did not receive training. These results are consistent with previous findings (Shore et al., 2005:7). Training services are offered throughout South Africa and many dog owners make use of this service. However, there are some dog owners who train their dogs themselves. It is suggested that books or DVD’s be published guiding dog owners and giving them useful insight into how to train their dogs.

The findings indicate that owners’ who celebrate their dogs’ birthday and buy holiday gifts for their dogs’ have a higher level of attachment compared to owners’ who do not engage in this type of luxury care behaviour. Previous findings suggest that pet owners with high attachment levels buy their pet holiday gifts and celebrate their pet’s birthdays compared to owners with low attachment levels (Shore et al., 2005:8). Veterinary clinics as well as pet stores should be aware of this trend and ensure that sufficient stock is available for dog owners to make these purchases. Special dog cakes or dog cupcakes should also be made available to the owner upon request.

The results suggest that people who are more attached to their dogs are more likely to take their dogs with them when they go on holiday rather than leaving them at home with minimal supervision. Previous findings indicate that pet owners with high attachment levels always or sometimes take the pet along when they travel compared to owners with low attachment levels (Shore et al., 2005:7). There was a high response indication suggesting that respondents would prefer to leave their dog with constant supervision while they are on holiday. This presents an opportunity for a pet sitter service to be established in the Tshwane Metropole area.

There is a gap in the market with regard to day care for dogs. The results indicated that respondents do not take their dogs to day care. Only a few of these respondents indicated that they would consider taking their dog to day care. This implies that there is a market opportunity to provide a day care service to loving dog owners.

Interestingly, the results of this study provide evidence that there is a relationship between the owners’ perception of their own weight and their perception of their dogs’ weight. This relationship however is not very strong. Nijland et al. (2009:102-103) suggested that there is a positive correlation between the owner’s
weight and the weight of their dog. These previous findings are consistent with the findings of this study. Weight management seems to be under control as indicated by the results of this study. Dog food brands should continue to give serving suggestions on their packaging guiding the owner by stating the appropriate amount of food to give their dog each day. This would benefit both consumer and dog food brands. The consumer can keep their pet healthy and will trust the supplier resulting in a relationship being formed. The speciality food brands specialising in diet control could also be influencing this trend of dogs being ideal weight.

The results of this study with regard to dog food purchased indicate that Bobtail is the dry dog food that is most frequently purchased followed by Pedigree and Royal Canin. These findings differ slightly from previous findings which suggested that Dogmor was most frequently purchased (South African Advertising Research Foundation, 2013). In the current study, Huskey was found to be the most frequently purchased wet dog food followed by Pedigree and Boss. Previous findings indicate that Pedigree is the most frequently purchased wet dog food (South African Advertising Research Foundation, 2013). Veterinary clinics predominantly stock premium brands such as Vets Choice and Hill’s Pet Nutrition. The results show that these brands only make up a small amount of the dog food purchased. It is suggested that veterinary clinics stock commonly purchased brands in order to encourage customers to purchase food from them.

The findings of the current study indicate that the Jack Russell is the most common small dog breed owned and the Labrador is the most common large dog breed owned. The results are the same for dog breeds desired. Previous findings have suggested that the Yorkshire terrier is the most popular small dog breed. These results also found that the Labrador retriever is the most popular large dog breed (Dog Breeders Gallery, 2010).

The biggest limitation of this study is that a non-probability sampling approach was made use of and, therefore, the results cannot be generalised to the entire population of dog owners (Kotzé, 2007:46).

It could be argued that people who visit the data collection venues are more likely to have a higher attachment level to their dogs. Future researchers could collect data at various other locations to ensure that the respondents are not regarded as highly attached to their dogs. Future studies could also ensure diverse responses with regard to race and age and gender.

An increase in the sample size, as well as broader area of data collection, will provide more accurate findings. This could allow researchers to gain more accurate information and make more generalisations about the population.

REFERENCE LIST


THE EFFECT OF GENDER ON BEHAVIOUR DURING KNOWLEDGE TRANSFER IN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT
This study investigated the effect of gender on behaviour during knowledge transfer. The behaviours under study were facilitation; ethical conduct and ability. A questionnaire was administered to 200 employees from a sample of SMEs in Durban. The findings confirm that there is no difference between men and women in behaviour in the knowledge transfer process. Gender has no impact on the way the employees facilitate co-workers, ethically or unethically conduct themselves and their abilities to perform different tasks in SMEs. This study recommends the need for a cultural change to create full opportunities for women participation and involvement in capacity building of the SME sector.

Key words: SMEs, individual knowledge transfer, gender differences, and employees’ behaviour

INTRODUCTION
Knowledge transfer has become one of the most critical competitive elements in today’s business world. The knowledge as part of the human capital of an organisation resides in individuals. The ability of organisations, especially small businesses to attract or develop this resource is a challenge which can determine competitiveness, success or failure. The capacity of small businesses through knowledge transfer is therefore of paramount importance in the development of small, medium enterprises (SMEs) (Wong & Aspinwall 2004:49).

In the capacity building of SMEs, individuals play a critical role in the knowledge transfer process. Capacity building involves knowledge transfer from individuals within or without the organisation. The success of the transfer process itself depends on the behaviour of both the transferor and the recipient (Desouza & Paquette 2011:182).

Unfortunately there is a tendency to overlook the insights of members’ behaviours in establishing a learning culture of the enterprise. As pointed out by Desouza and Awazu (2006:8) small businesses, in contrast to larger businesses, are individual centred in transferring either explicit or tacit knowledge. Schuler and Jackson (2007:80) also state that a basic premise of human capital theory is that the capital does not belong to the firms, but to the individuals who possess knowledge. According to Schermerhorn, Hunt, Osborn and Uhl-Bien (2011:285), Liebowitz (2004) and Gottschalk (2010:213-214), the foundation of knowledge flows is based on individual members of the business organisation, who also depict different behaviours reacting to the process of establishing a transfer platform regardless of their gender. As stated by Schuler and Jackson (2007:80-81) this individual behaviour patterns can be either a barrier or a bridge for the transfer of knowledge. In this context, Riege, (2005:23), and Serenko, Bantis and Hardie (2007:612) confirmed that gender differences constitute an individual barrier to knowledge transfer in implying that man and woman transfer knowledge differently.

This study is structured as follows: the first section introduced the background and the problem under study. The next section reviews the literature on gender, knowledge transfer and behaviour. The research aim and propositions are then summarised. The research methodology is then presented, followed by the findings and the conclusion. The study’s managerial implications and recommendations are provided last.

LITERATURE REVIEW
This section examines knowledge transfer in SMEs, and gender behaviour in the transfer of knowledge.

Knowledge transfer in SMEs
SMEs have unified cultures due to the limited number of employees. The owner/ managers and employees are tied to a commonly shared value and belief system that underlies their behaviour and actions (Wong & Aspinwall 2004:51). The personality and outlook of owner-managers may impede the transfer of tacit knowledge as culture and behaviour within the small firms are highly attached to the personalities of the owners. Smith and Temple (2008:129) also asserted that the nature of knowledge is associated very closely
to individuals; their values, their motivation and environment. Furthermore, Riege (2005:22), Cumberland and Githens (2012:54) indicate that the identification and recognition of knowledge sharing barriers may be a natural part of an organisation’s culture and plays an important role in the success of knowledge transfer strategies of SMEs. In the same context, He and Li (2010:276) acknowledged that employees' actions are continuously shaped by cultural contexts in which they operate.

The organisation’s culture shapes the behaviour of individual employee who to a great extend is the repository of the knowledge asset. As stated by Fu, Li and Johnson (2011:386) the acquisition and use of individual knowledge depend on (1) strong self-study measured by formal qualification or education of employees, (2) learning-by-doing which is linked to the work experience of an employee and lastly (3) interpersonal interactions over time which could be measured by the level of communication of employees in SMEs.

The study assumes that the success of knowledge transfer would depend on a particular behaviour of the knowledge transferor. For example an employee who is strong in "self-study" which characterises the individual effort and ability to obtain individual knowledge over a period of time would be expected to be better in "ability/ task performance" behaviour than one who is weaker in self-study. Another dimension which might affect behaviour is gender. As pointed out by Sengupta, (2013:4) the gender dimension may cause discrepancies in the transfer of knowledge. As a result this affects the survival rates of SMEs between those owned by men and those owned by women. Chun, (2013:20) also found that there were gender differences in terms of how men and women transfer knowledge within their work environments and confirmed that it posed a hindrance to the organization’s attempt to use social networking to generate new knowledge. This is why Evans (2011:419-421) asserted that the transfer and sharing mechanisms of knowledge within the organisations often set high-performing organisations apart from the rest. The gender-behaviour relationship is explored next.

Gender and behaviour

In their seminal work, Moorhead and Griffin (2010:80-81) discovered three types of individual behaviour at the workplace. These types of behaviour include (1) task performance (ability), (2) organisational citizenship (facilitation), (3) dysfunctional behaviours (conduct). In this context, typical behaviours observed in an employee may be a bridge or barrier to individual knowledge transfer in business activities. These behaviours which are experienced during knowledge transfer are expected to be different depending on the individual make up (for example, education and work experience) personality or gender.

According to McShane and Glinow (2002:375), McShane and Glinow, (2014:183), gender differences influence tactics which suggests that women are viewed as less influential when they try to directly influence others by exerting their authority or expertise as compared to men. In this context, the "soft" tactics such as friendly persuasion used by women will differ with "hard" tactics such as upward appeal and assertiveness applied by men. McShane and Glinow (2002:374) also stated that those with expertise may be more successful using persuasion power. According to the same authors, women are more likely to admit to a mistake and accept remarks than men and as a result women employees are able to build better interpersonal relations through better communication than male employees. This position is acknowledged by Zoogah and Beugré; (2013:47) who indicated that due to the emergence of diversity management in different sectors of the economy women have the unique capabilities for harnessing the efforts or capabilities of others.

O'Farrell and Harlan, (1982), Meyers, Brashers, Winston and Grob, (1997) cited in Liu, (2011:515) found that women agreed more often, asked more questions, challenged others less often and qualified other's arguments less often than men. Liu, (2011:515) confirms that there are different expectations for men and women's social power as they perceived differently the amounts of respect, influence and prominence, which may affect their behaviours and attitudes in the organisation.

In the same context, Zoogah and Beugré (2013:22) found that masculinity is the degree to which a culture favours traditional gender roles as people view the role of men and women as different in terms of power and dominance. Closely related to masculinity is the term “gender egalitarianism” which Robbins, Odendaal and Roodt (2004:35) refer as the degree to which society emphasises the division and differentiation between genders. The same authors asserted that studies conducted by psychologists found that there were minor differences between men and women abilities. Acknowledging gender differences confirmed different roles played by man and woman in knowledge transfer.

Literature therefore clearly infers the existence of differences in behaviour between the genders. For example Robbins, et al. (2004:47) point out that literature confirmed that staff turnover and absenteeism
rates were higher for women than men thereby creating dysfunctional behaviour in the business. In the same context, Longenecker, Moore, Petty and Palich (2008:32-33) and Scarborough, Wilson and Zimmerer (2009:755) confirmed that SMEs are always faced with problem of integrity as the ultimate decision on whether to abide by ethical principles remains individual. The study assumes that gender affects conduct in the SME. Also, for example Khalili, (2011:184) found that in SMEs, men have a higher level of emotional intelligence than women. Closely related to that, Gertler (2003) confirmed that the social dimensions such as collaboration, interaction and co-operation in the organisation determine how knowledge is transferred.

In contrast, however, other studies such as King (1999), Sutarso (1999), Wing and Love (2001) and Singh (2002) in Ahmad, Bangash and Khan (2009:128-130) revealed that females have higher emotional intelligence than that of males. They confirmed that women tend to be more emotional and intimate in relationships as compared to men resulting in them being better facilitators, especially in the knowledge transfer process.

Small and Medium Enterprises (SMEs)

According to the National Small Business Act 102 of 1996, South African terminology of small, medium and micro enterprises (SMMEs) is equivalent to internationally commonly used terminology of small and medium enterprises (SMEs). This study used SMEs’ terminology and the concepts “enterprise and business” were also utilised interchangeably. The Act states that small, micro and medium enterprises must have:

- Minimum of five and maximum of two hundred full time employees.
- Minimum and maximum of annual turnover and gross asset value excluding fixed property of consecutively R0.15-R50 and R0.10-R18 millions.

**Micro-enterprises**: Micro enterprises are survivalist businesses often in informal sector with minimal asset value, few paid employees and generating income below the minimum standard.

**Very small enterprises**: Very small enterprises are operating in different formal sectors with a minimum of 10 and maximum of 20 paid employees.

**Small enterprises**: Small enterprises are well established businesses, applying complex business practices and operating in different formal sectors with minimum of 50 paid employees.

**Medium enterprises**: Medium enterprises are operating in different formal business sectors using more complex business practices and structures with minimum of 100 and maximum of 200 paid employees. The small and medium enterprises are assumed to be well established businesses in order to comply with requirements of this study.

Scarborough et al. (2009:19-20) stated that this new structure of the economy favoured small firms due to their low cost of managing and transmitting knowledge and information. Closely related to that, Nieuwenhuizen (2011:8) confirmed that the new economy presents opportunities and threats for small businesses or entrepreneurs. According to Gibb (1997:15), the knowledge economy has forced small firms to be learning organisation in order to be competitive. But he also highlighted the fact that employees’ knowledge and skills could not be dissociated with their behaviour within the organisation in the transfer process.

In conclusion, it can be argued that several studies’ findings confirmed gender differences regardless of which one is favourable for knowledge transfer. Figure 1 below illustrates the effect gender may have on different employees’ behaviours during knowledge transfer.

Figure 1: Effect of gender on behaviour during knowledge transfer.

Source: researchers’ proposed model

Argote and Ingram (2000:151) pointed out that knowledge transfer is the process through which one unit (e.g., individual, group or division) is affected by the experience of another. The same authors confirmed that the recipient (man or woman) constituted a factor affecting knowledge transfer as far as reliability, ability and facilitation are concerned.
PROBLEM INVESTIGATED
Desouza & Paquette, (2011:50) confirmed that man and woman possess tacit knowledge that creates competitiveness, advantage and uniqueness for business organisation. Nevertheless, previous studies disagreed on how genders impact on behaviour during knowledge transfer. It is therefore critical to determine whether man and woman affect knowledge transfer differently through an analysis of a select set of expected behaviour. It remains therefore crucial to investigate how the gender of individual members impacts on their behaviour as far as facilitation, conduct and ability are concerned during the knowledge transfer in SMEs. The objectives and propositions of this study are formulated and clarified next.

RESEARCH OBJECTIVES
The main objective of this study is to determine whether gender impacts on a select set of expected behaviours of employees in the transfer of knowledge in SMEs. This is further investigated through the following sub-objectives:
It intends to find out whether gender differences impact on the ability of an employee to facilitate co-workers during knowledge transfer in SMEs.
It also tries to establish whether the gender differences of employees determine their conduct and abilities to execute tasks during the transfer of knowledge in SMEs.

The study therefore makes the following propositions that:
Proposition 1: There is statistically significant difference between the mean values of gender and facilitation behaviour of employees in SMEs \((P_1)\).
Proposition 2: There is statistically significant difference between mean values of gender and conduct of employees in SMEs \((P_2)\).
Proposition 3: There is statistically significant difference between mean values of gender and ability of employees to perform tasks in SMEs \((P_3)\).

The next section discusses the study's research methodology.

RESEARCH METHODOLOGY
This study is empirical and used the survey design method. According to Welman, Kruger and Mitchell (2007:92-93) the choice of survey design is appropriate to examine the covariance between variables such as gender, age, socio-economic status, without any planned intervention or manipulation. In the same context Saunders, Lewis and Thornhill (2009:144), also highlighted that the survey strategy is commonly used in business and management research and is appropriate to answer who, what, where, how much and how many questions.

The sample was drawn from the Durban Chamber of Commerce and Industry (DCCI) membership directory of SMEs which contains the total population of 1620 businesses. The reason for this was that the data source was found to be more reliable and inclusive because it includes information from other sources. The database also included SMEs with at least 5 employees and operating from the Durban Metropolitan area. The database contains a population of 1620 businesses which include small and medium enterprises in different business sectors. The primary data was collected from a total of 50 SMEs which were selected randomly allowing equal opportunity for each element of the population to be included. All sectors were represented in the targeted population and based on the above procedure the sample error was reduced. From the 50 organisations (SMEs) in the selected sample, four people were selected to answer the questions about their behaviour during the knowledge transfer process. The four individuals were chosen on the basis of their seniority in the enterprises. The four most senior male and female employees (including owners and owner / managers) in the organisation were chosen. This selection of four individuals from fifty organisations resulted in a total number of 200 respondents which included both owners-managers and employees.

The questionnaire which comprised of twenty five questions was then administered to the 200 members of SMEs, delivered face-to-face then collected immediately. The researcher had to verify with the managers that the business met the requirements of this study which were that (1) it should have at least 5 employees (not a micro enterprise, Small Business Amendment Act 102 of 1996) and (2) that it had been operational for at least two years, to ensure that knowledge transfer had taken place since the organisation would have existed for a relatively reasonable period of time. A study by Mason (2009) confirmed that 80% of businesses do not survive for more than 18 months at their starts-up.

The response rate was 100%. The reason for the high return rate was that the questionnaires were delivered face-to-face and collected personally by the researcher. As noted by Welman et al. (2007:154) a satisfactory
response rate may be obtained from the target population if the questionnaire is delivered and collected personally.

The questionnaire had two sections comprising demographical information of participants and twenty-five questions on employee behaviour during knowledge transfer. The sections were subdivided as follows:

**Section 1** provided demographical information of the participants: age, experience, race, sector, occupation, gender and education.

The gender of respondents has been used to establish differences in terms of individual knowledge transfer and behaviour by men, or women. Gender was measured on the nominal scale of man, woman.

**Section 2** covered the twenty five questions relevant to individual knowledge and behaviour factors.

**Statement 1** focused on four questions of employees’ abilities in performing different tasks in SMEs. This section covers the questions relating to ability of employees to execute tasks in SMEs which are measured on the Likert 5 interval scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. It includes aspects such as business awareness of individual knowledge and its transfer, decisions on maintaining talented employees, ones view on business priority between knowledge and ethical behaviour.

**Statement 2** built its questions around productive or counterproductive behaviours of employees in SMEs. The statements under this section highlighted questions of conduct of employees in relation to individual knowledge transfer and are measured on a 5 point Likert scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. The six questions covered the following aspects: ethical behaviour in transferring individual knowledge, one’s view on the regulation of individual knowledge transfer, business priority of ethical behaviour, and ethicality in the transfer of individual knowledge.

**Statement 3** included eleven questions relevant to facilitation behaviour of employees in SMEs and these measured on the Likert 5 interval scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. The eleven questions covered aspects such as, the sharing of knowledge, ones view on the importance of sharing knowledge, employee interaction within the business, processes followed in knowledge sharing and how management share and transfer knowledge to employees.

The sources of individual knowledge include self-study, experience (learn-by-doing and interaction). Self-study refers to educational qualification of respondents as well as of employees’ individual knowledge about the particular business.

Secondly, the work experience of respondents allowed employees to acquire individual knowledge through learning-by-doing and interpersonal interactions in SMEs. The knowledge questions were asked to establish the knowledge capacity of the respondents. Knowledge acquisition and transfer takes place through a formal educational qualification as well as through experience / interaction. Only the educational qualification and the years' work experience results are stated in the findings.

The pre-testing was done to ensure that the research instrument measures exactly what was intended to measure. Five people, three employees and two small business owners who were not part of the sample were asked to answer the questions in order to ensure the clarity of the questionnaire. This pre-testing allowed for the rectification of ambiguous questions resulting in the refinement of the research instrument.

**RESULTS**

This section analysed and interpreted the findings based on the statistical analysis done using SPSS package. The analysis was done in order to generate descriptive and inferential tools such as frequency of genders, percentages, mean scores, standard deviation and covariance.

**Descriptive statistical analysis**

Based on the sample of 200 respondents, 109 (54.5%) were male respondents and 91 (45.5%) female. It confirmed that men participants surpass women in small business sector as far as gender is concerned. This slight difference of (9%) showed that the sample was representative. The Table 1 and 2 below depict the experience and education of respondents in ratio of their gender.
### Table 1. Experience

<table>
<thead>
<tr>
<th>Gender</th>
<th>Experience</th>
<th>6 months-1 Year</th>
<th>2-5 Years</th>
<th>6-10 Years</th>
<th>11-15 Years</th>
<th>16-20 Years</th>
<th>21-25 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Count</td>
<td>14</td>
<td>51</td>
<td>18</td>
<td>17</td>
<td>5</td>
<td>4</td>
<td>109</td>
</tr>
<tr>
<td>Female</td>
<td>Count</td>
<td>28</td>
<td>28</td>
<td>20</td>
<td>12</td>
<td>3</td>
<td>0</td>
<td>91</td>
</tr>
<tr>
<td>% of Total</td>
<td></td>
<td>7.0%</td>
<td>25.5%</td>
<td>9.0%</td>
<td>8.5%</td>
<td>2.5%</td>
<td>2.0%</td>
<td>54.5%</td>
</tr>
</tbody>
</table>

Source: Data analysis in SPSS

Table 1 above depicts the work experience ranged from 21% from 6months to 1 year, 39.50% from 2 to 5 years, 19% from 6 to 10 years, 14.50% from 11 to 15 years, 4% from 16 to 20 years, and 2% from 21% to 25%. It can be noticed that 69.5% of respondents qualified higher than matric whereas 79% of respondents worked more than two years in SMEs.

### Table 2. Education

<table>
<thead>
<tr>
<th>Gender</th>
<th>Experience</th>
<th>Pre-matric certificate</th>
<th>Matric</th>
<th>Post matric certificate</th>
<th>Diploma</th>
<th>Degree</th>
<th>Higher</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Count</td>
<td>6</td>
<td>29</td>
<td>18</td>
<td>28</td>
<td>19</td>
<td>4</td>
<td>5</td>
<td>109</td>
</tr>
<tr>
<td>Female</td>
<td>Count</td>
<td>1</td>
<td>25</td>
<td>24</td>
<td>30</td>
<td>8</td>
<td>3</td>
<td>0</td>
<td>91</td>
</tr>
<tr>
<td>% of Total</td>
<td></td>
<td>3.0%</td>
<td>14.5%</td>
<td>9.0%</td>
<td>14.0%</td>
<td>9.5%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>54.5%</td>
</tr>
</tbody>
</table>

Source: Data analysis in SPSS

The Table 2 shows the education distribution which was as follows, 3.5% post graduate degree, 13.5% degree, 29% diploma, 21% post-matric (but not Diploma / Degree), 27% matric, 3.5% pre-matric and only 2.5% unspecified. Based on the Table 1 and 2, it can be concluded that the respondents were knowledgeable as shown by their high educational qualifications and periods of work experience.

### Table 3. Gender and behaviour variables' distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Facilitation</th>
<th>Conduct</th>
<th>Ability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Mean</td>
<td>38.3119</td>
<td>18.3119</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>109</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>5.21873</td>
<td>3.74338</td>
</tr>
<tr>
<td>Female</td>
<td>Mean</td>
<td>38.3626</td>
<td>18.0769</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>91</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>4.61282</td>
<td>2.91445</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>38.3350</td>
<td>18.2050</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>4.94012</td>
<td>3.38530</td>
</tr>
</tbody>
</table>

Source: Data analysis in SPSS

Table 3 depicts the mean scores of gender based on the responses in relation to the facilitation, conduct, ability, work experience and self-study of employees. Male and female respondents depict almost similar mean scores and standard deviation between facilitation; conduct and ability. It can be interpreted that on one hand, there are differences in respondents’ opinions, but low variability is observed. It can be confirmed that all participants responded differently to those questions relating to facilitation, conduct and ability regardless their genders.

### Reliability test

According to Bryman and Bell (2011:41-43), the validity of the study is concerned with the integrity of the conclusions that are generated from the study whereas reliability focuses on the question of whether the results of a study are replicable. The study’s reliability was tested using Cronbach’s Alpha.
Welman et al. (2007:147), Cronbach’s Alpha determines the degree to which the items of a research instrument or questionnaire measure the same attributes. The coefficient of 0.60 and higher is considered acceptable for reliability purposes as the closer the coefficient to 1 the higher the consistency reliability. As shown in table 4, the Cronbach’s Alpha test of reliability coefficient shows an alpha coefficient of 0.701 which is higher than the acceptable 0.60. The study’s data structure is therefore reliable.

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.701</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Data analysis in SPSS

ANOVA TEST: Individual behaviours with regard to Gender groups: Under this section, one-way ANOVA was used to examine statistical differences among gender and a select set of expected behaviour in SMEs. This test of analysis of variance intends to determine whether there are any significant differences between the means of groups of variables. The statistical package for social science (SPSS) was used to make comparison of the means between the groups.

Gender and difference in facilitation behaviour: Proposition 1, states that: There is a statistical difference between the mean values of gender and facilitation behaviour (P1)

Gender and difference in conduct behaviour: Proposition 2, states that: There is a statistical difference between the mean values of gender and ethical conduct behaviour (P2)

Gender and difference in ability behaviour: Proposition 3, states that: There is a statistical difference between the mean values of gender and ability behaviour (P3)

These propositions were tested using the analysis of variance method (ANOVA). The results are shown in Table 5 and a discussion follows thereafter.

Table 4. Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.701</td>
<td>25</td>
</tr>
</tbody>
</table>

ANOVA TEST: Individual behaviours with regard to Gender groups: Under this section, one-way ANOVA was used to examine statistical differences among gender and a select set of expected behaviour in SMEs. This test of analysis of variance intends to determine whether there are any significant differences between the means of groups of variables. The statistical package for social science (SPSS) was used to make comparison of the means between the groups.

Gender and difference in facilitation behaviour: Proposition 1, states that: There is a statistical difference between the mean values of gender and facilitation behaviour (P1)

Gender and difference in conduct behaviour: Proposition 2, states that: There is a statistical difference between the mean values of gender and ethical conduct behaviour (P2)

Gender and difference in ability behaviour: Proposition 3, states that: There is a statistical difference between the mean values of gender and ability behaviour (P3)

These propositions were tested using the analysis of variance method (ANOVA). The results are shown in Table 5 and a discussion follows thereafter.

Table 5. ANOVA: Gender and behaviour pattern variables

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.128</td>
<td>1</td>
<td>.128</td>
<td>.005</td>
<td>.943</td>
</tr>
<tr>
<td>Within Groups</td>
<td>4856.427</td>
<td>198</td>
<td>24.527</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4866.555</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.739</td>
<td>1</td>
<td>2.739</td>
<td>.238</td>
<td>.626</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2277.856</td>
<td>198</td>
<td>11.504</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2280.595</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>1.343</td>
<td>1</td>
<td>1.343</td>
<td>.231</td>
<td>.632</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1153.137</td>
<td>198</td>
<td>5.824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1154.480</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Confidence interval: 95% α =0.05

Source: Data analysis in SPSS

There is a statistically significant difference between gender and facilitation behaviour of employees in SMEs (P1): The results, as shown in Table 5, indicate that there is a no significant difference between the mean values of gender and facilitation. The p value of 0.943>0.05 proves that there is not a statistically significant difference since the p value is bigger than α = 0.05. This indicates that there are similarities in the opinions of both genders. Proposition 1, is therefore rejected. It was stated in the literature review that the female gender is most likely to use a style conducive to better transfer of individual knowledge through better interpersonal relations. The literature stated that women are more likely to interact well with co-workers than men. This study’s findings are that gender differences do not affect the transfer of individual knowledge among co-workers in SMEs as purported in literature. This confirms that, regardless of the employee’s gender, he/she may or may not be able to facilitate the transfer of individual knowledge among co-workers in SMEs. Although individual knowledge is shared through interactions, nothing proved in the context of SMEs, that women are more likely to facilitate individual knowledge better than men.

There is a statistically significant difference between the mean values gender and conduct of employees in SMEs (P2): The findings in the Table 5, also depict that there is not a statistical significant difference between the mean values of gender and conduct as shown by a p value of 0.626>0.05 confirming no statistical significance. Proposition 2, is therefore rejected. It can be confirmed that males and females in
SMEs expressed the same opinions regarding conduct during knowledge transfer. It can be argued that the conduct of employees regarding sharing individual knowledge with co-workers does not depend on their gender. There is no evidence to confirm that the conduct or misconduct of employees in the transfer of their individual knowledge could be related to a certain gender. The literature review stated that “soft” tactics such as friendly persuasion is used by women will differ with “hard” tactics such as upward appeal and assertiveness which is applied by men (McShane & Glinow, 2002:374). The literature also stated that women were more likely to admit a mistake and accept remarks than men. But the findings of this study indicate that good or bad conduct or ethical and unethical conduct in SMEs cannot be attributed to ones’ gender. It can then be stated that ethical behaviour in SMEs is independent of employees’ gender. This breaks and counters any cultural stereotype and inequality related to gender differences in the SMEs internal management.

There is a statistically significant difference between the mean values of gender and ability behaviour of employees in SMEs (P3): As shown in Table 5, there is a statistically insignificant difference between the mean values of gender and ability behaviour of employees to transfer knowledge to co-workers in SMEs. The results show a p value of 0.632>0.05 indicating statistical insignificance. The research proposition is therefore rejected. The findings reveal no differences between men and women as depicted in the Table 3. Literature suggested that man and woman differ on leadership style and interpersonal relations of communication and conflict resolution approaches. For example McShane and Glinow, (2014:183) confirmed gender differences, pointing out that the influence tactics used by women are viewed as less influential when they try to directly influence others by exerting their authority or expertise as compared to men. Other studies confirmed that psychologists have found that there were minor differences between men and women abilities. The findings of this study could not establish differences between gender in terms of ability or disability to perform and complete tasks that allow knowledge transfer in SMEs. Based on the above analysis and interpretation, the SME sector constitutes an opportunity for both men and women to engage and contribute to its capacity building. It can also be argued that women should be taken seriously in the capacity building as their contribution and expertise can no more be undermined and underestimated in the SMEs’ development process.

CONCLUSION

The study of gender behaviour in the knowledge transfer process in SMEs’ sector seems to provide contradictory results and conclusions in terms of who is the better transferor of knowledge between man and woman. Existing literature tends to point to a gender differences in behaviour during knowledge transfer as far as facilitation, conduct and ability are concerned. This study could not confirm the assertions that facilitation, conduct and ability behaviours of employees in the knowledge transfer process are justified by their genders. In contrast, the study confirms that there is no gender differences as findings cannot underpin that change in gender will result in change of facilitation, conduct and ability behaviours. This once again reiterates that gender differences do not reflect the values and good practices, organisational citizenship and ability of employees in sharing their know-how in SMEs.

LIMITATION OF THE STUDY AND FURTHER RESEARCH

The study’s limitation is that it is based on small and medium enterprises located within the Durban metropolitan area in South Africa. The results cannot therefore be generalised to bigger businesses or micro enterprises. They may also not be generalised to other geographical areas, for example rural areas or other locations that do not share the same business culture. This suggests that further research may be conducted to establish the relationship between gender and organisational culture in the process of knowledge transfer. It is also crucial to establish the effect of gender on the recruitment process of SMEs in order to determine the level of participation of men and women. At last, the focus on one particular sector may provide more insight on the topic.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Different studies such as the international labour organisation, (2011) and United Nations industrial development organisation, (2012) confirmed that the policy makers undermine the role of women with “gender-blinded” policies in the capacity building and development of SMEs. The KwaZulu Natal Department of economic development and tourism (KZN-DEDT) (2010:17) also stated that, despite the contribution of small enterprises in giving the marginalised individuals access to the mainstream of the economy, the sector still faces tremendous challenges such as capacity building.

The research’s findings that there is no gender differences in behaviour in knowledge transfer implies that, it is more about individual disposition, than gender that affects the transfer of individual knowledge in SMEs. The SMEs are likely to benefit from individual knowledge from both men and women. It is therefore
paramount to encourage and empower the participation of women in order to enhance their involvement in the SME sector.

The findings also prove that the ability of employees to transfer knowledge to co-workers in SMEs does not depend on their genders. As found in the literature that the organisational culture is important to transfer individual knowledge to co-workers; this study argues that the culture which is gender biased in business development is not progressive. Certain organisational cultures which undermine the role of women in capacity building have to be changed in order to support individual knowledge transfer in SMEs. The values and good practices of employees in sharing know-how or expertise in SMEs cannot therefore be attributed to gender. It is crucial to benefit from the support of men and women to solve the problem of knowledge capacity especially in SMEs and ensure the long-term sustainability of small firms. Knowledge capital, given its scarcity and importance in the success of organisations cannot be drawn from a select number of individuals.

Based on the findings of this paper the following recommendations are critical for the development of SMEs: This paper recommends to policy-makers, SMEs’ owners, SMEs’ practitioners, SMEs’ managers and employees to consider gender inclusive strategies and policies in addressing the shortage of capacity and skills of small firms.

SMEs stakeholders should promote gender equality and participation as far as women involvement is concerned in order to close the gap between men and women in SME sector for the purpose of alleviating poverty, empowering women, and promoting an entrepreneurial behaviour among women. Also, managers of SMEs in partnership with all stakeholders must continue to improve employees' business skills through seminars, workshops, mentorship, on the job training, business incubations, etc. regardless of the seniority, gender and qualifications of employees.

Managers and owners should instil and encourage employees to cultivate a knowledge sharing culture and teamwork to ensure smooth succession and sustainability in SMEs. In improving internal communication, identifying and resolving dysfunctional conflicts, maintain fairness and trust among employees regardless of their gender through facilitation, ethical conduct and ability behaviours. Managers and owners of SMEs should establish mechanisms to identify talented employees or those with special skills who can improve business competitiveness regardless of their gender, educational qualifications and positions in SMEs.

It is recommended that SMEs be equipped to quickly adapt their skills and respond to changes effectively within environmental complexities of SMEs. They should therefore be learning organisations that should source and apply knowledge to enhance competitiveness in today’s dynamic business environment. Not harnessing the skills and knowledge of both genders is a waste that SMEs can hardly afford.

REFERENCE LIST

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THE EFFECTIVENESS OF GROWTH STRATEGY TRAINING FOR SMALL AND MICRO BUSINESS OWNERS

A. Akhalwaya
University of Johannesburg

ABSTRACT
This research paper analyzes the effectiveness of training offered to small and micro entrepreneurs enrolled at the Centre for Small Business Development (CSBD) at the University of Johannesburg Soweto Campus. More specifically to examine if the training provided on growth strategies was effective and if the strategic planning process taught was useful. The findings revealed that the training was beneficial and the respondents had in fact, formulated a business plan or intend on composing it, examined their internal and external environments using a SWOT analysis and are implementing strategies for growth. Growth of small and micro enterprises are important as South Africa needs the small business sector to help alleviate unemployment and poverty due to the fact that entrepreneurs enrolled for the training realize that they lack entrepreneurial skills to plan for growth.

Key words: Growth strategies, Small and Micro Businesses, Training, Strategic planning

INTRODUCTION
This paper evaluates the training on growth strategies provided to the small and micro entrepreneurs who attended the Small Business Enrichment Programme (SBE) at the Centre for Small Business Development (CSBD) at the University of Johannesburg, Soweto Campus. Training was given to small and micro entrepreneurs who are experiencing difficulties in managing and growing their enterprises. Training includes business turnaround; growth strategies; managing finances; employer-employee relations; IT and your business; quality management for growing businesses; marketing management; growing a business with minimum finance; the regulatory environment for Small, Medium and Micro Enterprises (SMMEs); productivity South Africa; and Black Economic Empowerment (BEE) and your business.

In this paper the author singles out growth strategies, more specifically, the strategic planning process to which training was directed. And to assess if the training delivered during this session has been implemented. The content for the module of growth strategies include: drawing a formal business plan including a vision for three years; calculating a personal budget; strategic planning by analyzing the market environment by conducting a SWOT analysis; and saving of profits to be used when ready to implement the newly developed growth strategies.

Small, Medium and Micro Enterprises (SMMEs) contribute to the GDP of the South African economy (Olawale & Garwe, 2010). According to Unger, Keith, Hilling, Gielnik & Frese, (2009) the small business sector contributes immensely to unemployment and poverty alleviation for developing economies such as South Africa. For the small business sector to thrive, effortful gaining of entrepreneurial knowledge is crucial to achieve this objective. Gaining appropriate knowledge and skills allows entrepreneurs to make better decisions in order to take well informed actions (Unger et al, 2009).

Much research has been conducted on the effects of education and training in large businesses and research on how small and micro entrepreneurs gain knowledge and skills in a developing world are still rare (Akhalwaya & Havenga, 2010; Ravasi & Turati, 2005; O'Regan & Ghobadian; Deakins & Freel; Stonehouse & Pemberton, 2002). Small business owners need to engage in continuous learning to keep up with the changing nature of work, technological developments and increased customer demands (Wong, 2005; Mazzarol, 2004).

LITERATURE REVIEW
Training and development of SMMEs is essential for growth (King, McGrath, Rogerson, & Visser, 2002). This research focuses on the growth of small and micro enterprises and this can be defined as a small business which has a maximum of twenty employees and /or a turnover of up to R4m. A micro enterprise has a maximum of five employees and / or a maximum turnover of R0.20m (Department of Trade and Industry, 2008).

In order to ensure growth, strategic planning is essential (Nieman & Nieuwenhuizen, 2013). The strategic planning process includes: developing a vision, analyzing the internal and external environments, setting objectives, developing strategies and action plans, and finally implementing and controlling the process to
ensure sustainability (Nieman & Nieuwenhuizen, 2013). The strategic planning process is the basis for training provided to small and micro entrepreneurs enrolled at the Centre for Small Business Development at the University of Johannesburg’s Soweto Campus.

The importance of strategic planning
The strategic planning process begins with strategic thinking. According to Mazzarol (2004), this process is important to the success of small business owners as it provides direction and organizes action so the goals can be achieved. It is imperative for small business owners to know how to apply entrepreneurial and strategic, techniques and concepts to create wealth for sustainability and growth (Ireland, Hitt & Sexton, 2001). Small business owners need to engage in the process of exploitation of new business opportunities, exploring new products or markets to then turn new ideas into products or services (Unger et al, 2009).

Effective strategic planning
Small businesses have less structured approaches to strategic planning and this is the reason why small and micro enterprises do not succeed in growth (O’Regan & Ghobadian, 2002). Strategic planning provides entrepreneurs with a competitive advantage eliminating threats from competitors (O’Regan & Ghobadian, 2002; French, Kelly & Harrison, 2004). This further enables small businesses to adapt to the changing environment (Hewlett, 1999). There is a definite relationship between strategic planning and sustainability (French, Kelly & Harrison, 2004). Proposed critical features for strategic planning are knowledge management and these include management leadership and support; culture; information technology; strategy and purpose; processes and activities; resources; and training and education; and human resources management. These factors create a holistic approach to strategic planning and are crucial for growth (Wong, 2005).

Business planning and vision
The first step to strategic planning is developing a long-term vision of where the business should be in three years-time (Stonehouse & Pemberton, 2002; Kraus, Reiche & Reschke, 2007) to keep up with the changing environment. The business plan is a written document that describes the business idea and how all activities to achieve objectives will be carried out (Mariotti & Glacking, 2013). After identifying the opportunity, the entrepreneurs should design a marketing and financial plan and assemble resources to capitalize on the opportunity (French, Kelly & Harrison, 2004). The business plan then forms a blueprint of the way the business should be managed and serves as a tool to reduce risk (Neiman & Nieuwenhuizen, 2013). Entrepreneurs who embark on formal business plans focus on innovation which ensures success for growth and sustainability (Carland, Carland & Ashby, 1989).

Entrepreneurial behavior
Entrepreneurial behavior is a critical key factor in determining the successful growth of a small business venture (Mazzarol & Reboud, 2009). Entrepreneurial behavior is linked with entrepreneurial orientation which identifies key dimensions that include: Desire for autonomy; innovativeness; risk taking; being proactive; and competitive aggressiveness and these include qualities such as the need for achievement, internal locus of control and creativity (Perry, 1990). One of the biggest challenges facing small and micro entrepreneurs is budgeting for a salary so that profits can be saved to be used (Simpson, Levy, Rognerud & Rich, 2012) once knowledge is gained to ensure growth and sustainability (Unger et al, 2009). Small business owners need to calculate what they will need based not only on open market value and competitive salaries, but what a business can afford based on cash flow (Simpson et al, 2012).

2.5 SWOT analysis
When embarking upon strategic planning and vision for the business and assessing entrepreneurial behavior, the next step for the small business owner is to analyze strengths and weakness as well as opportunities and threats (SWOT). The most evident reason or analyzing the external environment and internal environment is to identify opportunities to improve profitability but to also be leery of threats especially from competitors (Masurel, 2007). Small business owners need to take cognizance of the market environment paying attention to factors that affect their business directly (Nieman & Nieuwenhuizen, 2013). As part of strategic planning, small businesses must be customer oriented and step up marketing efforts (Appiah-Adu & Singh, 1998; Helms & Nixon, 1999). By conducting a SWOT analysis, a competitive advantage can be gained which would ensure performance and growth.

Internal finance
Growth is often hampered by internal finance and the cost of external finance is not affordable for a small business that are struggling with growth (Carpenter & Peterson, 2006). The strategy for investing profits are so that when after strategic planning is completed, the profits saved can be utilized to implement growth.
Once a small or micro enterprise achieves steady profitability and avails these profits for growth, they can achieve high growing businesses and move their status from micro to small and small to medium, respectively (Smallbone, Leigh & North, 1995). Financial management and the lack of financial sources are barriers for growth SMMEs (Brink, Cant & Ligthelm, 2003).

PROBLEM INVESTIGATED

According to Unger et al. (2009) applying knowledge learned requires entrepreneurs to practice new skills and requires adjustments to be made within their business ventures. South African small businesses require experiential self-directed learning so that knowledge and skills are gained for effective managing and growth (Maas & Herrington, 2006). Therefore, this research intends to analyze if training offered on growth strategies to small and micro entrepreneurs at the Centre for Small Business Development at the University of Johannesburg, Soweto Campus assisted entrepreneurs to steer their business ventures toward growth.

The research question: Did the growth strategies training offered at the CSBD University of Johannesburg, Soweto Campus assist small and micro entrepreneurs to implement strategic planning to enable growth and sustainability of their business ventures?

RESEARCH OBJECTIVES

This research will help to understand how training for small and micro business owners can embark on growth strategies through acquired learning. The primary objective is to determine if the training on growth strategies for strategic planning has been implemented by analyzing the external and internal environments, drafting a formal business plan to include a vision and setting strategic objectives.

The secondary objectives include the desired outcomes of growth strategies training:
To obtain biographical data from respondents to understand and assess them clearly
To identify if a formal business plan has been drafted
To establish whether budgeting for personal finances and savings of profits have been initiated for implementation of growth
To assess if a SWOT analysis has been conducted
To identify if strategic planning has taken place

RESEARCH METHODOLOGY

The research methodology employed in this study is qualitative – rich and exploratory in nature (Robinson, 2014). The researcher believes a case study is suited to gain in-depth information to assess if the training on growth strategies was effective and if knowledge and skills gained during training was implemented for growth and sustainability of small and micro enterprises.

Sampling

Sampling is progressive for groups according to pre-selected criteria using a significant sample due to historical significance (Robinson, 2014). The Centre for Small Business Development (CSBD) at the Soweto Campus offers 2 groups of training per year. The classes consist of thirty to thirty five small and micro entrepreneurs who are having difficulty in growing their ventures. The training involves attending one day a week for twelve weeks. Thirty two participants on the data base at the CSBD were obtained and the researcher tried to contact all respondents for an interview but only seventeen responded and face to face interviews were conducted.

Data collection

Data was collected using a semi-structured questionnaire with the use of open-ended questions which lasted between twenty to twenty five minutes each in which biographical data was captured as well as in-depth information on growth strategies specifically the process of strategic planning.

Data analysis

After the interview, manual coding to identify similar themes among responses was conducted to ensure trustworthiness and credibility of data findings. All participants at the onset of the interviews were informed about the interview process and confidentiality and anonymity were assured.

RESULTS AND DISCUSSION

The findings in the analyses of the biographical data of the seventeen respondents as to age; gender; type of business; salary after conducting budgets; annual turnover; investment account for growth if any; number of employees; and the year the business was established are reflected in Table 1..
<table>
<thead>
<tr>
<th>Respondents</th>
<th>Age</th>
<th>Gender</th>
<th>Business</th>
<th>Salary p/m</th>
<th>Annual Turnover</th>
<th>Investment savings</th>
<th>Employees</th>
<th>Year established</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25</td>
<td>M</td>
<td>Training (e-learning)</td>
<td>2,000</td>
<td>90,000</td>
<td>5,000</td>
<td>5</td>
<td>2011</td>
</tr>
<tr>
<td>2</td>
<td>33</td>
<td>M</td>
<td>Events mgmt. (jazz festivals) &amp; transport (school children and tourists)</td>
<td>7,000</td>
<td>175,000</td>
<td>Not yet</td>
<td>2</td>
<td>2009</td>
</tr>
<tr>
<td>3</td>
<td>49</td>
<td>F</td>
<td>Tuck shop</td>
<td>2,000</td>
<td>20,000</td>
<td>Not yet</td>
<td>2 P-T</td>
<td>2011</td>
</tr>
<tr>
<td>4</td>
<td>32</td>
<td>M</td>
<td>Distribution (wholesaler to spaza shops)</td>
<td>5,000</td>
<td>100,000</td>
<td>10,000</td>
<td>2 P-T</td>
<td>2011</td>
</tr>
<tr>
<td>5</td>
<td>30</td>
<td>M</td>
<td>Training &amp; development (accounting)</td>
<td>13,500</td>
<td>5 Million</td>
<td>50.000</td>
<td>10</td>
<td>2008</td>
</tr>
<tr>
<td>6</td>
<td>30</td>
<td>F</td>
<td>Events mgmt. (weddings and parties)</td>
<td>5,000</td>
<td>100,000</td>
<td>20,000</td>
<td>2</td>
<td>2010</td>
</tr>
<tr>
<td>7</td>
<td>30</td>
<td>M</td>
<td>Events mgmt. (technical productions and events)</td>
<td>2,000</td>
<td>80,000</td>
<td>3,000</td>
<td>5 P-T</td>
<td>2011</td>
</tr>
<tr>
<td>8</td>
<td>37</td>
<td>M</td>
<td>Civil &amp; building (renovations)</td>
<td>30,000</td>
<td>5 Million</td>
<td>50.000</td>
<td>4 F-T</td>
<td>2007</td>
</tr>
<tr>
<td>9</td>
<td>52</td>
<td>M</td>
<td>Transportation (courier)</td>
<td>7.500</td>
<td>500,000</td>
<td>15,000</td>
<td>6</td>
<td>1999</td>
</tr>
<tr>
<td>10</td>
<td>39</td>
<td>M</td>
<td>Hospitality (restaurant)</td>
<td>4,000</td>
<td>50.000</td>
<td>Not yet</td>
<td>2</td>
<td>2010</td>
</tr>
<tr>
<td>11</td>
<td>29</td>
<td>M</td>
<td>Construction (building and development)</td>
<td>18,000</td>
<td>4.5 Million</td>
<td>100,000</td>
<td>10 F-T</td>
<td>2009</td>
</tr>
<tr>
<td>12</td>
<td>35</td>
<td>M</td>
<td>Cleaning services (hygienic products)</td>
<td>3,000</td>
<td>500,000</td>
<td>60,000</td>
<td>4</td>
<td>2012</td>
</tr>
<tr>
<td>13</td>
<td>43</td>
<td>F</td>
<td>Retail (clothing)</td>
<td>1,500</td>
<td>20,000</td>
<td>5,000</td>
<td>1 F-T</td>
<td>2009</td>
</tr>
<tr>
<td>14</td>
<td>59</td>
<td>M</td>
<td>Transportation (courier) &amp; Trucking (logistics)</td>
<td>15,000</td>
<td>370,000</td>
<td>18,000</td>
<td>10</td>
<td>2012</td>
</tr>
<tr>
<td>15</td>
<td>29</td>
<td>M</td>
<td>Media productions (stage design, AV, graphics for corporates)</td>
<td>15,000</td>
<td>3 Million</td>
<td>20,000</td>
<td>5 F-T</td>
<td>2008</td>
</tr>
<tr>
<td>16</td>
<td>27</td>
<td>M</td>
<td>Media productions (stage, lights, sound, installation of equipment)</td>
<td>5,000</td>
<td>200,000</td>
<td>10,000</td>
<td>3 F-T</td>
<td>2008</td>
</tr>
<tr>
<td>17</td>
<td>42</td>
<td>F</td>
<td>Franchise (fish and chips)</td>
<td>5,000</td>
<td>1.2 Million</td>
<td>12,000</td>
<td>12</td>
<td>2012</td>
</tr>
</tbody>
</table>
From Table 1, it is clear to see that the average age of the respondents for the CSBD training is 33 and 76% of male while 24% are female confirming that the small business sector is mostly male dominated (Akhalwaya & Havenga, 2012). Of the types of businesses, 88% are in the service industry and 12% are in the manufacturing industry. According to Botha (2006), female business owners are still involved in the softer industries such as retail, and the food industries. All respondents are now drawing a salary from their business that could indicate that the training was useful. 82% have embarked on savings in invest for growth while 18% have not yet set investment aside.

These results indicate that respondents are practicing what they have learned. Annual turnover varies from R20,000 to R5 Million. All the respondents employ people to work in their businesses and 71% of business owners employ full-time employees; 12% employ part-time employees and 17% employ both full-time and part-time employees. Reduction of unemployment is a key solution for South Africa (Unger et al, 2009; Nieman, & Nieuwenhuizen, 2013). Year of establishment of businesses vary from 1999 to 2012 with the average year of establishment being 2011.

The following findings and discussions involve the businesses itself; including the formation of business plans; vision; analysis of the internal and external environment; a SWOT analysis; and strategic planning followed to identify if training has been implemented.

The businesses
All of the respondents continue to embark upon their businesses as they have realized that the core of the opportunities identified as a need for their products and/or services. However, two business owners focus on two separate businesses. Respondents two and fourteen, as from Table 1 above are focusing their efforts on both businesses to ensure growth. Respondent two recognizes that events management for jazz festivals are seasonal and therefore needs to center the business on school transport and tourist transport to ensure a steady income throughout the year. While respondent fourteen wants to expand his business into trucking when the courier routes slack.

Business plans
Respondents nine, eleven, and fourteen already had business plans which they utilized for obtaining loans from external providers. The rest of the fourteen respondents did not have business plans and therefore did not embark upon growth strategies (Mazzarol & Reboud, 2009). After the training 35% are still busy working on their business plans and 65% have completed and are implementing growth.

Vision
Vision of the business owners imply that internal strategy or strategies such as: Increase in market share; expansion and growth of turnover, volume, income or profit; achieving economies of scale and command of technology; commanding the means of gaining and maintaining customer and consumer confidence; expansion into new market areas and niches; and expansion into new locations are strategies that can be followed. (Nieman & Nieuwenhuizen, 2013). All respondents including the 35% still working on their business plans have given thought about where they see their businesses in three years-time (Stonehouse & Pemberton, 2002; Kraus, Reiche & Reschke, 2007). Respondents two and sixteen want to increase the number of employees and respondent sixteen wants to improve the lives of his employees.

External Environment
Respondents have scanned their external environment and are identifying opportunities for further growth. At the same time 82% have discovered that competition is fierce and the need to continuously sharpen competitive advantages is of cardinal importance. 88% of the respondents believe that advertising to tap into expansion of markets is necessary for growth. Therefore, marketing efforts need to be stepped up (Appiah-Adu & Singh, 1998; Helms & Nixon, 1999). Respondents two, nine, eleven, fourteen and sixteen state that they need to keep an eye on factors relating to petrol price increases as this affects their transport businesses directly.

Internal Environment
All seventeen respondents have critically examined their strengths and weaknesses as this internal analysis provides them with a basis for strategic planning for growth (Masurel, 2007). Strengths range from entrepreneurial skills and employee technical skills, networking, ability to adapt to change, equipment, passion, creativity, to being hands on. While weaknesses point to lack of equipment, contracts, employees who are not satisfied, cost and pricing, marketing, branding, record keeping, financial management skills, overworking and depending on government grants (Maas & Herrington, 2007; Olawale & Garwe, 2010).
Respondent ten is waiting on government grants from the Limpopo province. 70% of respondents agree that more training in areas of weaknesses are necessary to break the barriers that hinder their growth.

**Strategic planning**

Strategic planning is being undertaken by all respondents. They have identified the objectives that must be implemented to ensure growth of their ventures. Therefore, strategic thinking is taking place (Mazzarol, 2004). 29% of the businesses are following a low cost strategy, 53% have identified a differentiation strategy while 18% are utilizing both strategies (a best cost strategy) to ensure growth. This means that they have or are studying their target markets and identifying their competitive advantage (French, Kelly & Harrison, 2004). Objectives being followed are training of staff; looking for more contracts; budgeting for marketing; networking; trying to get funding from government; buying equipment; buying vacant land to develop townhouses from respondent eleven. Responder sixteen has two other partners and they have discovered that they need to discipline themselves by document all transactions including cellular phone calls and sending out newsletters to all clients; and respondent seven is embarking on learner-ships with other service providers to learn all about events planning, technical productions and event organizing.

**CONCLUSIONS**

Problems experienced by small and micro entrepreneurs can be designated as being environmental, financial and or managerial (Brink, Cant & Ligthelm, 2003). For more than a decade, the discussions about SMME development have been a significant issue. The key strategic elements of skills in leadership training to promote entrepreneurship to enable SMME competitiveness have been critical issues in South Africa for businesses to grow (Rogerson, 2008). South African small and micro entrepreneurs have very limited skills and therefore, training for gaining skills for business growth is essential (Smith & Perks, 2006). The training offered to the SBEP group in March 2013 was very beneficial as the small and micro entrepreneurs enrolled for the program at the CSBD Soweto Campus at the University of Johannesburg are implementing the growth strategies they have learned. A year later, the respondents have drafted business plans with a vision for the business, have analyzed their external and internal environments, and are working on strategies for growth.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

With the knowledge and skills gained during the growth strategies session, it is highly recommended that acquired learning continue so that small and micro enterprises can achieve growth thereby, achieving economic growth of South Africa (Unger, et al, 2009). The training helped small business owners to think entrepreneurially again and apply characteristics of creativity and innovation to grow their businesses. Lessons learned from the research indicate that small and micro entrepreneurs are seeking answers to everyday challenges to growth of their business ventures.

It is recommended that the other eleven sessions or modules of training offered be analyzed to ensure that transfer of skills has taken place as well. It is also recommended that ongoing research of the respondents be tracked to identify if growth of their ventures continue through a longitudinal study.

**LIMITATIONS**

The researcher tried to contact all the respondents to set up interviews. Nine cancelled while six could not be reached telephonically or via e-mail. Out of the thirty two respondents, one respondent is a musician and only realized later that the training was not beneficial to her at all. Due to time constraints and the various businesses being so far apart, respondents agreed to meet at Maponya Mall in Soweto at a coffee shop and there were minor distractions during the interviews.

**REFERENCE LIST**


THE IDENTIFICATION AND DEVELOPMENT OF STUDENT LEADERS: A SYSTEMATIC LITERATURE REVIEW

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S.M. O'Neil  
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ABSTRACT  
The youth of today is the leaders of tomorrow, therefore it is important to correctly identify leadership qualities of students in high schools as well as develop their leadership skills and competencies. Early development of leadership skills can benefit not only future employers, but also society as a whole and the schools in which students are located. Student leadership is however not a well-researched area in the leadership field. Especially in South Africa, there are few studies mostly focusing on previously disadvantaged groups. This systematic literature review seeks to explore the various methods for identifying and developing youth leaders as it is indicated in literature from 1985 - 2013. The findings indicated that there are various methods, either inside or outside the school system to identify and develop student leadership. The competencies on which they focussed revolved around teamwork such as motivating team members and solving conflict, managerial skills such as organising and planning and personal attributes such as confidence and a positive self-esteem. The two most popular methods for developing student leaders are with lectures and experiential learning methods.

Key words: Youth leadership, leadership development, leadership identification, systematic review,

INTRODUCTION  
Leadership is a topic of interest in every sphere of society. Research on leadership varies from the exploration and comparison of different kinds of leadership (Robinson, Lloyd, & Rowe, 2008), leadership in various organisational contexts (Druskat, 1994; Middleton, 2013), and studies focusing only on female leadership (Archard, 2012; Hoyt & Kennedy, 2008), to name only a few. Although leadership research is available in abundance, very little research is available on leadership development of high school students (age 15 – 19) (Dhuey & Lipscomb, 2008; Ricketts & Rudd, 2002; Whitehead, 2009). Most of the studies concerns adult leaders in the workplace. The lack of research on youth leadership, especially on high school level is concerning as the youth of today is the leaders of tomorrow and it is crucial to develop these potential leaders at a young age to meet the needs of the modern world of working. Student leadership development is not only important to the schools (See Cox, 2011; Carter & Spotanski, 1985; Demster and Lizzio, 2007; Ngcobo, 2011 and Whitehead, 2009) but also in the students’ future studies (Rouse, 2012) and their future careers (Guenthner & Moore, 2005). This study aims to determine how student leaders are currently identified, what competencies a student leader should have and how student leaders are presently developed in and out of school context.

LITERATURE REVIEW  
What is student leadership?  
The definitions for student leadership specifically are limited as most of the studies on student leadership adapted their definitions from those seemingly developed for managerial and adult leaders in the corporate world (Ricketts & Rudd, 2002). There is evidence however that adult and student leadership may differ in a number of ways (Dempster & Lizzio, 2007). Therefor it is important to define leadership distinctive and unique to high school students and not derive a definition only based on adult leadership.

Some scholars focus their definitions on the ability to influence. Leshnower (2007) and Ngcobo (2010) states that leadership is the ability of an individual to influence followers’ attitudes and behaviours in an interacting social environment. Ngcobo (2010) also stresses the individual's ability to influence the attitudes and activities of other students and teachers in schools. Price and Weiss (2011: 49) on the other hand, define leadership as “a process or interactional experience between leaders and followers to achieve a common goal.” This interactional and relational element is also visible in Cox’s (2011) definition of youth leadership as a relationship between students that is based on trust, commitment, and obligation with the students having a shared vision and Wisner's (2011: 354), view of leadership as a “process involving a relationship between leader and followers for the purpose of change that benefits all.”
Hindes, Thorne, Schwean, and McKeough (2008) reported that although effective leadership is dependent on interpersonal competencies, intrapersonal competencies such as resilience, confidence and a positive self-esteem (Archard, 2012) should not be underrated. Seevers, Dormody, and Clason (1995) agree that leadership is the development of life skills. A few of the skills and abilities that a student can develop to be an effective leader is: to inspire other students and create ownership of a shared vision, to initiate creative changes in schools, to show appreciation for contributions of others and to lead others to understand that leadership is a team effort (Wisner, 2011).

The importance of student leadership development
The traditional view that leaders are born and not made has been discarded in recent years (Guenthner & Moore, 2005; Kelling & Hoover, 2005), as recent studies about leadership concludes that all individuals have the potential to be a leader (Ricketts & Rudd, 2002). Martinek, Schilling, and Hellison (2006) for instance explain that leadership develops through various stages and processes in an individual’s life. Leadership is likely to be developed more successfully at a younger age of a person’s life, as one is more malleable at a young age (Mozhgan, Parivash, Nadergholi, & Jowkar, 2011; Murphy & Johnson, 2011; Wisner, 2011). The roots of a just and moral society have also been linked to the innate need to lead; teach and care for others. (Martinek et al., 2006). Leadership development, preparation and empowered induce students to be social change agents in society (Wisner, 2011) and to become responsible adults (Carter & Spotanski, 1985).

Although leadership skills can also be acquired later in a person’s life, Morgan and Rudd (2006) believe that students who have been taught leadership early in their lives prepared to act in a leadership capacity later in their lives, because they understand the phenomena of leadership better. Not only does acquiring leadership skills early in one’s life contribute to making a success of leadership positions later in life, it also has a positive effect on a student’s interpersonal skills and other psychological aspects during their years at school and university (Carter & Spotanski, 1989). When students receive leadership training early in their lives, there are certain skills and abilities that improves. For instance, the self-esteem and self-concept of student improve when their leadership skills and abilities are developed (Carter & Spotanski, 1989). There are also other aspects that improve when students’ leadership skills were developed, namely sense of personal control, goal setting, time management, emotion regulation and communication skills (Hindes et al., 2008; Guenthner & Moore, 2005).

Trends from the research literature
Countless research projects investigated female leadership, (Archard, 2012; Eagly & Carli, 2003; Hoyt & Kennedy, 2008; Taylor, 2012), leadership at universities (Kelling & Hoover, 2005; Sethi, 2009; Taylor, 2012), leadership styles (Macneil, 2006; Robinson et al., 2008), minority leaders (Berlin et al., 2007; Tabb & Riddle Montesi, 2000; Teasley & Tyson, 2007) and especially leadership in the workplace (Druskat, 1994). There are not a lot of research conducted that focuses on student leadership, as most of the research about leadership concerns adult leaders (Antonakis, Avolio, & Sivasubramaniam, 2003). Klau (2006) conducted a pilot study where he addressed the gap in literature in terms of adolescent leadership with an exploration of youth leadership education in a high school context and he highlighted the problematic lack of clarity and consistency regarding a definition of youth leadership. According to Whitehead (2009), there are numerous studies that has been conducted on student leadership from the perspective of adults and these perceptions of leadership does not necessarily convey the view and meaning of the students themselves.

The studies conducted on student leadership mostly focused on specialized groups, e.g. previously disadvantaged or poor groups and female students. In South Africa, Ngcobo (2010) conducted a study in specifically previously disadvantaged areas to contribute towards a better understanding of the effect leadership has on academic performance. Ngcobo (2010) came to the conclusion that leadership has an influence on the academic performance of students and their peers, as “leaders” take ownership of their own actions as well as the actions of their fellow students. Another study that focused specifically on previously disadvantaged groups was conducted by Martinek et al. (2006) to describe how youth leadership evolved in two education programs serving low-income minority youth. They found that leadership development programs transformed adolescents from being self-serving students to being caring and compassionate leaders.

There are also studies focusing specifically on gifted children (Lee, Olszewski-Kubilius, Donahue, & Weimholt, 2008; Leshnower, 2007; Smyth & Ross, 1999). Schneider, Ehrhart, and Ehrhart (2002) explains that one cannot generalise the findings in studies based on gifted children to the whole population of high school students as the average high school student is not necessarily gifted in the same sense as the
students in these studies. Most of the studies on student leadership is international. Few studies conducted in South Africa and those studies focused mainly on minority groups (Jobson, 2011; Ngcobo, 2010; Theron & Theron, 2010).

Of the published literature available on student leadership, there is a trend that it either explains how youth development programs operate (Berlin et al., 2007; Hindes et al., 2008; Klau, 2006; Martinek et al., 2006), evaluates the effectiveness of leadership development programs (Dormody & Seevers, 1993; Klau, 2006; Powell, 2003; Stedman, Rutherford, Rossler, & Elbert, 2009) or the articles investigate and discuss the psychometric validity of leadership identification measures (Kouzes & Posner, 2013; Mozhgan et al., 2011; Mozhgan, 2012; Wisner, 2011) as well as models of development (Morgan & Rudd, 2006; Murphy & Johnson, 2011; Seevers et al., 1995; Tabb & Riddle Montesi, 2000). Dhuey and Lipscomb (2008) emphasises that there is little academic research measuring how these leadership skills are acquired by students. There is no published literature that investigates the whole process of leadership development, from the identification of required competencies, identifying the students who have these competencies, to the development of the identified competencies.

PROBLEM INVESTIGATED
In the interest of future leadership development, student leadership should gain some interest. Yet, little research has focused specifically on leadership of high school students, especially in South Africa. The aim of the current study is to systematically gather information on all the studies that has been conducted to identify of develop student leaders. The following three research questions will be answered by means of a systematic literature review:

What assessment measures/methods have been used to identify student leadership?
What competencies should be developed in student leaders?
What methods/programs have been used to develop student leadership?

It is of essence to view these three objectives as part of a holistic concept and not independently. When one establishes the required competencies of student leaders, one would be able to correctly identify and develop leaders based on the competencies. Owing to the systematic nature of this review, the results should give the reader a clear picture and holistic view of student leadership development both nationally and internationally.

RESEARCH OBJECTIVES
Based on the research questions, the following objectives can be stated:
To search for and identify all the relevant articles in peer reviewed journals related to the student leadership development and identification.
To identify through thematic analyses, the assessment measures/methods have been used to identify student leadership
To identify through thematic analyses, what competencies should be developed in student leaders
To identify through thematic analyses, what methods/programs have been used to develop student leadership

RESEARCH METHODOLOGY
To answer the research question, a systematic literature review was conducted. A systematic literature review is the detailed study and interpretation of all available literature that addresses a specific topic (Aveyard, 2010). In this study all literature related to the identification and development of student leaders were identified and the relevant articles were used for this literature review. The process that was followed in this systematic literature review is as follows: 1) the research questions were formulated, 2) the databases were identified to locate all relevant data, 3) keywords were formulated to search for articles, 4) the data was collected, 5) data was critically analysed.

Location of data
In determining which sources of literature to use in the study, the first step was doing a Google scholar search, using various combinations of the key words. Google scholar is linked to all library resources of the University of Pretoria and it gives a good representation of articles and books that is available on the subject being researched, as well as the platforms where these articles are available. After doing a search with combinations of keywords, the journal platforms that occurred came up the most, indicating the information richness of the journal platforms on student leadership available were: ERIC, JSTOR, Taylor and Francis, SAGE and Wiley Online Library. Some data were located in the above mentioned platforms through Google scholar, but to ensure that all the data available were collected, it was also necessary to perform manual searches. Accessed to the platforms through the University of Pretoria’s Library was gained for the manual search.
searches. The search for data was conducted from March 2013 until September 2013. Table 1 contains the list of all the journals and platforms from which the articles used in this study were retrieved.

### Table 1: Search record

<table>
<thead>
<tr>
<th>Database</th>
<th>Keyword</th>
<th>Nr of hits</th>
<th>Nr of articles selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERIC</td>
<td>student leadership in secondary school</td>
<td>26</td>
<td>2</td>
</tr>
<tr>
<td>ERIC</td>
<td>Developing the student leadership in schools</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td>ERIC</td>
<td>development of young leaders</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>ERIC</td>
<td>youth leaders development</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>ERIC</td>
<td>leadership development in adolescents</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Taylor &amp; Francis Online</td>
<td>adolescent leadership development</td>
<td>8323</td>
<td>2</td>
</tr>
<tr>
<td>Taylor &amp; Francis Online</td>
<td>youth leaders development</td>
<td>8324</td>
<td>3</td>
</tr>
<tr>
<td>Science Direct</td>
<td>High school student leadership</td>
<td>1227</td>
<td>5</td>
</tr>
<tr>
<td>Science Direct</td>
<td>developing adolescent leaders</td>
<td>289</td>
<td>0</td>
</tr>
<tr>
<td>Science Direct</td>
<td>Developing youth leaders</td>
<td>8862</td>
<td>1</td>
</tr>
<tr>
<td>Science Direct</td>
<td>Youth leadership programs</td>
<td>9298</td>
<td>1</td>
</tr>
<tr>
<td>Science Direct</td>
<td>Developing the student leadership in schools</td>
<td>20607</td>
<td>1</td>
</tr>
<tr>
<td>Ebscohost</td>
<td>student leadership in secondary school AND leadership development</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Ebscohost</td>
<td>developing the student leadership in schools</td>
<td>60</td>
<td>2</td>
</tr>
<tr>
<td>Ebscohost</td>
<td>leadership development in adolescents</td>
<td>29</td>
<td>6</td>
</tr>
<tr>
<td>Ebscohost</td>
<td>youth leaders development</td>
<td>141</td>
<td>5</td>
</tr>
<tr>
<td>ERIC</td>
<td>student leadership in secondary school AND adolescent leadership development</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Ebscohost</td>
<td>High school leadership development</td>
<td>84</td>
<td>1</td>
</tr>
<tr>
<td>Google Scholar</td>
<td>High school leadership development</td>
<td>2260000</td>
<td>4</td>
</tr>
</tbody>
</table>

The type of literature used was of social science (which includes economic and management sciences) and education, as leadership falls mostly under social science and because the study focuses on high school students, a large amount of the articles was found in educational platforms such as ERIC and Taylor and Francis.

### Keywords and selection criteria

They keywords that were used in the search for data can be summarised as follow:
- Youth, adolescent and student are synonyms
- High school and secondary school are synonyms
- Develop(ing)(ment) measures/methods
- Identification measures/methods

The study is limited to the English language articles, published between 1985 and 2012. The focus of this study is on youth leaders in high school (between ages 15 - 19 years).

### Analysis and presentation of the data

Once the articles were selected from all the various platforms for this particular review, the data analysis proceeded. The three research objectives were used as guidelines to analyse the articles. This method of analysis can be called a priori, as the themes were decided upon before the analysis started (Welman, Kruger, & Mitchell, 2005). The articles were evaluated according to the following themes:
- identification and selection methods of high school leaders
- high school leadership competencies
- high school leadership development programs
- methods of developing high school leaders

Data was categorised into tables according to these themes to answer the three research questions.
RESULTS
Question 1: What assessment measures/methods have been used to identify student leadership?

Every high school or leadership development program found in the literature has different methods for identifying student leaders. The identified measures could be divided into “internal” and “external” methods. Internal meaning leadership identification and selection methods as well as leadership development programs that occur in the school context (referred to as internal methods) and external meaning that above mentioned occurring outside school context (referred to as external methods).

Internal methods (for identifying and/or selecting student leaders are discussed in 12 articles as listed in Table 2. These methods for identifying and/or selection of student leaders occur exclusively in school context and are only applicable to students who attend these schools.

Table 2: Internal identification methods

<table>
<thead>
<tr>
<th>Authors</th>
<th>Identification method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archard (2012)</td>
<td>Staff identified students based on qualities such as serving others, influencing peers and forming relationships.</td>
</tr>
<tr>
<td>Carter &amp; Spotanski (1989)</td>
<td>Personal Development Inventory (PDI) measures students own perception of their leadership, teachers also believed that active student have more leadership skills.</td>
</tr>
<tr>
<td>Dormody &amp; Seevers (1993)</td>
<td>YLLSDS (Youth Leadership Life Skills Development Scale) is used to measure leadership.</td>
</tr>
<tr>
<td>Murphy &amp; Johnson (2011)</td>
<td>Students rate their peers to identify leaders. Students are selected based on their integrity, listening skills and knowledge.</td>
</tr>
<tr>
<td>Rouse (2012)</td>
<td>Students either select themselves into a leadership position or are selected by peers based on unknown characteristics.</td>
</tr>
<tr>
<td>Schneider, Paul, White &amp; Holcombe (1999)</td>
<td>Assessment measures used as predictors of leadership: Guilford-Zimmerman Temperament Survey, California Psychological Inventory, Myers-Briggs Type Indicator, Five Factor Model (FFM), Leadership Skills Inventory and the High School Personality Questionnaire.</td>
</tr>
<tr>
<td>Schneider, Ehrhart &amp; Ehrhart (2002)</td>
<td>Leaders are chosen by their peers, who select the students who perform the best in getting the job done.</td>
</tr>
<tr>
<td>Shah &amp; Mediratta (2008)</td>
<td>A student is conceptualized as a leader when participating in many extracurricular clubs and who stays out of trouble.</td>
</tr>
<tr>
<td>Teasley &amp; Tyson (2007)</td>
<td>The Leadership Ability Evaluation (LAE) and Leadership Skills Inventory (LSI) is used the measure leadership skills and ability of high school students.</td>
</tr>
<tr>
<td>Whitehead (2009)</td>
<td>Students are selected as a leader by their peers based on their social behaviours, the way they dress, academic and athletic achievements.</td>
</tr>
<tr>
<td>Wisner (2011)</td>
<td>Student Leadership Practices Inventory (LPI) is used to measure leadership abilities and skills of high school students.</td>
</tr>
<tr>
<td>Kouzes &amp; Posner (2013)</td>
<td>Student Leadership Practices Inventory (LPI) is used to measure leadership.</td>
</tr>
</tbody>
</table>

In most cases the leaders in high schools are selected by their peers. Murphy and Johnson (2011) as well as Schneider et al. (2002) reported that in some instances the student that are identified as a leader in their high schools, is selected by their peers based on their personal characteristics and competencies, such as integrity, listening skills, knowledge and their ability to get the job done. There are also cases which Rouse, (2012) and Whitehead (2009) reported where students are selected by their peers to be leaders solely based on their popularity, fashion sense and academic and athletic performance. In these cases leadership competencies are not considered when leaders are identified and selected.

There are also schools where teachers identify and select students to be leaders at school. The teachers identify these students based on aspects such as the influence the students have on their peers, how they serve others as well as their ability to form relationships (Archard, 2012). On the other hand teachers identify student leaders based on the amount of extracurricular activities they partake in and whether or not they stay out of trouble (Shah & Mediratta, 2008). In some instances teachers also believe that students who are more active have more leadership skills (Carter & Spotanski, 1989). Archard (2012) provides evidence that teachers believe student leadership development could be improved by reviewing the election process of high school leaders.
There are a lot of different assessment measures that are used to identify student leaders. The instruments that are in this table can be used internally in school context as well as in any other context where student leadership has to be measured. These leadership measurement instruments are; the Personal Development Inventory (PDI) where students' perception of their own leadership abilities are measured (Carter & Spotanski, 1989), the Youth Leadership Life Skills Development Scale (YLLDS) developed by Dormody and Seevers (1995), the Leadership Ability Evaluation (LAE) and Leadership Skills Inventory (LSI) that was used in the study of Teasley and Tyson (2007) and the Student Leadership Practices Inventory (LPI) that was developed by James Kouzes and Barry Posner. This instrument measures the leadership abilities and skills of students. Schneider et al. (1999) listed several instruments that are used to measure and predict leadership in high school students. These instruments are as follows: Guilford-Zimmerman Temperament Survey, California Psychological Inventory, Myers-Briggs Type Indicator, Five Factor Model (FFM), Leadership Skills Inventory and the High School Personality Questionnaire.

External methods for identifying and/or selecting student leaders are discussed in six respective articles as listed in Table 3. These methods for identifying and/or selection of student leaders occur in programs that students attend in their free time; these programs may also be classified as extracurricular activities.

**Table 3: External identification methods**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Identification method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin, Eames, Mencon &amp; Perkins (2007)</td>
<td>Free and open to all interested participants. All students who attend this program is seen as leaders as the organisers believe any student can be developed into a leader.</td>
</tr>
<tr>
<td>Cox (2011)</td>
<td>Student is treated as a leader after the student completed mandatory requirements such as participation in projects, attendance of meetings, completing a self-evaluation and doing an interview with a leader.</td>
</tr>
<tr>
<td>Klau (2006)</td>
<td>The students, who participated in the leadership development programs, either had to pay $100, write an essay on leadership or was president of their class in the different schools. At the conference, the students who were most enthusiastic were voted as best leaders.</td>
</tr>
<tr>
<td>Fertman &amp; Van Linden (1999)</td>
<td>Asking a student if they are a leader and then analysing the response of the student.</td>
</tr>
<tr>
<td>Powell (2003)</td>
<td>The five self-perceived leadership scales of Leadership Skills Inventory (LSI) were used to identify leadership skills.</td>
</tr>
<tr>
<td>Roberts. &amp; Suren (2010)</td>
<td>Students who wanted to be part of this program had to apply, and as only few students applied everyone was selected.</td>
</tr>
</tbody>
</table>

Some of the external leadership programs are free and open to any high school student who is interested in learning leadership skills as some organisers of these programs believe that any student has the potential to be a leader with the appropriate development opportunities (Berlin et al., 2007). Other programs were still new and in their experimental stages, therefore every student who applied was accepted as only few students knew about, and were interested to participate in these new programs (Roberts & Suren, 2010). There are also programs where students have to complete mandatory requirements before they are allowed to attend these programs. These mandatory requirements include activities such as writing an essay on leadership, interviewing the class president in their respective schools or someone in their community they perceive to be a leader, participating in leadership mandatory leadership activities, attending certain meetings or completing a self-evaluation (Cox, 2011; Klau, 2006). Fertman and van Linden (1999) reported an interesting method for program organisers of identifying leaders. The program mentors asked every student whether or not they perceive themselves as a leader and then analysing the answers given to them. Klau (2006) also provides evidence of a program where program mentors votes for the best leaders solely based on their enthusiasm portrayed during the course of the program. There are also leadership development programs where student have to pay $100 to attend (Klau, 2006). There was only one external leadership development program reported in literature that used a formal measurement instrument to measure leadership and the Leadership Skills Inventory (LSI) was used to measure leadership at the end of the program (Powell, 2003).

**Question 2: What competencies need to be developed?**

It is important to determine which competencies are required to be developed in student leaders, as these competencies must be used to determine which skills to develop and how these skills must be developed. All teachers and program organisers and mentors should all be aware of these competencies for them to be on par regarding what student leadership is and how to develop student leaders. Klau (2006) pointed out that when people do know what competencies to develop in student leaders, the development process is not worth much.
Nine articles mentioned specific competencies related to youth leadership (See Table 4). Teamwork is mentioned in every one of these articles, as all the authors agree that teamwork is of utmost importance in high school leaders. These leaders have to motivate team members, solve conflict and build relationships with team members and they should also be able to care for and help others. Therefore, high school leaders should be compassionate. Leaders should also be able to comfortably share their own feelings and knowledge with team members (Hindes et al., 2008) and listen to feelings and ideas of others. High school leaders should also have managerial skills, such as time management and conflict management, planning, organising and monitoring tasks, informing others of progress and delegating work as well as responsibilities. There are also certain competencies that should be developed in high school leaders, which are only applicable to the individual self. These are self-control, self-management, confidence, resilience, self-realization and a positive self-esteem.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martinek, Schilling &amp; Hellison. (2006)</td>
<td>1) Self-control and respect for others; 2) teamwork; 3) self-direction; 4) caring for and helping others; 5) application of competencies outside program</td>
</tr>
<tr>
<td>Mozghan (2012)</td>
<td>1) Time management, 2) stress management, 3) crisis management, 4) conflict management, 5) self-management</td>
</tr>
<tr>
<td>Archard (2012)</td>
<td>1) Teamwork, 2) confidence, 3) compassion and 4) resilience</td>
</tr>
<tr>
<td>Hindes, Thorne, Schwean &amp; McKeough (2008)</td>
<td>1) Self-realization, 2) critical thinking, 3) teamwork, 4) sharing of knowledge, interest and feelings.</td>
</tr>
<tr>
<td>Kelling &amp; Hoover (2005)</td>
<td>1) Teamwork, 2) motivating team members, 3) honesty and integrity, 4) self-confidence, 5) intelligence, 6) knowledge, 7) problem solving, 8) decision-making, 9) communication, 10) responsibility</td>
</tr>
<tr>
<td>Murphy &amp; Johnson (2011)</td>
<td>1) Integrity, 2) listening skills, 3) organising projects, 4) motivating team members</td>
</tr>
<tr>
<td>Ngai, Cheung, Ngai &amp; To (2012)</td>
<td>1) Building relationships, 2) enhanced self-confidence, 3) realising responsibility, 4) solving conflict</td>
</tr>
<tr>
<td>Roberts &amp; Suren (2010)</td>
<td>1) Positive self-esteem, 2) cooperation, 3) conflict resolution, 4) relationship building, 5) problem solving, 6) motivated to learn.</td>
</tr>
<tr>
<td>Teasley &amp; Tyson (2007)</td>
<td>1) Problem solving, 2) planning and organising, 3) informing, 4) clarifying, 5) motivating, 6) monitor and develop, 7) consulting, 8) managing conflict, 9) delegating, 10) networking</td>
</tr>
</tbody>
</table>

Question 3: Methods/programs have been used to develop student leadership?
The literature revealed two types of leadership development programs. Firstly, there are internal programs. These programs are run by the school itself and only the students of the school participate in these programs. Most of these programs are mandatory to either all students or students who are selected as leaders. Secondly, there are external programs. These programs are mostly open to all students who are interested and are presented at a location other than the high school, are not related to school activities, and are attended by the student in a private capacity. In terms of the internal programmes, there are only three related articles that reported about leadership development programs that are operating within the schools. They are summarized in Table 5.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Program/method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archard (2012)</td>
<td>Distinguished programs of different schools had the following qualities in common: 1) service, 2) influencing peers and 3) building relationships.</td>
</tr>
<tr>
<td>Carter &amp; Spotanski (1989)</td>
<td>Formal classes in leadership are presented to students, there is no leadership development program.</td>
</tr>
<tr>
<td>Hindes, Thorne, Schwean &amp; McKeough (2008)</td>
<td>The Teen Leadership Breakthrough (TLB) is a program that teaches students how to relax, receive and give feedback, engage in public speaking, reflecting on one’s leadership and identify values. They use teamwork methods and activities such as the trust fall.</td>
</tr>
</tbody>
</table>

Archard (2012) conducted a qualitative study on various aspects regarding high school leadership, focusing on high school girls. The study included 86 high schools in Australia and New Zealand, most of these high school focus on leadership development through encouraging students to practise leadership through service, to encourage, influence and inspire peers towards a common goal, and to form relationships with others students. The staff of the high schools investigated in this study believed the above mentioned methods develop student leadership the most effectively; therefore, there was no formal leadership programs.
that were followed. Archard (2012) provided evidence that a structured, formal, on-going leadership development process where leadership skills are identified, articulated and taught would improve high school student’s leadership skills. Carter and Spotanski (1989) reported that there are instances where formal classes in leadership development have been presented to high school students, but only on a limited scale. Training is also provided to students, but only when a student is an officer, committee chair or an active member of certain school organisations. It is believed that these methods of training and development is an effective means of leadership development and schools should have more formal leadership training and development programs (Carter & Spotanski, 1989). The only formal leadership development program found in literature that is presented at schools is the Teen Leadership Breakthrough (TLB) program. This student leadership development program teaches students how to relax, receive and give feedback, engage in public speaking, reflect on one’s own leadership skills and identify their own values. The Teen Leadership Breakthrough Program (TLB) uses activities such as the trust fall to enhance trust and improve relationships in teams (Hindes et al., 2008).

There are numerous external youth leadership development programs available (See Table 6). Berlin et al. (2007) as well as Martinek et al. (2006) researched sport based leadership development programs. These programs are the Youth Leader Corps program and the Apprentice Teacher Program (Martinek et al., 2006) and the Hoops & Leaders Basketball camp (HLMC) (Berlin et al., 2007). Both of these two programs focus on children that come from underprivileged neighbourhoods. These programs largely consist of improving the students’ sport skills, as it is believed improved sport skills enhance confidence and sport activities also provides the children with opportunities to work in teams, which improves teamwork as well as communication in groups. The Youth Leader Corps program and the Apprentice Teacher Program also has one-on-one counselling sessions where every child has an individual opportunity to express their opinions and reflection sessions where children reflect on leadership practices and behaviours. HLMC follows a more structured approach to leadership development as they have formal leadership presentations, experiential leadership activities and activities to improve teamwork such as the human knot game.

Outward Bound is an adventure-based leadership development program which uses outdoor activities to develop leadership skills and improve teamwork (Hindes et al., 2008). Ngai et al. (2012) also reported that there are leadership development programs in Hong Kong which prefer to use an adventure-based to develop youth leadership skills, the Wilderness Program is a proudly South African leadership development program who also uses adventure-based training methods (Jobson, 2011). The most leadership development programs are presented in the form of lectures, seminars and workshops, these programs are: the North Montgomery’s Leadership Academy which uses guest speakers to educate student about leadership, students also engage in group discussions where ideal leadership practices are scrutinised (Cox, 2011), the National Leadership Conference, Jewish Leadership Organisation and Institute for Justice & Leadership (Klau, 2006), the Rotary Youth Leadership Program as well as the Future Farmers of America (FFA) combine lectures with workshops to develop leadership skills (Whitehead, 2009; Yip, 2006), and in South Africa the African Leadership Academy and the Mandela Rhodes Scholarships present lectures to develop student leadership (Jobson, 2011).

The Dream It Do It Initiative (D.I.D.I) leadership development program uses an interesting method to develop leadership; a virtual world is created to teach leadership skills to students. Activities include attending workshops, developing a venture and presenting the venture that was developed to a panel (Turkay & Tirthali, 2010). Roberts and Suren (2010) investigated the Inspiring Young Emerging Leaders (I-YEL) program and found that this leadership development program uses experiential and service learning to develop leadership. Activities include hands-on projects, outdoor investigation and excursions in the field. Ngai et al. (2012) reported methods in Hong Kong that are being used to develop student leadership is experiential learning, internships, service learning and project based competitions. Activities include lectures, workshops, simulations exercises, games and group assignments.

Table 6: External development programmes

<table>
<thead>
<tr>
<th>Authors</th>
<th>Program/method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martinek, Schilling &amp; Hellison (2006)</td>
<td>Youth Leader Corps program and the Apprentice Teacher Program. These programs present sport day programs focusing on 1) teaching sport skills where kids are empowered, confidence, teamwork and communication is improved 2) reflective sessions 3) one-on-one counselling</td>
</tr>
<tr>
<td>Berlin, Dworkin, Eames, Mencon &amp; Perkins (2007)</td>
<td>Hoops &amp; Leaders Basketball camp (HLMC) is a sport based program that develops leadership with activities such as the Human Knot game, leadership presentations and experiential leadership activities</td>
</tr>
<tr>
<td>Cox (2011)</td>
<td>North Montgomery’s Leadership Academy uses guest speakers to educate students and engaged in discussions about ideal leadership practices.</td>
</tr>
</tbody>
</table>
CONCLUSIONS
The results indicated that there are various methods that have been used over the past 25 years to identify student leaders, either by teachers or peers selecting student leaders or by using assessment instrument to measure and identify high school leaders. Although external programs are typically open for any student to attend, some of the external programs also have leadership identification methods at the program. Some of the programs also have mandatory leadership related activities that students have to adhere complete before being allowed to participate in the programs. The most important aspect of identifying and measuring student leadership is for all participants of the selection procedure to be on the same page regarding what student leadership is and what competencies they are looking for in possible leadership candidates (Klau, 2006). Student leaders should also not be selected only based on one competency or talent such as enthusiasm or athletic ability.

Several leadership competencies were also identified in the literature. These competencies can be summarised into competencies concerning teamwork such as motivating team members and solving conflict, managerial skills such as organising and planning and personal attributes such as confidence and a positive self-esteem.

With regards to leadership development programs there were more external development programmes than internal programmes. Only three articles reported of high school leadership development programs run by the school itself, of whom one of these articles solely focused on girls. Carter and Spotanski (1989), Morgan and Rudd (2006) as well as Ngai et al. (2012) agrees on the need for formal leadership development programs in schools. Most external leadership development programs are available and open to any student who are interested and this proves to be very successful as these programs become a platform for youth to develop their skills, meet other people (network) and be involved in community projects (Ngai et al., 2012). Literature also provided evidence that the two most popular methods of developing leadership are experiential learning and by using experts in the field of leadership to present lectures and workshops.

The competencies that youth leaders should have and the different leadership development programs and methods for developing youth leaders have been identified; however, there is not a clear link that show which development programs and measures develop which competencies.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
Various stakeholders can benefit from correctly identifying and developing high school students. Rouse (2012) and Ngcobo (2010) provides evidence that high school's benefit from the leadership of their students in the sense that leadership has a positive impact on future educational performance of students as well as...
on the relationships between students and teachers and peers and this is also true for academic performance at a tertiary level of education. Rouse (2012) testified that leadership skills is highly valued and widely sought after by tertiary institutions and organisations. The development of leadership competencies can be used in any situation at any stage of one's life, which means that any organisation can benefit from the development of leaders (Martinek et al., 2006). Organisations can invest in high school leadership development programs as the high school leaders of today are the workforce of tomorrow. Leadership competencies can never be “unlearned”, and therefore it is good to start developing these competencies at a young age (Murphy & Johnson, 2011). Eagly and Carli (2003) and Macneil (2006) confirm the need for future orientated leadership in organisations and reported that youth leadership development programs in high school are beneficial to any modern organisation.

This systematic literature review provides future researchers and practitioners with a compendium of student leader identification methods, competencies and developmental programmes that have been cited in peer reviewed articles over the past 25 years.

**REFERENCE LIST**


THE RELATIONSHIP BETWEEN FINANCIAL AND MARKETING MANAGERS DEMOGRAPHICS AND THEIR PERCEPTIONS OF THE INTERFACE BETWEEN THE TWO FUNCTIONS

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Nelson Mandela Metropolitan University
F.W. Struwig
Nelson Mandela Metropolitan University

ABSTRACT
This paper investigates the relationship between financial and marketing managers’ demographics and their perceptions of the interface between the two functions. A literature review outlined the process orientation of the interface between the two functions. The results of an empirical study of 218 marketing and financial managers in South African businesses showed that although the majority of the demographic variables for financial and marketing managers showed no statistical significant relationships with their perceptions of the processes in the two functions. However, statistically significant differences were found in how financial and marketing managers perceived the steps in the financial management process as three of the four financial management steps showed differences. Financial and marketing managers, however, did not have different perceptions of the steps in the marketing management process. As a result, this study showed that the desired degree of integration between the two functions had not been achieved.

Key words: financial management, marketing management, interface, demographics, perceptions

INTRODUCTION
Not much is known about the relationship between the marketing and finance functions, yet strong interdependencies between the marketing and finance functions exist. As a result, much research has been conducted in this field, and, more specifically, on the marketing-finance interface (Dougherty, 1992; De Ruyter & Wetzels, 2000; Jenkins & Meer, 2005). As the maximisation of customer and shareholder value has been recognised as drivers of a business’s long-term viability and survival, it is important that procedures are put in place to secure an effective working relationship between marketing and finance departments. Although marketers are under pressure to indicate the profitability of the budgets in marketing, it remains difficult to establish a direct relation between the investment and the output, as most marketing actions are not easily quantifiable in financial terms. This indicates the need for further research on the interface between financial and marketing management in businesses. This study investigated the interface between finance and marketing by focussing on the relationship between the different demographics variables of marketing and financial managers and their perceptions on the financial- and marketing management processes.

LITERATURE REVIEW
According to De Ruyter and Wetzels (2000: 209), strong interdependencies between marketing and finance exist. The finance-marketing interface has a direct impact on business issues, for example, product investment decisions, brand evaluation and working capital management. For Dougherty (1992:179), functional units in the business can be categorised as “different thought worlds” providing different solutions to the same problem. For example, marketers and financial managers have different backgrounds and tend to focus on different stakeholders. Financial managers are usually focused on the providers of capital, for example, shareholders and banking institutions. Marketers, on the other hand, tend to focus on other parties such as the consumers, suppliers and competitors.

Jenkins and Meer (2005: 9) have highlighted that it is not easy to form a perfect union of finance and marketing. Owing to differences in thinking styles and perspectives as well as conflicting incentives, the chief financial officer and the chief marketing officer often have to overcome significant cultural and structural barriers when working together. Various aspects of the interface between marketing and finance that were investigated in the study include:
Improving the alignment between finance and marketing
Assessing the effectiveness of marketing expenditures
Analysing the different thought worlds of marketing and finance
Linking marketing activities to shareholder value
Determining the latest thinking on attaching a financial value to a marketing strategy
However, there is little research focusing on describing the interface between financial and marketing management based on their processes.

**The financial management process**

Literature (see for example Gitman 2010; Lasher 2011; Knott 2004) shows various definitions of financial management. It further indicates that financial management is a process that consists of a number of steps. For the purposes of this study, the steps in the financial management process are illustrated in Figure 1.

**Figure 1: Steps in the financial management process**

![Figure 1: Steps in the financial management process](image)

*Source: Researcher’s own construct based on literature overview*

Figure 1 shows that financial management is a continual process that consists of analysis, decision-making, planning and control steps.

**Financial analysis:** Financial analysis is a basis for planning and it helps to focus attention on what type of information is needed and how the information should be analysed for the purposes of financial planning. The aim of financial analysis is to determine where the business is and how it got there (Gitman 2010: 8). A good technique for starting the process is a SWOT analysis (strengths, weaknesses, opportunities and threats). The analysis and interpretation of financial statements (Statement of Comprehensive Income, Statement of Financial Position, and Statement of Cash Flows) also form part of the analysis stage (Ward 2004: 130). Each of the financial statements serves a different purpose and highlights various aspects of the financial position and performance of the business. Financial ratios are used to analyse and interpret the financial statements from a financial perspective and are often grouped into different categories. Atrill and McLaney (2008: 183) have identified the following five broad categories, namely, profitability, efficiency, liquidity, financial gearing and investment ratios. A business has to set objectives and then select strategies to achieve the objectives. Although some aspects of the business cannot be expressed in financial terms, financial analysis remains an important part of setting objectives.

**Financial decision-making:** The financial decision-making stage is based on the outcomes of the financial analysis. The analysis stage will present management with a range of strategic options for the business. The determination of financial objectives is part of the financial decision-making stage. The primary objective of the business is to maximise the wealth of the shareholders (Gitman 2010: 14). Management also has to establish secondary financial objectives so that the primary financial objective may be achieved. The financial manager has to take important decisions, for example, decisions about spending, investing and borrowing money. According to Marx, De Swardt, Beaumont-Smith, Naicker and Erasmus (2007: 7), the financial manager will mainly be concerned with two main types of interrelated decisions, namely, investment decisions and financing decisions. When investment decisions are made, the financial manager needs to consider the cost effectiveness of the assets of the business. Investment decisions may include aspects such as which are the best non-current assets to acquire and the optimal level of current assets in the business. According to Gitman (2010: 452), financing decisions are concerned with the cost of capital, the target capital structure and the dividend policy.

**Financial planning:** It is important that the business develops plans for the future as the business will often not achieve its objectives unless the managers are clear about the business’s future direction. The planning process makes it possible for the business to evaluate the financial result of any strategy and to ensure that the required resources for the implementation of the plan are available. The financial plan provides a benchmark against which the financial outcome can be compared (McGuigan, Moyer, Roa & Kretlow 2012: 114). According to Weetman (2010: 7), planning is a general term and includes long-term (strategic) planning and short-term (operational) planning. Gitman (2010: 103) argues that the financial-planning process starts with long-term (strategic) financial plans. The strategic financial plans provide the basis for the
short-term (operating) financial plans or budgets. The short-term financial plans or budgets are responsible for the implementation of the business’s long-term financial strategic objectives. Long-term financial plans form part of the business’s integrated strategy, together with the strategic plans of the other business functions, for example, marketing and production, to guide the business towards the achievement of strategic goals and objectives. Business initiatives that form part of the strategic plan of the business may include capital outlays in non-current assets, new product research and development and possible changes in the capital structure of the business. The short-term (operating) financial plan, according to Gitman (2010: 105), focuses on cash planning and profit planning from the financial manager’s perspective. Key inputs into the formulation of short-term financial plans are the sales budget and other financial data and the outputs of short-term financial planning are various budgets and pro-forma financial statements. Generally, strategic financial plans are developed for a period of two to ten years whereas operating financial plans include financial objectives for a period less than two years.

**Financial control:** The general management control principles and processes can be applied specifically to financial control. The objective of financial control is to keep the business, according to the business’s financial plans, on the right path financially. The financial control system should at any point in time be able to inform management of the actual financial position compared to the financial plan (Ward, 2004: 33). Weetman (2010: 7) has pointed out that the financial control phase is crucial, because alternative actions should be put into action if the actual outcome of the various actions is not in accordance with the initial plans and with the objectives derived from those plans. Managers require timely and accurate information about the part of the business for which they are responsible to implement the control phase. The control phase could, to a certain degree, be seen as a way of updating the financial analysis.

**The marketing management process**

Kotler, Armstrong and Tait’s (2010: 19) five step model of the marketing process is used in this study and is illustrated in Figure 2. In the first four steps, the focus is on understanding customer needs and wants, building customer relationships and creating customer value. The last step describes how the business captures value from customers in the form of profits and customer loyalty.

**Figure 2: A simple model of the marketing process**

Source: Kotler, et al. (2010: 19)

Each of the five steps outlined in Figure 2 are discussed in the following paragraphs.

**Step 1: Understand the marketplace and customer needs and wants:** The first element of marketing is to understand customer needs and wants as the business needs to identify its market. A market is a group of consumers that share a common need or desire for a good or a service, have financial resources and are willing to spend the resources in order to satisfy those needs and wants (Lamb, Hair & McDaniel, 2004: 214). Marketers also need to build good relationships with external partners and, therefore, have to understand the environmental forces that surround all of the relationships with external partners. Businesses need to monitor and adapt to the changing marketing environment constantly. As a result, timely, accurate and relevant information is constantly needed in today’s ever-changing business environment. The marketing manager continually requires information which will assist him or her in developing a competitive advantage and a successful marketing strategy for the business (Cant & Van Heerden, 2010: 114).

**Step 2: Design a customer-driven marketing strategy:** As soon as the business has a good understanding of the customers and the marketplace, it may start with the design and development of a customer-driven marketing strategy. According to Kotler, et al. (2010: 22), the marketing manager needs answers to two important questions to design an effective marketing strategy, namely, what customers will be served (what is the target market) and how can these customers be served (what is the value proposition)? To answer the first question, the business must decide who its customers are so that the market can be divided into groups of customers with similar needs. This process is called market
segmentation (Kotler, et al. 2010: 22), Different methods and criteria may be used to segment the market (Lamb, et al., 2004: 215). The next step is to decide which segments the business will serve, which is called target marketing. To answer the second question, the business then needs to decide how it will position and differentiate itself in the marketplace. According to Perreault, Cannon and McCarthy (2009: 112), positioning has to do with what the customers think about existing or new products (or brands) in the marketplace. The marketing manager has to create a desirable and distinctive image of the product or the brand. If the product or the brand has a “strong appeal for the customers in the target-market segment, it will be able to differentiate itself from competitive offerings, thereby creating a competitive advantage (Dibb & Simkin, 2009: 49). Kotler, et al. (2010: 23) refer to this concept as the design of a value proposition, whereby a business achieves the greatest advantage in their target markets.

**Step 3: Construct an integrated marketing programme that delivers superior value:** After the marketing strategy is developed, the business has to develop an integrated marketing programme or plan to deliver the specific product or service offering to the target market. The basic reason to focus on a specific target market is that the business can develop a marketing mix that satisfies the specific needs of the target market better than they are satisfied by their competitors (Perreault, et al. 2009: 35). The marketing mix is a set of tools that is used by the business to put the marketing strategy into action. The four major parts of the marketing mix are known as the four Ps, namely, product, place (distribution), promotion and price (Kotler, et al. 2010: 26). Getting the mix of these elements right enables the business to meet its marketing objectives and to satisfy the requirements of the customers. Three additional Ps, namely, people, process and physical evidence were added to the traditional four elements of the marketing mix, because of the importance of customers and to accommodate the service sector (Baron, Harris & Hilton, 2009: 26). A marketing manager can control each component of the marketing mix, but it is important that the strategies for all the elements are blended to achieve positive results.

**Step 4: Build profitable relationships and create customer satisfaction:** The preferences of consumers and priorities marketers have changed during the 2000s. According to Venter and Jansen van Rensburg (2009: 262), one of the more noticeable changes has been from a “transaction and acquisition” focus to a “relationship and retention” focus in marketing. The relationship marketing approach is more concerned with the relationships between all parties in the exchange transaction than the individual transaction between the buyer and the seller. Marketers tend to go further than the traditional segmentation variables and also focus on the type of relationship they have with their customers and other parties. The emphasis of relationship marketing is to acquire and keep customers by ensuring that an appropriate combination of marketing, customer service and quality is provided (Venter & Jansen van Rensburg, 2009: 262). It is important to realise that satisfactory relationships also have to be built with partners, and marketers need to work closely with marketing partners to bring more value to the business.

**Step 5: Capture value from customers to create profits and customer equity:** The first four steps are involved with building relationships with customers by creating customer value. The fifth step shows how the business receives value in the form of current and future sales as well as profits. The business is creating customer value and in the process acquires customers that buy more and remain loyal. The business should focus on developing customer relationships. Customer delight does not merely create a preference, but it also creates an emotional relationship with the product or service (Kotler, et al., 2010: 33). The intention of customer-relationship management is, therefore, to develop and maintain a mutually-beneficial relationship and to maximise the “share of wallet” from customers in the long run (Dibb & Simkin, 2009: 149). According to Kotler, et al. (2010: 34), the ultimate aim of customer-relationship management is to produce and maintain high customer equity. Different customers have different needs and will, therefore, require different relationship-management strategies. Customer equity will be increased if an appropriate relationship-management strategy is developed for each group of customers.

**Process orientation towards the interface**

The literature study revealed a number of steps in both the financial management process and the marketing management process. Based on these processes as depicted in Figure 1 and Figure 2, a theoretical framework was proposed as shown in Figure 3.
Figure 3: A theoretical framework of the process orientation towards the interface between financial- and marketing management

Figure 3 shows the process orientation towards the interface between marketing and financial management. It shows how the steps in the financial management-process, namely, financial analysis, financial planning and financial control (independent variables) impact on the steps in marketing process (dependent variables) as outlined in Figure 2. Kotler’s five-step model (Kotler, et al., 2010: 19) as outlined in Figure 2 was adapted to be built into the theoretical framework. The first four steps of the marketing process describe how value is created for customers and how customer relationships are built. For the purposes of this study, the combined process of the first four steps leads to step five, namely, to capture value from customers in return. The first four steps were, therefore, combined in the framework as a single process that leads to step five.

PROBLEM INVESTIGATED

Although research has been conducted on the marketing-finance interface in businesses (Dougherty, 1992; De Ruyter & Wetzels, 2000; Jenkins & Meer, 2005), Zinkhan and Verbrugge (2000) argue that most research has focused on the business’s performance and the role that marketing activities play in the performance. De Ruyter and Wetzels (2000: 2009) emphasise the need for the marketing and financial functions to liaise with one another to identify success factors as well as barriers to their working relationship. In research conducted by Jenkins and Meer (2005), the new role of finance managers is described as one that requires finance managers to understand marketing’s dilemmas and vice versa. However, Sidhu and Roberts (2008) identify that not much research has been done to explore opportunities for marketing managers to work more closely with financial managers so that value creation or performance enhancement of their activities could be improved. The marketing-finance interface has provided justifications for marketing’s value in the business world, but research has not indicated scientific rationales for the marketing-finance interface (Kim & Richarme, 2010). Although there has been much research about the need for marketing and financing dialogues, a notable gap still exists on the finance-marketing interface (Motameni, Cords & Geringer, 2010). The question can be posed what are the perceptions of financial
managers and marketing managers, with different demographics, about the interface based on its processes?

**RESEARCH OBJECTIVES**

The primary objective of this paper is to investigate the relationship of demographics of financial and marketing managers and their perceptions of the financial and marketing interface based on their processes. To achieve the primary objective of the study, the secondary objectives are:

- to explore the interface between financial and marketing management in literature
- to identify and implement the appropriate research methodology for this study to achieve the primary objective
- to determine the relationship between the demographic variables of marketing and financial managers on their perceptions of the interface between the two functions based on their processes
- to make recommendations on how the interface between marketing and finance could be researched and enhanced.

**RESEARCH METHODOLOGY**

For this study, an empirical survey was conducted by means of an Internet survey. Respondents were requested to complete a questionnaire online and the survey was administered by e-mail. The research design for this study includes the sample, the questionnaire and the data collection.

**The sample and response of the study**

The population of this study comprised of all financial managers (and directors), marketing managers (and directors) and general managers (managing directors) in South Africa that performed a financial or marketing function. As a list of all financial and marketing managers in South Africa was not available to the researcher, a database of financial and marketing managers was obtained from a national organisation that markets such databases. The database provided was scrutinised to ensure that all businesses on the database had a marketing and financial manager or a manager responsible for the financial or marketing function. This study employed a quantitative research method of research and, therefore, a measuring instrument in a form of a questionnaire. For the purposes of this study, a self-developed and self-administered questionnaire was distributed to a sample of 2840 financial and marketing managers. A total of 218 usable questionnaires were collected in the study. The low response rate is normal for an online survey (Struwig & Stead, 2013: 106). This was satisfactory given the exploratory nature of this study and although generalisations to the population may not be possible, important trends and results were obtained.

**The questionnaire used in this study**

The questionnaire that was used for this study consisted of two sections, namely:

**Section 1: Biographical and demographical data of the respondents**

Information regarding the respondent's nationality, age, highest qualification level, job title, industry where employed and number of years in employment sector was important to determine the profile of the sample.

**Section 2: Finance-marketing interface questions based on their processes**

This section made use of a seven-point Likert-type scale questions ranging from 'strongly disagree' (1) to 'strongly agree' (7) and elicited information on the four steps in the financial management process and the five steps in the marketing management process. This section consisted of 77 items categorised into nine factors according to literature findings.

**Data Collection**

Ethical clearance for the execution of the survey was obtained from the Nelson Mandela Metropolitan University Research Ethics Committee. Both the pilot and main study survey were self-administered and the collection of data was done by providing a link to a web-based online questionnaire via e-mail. Prior to the main study, a pilot study was conducted to ensure that the main study was feasible and that the questionnaire was usable. Members of the Nelson Mandela Bay Business Chamber with financial and marketing departments were selected to participate in the pilot study. The questionnaire was also examined by an academic expert for content. The results of the pilot study were discussed with an academic expert, and except for two new questions in Section 1 (Demographic and biographic data), it was decided to use the questionnaire in its existing form for the main study.

The questionnaire for the main study was administered in a similar way as for the pilot study. Descriptive statistics were calculated to summarise and present data by means of mean scores, standard deviations and frequency tables. Exploratory factor analysis was conducted to determine the factors (in this case, the factors are the steps) in the financial- as well as the marketing management processes. In this study, MANOVA was conducted across all financial management and marketing factors simultaneously to
determine the relationship of demographical variables on all factors. If there were statistically significant differences, ANOVA was conducted for the factor and practical significance was assessed by calculating Cohen's d values.

RESULTS OF THE STUDY
Before advanced statistics are discussed, the validity and reliability of the questionnaire need to be assessed.

The validity of the questionnaire
The exploratory factor analysis results are discussed first to show how the resultant factors were obtained and to compare these with the steps identified in the literature. The results of the exploratory factor analysis for the financial- and marketing management items are provided in Tables 1 and 2. As the majority of items loaded on the steps in the financial management process (see Table 1) and also on the steps in the marketing management process (see Table 2), it can be assumed that the measuring instrument was valid as it measured what it was supposed to measure.

Table 1: Exploratory factor analyses for the financial management process items

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor</th>
<th>Factor</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3_18</td>
<td>0.40</td>
<td>-0.04</td>
<td>0.49</td>
</tr>
<tr>
<td>Q3_19</td>
<td>0.03</td>
<td>0.13</td>
<td>0.426</td>
</tr>
<tr>
<td>Q3_22</td>
<td>0.06</td>
<td>-0.20</td>
<td>0.11</td>
</tr>
<tr>
<td>Q3_24</td>
<td>0.22</td>
<td>0.01</td>
<td>0.55</td>
</tr>
<tr>
<td>Q3_25</td>
<td>-0.22</td>
<td>0.575</td>
<td>-0.15</td>
</tr>
<tr>
<td>Q3_13</td>
<td>-0.034</td>
<td>0.051</td>
<td>0.56</td>
</tr>
<tr>
<td>Q3_14</td>
<td>-0.132</td>
<td>-0.222</td>
<td>0.75</td>
</tr>
<tr>
<td>Q3_15</td>
<td>-0.123</td>
<td>-0.143</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Table 1: Exploratory factor analyses for the financial management process items

Table 1 illustrates the results of the exploratory factor analysis, from which it is evident that:

- Items with factor loadings < 0.35 were rejected (namely, items 3.12, 3.16, 3.17, 3.18, 3.21, 3.30 and 3.37).
- Even though item 3.36 had one factor loading above 0.35 (0.359), it was decided to reject the item as it was a borderline case and did not “fit into” the factor.
- The highest factor loadings (>0.35) for each of the financial management items were identified, for example, item 3.8 with the highest factor loading of 0.413, was identified to fall within factor 3.
- Each factor was given a colour and the items were coded accordingly to reflect the specific factor into which they fell.
- The four financial management factors were given representative titles, namely, control, planning, analysis and decision-making.
Table 2: Exploratory factor analysis for the marketing management process items

<table>
<thead>
<tr>
<th></th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The marketplace and customers needs and wants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4.1</td>
<td>-0.20</td>
<td>-0.03</td>
<td>0.16</td>
<td>0.49</td>
<td>0.04</td>
</tr>
<tr>
<td>G4.3</td>
<td>0.22</td>
<td>0.01</td>
<td>0.06</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>G4.10</td>
<td>0.08</td>
<td>0.08</td>
<td>0.07</td>
<td>0.57</td>
<td>-0.03</td>
</tr>
<tr>
<td>G4.11</td>
<td>0.07</td>
<td>-0.05</td>
<td>0.16</td>
<td>0.47</td>
<td>-0.13</td>
</tr>
<tr>
<td>G4.12</td>
<td>0.15</td>
<td>-0.14</td>
<td>-0.28</td>
<td>0.48</td>
<td>-0.17</td>
</tr>
<tr>
<td>G4.14</td>
<td>0.47</td>
<td>-0.26</td>
<td>-0.11</td>
<td>0.22</td>
<td>0.07</td>
</tr>
<tr>
<td>G4.15</td>
<td>0.09</td>
<td>-0.43</td>
<td>-0.14</td>
<td>-0.13</td>
<td>-0.01</td>
</tr>
<tr>
<td><strong>Customer-driven marketing strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4.16</td>
<td>0.06</td>
<td>-0.02</td>
<td>0.06</td>
<td>-0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>G4.17</td>
<td>0.45</td>
<td>-0.14</td>
<td>-0.13</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>G4.18</td>
<td>0.03</td>
<td>-0.08</td>
<td>0.08</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>G4.19</td>
<td>0.45</td>
<td>-0.22</td>
<td>-0.07</td>
<td>0.27</td>
<td>0.02</td>
</tr>
<tr>
<td>G4.20</td>
<td>0.44</td>
<td>-0.26</td>
<td>0.07</td>
<td>0.17</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Integrated marketing programmes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4.23</td>
<td>0.13</td>
<td>-0.01</td>
<td>0.43</td>
<td>0.10</td>
<td>-0.24</td>
</tr>
<tr>
<td>G4.24</td>
<td>0.45</td>
<td>-0.01</td>
<td>0.48</td>
<td>0.05</td>
<td>0.02</td>
</tr>
<tr>
<td>G4.25</td>
<td>0.05</td>
<td>-0.10</td>
<td>0.56</td>
<td>0.21</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>Profitable relationships and create customer satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4.26</td>
<td>0.44</td>
<td>-0.26</td>
<td>-0.12</td>
<td>0.39</td>
<td>-0.36</td>
</tr>
<tr>
<td>G4.27</td>
<td>0.55</td>
<td>-0.13</td>
<td>0.26</td>
<td>0.02</td>
<td>0.09</td>
</tr>
<tr>
<td>G4.28</td>
<td>0.59</td>
<td>0.02</td>
<td>0.09</td>
<td>0.00</td>
<td>0.17</td>
</tr>
<tr>
<td>G4.29</td>
<td>0.61</td>
<td>-0.03</td>
<td>0.07</td>
<td>0.11</td>
<td>0.03</td>
</tr>
<tr>
<td>G4.30</td>
<td>0.76</td>
<td>-0.02</td>
<td>-0.03</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td><strong>Profit and customer equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4.31</td>
<td>0.59</td>
<td>-0.12</td>
<td>0.02</td>
<td>0.03</td>
<td>-0.22</td>
</tr>
<tr>
<td>G4.32</td>
<td>0.64</td>
<td>-0.13</td>
<td>0.46</td>
<td>0.05</td>
<td>0.10</td>
</tr>
<tr>
<td>G4.33</td>
<td>0.79</td>
<td>-0.08</td>
<td>0.06</td>
<td>0.07</td>
<td>0.08</td>
</tr>
<tr>
<td>G4.34</td>
<td>0.07</td>
<td>-0.19</td>
<td>-0.27</td>
<td>0.40</td>
<td>-0.63</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construct from statistical analysis results

Table 2 illustrates the results of the exploratory factor analysis, from which it is evident that:

Items with factor loadings < 0.35 were rejected (namely, items 4.21, 4.22 and 4.34).
Even though item 4.13 had one factor loading above 0.35 (0.435), it was rejected owing to the fact that it was a borderline case and did not “fit into” the factor.
The highest loadings (>0.35) for each of the marketing management items were identified, for example, item 4.8 was identified with the highest factor loading of 0.455 and fell within factor 4.
Each factor was given a colour and the variables were coded accordingly to reflect the specific factor into which they fell.
The five marketing factors were given representative titles, namely, relationships, strategy, marketing mix, needs and profit.

Reliability of the questionnaire

Cronbach’s coefficient alphas were employed to assess the internal reliability of the questionnaire items through the use of Statistica (version 11). Cronbach’s coefficient alpha normally ranges between 0 and 1. The closer the value is to 1, the greater of the internal consistency of the items in the questionnaire. According to Hair, Black, Babin, Anderson and Tatham (2006: 137), a value 0.7 and higher is regarded as acceptable. A summary of internal consistency measures for survey constructs (factors) are presented in Table 3.
Table 3: Internal consistency for Section 2 of the questionnaire

The financial management factors

Source: Researcher’s own construct from statistical analysis results

From Table 3, it is evident that the Cronbach's coefficient alphas values were above 0.7 and the measuring instrument, could, therefore, be regarded as reliable. This was confirmed by the relatively high item to total correlation (> 0.35) in all items.

Results of the demographics of the respondents in the questionnaire

The results of the demographics of the respondents showed that the majority of respondents (91.28%) were South African and were in possession of a diploma, degree or post-graduate qualification (95.87%). Respondents were employed in various sectors, with the highest representation in the construction and materials sector (11.01%), followed by the beverage sector (10.55%) and the retail sector (10.09%). Of the 218 respondents, 186 (85.32%) were employed as a financial director, marketing director, chief executive officer, managing director, director, general manager or branch manager. The majority of the respondents (65.59%) were employed in their current employment sector for longer than 10 years.

More respondents were employed in the finance section (54.59%) compared to the marketing section (36.70%) and the majority of respondents were from Gauteng (60.09%). The majority of the respondents (94.06%) generated a turnover of more than R50 000 000 per annum. From the demographic profile as highlighted, it can be concluded that the majority of respondents were employed in top management positions by large businesses as indicated by turnover data as well as number of staff members employed. Most respondents were employed for longer than 10 years in their current employment sector and were in possession of a postgraduate qualification.

Results of MANOVA to show relationships between the factors and demographic variables

MANOVA was undertaken to determine whether the respondent perceptions of the financial management and the marketing management factors differed for various demographic variables. Kremelberg (2011: 493) describes the purpose of ANOVA (analysis of variance) as testing the difference in the mean of a continuous variable (factor) between two or more groups (financial and marketing managers the dependent variables). Kremelberg (2011: 499) adds that MANOVA (multiple analysis of variance) is a generalised version of the
ANOVA that can be used in situations where the means of two or more related dependent variables are tested. To establish whether there were significant differences between the mean scores of different categories of respondents (independent variables), MANOVA was conducted. If there were statistically significant differences, ANOVA was conducted on each factor and practical significance was assessed by calculating Cohen’s d values.

**The results of the differences of respondent qualifications and their perceptions of financial- and marketing management processes:** Table 4 shows the MANOVA results for the “qualification obtained” demographic (independent) variable and the financial- and marketing management factors (dependent variables) respectively.

**Table 4: MANOVA results for qualifications obtained and perceptions of financial- and marketing management process steps**

**Financial management process**

| Source: Researcher’s own construct from statistical analysis results |

<table>
<thead>
<tr>
<th>Q1_3</th>
<th>Analysis</th>
<th>Decision-making</th>
<th>Planning</th>
<th>Control</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
</tr>
<tr>
<td>Cert/Dip</td>
<td>5.42</td>
<td>0.86</td>
<td>5.40</td>
<td>0.88</td>
<td>5.33</td>
</tr>
<tr>
<td>Degree</td>
<td>5.21</td>
<td>0.94</td>
<td>5.30</td>
<td>0.83</td>
<td>5.53</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>5.52</td>
<td>0.70</td>
<td>5.45</td>
<td>0.76</td>
<td>5.67</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.43</td>
<td>0.80</td>
<td>5.40</td>
<td>0.80</td>
<td>5.59</td>
</tr>
</tbody>
</table>

Wilk’s Lambda = 0.93; F = 1.92; p = 0.554

| Source: Researcher’s own construct from statistical analysis results |

**Marketing management process**

<table>
<thead>
<tr>
<th>Q1_3</th>
<th>Needs</th>
<th>Strategy</th>
<th>Marketing Mix</th>
<th>Relationships</th>
<th>Profit</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
</tr>
<tr>
<td>Cert/Dip</td>
<td>5.96</td>
<td>0.71</td>
<td>5.95</td>
<td>0.78</td>
<td>5.22</td>
<td>1.13</td>
</tr>
<tr>
<td>Degree</td>
<td>5.69</td>
<td>1.09</td>
<td>5.81</td>
<td>1.06</td>
<td>5.13</td>
<td>1.00</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>5.83</td>
<td>0.83</td>
<td>5.79</td>
<td>0.98</td>
<td>6.00</td>
<td>1.07</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.81</td>
<td>0.89</td>
<td>5.82</td>
<td>0.97</td>
<td>5.06</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Wilk’s Lambda = 0.96; F = 0.81; p = 0.6180

Table 4 indicates that, according to the mean result, there were no overall significant differences among the three groups (certificate/diploma, degree, post-graduate) and how they perceived the steps in the financial- and marketing management processes (dependent variables).

**The results of the differences of respondents’ years in the employment sector and their perceptions of financial- and marketing management processes:** Table 5 shows the MANOVA results for the “number of years in employment sector” demographic (independent) variable and the financial- and marketing management factors (dependent variables) respectively.
Table 5: MANOVA results for the number of years in employment sector and perceptions of financial and marketing management process steps

Financial management process steps

<table>
<thead>
<tr>
<th>Group</th>
<th>Analysis</th>
<th>Decision-making</th>
<th>Planning</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
</tr>
<tr>
<td>1 – 4 years</td>
<td>5.61</td>
<td>0.85</td>
<td>5.65</td>
<td>0.77</td>
</tr>
<tr>
<td>5 – 9 years</td>
<td>5.40</td>
<td>0.78</td>
<td>5.40</td>
<td>0.81</td>
</tr>
<tr>
<td>10 – 14 years</td>
<td>5.29</td>
<td>0.76</td>
<td>5.29</td>
<td>0.82</td>
</tr>
<tr>
<td>15 – 19 years</td>
<td>5.48</td>
<td>0.75</td>
<td>5.39</td>
<td>0.70</td>
</tr>
<tr>
<td>20+ years</td>
<td>5.44</td>
<td>0.84</td>
<td>5.38</td>
<td>0.82</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.43</td>
<td>0.80</td>
<td>5.40</td>
<td>0.80</td>
</tr>
<tr>
<td>N</td>
<td>33</td>
<td></td>
<td>42</td>
<td></td>
</tr>
</tbody>
</table>

Wilks’s Lambda = 0.95; F = 0.68; p = 0.8162

Marketing management process steps

<table>
<thead>
<tr>
<th>Group</th>
<th>Needs</th>
<th>Strategy</th>
<th>Marketing Mix</th>
<th>Relationships</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
</tr>
<tr>
<td>1 – 4 years</td>
<td>5.93</td>
<td>0.83</td>
<td>5.86</td>
<td>0.99</td>
<td>5.41</td>
</tr>
<tr>
<td>5 – 9 years</td>
<td>5.94</td>
<td>0.81</td>
<td>5.84</td>
<td>0.95</td>
<td>4.99</td>
</tr>
<tr>
<td>10 – 14 years</td>
<td>5.72</td>
<td>0.82</td>
<td>5.69</td>
<td>0.91</td>
<td>4.88</td>
</tr>
<tr>
<td>15 – 19 years</td>
<td>5.68</td>
<td>1.14</td>
<td>5.85</td>
<td>1.06</td>
<td>4.91</td>
</tr>
<tr>
<td>20+ years</td>
<td>5.81</td>
<td>0.91</td>
<td>5.89</td>
<td>1.01</td>
<td>5.16</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.81</td>
<td>0.89</td>
<td>5.82</td>
<td>0.97</td>
<td>5.06</td>
</tr>
<tr>
<td>N</td>
<td>33</td>
<td></td>
<td>42</td>
<td></td>
<td>53</td>
</tr>
</tbody>
</table>

Wilks’s Lambda = 0.92; F = 0.87; p = 0.6261

Source: Researcher’s own construct from statistical analysis

It is evident from Table 5 that, according to the mean result, there were no overall significant differences among the five groups (1-4 years, 5-9 years, 10-14 years, 15-19 years and 20+ years) and how they perceived the steps in the financial- and marketing management processes.

The results of the differences of respondents’ age groups and the perceptions of financial- and marketing management processes: Table 6 shows the MANOVA results for the “age” demographic (independent) variable and the financial- and marketing management factors (dependent variables) respectively.

Table 6: MANOVA results for age and the perceptions of financial- and marketing management process steps

Financial management process steps

<table>
<thead>
<tr>
<th>Group</th>
<th>Analysis</th>
<th>Decision-making</th>
<th>Planning</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
</tr>
<tr>
<td>&lt;35 years</td>
<td>5.40</td>
<td>0.86</td>
<td>5.24</td>
<td>1.07</td>
</tr>
<tr>
<td>35–44 years</td>
<td>5.37</td>
<td>0.72</td>
<td>5.39</td>
<td>0.73</td>
</tr>
<tr>
<td>45–54 years</td>
<td>5.38</td>
<td>0.84</td>
<td>5.56</td>
<td>0.68</td>
</tr>
<tr>
<td>55+ years</td>
<td>5.59</td>
<td>0.84</td>
<td>5.34</td>
<td>0.84</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.43</td>
<td>0.80</td>
<td>5.40</td>
<td>0.80</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td></td>
<td>81</td>
<td></td>
</tr>
</tbody>
</table>
Marketing management process steps

Table 6 indicates that, according to the mean result, there were no overall significant differences among the four groups (<35 years, 35-44 years, 45-54 years and 55+ years) and how they perceived the steps in the financial- and marketing management processes.

The results of the differences of respondent employed in different sections and their perceptions of financial- and marketing management processes: Table 7 indicates the MANOVA results for the “section employed” demographic (independent) variable and the financial- and marketing management factors (dependent variables) respectively.

Table 7: MANOVA results for section employed and their perceptions of financial- and marketing management process steps

The financial management process steps

Table 7 reflects that the MANOVA results showed overall statistical differences between the two groups (finance and marketing) and how they perceived the steps in the financial management process. For each financial management factor, individual ANOVA was done and the results showed that for three of the financial management steps (factors), significant differences were found between the two groups. The financial managers had a significantly higher mean score (= 5.60) for financial analysis (p = 0.0004) than the marketing managers (= 0.19). The effect size measure, Cohen’s d, indicated that this difference was of medium practical importance (d = 0.52). For financial decision-making, financial managers (= 5.54) had a significantly higher mean score for financial analysis (p = 0.0041) than the marketing managers (= 5.21). Cohen’s d was calculated, and a value of 0.42 indicated that this difference was of small practical importance. An ANOVA was done on financial planning, and marketing managers (= 5.25) again reported a lower mean score (p = 0.001) than financial managers (= 5.80). The effect size measure, Cohen’s d, indicated...
that this difference was of medium practical importance ($d = 0.57$). The ANOVA result for financial control reported a $p$-value of 0.0766, indicating no significant difference between the two groups.

Table 7 further shows that there were no overall significant differences among the two groups (finance and marketing) and how they perceived the steps in the marketing management process.

**The results of the differences of the number of staff members in the respondents’ businesses and their perceptions of financial- and marketing management processes:** Table 8 shows the MANOVA results for the “number of staff members” demographic (independent) variable and the financial- and marketing management factors (dependent variables) respectively.

**Table 8: MANOVA results for number of staff members employed and the perceptions of financial- and marketing management process steps**

<table>
<thead>
<tr>
<th>Financial management process steps</th>
<th>Analysis</th>
<th>Decision-making</th>
<th>Planning</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1_13</td>
<td>Means</td>
<td>Std Dev</td>
<td>Means</td>
<td>Std Dev</td>
</tr>
<tr>
<td>1 – 200</td>
<td>5.38</td>
<td>0.82</td>
<td>5.34</td>
<td>0.77</td>
</tr>
<tr>
<td>&gt; 200</td>
<td>5.46</td>
<td>0.79</td>
<td>5.46</td>
<td>0.81</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.43</td>
<td>0.80</td>
<td>5.42</td>
<td>0.80</td>
</tr>
<tr>
<td>Wilk’s Lambda = 0.98; $F = 1.12$; $p = 0.3462$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Marketing management process steps**

<table>
<thead>
<tr>
<th>Q1_13</th>
<th>Needs</th>
<th>Std Dev</th>
<th>Strategy</th>
<th>Std Dev</th>
<th>Marketing Mix</th>
<th>Std Dev</th>
<th>Relationships</th>
<th>Std Dev</th>
<th>Profit</th>
<th>Std Dev</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 200</td>
<td>5.74</td>
<td>0.88</td>
<td>5.79</td>
<td>0.91</td>
<td>5.67</td>
<td>1.01</td>
<td>6.02</td>
<td>0.65</td>
<td>5.16</td>
<td>0.87</td>
<td>72</td>
</tr>
<tr>
<td>&gt; 200</td>
<td>5.88</td>
<td>0.88</td>
<td>5.88</td>
<td>0.90</td>
<td>6.10</td>
<td>1.08</td>
<td>6.11</td>
<td>0.84</td>
<td>5.30</td>
<td>1.08</td>
<td>142</td>
</tr>
<tr>
<td>All Groups</td>
<td>5.83</td>
<td>0.68</td>
<td>5.83</td>
<td>0.97</td>
<td>5.69</td>
<td>1.05</td>
<td>5.96</td>
<td>0.78</td>
<td>5.25</td>
<td>1.01</td>
<td>214</td>
</tr>
<tr>
<td>Wilk’s Lambda = 0.39; $F = 0.39$; $p = 0.8943$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

It is evident from Table 8 that, according to the mean result, there were no overall significant differences among the two groups (1-200 and >200) and how they perceived the steps in the financial- and marketing management processes. The mean scores as illustrated by Tables 4 to 8 were scrutinised, and it was found that as far as the financial management factors were concerned, the highest mean score of all groups (= 6.01) was reported for financial control, meaning that respondents were most in agreement with the items relating to financial control. Although relatively high, the lowest mean score for all groups (= 5.40) was reported for financial decision-making. For the marketing management factors, it became clear that the highest mean score for all groups (= 6.06) was reported for relationships, meaning that respondents were most in agreement with the items relating to relationships. Although relatively high, the lowest mean score of all groups (= 5.06) were reported for marketing mix.

**CONCLUSIONS**

No overall statistical significant differences were found regarding qualification obtained, number of years in employment sector, age and number of staff members employed in the business and how respondents perceived the steps in the financial- and marketing management processes. The MANOVA results showed that the only overall significant difference was regarding the demographic variable, section employed, and how the two groups of respondents (financial and marketing managers) perceived the steps in the financial management process. For each of the four financial management factors (steps), individual ANOVA was done and the results showed that for three of the financial management steps (factors), namely, financial analysis, financial decision-making and financial control, significant differences were found between the two groups. The financial managers had significantly higher mean scores for financial analysis ($p = 0.0004$) as well as for financial planning ($p= 0.001$) than the marketing managers. The effect size measure, Cohen’s $d$, indicated that these differences were of medium practical importance. With regard to financial decision-making, financial managers also had a significantly higher mean score for financial analysis ($p = 0.0041$) than the marketing managers. Cohen’s $d$ was calculated, and a value of 0.42 indicated that this difference was of small practical importance. The ANOVA result for financial control reported a $p$-value of 0.0766,
indicating no significant difference between the two groups. Financial and marketing managers, therefore, had different perceptions of the steps in the financial management processes as indicated by the statistical significant differences that were found for three of the four financial management factors. Financial and marketing managers, however, did not have different perceptions of the steps in the marketing management process.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Based on the findings of the empirical survey, the finance function and marketing function should work together more closely as the major finding was that financial and marketing managers had different perceptions of the steps in the financial management process. However, financial- and marketing managers did not have different views of the steps in the marketing management process. Contrary to previous studies (see Ratnatunga, Hooley, & Pike, 1989), this research showed that there was only clarity needed in the financial management process and that the marketing management process was well understood and no differences existed in this understanding. For marketing managers and financial managers to work together more closely, it is proposed that:

- Marketing and finance should actively participate in the development of a profitability-focused sales culture.
- Providing financial measurement tools for marketing and integrating marketing reporting with financial measures.
- To realign the marketing process with the financial process by introducing profit-driven programmes.

This study highlights the relationships between demographic variables on the perceptions of financial and marketing managers towards the interface between the two functions. The understanding of these unexplored relationships could guide future marketing talk. Financial and marketing management play an important role in most businesses across all sectors of the business world. The results of this empirical study might lead managers to think differently as more information is available on which to base their decisions. Marketing managers also need to be sensitised and educated in the financial management processes. A potential limitation of any quantitative survey is always a possible element of social desirability in responses. In the case of an Internet-survey (as was used in this study), there was no opportunity to probe respondents to elaborate an answer. Furthermore, with an Internet survey, the researcher was not sure whether the correct person completed the survey. It might be important to conduct some qualitative interviews to probe why this apparent lack of understanding in the financial management process still existed.

Respondents had to indicate whether they were employed in the finance or marketing sections of the business. It was shown that the majority of respondents (54.59%) were employed in the finance section and that 36.70% of respondents were employed in the marketing section. The rest of the respondents (8.72%) indicated that they were not employed in either of the two sections and the “other” component was excluded for further data analysis procedures. The fact that there were more financial managers than marketing managers could be regarded as a limitation of the study. The researcher kept this in mind during the data analysis procedure by using statistical techniques to study the perceptions of financial- and marketing managers as two separate groups.

Although much has been written on the interface between marketing and finance, the desired degree of integration between the two has not been achieved. This study suggested that this interface needed to be investigated by considering the financial- and marketing management processes. This process orientation highlighted important interactions between the two processes.

**REFERENCE LIST**


THE ROLE OF THE THIRD-PERSON EFFECT IN THE USE OF DARK MARKETING TECHNIQUES ON UNIVERSITY STUDENTS

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ABSTRACT
Dark marketing of alcohol may be something of the past in South Africa if the current government passes a bill that will ban the advertising of alcohol products. Dark marketing is the promotion of the supposedly erroneous / dangerous like the advertising of cigarettes and alcohol. This paper investigates the third person effect of dark marketing techniques on university students, as a first step towards understanding the impact of alcohol advertising on young consumers. A survey among 452 university students confirmed the notion of the third-person effect in advertising, which suggests that the individual sees him/herself as being less influenced by alcohol advertising than others. The findings also show that the individuals feel that they are not influenced by the advertising of alcoholic beverages. Approximately 20% of individuals consumed the same amount of alcohol as the South African national average, with 30% indicating consumption above the national average. The majority disagreed with the suggestion that the banning of alcohol advertising will decrease the consumption of alcohol, but did support the idea of imposing more restrictions on alcohol advertising. The study contributes to the literature by building on the third person theory in the context of alcohol advertising and also identifies that a small percentage of individuals seem to consume alcohol in excessive quantities and therefore suggests a need for an increase in social marketing to inform consumers of the dangers of over consumption, rather than completely banning alcohol advertising.

Key words: Dark Marketing, third-person effect, alcohol advertising, alcohol consumption.

INTRODUCTION
Dark marketing is rife in South Africa. This type of marketing refers to the promotion of the hypothetically shocking like the Apartheid Museum or the promotion of potentially harmful products like the advertising of cigarettes and alcohol. South Africa is currently one of a few remaining countries in the world that do not ban the advertising of alcohol, but is in the process of publishing a bill that will restrict its promotion (World Health Organisation 2011 report and Mail & Guardian, 2013:1) . A trending topic at the time of writing, this study aims to investigate the perceived influence of alcohol advertising on the South African youth from the perspective of the third-person effect theory.

The third-person effect theory argues that consumers tend to perceive others as more likely to be influenced by advertising than themselves (Davidson, 1983:3). It is argued that this notion is one of the potential reasons why authorities believe that the banning of alcohol advertising will result in a change in alcohol consumption behaviour. This remains to be proven, and as a first step towards understanding the perceived influence of alcohol advertising in order to better understand its effect on individuals, this study aims to test the third-person effect among university students in Gauteng. A number of previous studies have explored the third-person effect within different contexts and categories of products (Begin & Liu, 2006; Jensen & Collins, 2008; Park, Yun, Choi & Lee, 2012), but as far as could be determined, this study is the first to test this theory among young adult consumers of alcohol in South Africa.

Against this background, the purpose of this research is to answer the question: What is the perceived influence of alcohol advertising on the South African youth? More specifically, the study has the following objectives:

Primary objectives: To determine whether differences exist between the individual's perception of the influence of alcohol advertising on him/herself, and the individual's perception of the advertising of alcohol advertising on others.

Secondary objectives: To determine the perceived influence of alcohol advertising on the individual university student
To determine the individuals' perceived influence of the advertising of alcohol on other university students
To determine the extent to which university students support the banning of the advertising of alcohol
To uncover the demographic characteristics of the university students
To determine alcohol consumption behavior of university students
The rest of this paper includes a literature review on dark marketing, alcohol advertising and consumption internationally and in South Africa, and the third-person effect of advertising. This is followed by the research methodology and results. The paper concludes with the discussion and limitations and suggestions for future research.

**LITERATURE REVIEW**

**Dark Marketing**

Dark marketing is the application or adaptation of principles and practices to domains of death, destruction and the supposedly shameful (Brown 2012:196). This definition covers the targeting, positioning, selling, branding, merchandising and communication strategies of the allegedly wrong. Examples include the Holocaust Memorial Museum in Washington DC, the arms, drug and sex trades, counterfeit goods and certain aspects of the fashion industry. A classic example of a macabre merchandising opportunity is 9/11’s Ground Zero. This site is now one of the most popular tourist attractions in New York. Tour guides charge $15 a head to show eager tourists where the firefighters entered. Printed t-shirts are sold with the twin-towers still intact and tourists can buy toilet paper bearing the head of Osama Bin Laden and take photographs of the big hole (Brown 2012:198). Van Zanten (2005:25) states that marketing communications is a critical aspect in determining ultimate success in the marketplace, but must be approached with a sense of obligation to the consumer and society, especially in sensitive markets such as alcohol. Some people see marketing as a dark practice that pushes perversion, delivers wickedness and hawks all sorts of unholy products and services (Brown 2012:199). However, marketing should not be seen as one of the deadly sins and as Kotler (2010:19) stated, marketing is all about the customer’s needs and defines marketing as a process by which firms create value and build strong relationships in order to capture value from consumers in return. Brown (2012:199) continues and laments that marketing is the hub of a complex value chain where producers, sellers, distributors and retailers are assembled in order to satisfy consumer needs, wants and demands. If these needs, wants and demands include products, services and experiences that some would consider dark, depraved or disgusting, it should be for legislators and not marketers to determine and to draw the line. Marketing is all about giving the customer what he / she wants. Critics however disagree with this. They argue that marketing can meet pre-existing demands and can create new consumer demands. Marketing is implicated in and culpable of consumerism, shopaholism, waste, pollution, disease, resource depletion and environmental degradation. Brown (2012:199) concludes that with all these issues in mind, it can be hypothesised that a spectrum of dark marketing does exist.

There is a great community concern that alcohol advertising results in increased misuse of alcohol (Van Zanten 2005:25). The World Health Organisation (2011) estimates that the harmful use of alcohol results in the death of 2.5 million people annually and that there are 60 different types of diseases where alcohol is a significant cause. There is also growing concern about alcohol consumption among young people, which leads to antisocial behaviour and health consequences which come at a great cost to the individual, families and the society (WHO 2011). How to deal with this problem has posed major challenges to governments. Factors that influence the onset of youth drinking include parents, peer groups and advertising (Gunter et al., 2009:4).

A review of the literature indicates that there is a definite divide amongst authors on the effect of advertising on alcohol consumption. On the one side, authors like Gunter et al., (2009:4) and Nelson (2001:239) agree that advertising alcohol increases alcohol consumption, whilst on the other end, authors like Fogarty (2009:110), Hanson (2013:1) are of the opinion that the advertising of alcohol does not cause young people to drink.

**Alcohol advertising in the global environment**

In 2005 the World Health Organisation (WHO) specified that the advertising and promotion of alcohol need to be controlled. In 2006, the WHO’s European Region published the European Charter on Alcohol with five ethical principles which include “All children and adolescents have the right to grow up in an environment protected from negative consequences of alcohol consumption and to the extent possible, from the promotion of alcoholic beverages”. In 2011, the World Health Organisation stated that 34% of its member states reported on having alcohol control policies. These control policies include alcohol tax, legal minimum age for buying alcohol, legal blood alcohol concentration and legal restrictions on alcohol advertising (WHO 2011). Many countries like France, Norway, Russia, Ukraine, India, Myanmar, Sri Lanka and Kenya have banned all alcohol advertisements on television and billboards (BBC News Europe, 2012:1, Kyiv Post, 2010:1; Asian Tribune, 2006:1)
Alcohol consumption and advertising in South Africa

According to the WHO (in Fieldgate et al., 2013:25) 73% of the South African population has never consumed alcohol, suggesting that the country has one of the highest rates of abstinence in the world. A further 7.7% indicated not having consumed alcohol in the past year and of the entire sample, almost three-quarters indicated that they have abstained from drinking alcohol in the past 12 months. Furthermore, of the 35% of South Africans that do in fact consume alcohol, the largest percentage is consumers of illegal alcohol and not branded products (Fieldgate et al., 2013:26). There are currently 50 – 60 000 licensed outlets for alcohol and in the order of an estimated 120 000 unlicensed outlets. What is also interesting to note is the fact that upon measuring the liters of pure alcohol consumed per adult (15+ years of age) in South Africa, the result showed an average of 34.9 liters of alcohol is consumed per adult per year. Despite South Africa’s high abstention rate, when comparing the amount of alcohol consumed per adult drinkers to that of the rest of the world, the amount of alcohol consumed is in fact incredibly high (Fieldgate et al., 2013:25). If calculated in milliliters (34.9l x 100 = 3 490ml) and assuming that one alcoholic beverage consists of about 300ml, the results show an average of 11.6 or rounded up to at least 12 alcohol beverages consumed per adult drinker per year.

South Africa has no alcohol advertising banning practices in place, but cabinet has approved a draft Bill banning alcohol advertising that should be gazetted for public comment. This Bill is called the “Control of Marketing of Alcohol Beverages Bill”. (Mail & Guardian, 2013:1). In this press release, the Minister of Social Development, Bathabile Dlamini, said that the intention of the Bill is to reduce the exposure to advertising and the promotion of alcohol. She continues and states that the root for the Bill was drafted from evidence that found that alcohol advertising bans did not decrease the consumption of alcohol, but alcohol advertising still glamorises and encourages the use of a product that causes serious harm to individuals and to society. Despite claims from the industry that children and youth are not targeted, international research however indicates that advertising does influence child and youth behaviour. This Bill seeks to restrict the advertising of alcoholic beverages and the sponsorship associated with alcohol (Mail & Guardian, 2013:1).

Understanding the influence of advertising

Advertising is suggested to consist of the following five elements: It is (1) paid, (2) non-personal, (3) from an identifiable sponsor, (4) visible in the mass media, and (5) has the purpose of persuading or influencing the market targeted (Richards & Curran, 2002:64). The combination of these elements allowed for the composition of the following definition of Advertising: “Advertising is a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action, now or in the future” (Richards & Curran, 2002:74). In Krugman’s (1972:11-14) classic research on consumers and the effect of advertising, the process of individual learning when exposed to advertisements is investigated. The author argues that only three exposures are necessary to ensure a reaction from the individual and that anything more than three exposures, will have little or no effect. The first exposure is said to create curiosity (what is it?), the second recognition (what of it?) and the third exposure will result in the individual making a decision about the advertised product or service (what are the consequence?).

The three exposures process can be put into action at any point. An individual may have noticed the advertisement before and have gone through the curiosity phase, but will stop at that point and only progress to the second phase (recognition) once he/she is actually in the market for the product (Krugman, 1972:13). This suggests that the individual might only go through the process of completing the cycle by the time he/she has for example been exposed to the advert for the 23rd time (Krugman, 1972:13). In summary, the theory suggests that the process of exposure to advertising happens on an individual basis and is also pending the respondent’s interest in or need for what is being advertised. If the individual has no need for the product, the exposure process will stop at the second phase, but progress to the third if there is a need. Similarly Hawkins and Mothersbaugh (2010:279) explain consumer exposure to market stimuli, as ‘self-selected’ and state that consumers deliberately seek out certain stimuli that they deem will be to their own individual benefit in achieving their own goals and avoid any stimuli that do not fit within this frame. It may therefore not be assumed that all advertising will influence individuals – there needs to be an interest or need evident from the consumer’s side as the individual deliberately seeks out certain stimuli.

The banning of specifically the advertising of alcohol in South Africa suggests that the authorities believe that the advertising of alcohol influences the South African public’s consumption of alcohol. The literature however suggests that individuals “self-select” what they want to be made aware of (Krugman, 1972:13; Hawkins & Mothersbaugh, 2010:279) and therefore it is argued that only those interested in alcohol would be influenced, suggesting that only those South Africans, who want to be influenced by the advertising of alcohol, will be influenced by it. This leads to another interesting theory in the literature; the third-person
effect of advertising. This theory argues that the individual believe that media communication has a stronger influence on others, than on themselves (Dahlén et al., 2013:1826).

**The third person effect of advertising**

The phenomenon of the third person effect (TPE) was first developed by Davidson (1983:1-15) and the idea originated from a discussion on the effect of propaganda materials. Back then, the author described this phenomenon in its initial development as a hypothesis that “... predicts that people will tend to overestimate the influence that mass communication will have on the attitudes and behavior of others” (Davidson, 1983:3). Individuals who are therefore exposed to certain media communications will expect this communication to have a greater effect on others than on themselves, whether or not the individual is part of the original targeted audience for the communication. Furthermore, the individual’s reaction to this communication may influence him/her to want to take some form of action (Davidson, 1983:3).

The term ‘third-person effect’ is used, because other individuals are involved in the concepts from two different standpoints: Firstly, from the perspective of the ones seeing the communication and trying to evaluate the effect of communication and arguing that it will have its greatest effect on “them” (third person) and not ‘me’ and secondly from the perspective of the communicator, where the third persons are those who are concerned with the attitudes and behaviours of the targeted audience (Davidson, 1983:3).

This hypothesis of the third-person effect was confirmed through the use of four different small experiments conducted by Davidson (1983:1-15), and since then has been accepted as a theory which has been widely applied in different contexts from the third-person effect in controversial product advertising (Jensen & Collins, 2008:225-242), marketing leakage to undesirable audiences (Dahlén et al., 2013:1825-1840), violent events that occurred and were widely reported in the mass media (Park, Yun, Choi and Lee, 2012:139-149) to the TPE of alcohol advertisements on college students (Begin & Liu, 2006:244-252).

**Young South Africans and the consumption of alcohol**

According to the Bureau of Marketing Research’s 2012 report on South African alcohol consumption (in Fieldgate et al.,2013:33), specifically drug and alcohol abuse among secondary school learners (aged 13-19) is a reality that calls for concern. This seems to be fuelled by the fact that these substances are readily available and consumed by these youngsters’ peers with whom they relate and look up to, in turn suggesting that young people’s receptiveness to the use of these two substances increases (Fieldgate et al.,2013:33). This finding also suggests that the consumption of alcohol is on the rise among young adults (specific age not specified), with hazardous and harmful consumption patterns like drinking until intoxicated, as well as binge drinking. Hazardous drinking specifically suggests “… a quantity or pattern of alcohol consumption that places patients at risk for adverse health events …” and harmful drinking as “… alcohol consumption that results in adverse events (e.g. physical or psychological harm)” (Pengpid, Peltzer, van der Heever & Skaal, 2013:2043).

Similarly, in a study by Young and De Klerk (2009:101-112), this notion of an increase in alcohol consumption among young adults (specifically university students) is evident. The study surveyed students at a South African university, using the Alcohol Disorders Identification Test (AUDIT). The results suggested that this sample of students’ alcohol consumption is a public health concern that could result in grave medical and social consequences. It is therefore concluded that the consumption of alcohol amongst not only the South African youth (aged 13-19) has increased, but that the consumption of alcohol amongst university students is also on the increase, often with potentially severe consequences. University students in South Africa can therefore be deemed a good sample of consumers in South Africa to question on the banning of alcohol advertising, because research suggests that their consumption of alcohol is prevalent. In response to the recent suggestion of the banning of alcohol advertising in South Africa, a poll was conducted on the banning of alcohol advertising among 2 856 young South Africans, aged between 18 and 34. It was discovered that 49% of the respondents were in favour of the banning of alcohol advertising, 31% thought it was not a good idea, and 20% had no opinion on the matter. Among the respondents, a further 59% were convinced that the advertising of alcoholic beverages made people consume more alcohol and 36% indicated that people would drink more regardless of advertising (Bizcommunity.com, 2013).

These results are interesting to note, as there is an evident difference between the percentage of young South Africans merely supporting the banning of alcohol (49%), and the belief that the advertising of alcohol actually increases alcohol consumption (59%). This supports the notion of the third-person effect, in that these results suggest that young South Africans feel 10% stronger about the resulting effect of alcohol advertising on others – stronger than they necessarily feel about the banning of it.
PROBLEM INVESTIGATED, OBJECTIVES AND HYPOTHESES

The recent decision to ban the advertising of alcohol in South Africa has many parties wondering about its potential impact economically, as well as physically and mentally on those who currently do consume alcohol. A review of the literature and popular press suggests that different opinions of its impact are evident from parties ranging from health organisations, research bureaus and alcohol manufacturers (Govender, 2013:201-220; Bizcommunity, 2013:1; Bauer, 2013:1).

The third-person-effect theory argues that consumers tend to perceive others as more likely to be influenced by advertising than themselves (Davidson, 1983:3). It could therefore be argued that this notion is one of the potential reasons why the South African authorities believe that the banning of alcohol advertising will result in a change in alcohol consumption behaviour. This has however not been proven. As a first step towards understanding the perceived influence of alcohol advertising, this study aims to investigate the perception of the influence of alcohol advertising on the individual, as well as the perception of the individual on the advertising of alcohol on others. Research suggests that the consumption of alcohol among the South African university student population is prevalent (Fieldgate et al., 2013:33), making this an ideal market to investigate the individuals’ perceived influence of alcohol advertising on themselves, as well as on others.

The results of the study will serve to further build on the theory of the third-person effect in the context of the marketing of potentially harmful products, also known as Dark Marketing, as well as aim to serve as an indication of the extent to which this particular market of alcohol consumers actually think they (the individual), as well as those around them are affected by it. This could further serve as a first step in understanding what the potential impact of the banning of alcohol could have on this specific market.

The third-person effect theory suggests that it can be expected that the individual university student will perceive him/herself as less susceptible to be influenced by the advertising of alcohol than others. The following primary objective is formulated for the study: To determine whether a difference exist between the individual’s perception of the influence of alcohol advertising on him/herself, and the individual’s perception of the advertising of alcohol advertising on others.

The following secondary objectives support the study:
To determine the perceived influence of alcohol advertising on the individual University student
To determine the individuals’ perceived influence of the advertising of alcohol on other University students
To determine the extent to which University students support the banning of the advertising of alcohol
To uncover the demographic characteristics of the University students
To determine University students alcohol consumption behaviour

Based on the primary objective, the following research hypothesis was formulated:

H1: There is a significant difference between the individual’s perception of the influence of alcohol advertising on him/herself and the individual’s perception of the influence of alcohol advertising on others.

RESEARCH METHODOLOGY

Sampling
The target population for this study consisted of university students registered for a three-year qualification at a university in Gauteng, South Africa and who are enrolled for Sales and Marketing Management subjects during their specific year of study. The units of analysis were the individual university students. A convenience sampling method was used to select respondents, as only those classes that contained a large audience of students enrolled for either Marketing or Sales subjects were approached. Convenience sampling is recommended to obtain a large sample of respondents quickly and economically, but limits the generalisation of the findings to the larger population (Zikmund & Babin, 2007:273). The target sample size for the study was a sample of 500 respondents. This sample size is in line with a similar study conducted amongst university students in the United States of America by Begin and Liu (2006:244-252). A total of 650 questionnaires were distributed and a total of 547 were returned, suggesting a response rate of 84%. From the 547 questionnaires, a total of 452 questionnaires were complete and useable and therefore included in the final analysis.

Data collection
The initial questionnaire was pretested using a convenience sample of 20 respondents. Data for the main study was collected over a one-week period during March 2014. A survey method was used and respondents were asked to complete a self-administered questionnaire. No incentives were provided to
respondents for completing the questionnaires and respondents were also ensured of the confidentiality of their responses.

Measures
The questionnaire used for this study was taken from a similar study done on alcohol advertising that was conducted among students in the United States by authors Begin and Liu (2006:244-252). The third item on the scale measuring respondents’ attitude towards alcohol advertising was changed to only state “I identify with the situations portrayed in alcoholic advertisements”, removing the words ‘and characters’, which featured in the original questionnaire. The pretest suggested an increase in the Cronbach’s alpha coefficient, should the item be deleted. This lead to the conclusion that the inclusion of both words ‘situations and characters’ was confusing to respondents and the statement was therefore changed as stated above. The second item on the original scale measuring respondents’ attitudes towards the banning of alcohol advertising was removed, as it stated ‘People who cannot yet legally drink should not be exposed to alcohol advertising’. The reason for its removal is due to the fact that a large number of students in the United States are under 21, which means they are below the legal drinking age for the United States. In South Africa, the legal drinking age is 18 and therefore most students in South Africa are allowed to legally drink.

A screening question was included first asking respondents whether they have consumed alcoholic beverages before, in order to ensure that the questionnaire was only completed by those respondents who had consumed alcoholic beverages at some point in the past. The second and third questions measured respondents’ attitudes towards alcohol advertising and alcohol products, using one three item and one two item, five-point Likert type scale (labelled strongly disagree = 1 to strongly agree = 5). The fourth and fifth questions measured respondents’ perception of the influence of alcohol advertising on themselves, as well as their perception of its influence on others using two three-item, five point Likert-type scales (labelled no influence at all = 1 to great deal of influence = 5). Respondents’ support for the banning of alcohol advertising was measured in question six, using a four-item, five-point Likert scale (labelled strongly disagree = 1 to strongly agree = 5). The questionnaire concluded asking a question on respondents’ frequency of alcohol consumption and demographic questions relating to respondents’ age, gender and ethnicity.

Table 1 indicates the Cronbach’s alpha reliability coefficient of each of the scales used in questions two to six.

Table 1: Cronbach’s alpha coefficients for scales

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of items</th>
<th>Cronbach’s alpha value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude towards alcohol advertising</td>
<td>3</td>
<td>0.74</td>
</tr>
<tr>
<td>Attitude towards alcohol products</td>
<td>2</td>
<td>0.82</td>
</tr>
<tr>
<td>Influence of alcohol advertising on the self</td>
<td>3</td>
<td>0.85</td>
</tr>
<tr>
<td>Influence of alcohol advertising on others</td>
<td>3</td>
<td>0.89</td>
</tr>
<tr>
<td>Attitude towards the banning of alcohol</td>
<td>4</td>
<td>0.72</td>
</tr>
</tbody>
</table>

The Cronbach’s alpha coefficient shows that all the scales had a value higher than 0.7, indicating acceptable internal consistency reliability of the scales used for this study.

RESULTS
Demographic profile and alcohol consumption behaviour of respondents
The demographic profile of the sample of respondents is shown in Table 2.
The sample was slightly dominated by female respondents (56.4%) and the majority of respondents were aged between 18 and 20 (65.3%) and of African ethnicity (83.2%). Respondents’ were asked to indicate how often they consume alcohol. Their alcohol consumption behaviour is shown in table 3.

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>N</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>376</td>
<td>83.2</td>
</tr>
<tr>
<td>Coloured</td>
<td>25</td>
<td>5.5</td>
</tr>
<tr>
<td>Indian</td>
<td>11</td>
<td>2.4</td>
</tr>
<tr>
<td>White</td>
<td>34</td>
<td>7.6</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>452</td>
<td>100</td>
</tr>
</tbody>
</table>

From Table 3 it can be seen that 47.1% of the respondents indicated that they consume alcohol less than once a month, followed by 20.8% indicating at least once a month, 15.7% once in two weeks, 11.7% once a week, and only 4.6% of respondents indicated that they consume alcohol more than once a week.

**The perceived influence of alcohol advertising on the individual and others and the third-person effect**

Composite scores for both scales measuring respondents’ perceived influence of alcohol advertising on themselves, as well as others were calculated by averaging respondents’ answers to each of the items. The individual’s perceived influence of alcohol advertising on him/herself was fairly low (M =2.52, SD=1.17), whilst the individual’s perceived influence of alcohol advertising on others was fairly high (M=3.94, SD=1.04).

The third-person effect theory suggests that people believe that they are personally less susceptible to be influenced by advertising than what other people are. The null and alternative hypotheses to test this theory on the advertising of alcohol products include:

H1: There is a significant difference between the individual’s perception of the influence of alcohol advertising on him/herself and the individual’s perception of the influence of alcohol advertising on others.

Hnull: There is no difference between the individual’s perception of the influence of alcohol advertising on him/herself and the individual’s perception of the influence of alcohol advertising on others.

Tests for normality were conducted for the constructs measuring the individual’s perceived influence of alcohol advertising on him/herself and on others, and the results suggested a non-normal distribution. Pallant (2011:206) suggests that with sample sizes larger than 30, the violation of the assumption is unlikely to cause any serious problems. The hypothesis was therefore tested at a 5% level of significance, using a paired samples t-test.

The results of the paired samples t-test indicated a significant difference in the scores for the perceived influence of alcohol advertising on the self (M=2.53, SD=1.17) and the perceived influence of alcohol advertising on others (M=3.94, SD=1.04) conditions, t(451)=−22.104, p = 0.000. The result shows support for the hypothesis, as a significant difference was established and also confirms the third-person effect, as the means for the individual’s perception of alcohol advertising on others is 1.42 higher than the mean for the individual’s perception of alcohol advertising on him/herself.
Consumer attitudes towards alcohol advertising, alcohol products and the banning of alcohol advertising

Table 4 indicates the mean and standard deviations for respondents’ attitude towards alcohol advertising, attitude towards alcohol products, and attitude towards the banning of alcohol advertising.

**Table 4: Attitude towards alcohol advertising, alcohol products and the banning of alcohol advertising (n = 452)**

<table>
<thead>
<tr>
<th>Statements and overall attitudes</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall attitude towards alcohol advertising</strong></td>
<td>3.04</td>
<td>1.04</td>
</tr>
<tr>
<td>I like advertising for alcoholic beverages</td>
<td>2.86</td>
<td>1.32</td>
</tr>
<tr>
<td>I don’t have a problem with advertising for alcoholic beverages</td>
<td>3.60</td>
<td>1.34</td>
</tr>
<tr>
<td>I identify with the situations portrayed in alcoholic beverage advertisements</td>
<td>2.68</td>
<td>1.20</td>
</tr>
<tr>
<td><strong>Overall attitude towards alcohol products</strong></td>
<td>3.03</td>
<td>1.34</td>
</tr>
<tr>
<td>I like liquor, beer, ciders or wine products</td>
<td>3.04</td>
<td>1.47</td>
</tr>
<tr>
<td>I have a favourable opinion of most alcoholic beverages</td>
<td>3.02</td>
<td>1.44</td>
</tr>
<tr>
<td><strong>Overall attitude towards banning of alcohol adverts</strong></td>
<td>2.71</td>
<td>1.08</td>
</tr>
<tr>
<td>Alcohol companies shouldn’t advertise to students</td>
<td>2.66</td>
<td>1.45</td>
</tr>
<tr>
<td>There ought to be more restrictions on alcohol advertising</td>
<td>3.32</td>
<td>1.41</td>
</tr>
<tr>
<td>I support the idea of banning alcohol ads from some media forms</td>
<td>2.70</td>
<td>1.54</td>
</tr>
<tr>
<td>I support the idea of banning alcohol ads from all forms of media</td>
<td>2.15</td>
<td>1.41</td>
</tr>
</tbody>
</table>

Respondents’ overall attitude towards alcohol advertising showed a moderate overall agreement with all the statements (M=3.04, SD=1.04), as well as a moderate overall agreement with the statements on their overall attitude towards alcohol products (M=3.03,SD=1.34). Respondents agreed the most with the statement “I don’t have a problem with alcohol advertising” (M=3.60, SD=1.34) and the least with the statement “I identify with the situations portrayed in alcoholic beverage advertisements” (M=2.68, SD=1.20).

The respondents’ overall attitude towards the banning of alcohol advertising shows that they mainly disagree with the banning of alcohol advertising (M=2.71, SD=1.08). Respondents’ agreed most with the statement “there ought to be more restrictions on alcohol advertising” (M=3.32, SD=1.41) and the least with the statement “I support the idea of banning alcohol ads from all forms of media” (M=2.15, SD=1.41).

**DISCUSSION**

This study investigated whether a significant difference exist between the individual’s perception of the influence of alcohol advertising on him/herself and the individual’s perception of the influence of the advertising of alcohol advertising on others. This study was done whilst being mindful of the South African government’s proposed new ‘Control of Marketing of Alcohol Beverages Bill’ that will place restrictions on the advertising of alcoholic beverages.

**Summary of findings**

The results indicated that there was a significant difference between respondents’ perception of the influence of alcohol advertising on themselves and their perception of the influence of alcohol advertising on others. This result confirms the theory of the third-person effect that argues that the individual will perceive other people to be more likely to be influenced by advertising, than him/herself. These findings are in line with the findings by Davidson (1983:3) where the third-person effect was confirmed through the use of four different small experiments. Davidson was the first researcher to develop and test this proposition, which has since become accepted as a theory which has been widely used in a number of different contexts.

The individual’s perceived influence of alcohol advertising on him/herself was fairly low, suggesting that most respondents of the sample were of the opinion that they are not influenced by alcohol advertising. However, respondents were of the opinion that the advertising of alcohol has an influence on others, as their rating on this scale was fairly high. The latter is in line with the literature by Davidson (1983:33) who states that individuals will expect communication like advertising to have a greater effect on others than on themselves.

The respondents’ overall opinion was that of disagreement with the banning of alcohol advertising, as the results showed no overall support for the banning of alcohol advertising. However, some support for imposing restrictions on the advertising of alcoholic beverages was evident. Few agreed with the statement of banning alcohol advertising on all forms of media, suggesting that people don’t think banning alcohol
advertising altogether will help, but that some restrictions are needed, as the results showed some agreement for the banning of alcohol advertising on some media forms.

The respondents' demographic profile was somewhat more dominated by females (56.4%) of African ethnicity (83.2%) between the ages of 18 and 20 years (65.3%). About 47.1% of the respondents indicated that they consume alcohol less than once a month and close to 21% said that they consume alcohol once per month. Approximately 27.4% of the sample indicated that they consume alcohol once in two weeks or once a week, whilst only 4.6% indicated that they consume alcohol more than once a week.

Only 4.6% (more than once a week) of this sample potentially consume as much as the average South African drinking adult (suggested at around 10 drinks a month). The sample's overall consumption is in stark contrast with the literature on student alcohol consumption by Young and De Klerk (2009:101-112) and Fieldgate et al. (2013:33). The literature however suggests that individuals with a higher interest in or need for a product category will show more interest in communications about it (Krugman, 1972:13; Hawkins & Mothersbaugh, 2010:279) and the low consumption rate could potentially explain why there was a low perception of alcohol advertising regarding the influence on the individual. This finding further supports the works of Fogarty (2009:110) and Hanson (2013:1) who argues that alcohol advertisements do not necessarily influence consumers to increase the consumption of alcohol. The results also showed most respondents don’t associate with the situations portrayed in alcoholic advertising, which might be another reason why they didn’t think advertising had an influence on them.

Managerial implications
The fact that the majority of individuals indicated that they are not influenced by the advertising of alcohol and that they also don’t relate to the situations portrayed in alcohol advertising, suggests that alcoholic beverage companies need to take another look at the effectiveness of their advertising. This suggestion is ironic, because the South African authorities are suggesting the banning of alcohol advertising, because they are of the opinion that alcohol advertising influences the individual. The suggested excessive alcohol consumption rate among adult drinkers in South Africa (Fieldgate et al., 2013:33) is however concerning, but at the same time represents 35% of the population. This rather calls for those marketers working in the marketing of social issues to focus on advertising to those who are over consuming and informing them of the dangers, as opposed to just banning the advertising of alcohol overall. The results of this study support the idea that the advertising of alcohol does not necessarily go hand in hand with excessive consumption of alcohol amongst the masses, but rather identifies that a small percentage of drinkers, do so excessively and that they should rather be targeted with communications that will help them to decrease their consumption. The confirmation of the presence of the third-person effect further contributes to potentially suggesting why the authorities might be of the opinion that alcohol advertising influences the South African population, as it confirms the notion that the individual would rather perceive others to be more influenced than him or herself. The third-person effect also lends itself towards those working in the advertising industry, by suggesting the importance of testing the effectiveness wherever possible, because the one manufacturing the advertisement could perceive it to have a higher influence on the market targeted than it would have in reality.

Directions for future research and limitations
Future research should be conducted to explore the level of influence that the advertising of alcohol has on those who are in fact above average consumers of alcohol, in order to determine its effect on these individuals. There is also a need to look deeper into what motivates heavy drinkers to drink excessively, and how the use of social marketing techniques could focus more on informing drinkers of its potential dangers. The study’s sample reflected the typical consumption behaviours of the overall South African population, rather than the consumption patterns suggested by the literature on the South African youth population (Young and de Klerk, 2009:101-112 & Fieldgate et al., 2013:33). A further study could be conducted in order to determine whether there has been a change in the youth’s consumption of alcohol and if so, what may be causing it. The use of a convenience sample prohibits the generalisation towards the population and calls for a similar study using a more representative sample of the South African youth population. Furthermore, only students on two of the university’s campuses were asked to complete the questionnaire and the study was not extended to the other two campuses. It also only sampled those students who were enrolled for Marketing and Sales subjects, excluding those enrolled for other subjects. Another limitation is that the study was conducted solely among university students and is therefore only representative of a specific sample of the adult alcohol consuming population of South Africa.
REFERENCE LIST


WOMEN’S PERCEPTIONS OF INVESTMENT PLANNING: A PROPOSED FRAMEWORK AND MEASUREMENT

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ABSTRACT
Investment planning is seen as an important solution to help solve problems related to investments. Previous research however indicated that compare to men, women do not conduct proper investment planning.
Against this background the objective of this research is to propose a hypothesised model and measurement of factors influencing women’s perceptions of investment planning. For the purpose of this paper the proposed factors are Values, Attitudes, Time horizon, Personal life cycle, Investment Knowledge, Risks and Returns (independent variables) influencing the Perceived successful investment planning (dependent variable). The validity and reliability of the measuring instrument was tested among 207 women respondents. The exploratory factor analysis, as well as the Cronbach alpha coefficient analysis, revealed that Investment knowledge, Personal life cycle, Values and Time horizon are important factors that could potentially influence Perceived successful investment planning.

INTRODUCTION
Throughout the years, women have rarely been encouraged to interest themselves in financial matters (Alderson, 2012:8; Light, 2012:17). Women are therefore seen as financially more vulnerable than men (Eikmeier, 2007:206). Previous research of Wood (2012:34), Burn (2011:2), Chene, Gold and Gramlich (2010:49) showed that most women only realise that they should have conducted financial planning for their future when a life crisis, such as a divorce, or financial dilemma, like planning for retirement, occur.

Savage (2008:30) suggests that the only way women can become more confident and financially independent is by conducting financial and investment planning. Financial planning is a necessary and unique process that could assist women in creating proper plans which cover all aspects of their finances (Warschauer, 2008:3; Hallman & Rosenbloom, 2003:5). Financial planning provides direction and meaning to people’s financial decisions. It shows how each financial decision an individual makes affects other areas of their finances (Winger & Frasca, 2006:7). Financial planning also helps women to evaluate their financial strengths/weaknesses as well as plan for future needs. As a result, it will assist them to reduce the impact of an unforeseen financial crisis and to stay in control over their financial matters (Benefits of financial planning, 2012:10; Boone, 2011:22; Jadhav, 2010:8).

According to Gitman and Joehnk (2010:21), investment planning is one of the most important components of financial planning. There are a number of reasons why it is essential for people in general and women in particular to engage in investment planning. Firstly, investing assists individuals in maintaining purchasing power by beating inflation in the future (Budgar, 2011:22; O’Keefe & Burke, 2008:44). Secondly, investment planning will ensure that people use the time value of money concept to grow the value of their investments (McCrillis, 2012:12). Thirdly, the efficient use of capital is managed successfully via investment planning (McCoy, 2012:80; Weatherholt, 2009:12). The fourth reason is that engaging in investment planning could assist in achieving financial goals in an effective manner (Goldberg, 2005:18). Additionally, investment planning aids people to understand tradeoffs need to be made in order to attain vital investment goals. Lastly, investment planning helps people to enrich their lives not only financially but also physically, emotionally and mentally (The importance of financial planning, 2011:3).

PROBLEM INVESTIGATED
Despite its importance women still do not engage in financial and investment planning (Wood, 2012:35; Falahati & Paim, 2011:1767; Goldsmith & Goldsmith, 1997:236). Previous research (Cohen & Moodley, 2012:10; Burn, 2011:2; Jefremovas, 2000:147) suggest several obstacles women face which prevent them from practicing financial planning, such as the influence of cultures or less time than men to consider the subject due to family commitments. Furthermore, when it comes to financial matters in a relationship, women’s finance are often taken care of by their partners/husbands rather than by themselves (Hawes, 2013:21; Alderson, 2012:8). Women also tend to react only when a financial crisis happens (such as a
divorce or death of husband/partner) more than planning their finances ahead of time (Arde, 2012:9; Wood, 2012:34; McRae, Benton, Burns, Royal, Smith & Wallace, 2010:72; Trewin & Curatola, 2010:70).

Based on previous research of Keehn (2009:233), Bernard (2010:8) as well as Olsen and Cox (2001:30), there are four main reasons why women are reluctant to do investment planning. Firstly, women often assume that they have limited knowledge relating to investments (Wood, 2012:38). Secondly, women are not as confident as men while making investment decisions (Yilmazer & Lyons, 2010:121). The third reason is that women are risk averse so they tend to be scared of making a financial loss on investments (Willows, 2013:7; Watson & McNaughton, 2007:54). Lastly, women are more likely than men to have pre-conceptions that investment decisions are stressful, difficult and time consuming (Bernard, 2010:8).

Despite there being understandable reasons why women do not conduct financial and investment planning, the costs of failing to do so can be high (Hallman & Rosenbloom, 2003:5). Previous studies (Burn, 2011:2; Trewin & Curatola, 2010:70) highlighted that most women can still live long after their retirement. More women than men, especially single mothers, are found unprotected from disability, serious illnesses or unemployment (Alderson, 2012:8; Marsden, 2012:1). In addition, women tend to make more losses from being unable to manage personal finances and investments (Arde, 2012:9; Gitman & Joehnk, 2010:21). Last but not least, women's financial and investment objectives in life may not be obtained or even realised (Alderson, 2012:8; Fisher-French, 2012:11; Ody, 2008:33; Hauser & Lauterbach, 2004:1167).

PRIMARY RESEARCH OBJECTIVES

Given the lack of research attention focused on women's perceptions on financial and especially investment planning, as well as the benefits derived from properly making use of the financial and investment planning process, the primary objective of this paper is to identify and empirically investigate women's perceptions regarding investment planning in the Nelson Mandela Bay. Suggestions will also be made, based on the empirical results, of how to assist women to make better investment decisions.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Financial planning covers major financial areas, namely personal financial management, business financial planning, risk management, tax planning, retirement planning, estate planning and investments planning (Botha, Rossini, Geach, Goodall, Du Preez & Rabenowitz, 2010:38). Hirsch (2005:7) emphasises that financial planning is a complex process and should be customised as no two individuals face the exact financial circumstances or have similar financial needs. For the purpose of this study, Financial planning refer to the process of setting up, implementing and monitoring a financial plan with specific goals after assessing any individual's financial circumstances to help them stay on track to attain their financial goals (Irving, 2012:50; Gitman, Joehnk & Billingsley, 2011:7; Collins, 2009:67; Kahler, 2007:4; Garman & Forgue, 2003:5).

According to Gitman and Joehnk (2010:21), investment planning or investment management is one of the most important components of financial planning. The reason being is that a proper investment plan will help an individual achieve her specific financial goals, such as contributing to an education fund or building up a reasonable retirement fund. For the purpose of this study, Investment planning refers to placing available funds into suitable investment vehicles while taking into account the investor's long- and short-term goals, in order to obtain some form of reward (Sudweeks, 2012:5; Duncan, 2011:7; Oladipo & Clovey, 2008:65; Purkayastha, 2008:17; Oglesby, 2007:38).

There are six factors which could potentially influence women's views when investment planning is undertaken. A discussion of these factors, namely Values, Attitudes, Time horizon, Personal life cycle, Investment Knowledge, Risks and Returns, will follow. These factors are also seen as the independent variables in this study. The research hypothesised model of the study is presented in Figure 1. It can be indicated that the hypothesised model (Figure 1) signifies that Perceived successful investment planning act as the dependent variable and factors which influence women's perceptions of investment planning act as the independent variables.
Figure 1: Proposed Hypothesised Model of Factors Influencing Women’s Perceptions of Investment Planning

Independent variables

**Values:** According to Hockenbury and Hockenbury (2007:34), individuals’ goals are a reflection of their personal values. Values are relatively permanent personal beliefs about what everybody regards as important, worthy, desirable or right in the way they live and work (Giraldi & Ikeda, 2008:172). Kreie and Cronan (2000:66) stress that values should determine individuals’ priorities in general and investment planning in particular. Values can be used as a measurement to tell if life turns out the way they want it to. When the behaviours of people do not match their values, they will not feel satisfied and content (Hockenbury & Hockenbury, 2007:40; Helm, 2001:67). In this study, *Values* refer to women’s belief of what is important in their life and help them shape their investment goals. When it comes to investment planning, women’s values are often guides on which to base their investment goals. While setting up personal investment goals, women become more specific about how they want to achieve their goals and how to judge whether their goals are realistic (Swenson, 2013:13; Journey, 2010:14). For instance, if a woman values her independence (in terms of finance), she will invest in an investment portfolio to gain adequate funding to buy her own car or house (Mhlanga, 2013:2). Value-based goals help women not only to gain happiness in life by being able to live up to their values, but also to achieve success in their investment planning (Price, 2009:4; Mills, 2009:8).

The following hypotheses are thus formulated:

- **H_{0,1}:** There is no relationship between *Values* and *Perceived successful investment planning*.
- **H_{a,1}:** There is a relationship between *Values* and *Perceived successful investment planning*.

**Attitudes:** Waits (2012:21) defines attitudes as a learned tendency to evaluate things in a certain way. This can include evaluations of people, issues, objects or events. Attitudes reflect a position individuals have taken with regard to their values, and are much more flexible than values (Höög, 2005:193; Boninger, Krosnick, Berent & Fabrigar, 1995:159). In the present study, *Attitudes* refer to women’s thoughts, feelings and approach toward investment planning. Women’s attitudes to investment planning are partially influenced by social expectations, as well as culture, of the way they should manage their finances as women (Jefremovas, 2000:147). Research shows that in some cultures, men view women as better budgeters and possessing greater self-control. A culture’s expectation dictates gender roles and different attitudes towards managing finances and investments. This is the reason why women find themselves more focused on short-term finances than engaging in investment planning (Jefremovas, 2000:147; Brenner, 1995:25). For women who do engage in investment planning, their attitudes toward investment activities result from past experiences. They are willing to wait when an investment does not produce expected results, instead of making investment changes (Hira & Loibl, 2006:8). Arri, Sunita and Julee (2011:5) suggest that female investors tend to display less confidence in their investment decisions (owing to a lack of knowledge and being risk averse) and therefore have lower satisfaction levels. In addition, they are more cautious with regard to investment in shares, especially if the availability of their funds is low. The reason is that they worry about the high risk that shares have, compared to other investment instruments. Hira and Loibl (2006:8) comment that many women find making investment decisions stressful, difficult and time-consuming. Therefore, the following hypotheses are formulated:

**Risks and Returns**

**Perceived Successful Investment Planning**

**Investment Knowledge**

**Personal life cycle**

**Time horizon**

**Values**

**Attitudes**

**Perceived Successful Investment Planning**

Source: Researcher’s own construct.

**H_{0,2}:** There is no relationship between *Attitudes* and *Perceived successful investment planning*.

**H_{a,2}:** There is a relationship between *Attitudes* and *Perceived successful investment planning*.

**H_{0,3}:** There is no relationship between *Time horizon* and *Perceived successful investment planning*.

**H_{a,3}:** There is a relationship between *Time horizon* and *Perceived successful investment planning*.

**H_{0,4}:** There is no relationship between *Investment Knowledge* and *Perceived successful investment planning*.

**H_{a,4}:** There is a relationship between *Investment Knowledge* and *Perceived successful investment planning*.

**H_{0,5}:** There is no relationship between *Personal life cycle* and *Perceived successful investment planning*.

**H_{a,5}:** There is a relationship between *Personal life cycle* and *Perceived successful investment planning*.

**H_{0,6}:** There is no relationship between *Risks and Returns* and *Perceived successful investment planning*.

**H_{a,6}:** There is a relationship between *Risks and Returns* and *Perceived successful investment planning*. 
H₀.₁: There is no relationship between Attitudes and Perceived successful investment planning.
H₁.₁: There is a relationship between Attitudes and Perceived successful investment planning.

Time horizon: Time horizons are simply the length of time that investors place funds in different investments in order to obtain their investment goals (Parker, 2011:6; Scott, 1993:22). Hence, Time horizon in this study refers to the number of years that female investors place funds in different investments in order to obtain their investment goals (capital growth or regular income from withdrawals of investments or both). Setting a time horizon for any investment usually has to do with the goals and objectives of the investor. Typically, investment time horizons can be categorised as short-, medium- and long-term (Klos, Weber & Weber, 2005:1779). A short-term horizon is generally less than five years (Alles & Murray, 2009:280). A medium-term horizon falls between five and 10 years. A long-term horizon is longer than 10 years (Klos et al., 2005:1779). A longer time results in more time to accumulate savings and replenish investment losses (Marable, 2008:27). To women, time horizon is a critical element in doing their investment planning. By making use of time horizon, women can achieve their investment goals more effectively. Women can also maximise their financial security in the short term and the long term without any conflict between the two if they correctly identify the time horizons of each investment goal (Young, 2013:2; Parker, 2011:6; Zugang & Jia, 2010:323). Consequently, the following relationships are hypothesised:
H₀.₂: There is no relationship between Time horizon and Perceived successful investment planning.
H₁.₂: There is a relationship between Time horizon and Perceived successful investment planning.

Personal life cycle: It appears that people’s financial priorities change as they move through the different phases of the personal life cycle (Overton, 2010:385). An individual’s life cycle has five distinct phases based on different age ranges: the young years, the family years, the career years, the pre-retirement years and the retirement years (Cooper & Worsham, 2009:23; Kalwarski, 2009:52; Byrd, 2006:34; Boscaljon, 2004:167; Swart, 2002:146; Bertrand, 2001:34). Consequently, for the purpose of this study, the factor Personal life cycle refers to different investment needs women have through five separate phases in their life cycles based on different age categories. People’s priorities and preferences will change according to their current individual circumstances during this cycle (Cooper & Worsham, 2009:50; Bertrand, 2001:34). Similarly, individuals’ planning and priorities will differ in accordance with the different levels at which they find themselves in terms of Maslow’s hierarchy of human needs (Reitan, 2013:6; De Brouwer, 2012:111; Sengupta, 2011:102; Poston, 2009:347; Swart, 2002:6). Caldwell (2012:20) notes that women’s life situations reduce the chances of them attaining certain investment goals because of unexpected life situations, such as becoming a single mother, getting divorced or becoming a widow (Uglanova & Staudinger, 2013:265; Adelman & Bankoff, 1990:64). After such a life situation, the investment needs of a woman will change, and the investment plan needs to be adapted accordingly (Hira & Loibl, 2006:10). Also, women’s financial resources are more restricted because they earn less than men. Therefore women have to sometimes sacrifice their long-term investment needs and may only be able to cover short-term and basic needs such as household expenses (Langton, 2013; Malhotra & Crum, 2010:43). Therefore, it is important for women to practise, monitor and alter investment planning throughout different stages of their life cycle (Women and investing, 2013:6). Based on the discussion presented above, the following hypotheses have been formulated:
H₀.₃: There is no relationship between Personal life cycle and Perceived successful investment planning.
H₁.₃: There is a relationship between Personal life cycle and Perceived successful investment planning.

Risks and returns: Hull (2009:98) and Coqiauri (2009:48) define risk as the possibility of suffering a loss. There are many types of risk involved in investment options, such as market, business, interest rate, inflation and liquidity risks (Mayo, 2011:133; Winger & Frasca, 2006:255; Scott, 1993:22). Return refers to the income or profit on an asset or the possible loss involved in owning such an asset or investment (Jordan, Miller & Dolvin, 2012:2). Risk and return are positively correlated. In other words, the higher the risk, the higher the anticipated return, whiles the lower the risk, the lower the anticipated return (Swart, 2002:132). Therefore, in this study, Risks and Returns refers to women’s awareness while choosing suitable investment instruments that carry the acceptable amount of risk they can take and the desired rewards or profits they want to achieve. A number of studies that focus on risk-taking in investments emphasise that there are differences between male and female risk tolerance levels. Charness and Gneezy (2012:50) note that women are more risk averse than men. Mittal and Vyas (2011:45) suggest that women’s attitude towards risks is less aggressive than their male counterparts because they generally have less confidence in making investments than men. As a result, women often take a more conservative approach to making investment decisions, which in turn leads to lower returns on their investments (Davidson, 2011:20). Similarly, Rutterford and Maltby (2007:306) find that women have a low tolerance towards investment risks. However, women who possess some level of education, financial knowledge and wealth are willing to accept more investment risks than others. According to Droms and Strauss (2003:72), one of the key steps in investment planning is the assessment of women’s risk tolerance, so that an investment portfolio (a combination of two or more
investment instruments) can be structured that is consistent with their willingness to trade risk for reward. Hsin-Yuan, Dwan-Fang and Shang-Yu (2010:40) agree that it is necessary to consider investment risks and returns when doing investment planning. In doing so, women will be able to maximise the possibility of reaching their financial goals and protecting their portfolios (Weatherholt, 2009:12). Therefore, the following hypotheses are formulated:

\( H_{06} \): There is no relationship between \textit{Risks/Returns} and \textit{Perceived successful investment planning}.

\( H_{16} \): There is a relationship between \textit{Risks/Returns} and \textit{Perceived successful investment planning}.

\textbf{Investment knowledge:} In the present study \textit{Investment knowledge} refers to women’s knowledge on the different types of investment vehicles as well as diversification and tax implications on different investments. According to Derkley (2001:60) and Miller (2005:123), more women than men admit that they are not very knowledgeable about investment planning. Therefore women tend to feel less confident than men in their understanding of investment products as well as the current economic conditions which influence their ability to make investment decisions (Malcolm, 2012:5). The only way for women to achieve some form of success in doing investment planning is for them to gain basic investment knowledge such as knowing the types of existing investment vehicles (Fisher-French, 2012:11; Rogers, 2011:4). It is also important for women to familiarise themselves with the risks and returns of each vehicle, as well as the taxes/fees related to each investment vehicle to avoid unnecessary costs which can limit the gains on their investments (Brett, 2013:7; Cameron, 2011:12; Hesse, 2011:4; Carney, 2009:10). Women should also understand and make use of diversification when engaging in investment planning. Hira and Loibl (2006:15) maintain that women are less likely than men to diversify their investments. Women invest more in money market instruments than other investment instruments. They feel safer investing in money market instruments because of the liquidity level and low risk (Hesse, 2011:4). However, the lack of knowledge of diversification leads everyone in general and women in particular to receive lower returns and higher risks (Hira & Loibl, 2006:15). Based on the discussion presented above, the following hypotheses have been formulated:

\( H_{06} \): There is no relationship between \textit{Investment knowledge} and \textit{Perceived successful investment planning}.

\( H_{16} \): There is a relationship between \textit{Investment knowledge} and \textit{Perceived successful investment planning}.

\textbf{RESEARCH METHODOLOGY}

\textbf{Sampling procedure and response rate}

For the purpose of this study convenience and snowball sampling was used. These two methods were adopted because there was no existing database available on women investing in the Eastern Cape. No financial or investment institutions was prepared to make available their existing client database of women who invest with them. Therefore, the researcher approached respondents who constituted the sample that were available and willing to participate in this research.

This study only focused on women who are older than 20 years and involved in some form of investing. Therefore, the sampling process began by contacting financial and investment institutions. Examples of these institutions in the Nelson Mandela Bay are First National Bank, Old Mutual, Sanlam, Standard Bank, Consolidated Financial Planning, Spectrum Group and South City. By doing so, several institutions agreed to inform and encourage their female clients to participate in this study. Together with the respondents listed from these financial institutions’ database, research contacts, family members and friends in the Nelson Mandela Bay were also requested to identify any suitable respondents that could participate in this study. The size of the sample was also increased by referrals made by the participating respondents through follow-ups emails. These potential respondents were contacted and asked to complete the survey by the researcher after confirming their willingness to participate in the study. The sample in this study consisted of 965 respondents. In total 225 questionnaires were returned, of which 207 were usable for further statistical analyses. Therefore, a response rate of 23.31% was realised for this study.

\textbf{Development of scales and administration of measuring instrument}

Primary data relating to the women’s perceptions regarding investment planning was collected. A structured, self-administered questionnaire was made available to respondents via electronic mail (e-mail). These e-mails contain a link to a Web site where the questionnaire was posted. The measuring instrument consisted of a covering letter and four sections. Section 1 consisted of 49 statements (items) relating to the various factors influencing investment planning. A 7-point Likert-type interval scale was employed, and each respondent was asked to indicate the extent to which she agreed with each statement, by placing an (X) in the appropriate column. The 7-point Likert-type interval scale was numbered as 1 = strongly disagree and 7= strongly agree. For each of the goals investigated in this study, the number of items used, the sources of these items, as well as the operationalization thereof can be found in Table 1.
<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Operationalisation of dependent variable</th>
<th>Sources</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived successful investment planning</td>
<td>Refers to the satisfaction of the returns or profits over a period of time which women achieve though carefully placing funds into suitable investment vehicles which match their investment goals and objectives.</td>
<td>Benefits of financial planning, 2012:10; ‘Critical habits’, 2012:23; Budgar, 2011:22; O’Keefe and Burke, 2008:44; Investment Discovery Questionnaire, 2006:1-9; Williams, 1997:77</td>
<td>8</td>
</tr>
<tr>
<td>Independent variables</td>
<td>Operationalisation of independent variables</td>
<td>Sources</td>
<td>Items</td>
</tr>
<tr>
<td>Time horizon</td>
<td>Refers to the number of years that female investors place funds in different investments in order to obtain their investment goals (capital growth or regular income from withdrawals of investments or both).</td>
<td>Investment Discovery Questionnaire, 2006:1-9; Parker, 2011:6; Klos, Weber and Weber, 2005:1779</td>
<td>7</td>
</tr>
<tr>
<td>Personal life cycle of investors</td>
<td>Refers to different investment needs women have through five separate phases in their life cycles based on different age categories</td>
<td>Caldwell, 2012:20; Cooper and Worsham, 2009:23; Overton, 2010:385; Swart, 2002:145</td>
<td>6</td>
</tr>
<tr>
<td>Risks and returns</td>
<td>Refers to women’s awareness while choosing suitable investment instruments that carry the acceptable amount of risk they can take and the desired rewards or profits they want to achieve.</td>
<td>Confidential questionnaire, 2014:1-4; Investment Discovery Questionnaire, 2006:1-9; Mayo, 2011:133; Swart, 2002:132</td>
<td>6</td>
</tr>
<tr>
<td>Investment knowledge</td>
<td>Refers to women's knowledge on the different types of investment vehicles as well as diversification and tax implications on different investments.</td>
<td>Andrew, 2012:10; Anspach, 2012:14; Carney, 2009:10; Ehow, 2012:1; Guina, 2012:12; Investment Discovery Questionnaire, 2006:1-9; Investment personality Questionnaire, 2013:1; Wanyana, 2011:65</td>
<td>7</td>
</tr>
</tbody>
</table>

Section 2 of the measuring instrument requested demographic information relating to the respondents as well as the involvement in investment planning and type of investment instruments which own by each respondent. In addition, Section 3 requested information relating to the respondent’s engagement with investment planning. Respondents are instructed to place an (X) next to the relevant answer option. Section 4 provided an open question to gather respondents’ suggestions and comments relating to investment planning in general.

**Reliability and validity of the measuring instrument**

In order to assess the validity of the measuring scales, an Exploratory Factor Analysis (EFA) was employed. Factor analysis is a statistical method used to identify a reduced number of factors from a larger number of measured variables (Zikmund, Babin, Carr & Griffin, 2010:582; Thomas, 2004:212). According to Suhr (2006:2), the goals of Exploratory Factor Analysis are to determine latent constructs in the set of variables, explain variances that occur amongst the variables, and define the factors or latent constructs.
In order to assess the reliability of the measuring scales, Cronbach’s alpha coefficients were calculated. Cronbach’s alpha coefficient is a measure of internal consistency, that is, how closely related a set of items are as a group (Wilson, 2010:220; Cooper & Schindler, 2007:322). According to Strüwig and Stead (2001:66), Cronbach’s alpha coefficients are often used for measuring instruments that make use of Likert-scales, as is the case in this study. As stated by Zikmund et al. (2010:302), a coefficient of less than 0.6 is considered to be unreliable, 0.6 to 0.7 reflects fair reliability, and coefficients of more than 0.7 are considered very reliable.

DISTRIBUTIONALLY VALIDITY AND RELIABILITY RESULTS

Demographic information

Most of the respondents were aged between 40 and 49 (32%), followed by respondents between the ages 30 and 39 (22%) and 50 to 59 (22%). A small group of respondents were aged between 20 and 29 (15%) and older than 60 years of age (9%). The ethnic affiliations of the vast majority of the respondents were White (71%), followed by Black (11%), Coloured (11%) and Asian (6%). Two respondents were not willing to indicate their ethnic affiliation.

The majorities of respondents were married (64%), followed by single (18%) and divorced (10%) respondents. Some of the respondents indicated that they were in partnerships (5%) or widowed (3%). Regarding the respondents highest qualification, the majority indicated that they obtained a post-graduate degree (45%) which is followed by a diploma (24%). A few respondents indicated that they hold a bachelor degree (15%), grade 12 certificate (14%), grade 10 certificate (1.5%) and a tertiary certificate (0.5%).

The vast majority of respondents were full-time employed (84%) while a small group was employed on a part-time basis (8%). The remaining respondents indicated that they were in retirement (2%), employed on contract (2%), self-employed (2%), homemakers (1%) and students (1%). Nearly half of the respondents have investment experience in excess of 10 years (44%), followed by investment experience of between one and five years (32%) and between six and 10 years (17%). The small minority indicated investment experience less than one year (7%).

With regard to assistance in investment planning, three-quarters of the respondents (75%) made use of a professional. Other assistance were provided by partners/friends/family (39%) or an investment club (2%). Many of the respondents preferred to make the investment decisions by themselves (26%). The types of investments considered by the respondents include retirement plans (82%), property (56%), money market instruments (50%), shares (36%), collective investment schemes (27%), bonds (18%), derivatives (2%), collectables such as art and gold (0.5%) and investment in small businesses (0.5%).

Results of the validity and reliability assessments

An EFA was undertaken to assess the validity of the self-developed measuring instrument where validity refers to whether the measuring instrument measures the concept under investigation (Bryman & Bell, 2007:165). Items with loadings greater than 0.5 that loaded onto one factor only were considered significant (Zikmund et al., 2010:259). The results of the EFA are summarised in Table 2. All the items loaded only onto one factor. The variable Risk and return is excluded from further analysis as only two items loaded onto the Risk and return.

**Table 2:** Factor Structure of the Variables

<table>
<thead>
<tr>
<th></th>
<th>IK</th>
<th>PLC</th>
<th>VAL</th>
<th>SIP</th>
<th>TH</th>
<th>R&amp;R</th>
<th>ATT</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATT1</td>
<td>0.82</td>
<td>-0.07</td>
<td>0.00</td>
<td>0.23</td>
<td>0.03</td>
<td>-0.05</td>
<td>0.04</td>
</tr>
<tr>
<td>ATT2</td>
<td>0.81</td>
<td>0.00</td>
<td>0.05</td>
<td>0.23</td>
<td>-0.05</td>
<td>-0.12</td>
<td>-0.04</td>
</tr>
<tr>
<td>IK1</td>
<td>0.78</td>
<td>0.08</td>
<td>0.07</td>
<td>0.14</td>
<td>-0.04</td>
<td>-0.08</td>
<td>0.09</td>
</tr>
<tr>
<td>IK3</td>
<td>0.77</td>
<td>0.00</td>
<td>0.08</td>
<td>0.25</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.09</td>
</tr>
<tr>
<td>IK2</td>
<td>0.75</td>
<td>0.20</td>
<td>0.09</td>
<td>0.05</td>
<td>-0.14</td>
<td>0.06</td>
<td>-0.01</td>
</tr>
<tr>
<td>IK6</td>
<td>0.75</td>
<td>-0.04</td>
<td>0.11</td>
<td>0.02</td>
<td>0.10</td>
<td>0.16</td>
<td>0.00</td>
</tr>
<tr>
<td>RR1</td>
<td>0.74</td>
<td>0.10</td>
<td>0.08</td>
<td>0.12</td>
<td>0.02</td>
<td>0.10</td>
<td>-0.16</td>
</tr>
<tr>
<td>TH7</td>
<td>0.69</td>
<td>0.15</td>
<td>0.11</td>
<td>0.05</td>
<td>0.09</td>
<td>0.16</td>
<td>0.20</td>
</tr>
<tr>
<td>RR3</td>
<td>0.64</td>
<td>0.18</td>
<td>0.02</td>
<td>0.22</td>
<td>0.08</td>
<td>0.20</td>
<td>0.16</td>
</tr>
<tr>
<td>RR5</td>
<td>0.63</td>
<td>0.16</td>
<td>0.12</td>
<td>-0.05</td>
<td>0.01</td>
<td>0.38</td>
<td>0.09</td>
</tr>
<tr>
<td>TH5</td>
<td>0.60</td>
<td>0.12</td>
<td>0.00</td>
<td>0.06</td>
<td>-0.01</td>
<td>0.37</td>
<td>0.17</td>
</tr>
<tr>
<td>IK5</td>
<td>0.58</td>
<td>0.15</td>
<td>0.06</td>
<td>0.00</td>
<td>-0.05</td>
<td>-0.04</td>
<td>0.16</td>
</tr>
<tr>
<td>ATT4</td>
<td>0.56</td>
<td>-0.08</td>
<td>-0.07</td>
<td>0.36</td>
<td>0.03</td>
<td>-0.17</td>
<td>0.07</td>
</tr>
<tr>
<td>PLC1</td>
<td>0.05</td>
<td>0.84</td>
<td>0.00</td>
<td>0.09</td>
<td>0.01</td>
<td>0.02</td>
<td>-0.01</td>
</tr>
<tr>
<td>PLC2</td>
<td>0.08</td>
<td>0.80</td>
<td>0.06</td>
<td>0.14</td>
<td>0.01</td>
<td>0.04</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Seven items were developed to measure the factor Investment knowledge. Only five (IK1, IK2, IK3, IK5 and IK6) of the seven loaded as expected. Two items developed to measure Time horizon (TH5 and TH7), three items developed to measure Risk and return (RR1, RR3 and RR5), and three items developed to measure Attitudes (ATT1, ATT2 and ATT4) also loaded on Investment knowledge. The additional items that loaded on Investment knowledge not originally developed to measure this variable can be used to measure this variable as all of the items deal with knowledge of various investment decisions. From Table 2 it can be seen that the factor loadings ranged between 0.56 and 0.82 and Investment knowledge explains 17.22% of the variance of the data. The Cronbach’s alpha coefficient for Investment knowledge is 0.92. Based on the results, one can conclude that the scale used to measure Investment knowledge is valid and reliable.

Six items were developed to measure Personal life cycle and five (PLC1, PLC2, PLC3, PLC4 and PLC6) of the six items loaded as expected. The factor loadings for this construct ranged between 0.67 and 0.84. Personal life cycle explains 7.95% of the variance of the data while the Cronbach’s alpha coefficient is 0.84. Therefore sufficient support is provided showing that the scale used to measure Personal life cycle is valid and reliable.

For the variable Values, seven items were developed of which six (VAL1, VAL2, VAL3, VAL4, VAL5 and VAL6) loaded as expected. The factor loadings for Values ranged between 0.58 and 0.74 and the
Cronbach’s alpha coefficient is 0.79. The variable Values explains 6.69% of the variance of the data. Sufficient support is provided to regard the scale measuring Values as valid and reliable.

Perceived successful investment planning was measured by eight items. Only five items (SIP1, SIP2, SIP3, SIP5 and SIP8) loaded as expected and the loadings ranged between 0.50 and 0.73. Perceived successful investment planning explains 7.13% of the variance of the data while the Cronbach’s alpha coefficient is 0.79. Based on the results one can regard the scale used to measure Perceived successful investment planning as valid and reliable.

Seven items were developed to measure Time horizon, but only three (TH1, TH2 and TH3) loaded as expected. The loadings ranged between -0.75 and 0.83. The item labeled TH3 had a negative loading, and therefore the data was coded inertly and relabeled as TH3NEW. The relabeled item was used in further analysis. Time horizon explains 4.61% of the variance in the data. The Cronbach’s alpha coefficient is 0.76. Therefore, the scale used to measure Time horizon is regarded as valid and reliable.

Attitudes were measured by eight items of which only two (ATT5 and ATT8) loaded as expected. One item originally developed to measure Values (VAL7) loaded on Attitudes. Therefore, three items loaded on Attitudes and the loadings ranged between 0.57 and 0.66. The variable Attitudes explains 5.00% of the variance in the data. The Cronbach’s alpha coefficient is 0.48 which is below the cut-off point of 0.7. The variable Attitudes is therefore excluded from further analysis.

DISCUSSION OF RESULTS AND IMPLICATIONS FOR THEORY AND FUTURE RESEARCH

This study has implications for both theory and future research. As regards theory, this study improves what is currently known about the investment planning practices of women. The hypothesised framework proposes that relationships exist between various independent variables, namely Values, Attitudes, Time horizon, Personal life cycle, Investment Knowledge, Risks and Returns and the Perceived successful investment planning (dependent variable) of women. However, after conducting an exploratory factor analysis, it was found that all the items did not load on the factors as expected, thus forming new investment factors influencing the Perceived successful investment planning of women. In this study Perceived successful investment planning refers to women being satisfied with the income, growth and return of their investments, an investment return in excess of inflation, as well as their investments enabling them to enjoy personal financial independence.

The factors that loaded as a result of the exploratory factor analysis are Investment knowledge, Personal life cycle, Values and Time horizon. Investment knowledge in this study refers to women being comfortable and confident in making investment decisions, have knowledge about different investment opportunities and their accompanying time horizon and risk, as well as who can assist them in making investment decisions. Personal life cycle refers to women taking cognisance of the fact that different ages have different investment goals, as well as the necessity to monitor and adapt their investment planning needs and goals at different life stages. Values on the other hand emphasise that ethical, cultural, religious, personal and family values guide women’s investment decisions. A Time horizon refers to the preferred length of women’s investments as less than 10 years.

Conflicting results have been reported concerning the factors Risk and return and Attitudes. As only two items loaded on the factor Risk and return, it cannot be considered in future statistical analysis testing relationships. In addition, the reliability of the items measuring the factor Attitudes was low and should be excluded in any further statistical analysis. Future studies will however need to improve the measuring scales and operationalisations of these constructs.

When testing relationships between the independent variables and the dependent variable Perceived successful investment planning these factors should be considered. As result, the original proposed hypotheses should also be reformulated. It is further recommended that in future research the proposed relationships are empirically tested by means of a multiple regression analysis to either reject or confirm the hypotheses. It would also be interesting to empirically test whether women of different age and ethnic groups, marital status and education have different perceptions regarding the investment planning.

LIMITATIONS

Despite the contributions of this study several limitations should be pointed out. These limitations should also be taken into consideration when interpreting the results of this study. As only 207 women respondents of the Nelson Mandela Bay participated in the study, the sample does not represent the population as a whole.
and the generalisability of the results is limited to women in the Nelson Mandela Bay making investment decisions. Future research should attempt to create a more comprehensive database from which probability samples can be drawn. The data for this study was collected by means of a survey. Future studies could develop and employ other methods such as interviews for investigating the investment factors influencing women’s Perceived successful investment planning. Several items relating to the investment factors under investigation did not load together as expected when undertaking the exploratory factor analysis. In future studies the scales measuring the various investment factors in this study should be reconsidered and redeveloped.

REFERENCE LIST


### APPENDIX A: SCALES MEASURING THE DEPENDENT AND INDEPENDENT VARIABLES

<table>
<thead>
<tr>
<th><strong>Investment knowledge</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ATT1</strong></td>
<td>I am comfortable making investment decisions.</td>
</tr>
<tr>
<td><strong>ATT2</strong></td>
<td>I am confident making investment decisions.</td>
</tr>
<tr>
<td><strong>IK1</strong></td>
<td>I have knowledge about different investment opportunities.</td>
</tr>
<tr>
<td><strong>IK2</strong></td>
<td>I have knowledge about the time horizon (length) of different investment vehicles.</td>
</tr>
<tr>
<td><strong>IK6</strong></td>
<td>My investment decisions are based on investment knowledge.</td>
</tr>
<tr>
<td><strong>RR1</strong></td>
<td>I am aware of the different type of investment risks (i.e market risk, business risk, interest rate risk, inflation risk and liquidity risk).</td>
</tr>
<tr>
<td><strong>TH7</strong></td>
<td>I know the time horizon (length) of each of my investments.</td>
</tr>
<tr>
<td><strong>RR3</strong></td>
<td>I am aware of my investment risks (risks related to each of my investment vehicles).</td>
</tr>
<tr>
<td><strong>RR5</strong></td>
<td>I consider the investment risks when choosing the time horizon (length) of my investments.</td>
</tr>
<tr>
<td><strong>TH5</strong></td>
<td>I consider my investment goals when choosing the time horizon (length) of my investments.</td>
</tr>
<tr>
<td><strong>IK5</strong></td>
<td>I gather information regarding investment vehicles/opportunities.</td>
</tr>
<tr>
<td><strong>ATT4</strong></td>
<td>I find it easy to make investment decisions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Personal life cycle</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PLC1</strong></td>
<td>I need to monitor and change my investment planning at different stages of my life (i.e. single, married or divorced).</td>
</tr>
<tr>
<td><strong>PLC2</strong></td>
<td>My investments need change as I move through the different stages of my life.</td>
</tr>
<tr>
<td><strong>PLC3</strong></td>
<td>My investment priorities change as I move through the different stages of my life.</td>
</tr>
<tr>
<td><strong>PLC6</strong></td>
<td>Investment goals will change as a person grows older.</td>
</tr>
<tr>
<td><strong>PLC4</strong></td>
<td>Different age groups have different investment goals.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Values</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VAL4</strong></td>
<td>My ethical values often guide me when investing.</td>
</tr>
<tr>
<td><strong>VAL5</strong></td>
<td>My cultural values often guide me when investing.</td>
</tr>
<tr>
<td><strong>VAL1</strong></td>
<td>My personal values often guide me when investing.</td>
</tr>
<tr>
<td><strong>VAL6</strong></td>
<td>I only make investments that are aligned with my personal values.</td>
</tr>
<tr>
<td><strong>VAL3</strong></td>
<td>My religious values often guide me when investing.</td>
</tr>
<tr>
<td><strong>VAL2</strong></td>
<td>My family values often guide me when investing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Perceived successful investment planning</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SIP2</strong></td>
<td>I am satisfied with the income I receive from my investments.</td>
</tr>
<tr>
<td><strong>SIP5</strong></td>
<td>The return/income from my investments gives me financial independence.</td>
</tr>
<tr>
<td><strong>SIP1</strong></td>
<td>I am satisfied with the growth of my investments.</td>
</tr>
<tr>
<td><strong>SIP3</strong></td>
<td>The growth of my investments exceeds inflation (the general increase in the price of the goods).</td>
</tr>
<tr>
<td><strong>SIP8</strong></td>
<td>I am able to achieve my financial goals by investing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Time horizon</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TH1</strong></td>
<td>I prefer to make investments with the time horizon (length) of less than 5 years.</td>
</tr>
<tr>
<td><strong>TH2</strong></td>
<td>I prefer to make investments with the time horizon (length) of less than 10 years.</td>
</tr>
<tr>
<td><strong>TH3</strong></td>
<td>I prefer to make investments with the time horizon (length) of more than 10 years.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Risk and return</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RR4</strong></td>
<td>I am aware that I need to take more investment risks if I want to get higher returns.</td>
</tr>
<tr>
<td><strong>RR2</strong></td>
<td>I am aware that risks and returns are positively correlated. In other words, the higher the risk, the higher the return.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Attitudes</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ATT8</strong></td>
<td>It is necessary to start investing as early as possible.</td>
</tr>
<tr>
<td><strong>VAL7</strong></td>
<td>Making investments is important.</td>
</tr>
<tr>
<td><strong>ATT5</strong></td>
<td>I like making investments.</td>
</tr>
</tbody>
</table>
PATIENT SATISFACTION MEASUREMENT FOR HOSPITAL SERVICES DELIVERED BY DOCTORS: GUIDELINES FOR IMPROVING THE PRACTICE IN AFRICA

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ABSTRACT
The primary objective of this paper was to explore the level of service provided by the military hospital in Gabon, which appears to have risen above other hospitals on the African continent in terms of the level of service quality provided to patients. The population was defined as all existing patients of the military hospital in Libreville, Gabon. A systematic probability sampling technique was applied and self-administered questionnaires were distributed to the patients once they have signed the released form. The findings revealed that doctors at the military hospital were more successful in being responsive and empathetic to the needs of their patients than showing reliability and encouraging assurance. Medical practitioners could, in particular, pay attention to the skills of doctors at the military hospital to demonstrate compassion towards their patients, given the fact that the doctors were successful in meeting the expectations of their patients by showing empathy.

Key words: Health care industry, services marketing, service dimensions, patient satisfaction

INTRODUCTION
African countries such as Cameroon, the Democratic Republic of Congo, and Equatorial Guinea have a critical and pathetic health care system that requires attention. Health data for the continent indicates that Africa loses about one out of six children before they reach five, who die from sicknesses that could have been avoided by vaccines. In addition, one pregnant woman dies every two minutes from poor pregnancy and delivery care in hospitals. This raises concerns about the state of health system on the continent (Health, 2007:19).

To assist in alleviating the problem, most African countries have taken positive steps and implemented measures to improve their national health care strategies (Health, 2007:19; World Health Organisation, 2007). Similarly, a number of additional health care organisations have been established, including the organisation for the fight against endemic diseases in central Africa and the Central African Economic and Monetary Community, aiming to support economic growth, cooperation, and to improve the living conditions of people in member countries (Organe exécutif de la CEMAC, 2012; Bourgarel, Wauquier & Gonzalez, 2010). However, despite these initiatives, there are still concerns about the quality of medical services in most central African countries. This is because there has been little research conducted on patient satisfaction within medical organisations to pinpoint problems related to poor service performance (Health, 2007).

Superior health services can lead to a higher level of patient satisfaction and patients returning to the same hospital when they fall ill again. This is particularly important since patients satisfied with services are more likely to repeat purchases, to remain loyal, and to follow the medical recommendations (Olusoji, 2009:16-17). Naik, Gantasala and Prabhakar (2010) confirm that there is a strong relationship between service quality, patient satisfaction and profit. Patients, who are satisfied with services, are more likely to communicate their satisfaction to friends and family. As a result, this can attract a large number of customers and lead to increasing return. Patients often praise hospitals that offer service quality that meets or exceeds their expectations, and they are dissatisfied with those that provide inferior services. However, the patients’ views of services quality may deviate from the services providers’, leading to patients being dissatisfied with the services provided. Patients usually require more attention and care from physicians (Yesilada & Direktor, 2010). Patients often rely more on attitudes such as the care of the service provider as an indicator of service quality, rather than the curing performance in health care (Mekoth, George, Dalvi, Rajanala & Nizomadinv, 2012). The quality of service provided by an organisation (such as a hospital) is consequently crucial for the way it can determine the competitiveness of an organisation (Kumaraswamy, 2010). Many
hospitals on the African continent, however, struggle to follow this approach and are in desperate need for further guidance to assist them in improving their level of service provided.

A potential solution to this problem is presented by studying the behaviour of the military hospital in Libreville, Gabon, who is one of the more successful hospitals on the African continent and are succeeding in attracting patients and providing good quality of service. Since its inauguration in 2005, there have been an increased number of patients patronising the newly established medical care facilities/services. The hospital is equipped with high-tech medical equipment, and is managed by a range of qualified medical staff such as general practitioners, specialists, surgeons and nurses. The military hospital has been delivering quality services to the population and attracted a large number of patients in recent years (Hôpital d’ instructions des armées, 2011).

In light of this phenomenon the question that comes to mind is why patients have been so attracted to the military hospital. To date no formal research study has been conducted to provide more insight into this matter. Assessing how patients perceive the level of service provided at the military hospital in Gabon, however, could provide a valuable source of information regarding the dimensions of service quality that were adequately addressed by the hospital. These findings could then further assist in providing guidance to other hospitals in Gabon and the rest of Africa to improve their practices. Consequently, the study conducted for this paper aims to address the abovementioned research gap that exists in the hospital environment on the African continent. While there are many staff members who play a part in the provision of services at the military hospital, the study will only focus on the service provided by the medical doctors at the hospital who can be regarded as the superiors who influence other services provided in the hospital.

RESEARCH PROBLEM
In the previous section it was emphasised that in the health care environment, service quality can lead to patient satisfaction or dissatisfaction (Olusoji, 2009). Superior services provided in hospitals often result in high levels of satisfaction. Satisfied patients in return are more likely to repeat purchases, to remain loyal, and to follow the medical recommendations (Olusoji, 2009). Among the 90% of the people who have access to government hospitals in Gabon, however, only 21% experience proper medical services. 69% of the remaining patients are receiving poor or inadequate health care (Gabon Health, 2011). The public hospitals in Gabon are not aligned to international standards and generally provide poor medical services to patients (Global Health, 2012). Similarly, the private hospitals have also delivered poor services, due to a lack of suitably formulated strategies (Health, 2007). This situation appears to be the same in many other African countries.

In contrast, the military hospital in Libreville in Gabon, seems to have increased its market share in the health care industry. The new hospital has attracted a large number of patients from various parts of the country. There is no clear understanding of why patients have been attracted to the military hospital. Knowledge of the dimensions of service quality that were adequately addressed by the hospital could provide valuable guidance to other hospitals in Gabon and the rest of Africa to improve their practices.

THEORETICAL BACKGROUND
This section is devoted to a literature review to obtain more insight into the context of the study and to assist with the formulation of the research objectives.

Health development initiatives in Gabon
The health care system in Gabon: The health care system in Gabon is comprised of the traditional health sector, and the two major types of service providers namely the civilian public sector, which is part of the public health and hygiene ministry, and the private health sector (Bourgarel et al. 2010:9). In the traditional health sector, health services are often provided by private individuals usually known as ‘marabouts’. Traditional health services make use of traditional plants and are practised in most villages within the country (Global Health, 2012). In the public health sector, health services are usually offered by the state or government, where medical personnel in public hospitals are often employed by the government. The state is the main provider of resources and finances in public hospitals; it ensures control over the delivery of medical care to the people. In the private health sector, medical services are delivered by private entities, different from the government. Private agents have control over resource allocations and finances in private hospitals. Employees in private health care are often employed and remunerated by private units (National Department of Health, 2006). The hospitals in the urban districts are more organised with more resources and technical know-how (Bourgarel et al. 2010:10). Over 60 per cent of public hospitals and clinics are located in major cities such as Libreville, Port-Gentil and Franceville. These facilities also receive more equipment, as well as human and financial resources from the state. Small health facilities like Mother and
Child Centres, Primary Care Health and Health Medical Centres are usually found in rural regions. They are characterised by lack of drugs and medical equipment availability (National Department of Health, 2006). As a result, patients often travel to the main capital to seek better medical care (Gabon Health, 2011). The military hospital in Gabon: The idea to establish the military hospital dated back from the late 1970s to early 1980s. The project was inaugurated in 2005, and the facility has been officially operating since 31 December 2007. The initial ideology was to provide medical services merely to the military forces in the country. It was later decided to also make the services available to the general public. The military hospital was financed by major international organisations such as the French Collaboration (F.C), regarded as one of the main contributors. The hospital team consists of a mixture of local and international qualified medical professionals, mostly French nationals. Each department within the hospital is equipped with advanced medical equipment ranging from ultramodern air conditioners, computers, X-ray machines, scanners, audiometric, echo graph, electrocardiograph, radiology, and endoscope to echocardiograph machines (Historique, 2010). In addition, five ambulance vehicles and a helicopter are available 24 hours a day and seven days a week to deal with emergencies (Service d’accueil, 2010). The hospital’s executive panel comprises of the Chief Medical Director (CMD), who is both a medical specialist and the general director of the hospital, the head of the department of Radiology, the head of department of Internal Medicine and the head of the department of Ear, Nose and Throat, as well as medical specialists. There are eight main clinical departments in the military hospital, including emergency, medical analysis, a pharmacy, internal medicine, surgery and orthopaedic, ophthalmology, ear nose and throat and radiology departments. The research conducted for this paper predominantly focused on the internal medicine department that includes a team of medical specialists such as dermatologists, cardiologists and nurses. The department also has a programme to provide training to medical students (Médécine interne, 2010).

Services marketing and customer satisfaction

Services marketing is fundamental to services organisations; it refers to “the planning and execution of the conception, pricing, promotion and distribution of services aimed at creating customer satisfaction by creating value to the customer through offering service solutions to customer problems” (Beytell, 2010). With the rapid growth in the service sector, most service organisations such as insurance, telecommunications and hospitals have recognised the importance of services marketing to promote the value of their services to customers to increase their profitability. Organisations are now becoming interested in learning how far this development is reflected within their marketing curriculum. Increasingly, organisational profit requires a strong coordination between the marketing department and customers to provide customer satisfaction (Verma, 2012). The application of services marketing is vital as it will push and persuade customers to purchase services. Medical professionals should exercise services marketing to effectively inform patients and address their health concerns. This is critical to enhance service quality in health care (Dosen, 2009).

Service quality in hospitals is described as a service which has the ability to satisfy a patient’s needs. Patients’ perception of medical services plays a vital role in their choice for the medical service provider (Vanniarajan & Arun, 2010). Siddiqui and Sharma (2010:222) confirm that service quality is often described as the consumers’ perceptions of the service received. It is a subjective impression of the relative inferiority or superiority of a service provider and its services. Service quality is usually considered comparable to the consumer’s attitude with regard to the organisation. Rezaei, Rezaei, Alipour and Salehi (2011:483) further believe that service quality has become an essential tool to assess organisational performance and to promote customer satisfaction. In fact, service quality and customer satisfaction are two correlated concepts in the services industry and service quality can influence significantly on customers’ satisfaction. Customer satisfaction results from the difference between customers’ expectations of services and the actual service performance. A customer is satisfied if services match or go beyond his or her expectations, and is dissatisfied if service quality does not meet his or her expectations (Naik et al. 2010).

Furthermore, customer satisfaction is perceived to have an impact on the choices and purchasing behaviour of consumers. Satisfied customers are more likely to increase spending compared to those who are dissatisfied with the service provided. Consequently, satisfied customers can significantly increase an organisation’s profit. Evaluating customer satisfaction has become a central philosophy among most organisations (Fornell, Rust & Dekimpe, 2010:29). Bick, Abratt and Möller (2010:14) confirm that there is a direct relationship between customers’ expectations, service quality, satisfaction and increase of purchase. Raboka (2006:128) suggested that services that match or go beyond customers’ expectations will result in customer satisfaction, and services that go below customers’ expectations will lead to customers’ dissatisfaction with services provided. Furthermore, satisfied customers are more likely to remain loyal to the organisation and increase purchase. Hong-Youl (2006: 137) observed that customers’ choice of services provided can be a complicated mental process and may differ from one period to another. As a result,
organisations should continuously measure customers’ perceptions of services if they strive to remain competitive.

Assessment of service provided
A number of dimensions can be studied to assist in investigating the level of service quality patients received from their doctors at the military hospital. More specifically, there are five major attributes of service quality, namely reliability, responsiveness, assurance, empathy and tangibility that have become dominant in service quality research (Kasper, Helsdingen & Gabott, 2006:189). These dimensions have been successfully used to assess service quality not only in service industries, but in hospital settings as well to assess the gap between patients’ perceptions, expectations of services and the actual service performance (Yesilada & Direktor, 2010:963).

**Reliability:** The reliability dimension entails providing regular performance and dependability (Holder, 2008:47). It refers to the ability of medical staff to honour their promises and provide the promised services to patients timely and correctly (Rezaei et al. 2011:486). Such services may include casualty, emergency service and prompt treatment for instance (Rohini, 2006:68). Reliability is perceived to influence patients’ satisfaction level with care, and constitutes one of the major factors considered by patients when selecting a medical service provider (Rohini, 2006:68).

**Responsiveness:** Responsiveness is an important constituent of service quality dimensions. It refers to the readiness of the medical personnel to assist patients and to offer prompt service (Hernandez, Tur, Peiro & Ramos, 2009:1174). Such services may include patients’ admission, discharge, and excellent reception. Patients’ satisfaction often results from hospitals where employees are kind, helpful and available to provide quick answers to their needs. Responsiveness is perceived to have an effect on patients’ satisfaction level with services, and is highly regarded to influence their choice with care in hospitals (Rohini, 2006:69).

**Assurance:** The assurance dimension involves integrity, trustworthiness and credibility of medical personnel. It refers to the ability of medical employees to have patients’ best concern at heart (Holder, 2008:47). Assurance leads to providing trust and confidence to the recipient of the service. This may result from the expertise of medical personnel like their qualifications, trainings, educational level and their ability to effectively provide services and interact with their patients in hospitals. Assurance is seen to determine patients’ choice with services, and to considerably influence their satisfaction level with medical care (Rohini, 2006:69).

**Empathy:** The empathy component refers to the ability of medical staff to provide care, assistance and attention to patients. Physicians should be able to assist patients during the process of care, and should be able to understand their needs, listen to, and discuss their health concerns with them (Markovic & Raspor, 2010: 197).

**Tangibility:** The tangibility component encompasses the physical evidence of a service (Holder, 2008:47). This refers to variables ranging from physical environment, biochemistry laboratories, hospital rooms, cleanliness in hospitals, to equipment like scanners, X-rays, treadmills, computers, appearance and uniforms of medical personnel. For the purpose of this study, tangibility was not included since it does not relate to the behaviour of doctors towards their patients. Tangibility is related to the physical environment, whilst the study wanted to measure the level of service patients expected and experienced from doctors at a military hospital in Gabon. Therefore, only four dimensions were used to measure the level of service quality patients received from their doctors, namely reliability, responsiveness, assurance and empathy.

OBJECTIVES
Emanating from the research problem and the literature review provided, the primary objective of the study conducted for this paper was twofold: Firstly to assess patients at the military hospital in Gabon’s perception of the level of service provided by their doctors. The second purpose was to provide guidelines for improving the medical practice in Africa.

The following secondary objectives were formulated to assist in addressing the primary research objective:
To assess the level of service patients expected doctors to deliver at the military hospital in Gabon, with regard to the variables reliability, responsiveness, assurance and empathy.
To assess the level of service patients experienced from doctors at the military hospital in Gabon, with regard to the variables reliability, responsiveness, assurance and empathy.
To establish whether there is a significant difference between the level of service patients expected and experienced from doctors at the military hospital in Gabon.
To establish the dimensions of service quality that were adequately addressed by the doctors at the military hospital in Gabon.
To consider the service delivery experiences of patients, and identify which of the four service dimensions examined have a significant positive relationship with the dependent variable general patient satisfaction at the military hospital in Gabon. To make recommendations for service improvement at the military hospital in Gabon and the rest of Africa.

**HYPOTHESES**

The following hypotheses were tested in order to assist in meeting the research objectives:

**HA**: There is a significant difference between the level of service patients expected and experienced from doctors at the military hospital in Gabon.

**HA**: The independent variables reliability, responsiveness, assurance and empathy all have a significant positive relationship with the dependent variable general patient satisfaction at the military hospital in Gabon.

**METHODOLOGY**

In the empirical part of the study, a descriptive survey research design was applied that was quantitative in nature. The population was defined as all existing patients of the military hospital in Libreville, Gabon, 18 years or older, males and females, who had experienced services at the military hospital for at least one night. The population elements were chosen mainly because more than 80 per cent of patients attending the military hospital were required to stay over at the hospital. In addition, the patients who slept at the hospital for at least one night were exposed to a wide range of services provided such as quality of hospital rooms, quality of care, quality of medical diagnosis and treatment. The sample of the study was then described as all patients who experienced services at the military hospital during March 2013 and who matched the sampling frame. The researchers followed the systematic probability sampling technique. Every second patient who received medical services for at least one night was selected Self-administered questionnaires were distributed to the patients once they have signed the release form. If a patient did not want to participate in the study, the next willing patient was selected, and thereafter, the second patient after each willing one. Permission to conduct the study was obtained from the nurse manager of the Department of Internal Medicine of the military hospital in Libreville in Gabon.

The research questionnaire was adapted from the questionnaires used by Doghaither, Abdelrhman, Saeed and Magzoub (2003), as well as Holder (2008) who had previously developed and tested items related to service quality in the hospital industry. The respondents were requested to answer a series of structured, closed-ended questions that were based on a seven-point Likert scale. The phrasing of some of the statements was slightly modified to ensure they assess the respondents’ perceptions regarding the level of service expected and experienced from doctors at the military hospital in Gabon. However, careful consideration was given to ensure that our study would still assess the same aspects that Doghaither et al. (2003) as well as Holder (2008) initially investigated in their studies. The first part of the questionnaire consisted of eight questions related to the socio-demographic profiles of the respondents. The second part of the questionnaire included sixteen different statements and was based on the dimensions of service quality such as reliability, responsiveness, assurance and empathy. The respondents were requested to use the scale provided and rate the level of service they expected as well as experienced from the doctors at the military hospital in Gabon. The third part of the questionnaire comprised of five different statements on the overall perceptions of the services received from the military hospital.

The questionnaire was pretested using five patients who had received medical services at the military hospital in Libreville, Gabon and who matched the sampling frame. During the pilot study, issues such as the difficulty experienced by respondents to understand the sentence structures and the difficulty to understand questions were identified. These issues were addressed and the questionnaire was translated into French, the main language spoken in the study location. Each translation was verified by professional English and French translators (using a forward and backward translation technique) to ensure that the translations were correct. A total of 200 questionnaires were completed and could be used in the analysis. After the data was coded, captured and edited, SPSS version 18 was used to analyse the data. Cronbach alpha was used to measure the reliability of the scales that were used in the study. The content of the questionnaire was further designed to support the research objectives formulated and to ensure the instrument measure what the study intended to measure. Descriptive statistics, paired sample t-tests as well as Spearman’s Rank Order Correlation Coefficients were utilised to analyse the data and to test the study's hypotheses.
RESULTS

Demographic profile of respondents
The demographic characteristics of the respondents are displayed in Table 1:

Table 1: Demographic characteristics of the respondents

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>73.5%</td>
</tr>
<tr>
<td>Female</td>
<td>26.5%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>18-28</td>
<td>17.0%</td>
</tr>
<tr>
<td>29-38</td>
<td>13.0%</td>
</tr>
<tr>
<td>39-49</td>
<td>38.0%</td>
</tr>
<tr>
<td>50-60</td>
<td>20.0%</td>
</tr>
<tr>
<td>70 and above</td>
<td>12.0%</td>
</tr>
<tr>
<td>Highest educational level</td>
<td></td>
</tr>
<tr>
<td>No formal education</td>
<td>12.1%</td>
</tr>
<tr>
<td>Primary education</td>
<td>3.0%</td>
</tr>
<tr>
<td>Secondary education</td>
<td>29.8%</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>55.1%</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>15.2%</td>
</tr>
<tr>
<td>Married</td>
<td>64.5%</td>
</tr>
<tr>
<td>Divorced</td>
<td>9.6%</td>
</tr>
<tr>
<td>Widowed</td>
<td>10.2%</td>
</tr>
<tr>
<td>Cohabitant</td>
<td>0.5%</td>
</tr>
<tr>
<td>Employment level</td>
<td></td>
</tr>
<tr>
<td>Employed full-time</td>
<td>62.5%</td>
</tr>
<tr>
<td>Employed part-time</td>
<td>7.0%</td>
</tr>
<tr>
<td>Self-employed in formal sector</td>
<td>10.5%</td>
</tr>
<tr>
<td>Self-employed in informal sector</td>
<td>7.0%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>1.0%</td>
</tr>
<tr>
<td>Student</td>
<td>2.5%</td>
</tr>
<tr>
<td>Pension (old age)</td>
<td>9.5%</td>
</tr>
<tr>
<td>Residential area</td>
<td></td>
</tr>
<tr>
<td>In Libreville</td>
<td>64.5%</td>
</tr>
<tr>
<td>Outside of Libreville</td>
<td>35.5%</td>
</tr>
<tr>
<td>First visit to hospital as a patient</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>81.4%</td>
</tr>
<tr>
<td>No</td>
<td>18.6%</td>
</tr>
<tr>
<td>Required to stay over for at least one night</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construct

Of the 200 respondents who participated in the study, almost three quarters (73.5%) were males and the rest of the respondents (26.5%) were females. Almost two thirds of the respondents were married (64.5%), followed by the single group (15.2%), the widowed group (10.2%), the divorced group (9.6%) and the cohabitant group (0.5%).

From Table 1 it is further clear that the age groups 39-49 years (38.0%) and 50-60 years (20.0%) received the most responses and together with the age group 18-28 years (17.0%), represent the majority of the respondents who participated in the study. In addition, it seems that the majority of the respondents who participated in the survey are younger than 60 years old. Finally, most of the respondents have either a secondary education (29.8%) or a tertiary education (55.1%), reside in Libreville (64.5%), are employed full-time (62.5%) and have visited the military hospital for the first time (81.4%). All the respondents who participated in the study (100%) were also required to stay over for at least one night.

Reliability
The reliability statistics calculated for the study are displayed in Table 2:
### Table 2: Reliability statistics

<table>
<thead>
<tr>
<th>Dimensions of SERVQUAL</th>
<th>Number of items</th>
<th>Cronbach Alpha Value</th>
<th>KMO test of sampling adequacy</th>
<th>Bartlett’s test of Sphericity</th>
<th>App. Chi square</th>
<th>Chi Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expectation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>4</td>
<td>0.8</td>
<td>0.8</td>
<td>285.8</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4</td>
<td>0.5</td>
<td>0.5</td>
<td>85.7</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Assurance</td>
<td>4</td>
<td>0.6</td>
<td>0.7</td>
<td>107.6</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>4</td>
<td>0.5</td>
<td>0.6</td>
<td>45.5</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>4</td>
<td>0.8</td>
<td>0.7</td>
<td>271.5</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4</td>
<td>0.7</td>
<td>0.6</td>
<td>217.6</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Assurance</td>
<td>4</td>
<td>0.7</td>
<td>0.7</td>
<td>127.9</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Empathy</td>
<td>4</td>
<td>0.7</td>
<td>0.7</td>
<td>171.8</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>General patient satisfaction</td>
<td>5</td>
<td>0.8</td>
<td>0.8</td>
<td>351.1</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s own construct

Table 2 provides evidence that all the Cronbach alpha values for the measurement sets used in the study are above 0.5, the minimum value acceptable for basic research (Smith, Organ & Near, 1983; Pierce & Dunham, 1987; Tharenou, 1993). Salvucci, Walter, Conley, Fink and Saba (1997) further note that Cronbach alpha values between 0.5 and 0.8 are reflective of moderate scale reliability and values equal to or greater than 0.8 represents a high level of scale reliability. The reliability of the responsiveness, assurance and empathy scales can therefore be viewed as moderate and the scales that were used to measure the reliability construct and the general patient satisfaction construct have a high level of reliability.

In addition, the KMO test of sampling adequacy statistics represented in Table 2 are also above the minimum acceptable value of 0.5 (as recommended by Kaiser (1974) in Hutcheson and Sofroniou (1999). Bartlett’s test of Sphericity showed that the inter-item correlations were significant within the individual sub scales (p<0.05). Finally, it can also be noted that although some of the Cronbach alpha values obtained were relatively low, the findings should be viewed in the context of the survey conducted. The research study was exploratory in nature and it was the first time that the research instrument designed was applied to the hospital environment in the African country, Gabon.

**Significant differences between level of service expected and experienced**

The first three secondary objectives formulated for the study aimed at establishing the level of service patients expected and experienced from their doctors at the military hospital in Gabon, and whether there was a significant difference between their expectations and the actual service delivered. The statistical results are displayed in Table 3:

### Table 3: Comparison of services expected and experienced from doctors

<table>
<thead>
<tr>
<th>Factor number</th>
<th>Service quality dimension</th>
<th>Mean Score</th>
<th>Service Quality Gap (P-E)</th>
<th>Ranking (Based on least service quality gap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reliability</td>
<td>6.8</td>
<td>-20.6</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Responsiveness</td>
<td>6.5</td>
<td>-13.2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Assurance</td>
<td>6.3</td>
<td>-11.5</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Empathy</td>
<td>6.3</td>
<td>-9.5</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construct

Table 3 contains the mean scores that were obtained with regards to the four service quality dimensions reliability, responsiveness, assurance and empathy. Given the fact that the statements for each construct were rated on a seven-point Likert scale, it can be concluded that the respondents mostly agreed with the statements that measured their perceptions regarding the level of service expected. In contrast it seems that
the respondents were less satisfied with the actual level of service experienced. The paired sample t-tests was used to determine if there is a significant difference between the perceptions of the respondents regarding the level of service expected and experienced from the doctors at the military hospital in Gabon. The preliminary analysis showed that the study adhered to all the underlying assumptions required to perform the paired sample t-tests evaluation. The sample was randomly selected, observations obtained for the study are independent of each other, the data reflects normality and the sample size is larger than 30 respondents. The results displayed in Table 3 indicate that there are statistical significant differences between the perceptions of services expected and experienced, with regards to all the variables investigated. More particularly, there was a statistically significant decrease in the score of the reliability construct from expectation (M = 6.8, SD = 0.3) to experience (M = 5.9, SD = 0.6), t (199) = -20.6, p < 0.0005 (two-tailed). Secondly there was also a statistically significant decrease in the responsiveness scores from expectation (M = 5.5, SD = 0.3) to experience (M = 5.0, SD = 0.5), t (199) = -13.2, p < 0.0005 (two-tailed). Thirdly, there was a statistically significant decrease in the assurance scores from expectation (M= 6.3, SD=0.3) to experience (M= 5.8, SD = 0.5), t (198) = -11.5, p < 0.0005 (two-tailed). Lastly, there was also a statistically significant decrease in the empathy scores from expectation (M= 6.3, SD= 0.3) to experience (M= 6.0, SD = 0.5), t (199) = -9.5, p < 0.0005 (two-tailed). The mean decrease in scores is also displayed in Table 3. It seems that the gap with regards to service expected and experienced is the smallest concerning the empathy construct and the largest concerning the reliability construct.

The effect sizes calculated, using eta squared, for each of the variables were respectively 0.7 (reliability), 0.5 (responsiveness), 0.4 (assurance), 0.3 (empathy). Considering these results and the guidelines provided by Pallant (2010:247), the actual difference in mean scores between the groups (with regard to all the constructs measured) can be regarded as relatively large. Consequently, following the above discussion, the first research hypothesis that was formulated for the study, namely that there is a significant difference between the level of service patients expected and experienced from doctors at the military hospital in Gabon, can be accepted. Statistical significant differences were found between the perceptions of all the groups investigated. Finally, it also appears that concerning the fourth secondary objective formulated for the study, the doctors at the military hospital in Gabon were more successful in addressing the empathy and responsiveness dimensions of service quality than the assurance and reliability dimensions. The mean result of 6.0 obtained for the empathy and responsiveness dimensions was higher than the mean results obtained for the assurance (5.8) and reliability (5.9) dimensions (with regard to services experienced). Also, according to the Likert-scale provided, a mean result of 6.0 reflects that the respondents mostly agreed with all the statements listed in the scale, thereby indicating that the empathy and responsiveness dimensions were adequately addressed.

The relationship between the independent variables and the general patient satisfaction at the military hospital in Gabon

The fifth secondary objective formulated for the study aimed at determining which of the four service dimensions that measured service experience, have a significant positive relationship with the dependent variables general patient satisfaction at the military hospital in Gabon. The preliminary analyses revealed that not all the variables investigated were related in a linear fashion. Consequently, Spearman’s Rank Order Correlation technique was applied to determine the relationship between the independent variables and the dependent variable. The results are displayed in Table 4:

Table 4: Correlations between independent variables and general patient satisfaction

<table>
<thead>
<tr>
<th>Factors</th>
<th>Correlation coefficient</th>
<th>Sig. (2-tailed)</th>
<th>Coefficient of determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>0.21</td>
<td>0.003</td>
<td>4.4%</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.15</td>
<td>0.034</td>
<td>2.3%</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.16</td>
<td>0.020</td>
<td>2.6%</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.28</td>
<td>0.000</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construct

Table 4 shows that all the independent variables, except responsiveness, are significantly positively correlated with the dependent variable general patient satisfaction, at the p<0.025 level (2-tailed). Considering the guidelines provided by Pallant (2010:134), the strength of the relationships, however, can be regarded as relatively small. The coefficient of determination results displayed in the last column of Table 4 additionally shows that the variance shared between the independent variables and the dependent variable is less than 10%. Consequently, given the above findings, it can then be concluded that the second hypothesis, stating that the independent variables all have a significant positive relationship with the dependent variable general patient satisfaction at the military hospital in Gabon, can only be partially
accepted. The variables reliability, assurance and empathy do have a significant positive relationship with general patient satisfaction, but the relationship is relatively weak.

DISCUSSION
Following the findings of the study, a number of observations can be made: Firstly, the literature review established that while many hospitals on the African continent struggle to provide adequate services, it appears that the military hospital in Libreville, Gabon, is one of the more successful hospitals on the African continent which are succeeding in attracting and providing good service quality to patients. The empirical results then revealed that although the military hospital is performing well, the expectations of the patients were not fully met. Large significant differences between service expected and experienced from doctors were found with regard to all the variables investigated. The doctors, however, were more successful in addressing the empathy and responsiveness dimensions of service quality than the assurance and reliability dimensions, as the respondents rated the statements listed in the empathy and responsiveness scales more positively and agreed with most of the statements. The service gap between expectations and experiences was also the smallest concerning the empathy variables, indicating that the patients were relatively pleased with the compassion that the doctors showed towards them. Consequently, following these findings it seems that doctors at the military hospital in Gabon can still make further improvements on their service delivery to meet the expectations of their patients. However, the doctors are successful in showing empathy and being responsive to the needs of their patients and subsequently set a good example for other hospitals on the African continent in this regard. Medical practitioners could, in particular pay attention to the doctors at the military hospital's skills to demonstrate compassion towards their patients, given the fact that the doctors were most successful in meeting the expectations of their patients by showing empathy.

Caution however must be taken to predominantly focus on the abovementioned initiatives to improve the general satisfaction of patients at the military hospital in Gabon. The relationship between all the independent variables and the general patient satisfaction variable were weak and the variables responsiveness did not have a significant positive relationship with the dependent variable. In addition, the variance shared between the independent variables and the dependent variable is less than 10%. Consequently, it appears that the service dimensions investigated in this study can primarily be considered to improve the level of service quality provided by doctors at a hospital. Service providers in the health care industry wishing to improve the general level of satisfaction of patients at a hospital would need to identify and further explore additional factors that might have a stronger relationship with the dependent variable.

MANAGERIAL IMPLICATIONS
There are many African countries that have a critical and pathetic health care system. It is imperative for hospitals in these countries to improve their level of service provided, as patients satisfied with services are more likely to repeat purchases, to remain loyal and to follow the medical recommendations prescribed by their doctors. The military hospital in Gabon has succeeded to some extent in providing services of good quality to their patients and has subsequently set an example for other hospitals across the African continent to follow. The purpose of this section is therefore to consider the empirical findings and make recommendations for service improvement at the military hospital in Gabon and the rest of Africa. The discussion in this section will then assist in addressing the final secondary research objective that was formulated for this study.

Guidelines for improving practice in Africa
Doctors should keep in mind that their patients often rely more on attitudes such as ‘care’ of the service provider as an indicator of service quality, rather than the ‘curing performance’ in health care. Doctors should therefore not only focus on the physical needs of their patients, but should also be responsive to the emotional needs of their patients. Patients have a right to understand their type of medical conditions. Doctors must inform patients of their state of health during consultation and must be willing to listen to the patients and address any questions or concerns they might have. The prescription of medications for treatment must also be communicated to the patients in a manner that they can understand. In general, the doctor must demonstrate patience and understanding with the needs of their patients. Service level standards must be stipulated and the service strategy must be designed from the customer’s point of view and not from the doctor’s perspective.

Patients must further be convinced that the doctor has empathy towards their situation. Doctors must be caring and provide individualised attention to their patients. Patients must feel that they are unique and special, are understood and are important to the doctor. Doctors must have their patient’s best interest at heart and work in partnership with their patients. This implies that doctors must have both empathy and understanding of the right of the patient to confidentiality (doctors should not reveal confidential
communications or information without the consent of the patient, unless provided for by law or by the need to protect the welfare of the individual or the public interest, respond to the needs of patients with integrity, and have a desire to help and provide patients with information that they want or need in a manner that they can understand. Furthermore, doctors also have to respect the rights of patients to reach decisions with their doctor on the treatment and care they require, maintain trust with patients by never discriminating against patients and be honest, open and act with integrity.

Doctors should also engage in active listening to their patients. They should concentrate on what the patient is communicating verbally and nonverbally by considering both facts and emotions. It is important that doctors should allow a patient to correct or add to their responses until he or she confirms the understanding of the doctor. For example, “Did I miss anything?” It must be remembered that the effective use of empathy promotes diagnostic accuracy, therapeutic adherence and patient satisfaction. Doctors must therefore be sensitive in relating bad news or explaining the details of complications that may result from a particular course of treatment. They must remember that empathy entails responding to patients’ emotional state, helping them deal with their emotional responses, and demonstrating a true sense of caring.

Therefore, communication is key for patient satisfaction. Therefore doctors must acknowledge the feelings and concerns of their patients and should actively pay attention to both their verbal and non-verbal language. It is not only what doctors are communicating to their patients, but also how they communicate their message. Patients must feel that doctors care for them and have their best interest at heart. Considering this, it is vital for doctors to keep patients up-to-date during their visit. Patients should be informed about what the doctor is planning for them and why. Communicate to patients what they can expect and how long it will take. If the care of the patient is transferred to another doctor, inform the patient of the reason for the decision. This will help ease the anxiety for the patient. It must be remembered by doctors that ending a patient encounter on a positive note leaves a lasting impression on patients. The more comfortable doctors make their patients, the more patients will trust them and follow through with the instructions provided and the more satisfied they will be.

In conclusion, the patient has the right to courtesy, respect, dignity, responsiveness, and timely attention to his or her needs. Therefore, doctors should also remember to knock before entering the room, introduce themselves not only to the patient, but also their family/friends, sit down (if possible) to be at eye level and maintain eye contact, lean forward, and keep their attention on the patient. If the patient requests a blanket or drink from the doctor, the doctor should fetch it himself/herself instead of relying on someone else. Remember, the behaviour of the doctor sometimes speaks louder than words.

LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH
The present study provided valuable information regarding the service dimensions and strategies that hospitals on the African continent could consider to improve the level of service provided to patients. The empirical findings, however, should be considered within the context of some limitations to the study. Firstly, the study was only limited to one of the divisions of the military hospital. The findings are therefore not representative of all the patients who visited the hospital and can also not be generalised to all patients on the African continent. A future research study could be conducted on a broader scale that might provide more insight into the service dimensions that have an impact on the service quality provided by doctors at a hospital. Furthermore, a robust statistical tool, such as structural equation modelling (SEM) can be applied, or a longitudinal research study could be conducted to determine the relationship between the independent variables and the dependent variable over a period of time.

CONCLUSIONS
It is essential for service providers in the health care industry to improve their practice, as patients that are satisfied with services are more likely to repeat purchases, to remain loyal and to follow the medical recommendations provided by their doctors. As such the study conducted for this paper further explored the service provided by the military hospital in Gabon, which appeared to have risen above other hospitals on the African continent in terms of the level of service quality provided to patients. The purpose of the assessment was to provide strategic guidance to other hospitals in Gabon and the rest of Africa to improve their level of service provided. Following the empirical findings, it seems that the doctors at the military hospital were more successful in being responsive and empathetic to the needs of their patients than showing reliability and encouraging assurance. In fact medical practitioners could, in particular pay attention to the doctors at the military hospital’s skills to demonstrate compassion towards their patients, given the fact that the doctors were most successful in meeting the expectations of their patients by showing empathy. The service dimensions investigated in this study, however, only have a small positive relationship with the general level of patient satisfaction at the hospital. The service dimensions investigated should therefore not
form the primary focus of the hospital's service strategy to improve the general level of customer satisfaction. The findings should also be considered with the context of the research limitations discussed. Ultimately, the contribution of this paper is to provide guidelines to health practitioners for improving the level of service provided by the hospital. The implementation of these initiatives could result in a higher level of service quality, patient loyalty and greater market share and profit for the hospital.

REFERENCE LIST


A TEST OF HUMAN RESOURCES THEORY AND HUMAN CAPITAL MEDIATION MECHANISMS IN THE INFORMAL CONTEXT: IMPLICATIONS FOR THE MANAGEMENT OF THE SECTOR

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ABSTRACT
At the heart of policies aimed at eliminating informal street trading seems to be a 'marginalist' perspective of the sector which does not see it as contributing to socio-economic development. What is not clear, however, is what underlies the dysfunctionality associated with the sector. Using a sample of 303 street traders drawn from the inner city street trading population of a large South African city, covariance-based structural equation modelling was used to test Human Resources theory that predicts the existence of certain human capital relationships. Findings suggest that certain human capital relationships in this sector may be atypical. It is suggested that current policies might be keeping traders in a state of 'flux' where human capital transmission might be unable to take root due to instability, in a context where traders oftentimes choose their wares according to their ability to 'pick them up and run away' from authorities.

Keywords: Management; Crowdfunding; Crowdsourcing; Innovation

INTRODUCTION
According to the tenets of human capital theory (Becker, 1964), investments in learning and knowledge are expected to contribute to increased productivity. Human capital investments contribute to productivity at the level of countries (Ahmed & Krishnasamy, 2013), as well as at the level of the global economy (Butnaru & Gherman, 2012). Human capital has an especially important role to play in development in the Sub-Saharan African context (Zelleke, Sraiheen & Gupta, 2013). Human capital investments are investments in learning that accrue to individuals; these typically exist either in the form of general human capital, in which case these investments in learning contribute to productivity in another context, or specific human capital, in which case investments in learning only contribute to productivity in certain contexts and not in others (Becker, 1964). Despite a voluminous body of literature that supports the tenets of human capital theory across different contexts other research in the inner-city street trading sector seems to contest its predictions. Approximately 60% of developing country employment is in the informal sector; unlike in developed countries, the formal sector has been unable to absorb labour and production processes in the same way (Sinha, 2010). The informal sector is typically defined as economic activities that involve the production or distribution of goods and services that are not registered and regulated in contexts where similar activities are regulated (United Nations, 1996).

Within the informal sector, street traders can be differentiated into two categories; survivalist traders versus more 'entrepreneurial' traders (Urban, 2012). The differentiation of the sector by survivalist versus entrepreneurial might reflect a differentiation of the sector by functionality- a dysfunctional survivalist sector versus a more functional entrepreneurial sector (Callaghan, 2012). Street traders in the Johannesburg city centre have been found to differ in their relative endowments of entrepreneurial orientation (Callaghan & Venter, 2011), and therefore in their functionality.

The dysfunctionality of the sector may also extend to returns to financial capital, as well as human capital relationships; one aspect of this is perhaps explained by the predictions of the nutritional model of efficiency wage theory (Callaghan, 2013). This theory predicts that if individuals do not earn enough to support their physical needs they will be less productive (Liebenstein, 1957). This theory may, to some extent, predict the absence of a return on financial as well as human capital in the sector.

A tension between two contrasting predictions is therefore present in the literature. On the one hand, the predictions of human capital (Becker, 1964) imply that the informal sector should, on the whole, be a 'developmental space' where learning will transmit to productivity improvements over time, enabling entrepreneurial performance ‘up’ and perhaps ‘out’ of the sector (De Soto, 1989). On the other hand, ‘dysfunctionality theory’ (Callaghan, 2012) predicts that the sector is fundamentally dysfunctional, and that financial capital operates in a dysfunctional way in the sector and that human capital relationships in this sector might also reflect this dysfunctionality. In other words, the survivalist component of the sector might not reflect functional relationships as in other sectors where financial capital and human capital obtain typical returns to their investment.
This study attempts to investigate this tension, by testing the extent that different forms of human capital obtain a return in this context. The potential mediation effects of continuance satisfaction, experience and effort investments in the form of hours worked per day on the relationship between general human capital in the form of schooling, and street trader earnings are investigated. On the basis of the findings, recommendations are made for how to better enable the upliftment of these traders, by increasing the ‘functionality’ of the sector. The argument is made that if functionality can be enabled in the sector then it could better contribute to socio-economic development. This research is considered important, for the following reasons.

Firstly, policy makers face a dilemma. City planners and local governments have typically regarded informal street trading as unsightly and problematic (Holness, Nel & Birns, 1999). Certain academic research has recommended more extensive regulation of the sector, particularly around “what informal traders can sell, where and when in a bid to cultivate healthy relations between them and formal formal businesses” (Mavunga, 2014:214). In contrast, others have argued for a developmental approach by policy makers; to the extent of comprehensively providing rental stands (Callaghan & Gwatidzo, 2013).

Policy makers have, however, oftentimes simply sought to forcefully eradicate informal street trading (Holness et al., 1999). A recent example of this is ‘Operation Clean Sweep’, in which the Johannesburg Metro Police forcefully emptied the streets of the city of informal traders, at great human cost (Nicolson & Lekgowa, 2013). This has amounted to the removal of an estimated 6000-8000 traders (van Rensburg, 2013), an action considered by some to violate the constitutional rights of the city’s most powerless and vulnerable (Ray, 2014). Subsequently, the South African Constitutional Court has intervened to rule that municipal authorities should refrain from interfering with the activities of licensed traders (Ray, 2014). If informal street trading will occur in any event, then it might make sense to try and understand how it can contribute to socio-economic development. Through investigating the operation of human capital in this context, this research offers new perspectives of how to do this, and, hopefully, reduce the human costs associated with policy applications in this sector that are not guided by research.

Secondly, by investigating the boundary conditions to the mechanisms of human capital in this sector, knowledge is contributed that can help to understand how the functionality of the sector can be enabled. It is argued that the human cost associated with such forced removals (Nicolson & Lekgowa, 2013) is the result of policies based on ‘marginalist’ assumptions of the sector. Marginalist assumptions are taken here to mean assumptions that regard the sector to make little or no contribution to socio-economic development, or upliftment.

Arguably, apart from its fundamental role in absorbing surplus labour, the sector suffers from significant dysfunctional activity that financial and human capital may not necessarily accrue returns in the sector due to high levels of survivalist activity. However, it is argued that if policies were based on ‘dysfunctionality’ perspectives of the sector then policy makers would concentrate on reducing the dysfunctionality in the sector so that human capital investments do accrue a return on their investment. It is argued that this approach is more helpful, and that policy investments targeted at human capital investments might fundamentally change the nature of the sector.

This article is structured as follows. First, literature is reviewed in order to provide context to the study. Next, the conceptual model of the relationships tested in this research is outlined, and hypotheses are derived. The methodology applied in the research is then considered, whereupon the results of the tests of the hypotheses are reported and discussed. The article concludes with a consideration of the conclusions of the study and recommendations for theory and further research.

LITERATURE REVIEW
Since 1994, political, social and economic change has followed the democratisation of the country (Padayachee, 2005). These changes have been associated with large inflows of migrants from other areas of the country and immigrants from other African countries, swelling the ranks of the informal sector, particularly inner-city street trading (Hunter & Skinner, 2003; Peberdy & Rogerson, 2003). Within this context, increasing numbers of migrants are arriving in the country and working on South Africa’s city streets (Sidzatane & Maharaj, 2013). Immigrant traders, however, face tensions related to competition with local street traders (Sidzatane & Maharaj, 2013) and formal traders (Mavunga, 2014). Hostility from South African traders is not the only source of hostility they experience.

Traders typically perceive municipal authorities and regulations also to be hostile to their efforts to operate and grow their enterprises (Hunter & Skinner, 2003; Sidzatane & Maharaj, 2013). The tension between marginalist and developmental perspectives of the sector is echoed in the opposing views of formal business
managers or owners (Mavunga, 2014) who operate together with informal traders in the inner city. Although the majority of formal business operators regard street trading as a negative influence because it poses competitive issues and is associated with social ills, others indicate that informal trading offers benefits to their businesses as traders buy from them and attract customers to the inner city (Mavunga, 2014).

The responsibility for decisions on how to respond to the management of street trading has fallen to local governments due to unclear national policies (Hunter & Skinner, 2003). The current response, by the City of Johannesburg, has been to attempt to eradicate it forcefully (Holness et al., 1999), in the form of ‘Operation Clean Sweep’, at great human cost to a relatively powerless and vulnerable sector of society (Nicolson & Lekgowa, 2013), comprising about 6000-8000 traders (van Rensburg, 2013), notwithstanding the subsequent intervention of the South African Constitutional Court (Ray, 2014). The incidence of the human costs associated with these interventions is not equal.

The transmission of economic crises and shocks to the informal economy are typically disproportionally borne by females, a particularly vulnerable societal group within the sector (Horn, 2010). The City of Johannesburg’s actions, while at odds with the subsequent Constitutional rulings (Ray, 2014), seem to reflect the same approach followed by other countries in the region.

In Zimbabwe, during Operation Murambatsvina, a blitz aimed at eradicating informal trading, tens of thousands of street traders and informal participants experienced the destruction of houses, businesses and jobs (Musoni, 2010). Street traders resisting this process were also assaulted (Musoni, 2010). However, unlike when violent attempts at the eradication of informal trading were conducted in Mexico between 1952 and 1966, active political organisation and mobilisation of street vendors did not occur (Musoni, 2010). The Zimbabwean informal sector has remained passive in the face of threats by the state (Musoni, 2010). Although facing less severe policy responses, Lesotho street traders typically face a hostile municipal context in the midst of a lack of inclusive and sustainable city policies (Setsabi & Leduka, 2008). Similarly, local authorities have cracked down on street traders in other regional countries, for example Nambia (Mwalundange, 2000) and Malawi (Vega, 2014).

It is argued that these tensions can create the impression of a ‘false dichotomy’; yet the notion that the informal and formal sectors are separate is problematic, as activities in either are “often in one way or another linked to the activities” of the other (Daniels, 2004:501). Therefore, the “key to policy development is to recognise that both sectors incorporate creativity, entrepreneurial flair, and a general desire to desire to harness human capital in ways that maximises its potential” (Daniel, 2004:501). Following this logic, it is argued that policy should seek to develop the functionality of human capital and its relationships with productivity in this sector in order to increase the potential for positive externalities.

It is generally acknowledged in the broader literature that the informal sector has the capacity to absorb surplus labour capacity. What is, however, unclear is whether the informal sector has the “capacity to alleviate urban poverty and boost economic development” (Holness, Nel & Binns, 1999:286). The literature also suggests that for urban planners, particularly those trained in other contexts, street traders are “perceived as being unsightly, a significant health and safety hazard” (Holness et al., 1999:286). However, evidence from yet other contexts suggests that city street vendors can attract shoppers into the city centre, particularly through their offerings of fresh produce and ethnic foods, irrespective of hygiene standards (Rajagopal, 2010). Similarly, in the Latin American context, street markets “are preferred as leisure shipping destination[s] by the middle socioeconomic level consumers in urban habitat[s]” (Rajagopal, 2010:104).

This body of literature seems to indicate that evidence of the net positive or negative externalities generated by the inner city street trading context are as yet unclear. Authorities may therefore require further research and evidence in order to be able to design and apply appropriate policy responses. The street trading literature, however, seems to show that relatively high levels of dysfunctionality persist in the sector. It is argued that if state intervention in the sector is premised on a developmental approach, instead of one based on marginalist perspectives, then this should focus on enabling functional relationships, which might increase the extent to which the sector could contribute to developmental objectives. Research suggests that for many street traders the decision of what to sell is based on their ability to ‘run away from’ Metropolitan Police, while carrying their wares (Tissington, 2009). It is also argued that it is the uncertainty and hostility inherent in the context itself that may result in dysfunctional relationships, and may ‘trap’ many in the sector in a survivalist state. Traders who do not earn enough, in turn might not be able to obtain a ‘functional’ return on their human capital investments if they do not earn enough to maintain their physical health and productivity (Liebenstein, 1957).
However, these arguments are premised on the argument that human capital effects typical of other contexts are absent, or diminished, in this context. The primary focus of this research is therefore the investigation of human capital relationships in this context.

**PROBLEM INVESTIGATED**

The problem investigated in this study is the lack of knowledge, or the absence of literature, that relates to how certain core human capital mechanisms contribute to the productivity, or earnings, of informal street traders. There seem to be three dimensions of this lack of knowledge that are addressed in this research; these relate to the transmission of general human capital in the form of literacy, numeracy and other learning investments (Becker, 1964) to productivity, or gross earnings, and the way continuance satisfaction, experience and investments in effort associated with hours worked per day mediate this association (between general human capital and earnings). Having provided an outline of the context of the research, and the problem addressed, the conceptual model is now introduced.

**RESEARCH OBJECTIVES**

This research sought to establish the extent to which certain human capital relationships are present across the inner-city street trading population of a large city. The research question posed in this study was therefore: *Do continuance satisfaction, experience and effort invested in the form of hours worked per day mediate the relationship between education (general human capital) and gross earnings in the inner-city street trading context?* In other words, how does general human capital, in the form of schooling education, transmit to improved street trader outcomes in the form of earnings through the paths of continuance satisfaction, time spent in the sector (representing specific human capital) and though effort expended in the form of hours worked per day in the sector.

**The Conceptual Model**

Drawing from human capital theory (Becker, 1964), and the extant literature, a conceptual model was developed (Figure 1). Four predictors of gross earnings per day are included in the model—continuance satisfaction, experience, and hours worked per day, as well as total education. These relationships are discussed further in the sections that follow, and hypotheses that relate to certain of these relationships are derived.

**Figure 1: The tested model of human capital relationships**
This research is considered to be important for the following reasons. First, it allows for an improved understanding of the processes underlying the influence of human capital in this context. Second, it models and tests the predicted influence of both specific and general human capital in their contribution to increased productivity and their contributing to street trader outcomes. Third, it attempts to clearly delineate the extent to which the sector reflects functional human capital relationships, or the extent to which human capital–related relationships that have generalised across most working contexts generalise to this one. These investigations allow for an understanding of the extent of dysfunctionality present in human capital relationships in this context. It is argued that these findings would have important implications for the management of the sector. If human capital ‘functionality’ were enabled across the sector, then wealth creation could be enabled and the developmental potential of the sector might be significantly improved.

**Research Hypotheses**

The psychological literature indicates that knowledge acquisition, or learning, and knowledge depreciation (unlearning) follow different processes and rules (Kim and Seo, 2009). Following Kim and Seo’s (2009) differentiation of learning as operator, or individual, learning versus organisation-specific learning (the total learning accumulated in an organisation), the learning that results in productivity for street trader enterprises related to one person. Because the street trading enterprise comprises the individual, human capital effects might be considered to account for more of the enterprise learning than in the case of larger organisations, which are more complex. Hence, the influences of individual endowments of education, satisfaction, experience and effort expenditure on productivity, or earnings, are expected to be more discernable than in other organisational contexts.

Investments in learning and knowledge in the form of schooling are expected to transmit to street trader earnings due to general human capital effects (Becker, 1964). Levels of literacy and the ability of an individual to calculate operational expenditures (numeracy) are examples of skills associated with schooling, that, as general human capital, are expected to contribute to increased productivity across different contexts (Becker, 1964). On the basis of this body of theory, hypothesis 1 is derived, that there is a significant association between total education and street trader earnings. This relationship is represented by the arrow running from total education to earnings in Figure 1.

The influence of schooling is not, however, independent of other influences. Dissatisfaction can disable efforts expended by individuals in work contexts (Organ, 1988; 1997). Following Organ (1988; 1997), satisfaction may therefore be a necessary albeit not a sufficient condition for the expenditure of effort in working contexts. In other words, for general human capital endowments (such as the literacy and numeracy associated with higher levels of schooling) to transmit to productivity, satisfaction, and the engagement related to it (Organ, 1988; 1997), is required. It is therefore expected that satisfaction with continuing in street trading in this context would mediate the relationship between schooling as a form of general human capital and street trader earnings. Current research into human capital transfer has found that job dissatisfaction can constrain the transfer of learning from training to work contexts, underscoring the importance of the role of satisfaction in human capital transmission (Jodlbauer, Selenko, Batinic & Stiglbauer, 2012). Hypothesis 2 is therefore offered, that continuance satisfaction mediates the association between total education and street trader earnings. This relationship is represented by the arrows running from total education to satisfaction (SAT) and from satisfaction to earnings in Figure 1.

According to human capital theory, experience, or time spent in street trading, is a form of specific human capital, in that it is expected to contribute to productivity increases in this specific context (Becker, 1964). The mechanism through which general human capital transmits its productivity effects, however, is expected to be enabled through experience in street trading. In other words, the influence of specific human capital (experience) might mediate the influence of schooling (general human capital) on productivity, or street trader earnings. Hypothesis 3 is therefore posited, that experience mediates the association between total education and street trader earnings. This relationship is represented by the arrows running from total education to experience and from experience to earnings in Figure 1.

The numeracy, literacy, and other investments in knowledge from schooling that exists as general human capital (Becker, 1964) is expected to transmit to higher levels of productivity, reflected in earnings, through mechanisms related to the investment of time and effort. Hence, Hypothesis 4 is proposed, that hours worked per day mediates the association between total education and earnings per day. This relationship corresponds to the arrows running from total education to hours worked per day and from hours worked per day to earnings in Figure 1. Having introduced the hypotheses to be tested, the methods of the study are now discussed.
RESEARCH METHODOLOGY

The population of the study comprised all street traders operating in the central business district of the city of Johannesburg. The study was undertaken in 2010.

Sampling

A sampling frame was developed, which comprises 228 city blocks. This covered the area between Plein, End, Faraday and Sauer streets. Random number tables were used, and a ten percent sample of these blocks was identified (23 blocks). A count of the traders on these blocks provided an estimate of the inner city street trading population, of approximately five thousand traders. Three hundred and three street trader respondents were sampled. Refusals were unconditionally respected. A sample size calculation was performed in order to ensure that statistical inferences could be made about relationships at the five percent level of significance. Ethical principles were followed; any indication of refusal was unconditionally respected. Scale items were developed based on precedent.

Scales and Measures

Earnings were measured as gross earnings per day. It was not possible to ascertain the net earnings of traders, and gross earnings were used as a measure instead. Continuance satisfaction was measured using items adapted from the Minnesota Satisfaction Questionnaire scales (Arvey, Bouchard, Segal & Abraham, 1989). Experience was measured as years of street trading experience. Hours worked per day were measured as that.

Covariance-based structural equation modelling was used to test the direct relationship between schooling, or education, and street trader gross earnings. This model also provided insight into the tested model. In order to test the mediation relationships relating to hypotheses 2, 3 and 4, tests of mediated regression was used, following the precedent of Barron and Kenny, 1986). The results of the univariate, bivariate and multivariate analyses are now reported and discussed.

RESULTS

The multivariate results and discussion is undertaken under the headings of each of the tested hypotheses. Multivariate results are used to either reject or accept the tested null hypotheses in each instance. However, before the testing of the hypotheses is discussed, the results of the univariate and bivariate analyses are considered.

Univariate Analysis

Table 1 (below) reports the descriptive statistics and the correlations between the constructs. The mean years of education of a street trader in this context is 9.94 years, which is the equivalent of a ‘grade ten’ level; two years short of a school-leaving level of education in this context. Given the high numbers of traders from other countries in the sector, it is also possible that the levels of schooling in this context might differ in quality, given that such schooling may have been in under-resourced or resource-constrained contexts. It is possible that low levels of education represent one dimension of potential dysfunctionality in this context; low levels of general human capital (Becker, 1964) across the sector are expected to be associated with low levels of literacy and numeracy, which in turn may impede productivity. The mean time spent by a trader in this context is 6.45 years. This suggests that the sector is typically not a permanent destination for those entering it. It is possible that it is used as a stepping stone to other activities, formal or informal, that are outside of the city centre.

The mean hours worked by a trader is 10.7 hours per day. The median value is 11 hours per day. This suggests that about half of the respondents in fact might work longer than this. Traders seem to work relatively long hours. However, when the bivariate associations are taken into account, it seems that individuals who are more satisfied expend more effort in the sector; they work more hours. But traders who work more hours are not found to earn more than traders that work less hours. This is an atypical relationship, perhaps reflecting another dimension of dysfunctionality in this sector.

The mean earnings of a trader in this context is R351.58. However, the median value is R230. Taking the median value as a more robust indicator of earnings for these traders, assuming a perhaps arbitrary margin of 50% the median trader might net about R115 per day. This implies that half of the sector might net less than this. On the basis of the potential for non-normality in the underlying distribution of the data non-parametric bivariate tests were used and bootstrapped confidence intervals were used to check the associations of the multivariate analysis. Overall, the univariate results suggest that a large number of street traders in this context earn relatively little and work relatively long hours, yet do not typically stay in the sector for more than about six or seven years.
Bivariate Analysis

According to the bivariate analysis, years of education are inversely associated with years of experience in the sector. This might reflect a situation where more educated traders are more likely to leave the sector earlier. The absorption rate for those with higher levels of education may be higher. Traders who have higher levels of education are found to earn significantly more in the sector. These bivariate results support the predictions of human capital theory (Becker, 1964). This is a relationship typical across different sectors (Becker, 1964). However, other dimensions of human capital investments do not seem to attain a return in this context; effort invested in terms of hours worked per day seems to have no significant association with gross earnings. Individuals who are more dissatisfied with continuing in street trading are found to earn significantly less.

Table 1: Descriptive statistics and correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Education</th>
<th>Experience</th>
<th>Hours worked per day</th>
<th>Satisfaction 1</th>
<th>Satisfaction 2</th>
<th>Satisfaction 3</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>9.936 years</td>
<td>3.487</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Experience</td>
<td>6.45 years</td>
<td>4.66</td>
<td>-.249**</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hours worked</td>
<td>10.7 hours per day</td>
<td>1.95</td>
<td>.019</td>
<td>.072</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Satisfaction 1</td>
<td>2.24</td>
<td>.902</td>
<td>-.099^</td>
<td>.159**</td>
<td>-.007</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Satisfaction 2</td>
<td>2.26</td>
<td>.915</td>
<td>-.108^</td>
<td>.192**</td>
<td>.023</td>
<td>.776***</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Satisfaction 3</td>
<td>2.26</td>
<td>.900</td>
<td>-.047</td>
<td>.211**</td>
<td>.025</td>
<td>.846***</td>
<td>.907**</td>
<td>1.000</td>
<td>-</td>
</tr>
<tr>
<td>Earnings</td>
<td>351.58 Rands per day</td>
<td>275.84</td>
<td>.169**</td>
<td>.105^</td>
<td>.037</td>
<td>.211**</td>
<td>.200***</td>
<td>.202***</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Authors’ own analysis.

Multivariate Analysis

SPSS 21 and AMOS were used to analyse the data. Confirmatory factors analysis (CFA) and structural equation modelling were performed to investigate the reliability and validity of the items and to test the derived hypotheses. Although only one latent variable was included in the analysis, CFA was applied, nonetheless, and the measurement model was tested prior to the structural model. The model was taken to be acceptable, according to the Chi-square value (15.241; df=10; p<.124).

The tested model had 28 distinct sample moments, 17 distinct parameters, and 11 degrees of freedom. The comparative fit index value (Bentler, 1990) was .994, indicating a relatively good fit with the data. The root mean square error of approximation (RMSEA) value was .042, which was taken to indicate a relatively good fit with the data; a close fit, taking into account the degrees of freedom (Browne and Cudeck, 1993). The expected cross-validation index (ECVI) value for the model was .170. Other tests also indicated the acceptability of the fit of the model to the data, including the goodness of fit index (GFI) value (.986), an adjusted goodness of fit index (AGFI) value of .961, which was greater than .9, and a Chi-square to degrees of freedom ratio (CMIN/DF) of 1.524, which was less than 3. The Mardia coefficient for multivariate normality value (23.9) suggested that non-normality, in the form of multivariate kurtosis, was potentially present (Kline, 2012). Bootstrapping was therefore applied (Byrne, 2010).

Hypothesis 1: There is a significant association between education and earnings

The regression path of the structural model for the association between education and earnings is significant (β=13.643;p<.006). The standardised coefficient value is .173 (p<.006) with bootstrapped confidence intervals of .054 (lower) and .258 (upper). The significance of this path is supported by the bootstrapped confidence intervals (lower=4.321;upper=20.543). This relationship is also significant according to the bivariate tests (Table 1). On the basis of these results the null hypothesis is rejected and the alternative hypothesis is accepted. This supports the central tenets of human capital theory (Becker, 1964) which predict that learning investments in schooling such as those related to literacy and numeracy can differentiate street trader productivity, or earnings, in this context. However, what is still not understood are
the mediation mechanisms of how these investments are enabled through engagement facilitated through continuance satisfaction or effort applied in the sector, proxied by hours worked per day, or though experience. The testing of the hypotheses that relate to these aspects are now reported and discussed in the sections that follow.

Table 2: Structural Equation Modelling and Mediated Regression Analysis Results of Hypothesis Testing

<table>
<thead>
<tr>
<th>Proposed Hypothesis</th>
<th>Hypothesis</th>
<th>Rejected or supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education is significantly associated with Earnings</td>
<td>H1</td>
<td>Accepted</td>
</tr>
<tr>
<td>Satisfaction mediates the association between Education and Earnings</td>
<td>H2</td>
<td>Rejected</td>
</tr>
<tr>
<td>Experience mediates the association between Education and Earnings</td>
<td>H3</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hours worked mediates the association between Education and Earnings</td>
<td>H4</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Hypothesis 2: Satisfaction mediates the relationship between education and earnings

Tests of mediation (Baron and Kenny, 1986) were performed. The potential role of satisfaction as a mediator of the influence of education on earnings was tested, using Baron and Kenny’s (1986) three steps. Firstly, satisfaction was regressed on the independent variable, education. This association was significant ($\beta=-.091; p<.021$). Secondly, the dependent variable, earnings, was regressed on the independent variable, education. This association was also significant ($\beta=11.021; p<.019$). Finally, the dependent variable, earnings, was regressed on both the independent variable and the mediator. These associations too were significant ($\beta=13.24; p<.001$ for Education and $\beta=24.33; p<.001$ for Satisfaction).

The mediation relationship was assessed on the basis of three requirements (Baron and Kenny, 1986): (i) that the independent variable is significantly associated with the mediator in the first step; (ii) that the independent variable is significantly associated with the dependent variable in the second step; (iii) that the mediator is significantly associated with the dependent variable in the third step; and (iv) the size of the association for the independent variable in the third step is less than the association found in the second step. The size of the association for Education is larger in the third step, however, than in the second step.

When correlation between the independent variable and the moderator is expected, on substantive grounds, and when potential multicollinearity is present, reduced power in the third step is, however, possible (Baron and Kenny, 1986); the absolute size of the coefficients therefore also needs to be taken into account, as well as the significance of the associations. Sobel’s (1982) significance test was used to test the indirect effect of education on earnings through the mediator effect of satisfaction. According to this calculation, a is the path from education to satisfaction (its standard error is sa), b is the path from satisfaction to earnings (its standard error is sb). Assuming multivariate normality for the standard error of ab, the formula is (Baron and Kenny; 1986:1177):

$$\sqrt{b^2 s_a^2 + a^2 s_b^2 + s_a^2 s_b^2}$$

The Sobel test statistic for the mediator role of satisfaction on the relationship between education and earnings (Sobel, 1982) is -1.876 ($p<.03$ one-tailed probability; $p<.06$ two-tailed probability). Satisfaction was therefore found to not mediate the association between education and earnings in this context. The null hypothesis was accepted and the alternative hypothesis was accepted. For further insight, the mediation process was tested using the structural equation model.

The use of multiple regression to estimate mediated relationships faces a challenge in that there needs to be no measurement error in the mediator and the dependent variable cannot be the cause of the moderator (Baron and Kenny, 1986). When measurement error is present in the measurement of the mediator, the influence of the mediator is typically underestimated and the influence of the independent variable on the dependent variable is overestimated when all coefficients are positive; “successful mediators may be overlooked” (Baron and Kenny, 1986:1177). An advantage of the use of structural equation modelling is that the error terms and feedback can be explicitly modelled (Baron and Kenny, 1986).

Other research has compared medication tests, and has found the Baron and Kenny approach to have relatively low statistical power with sample sizes of less than 100 cases, and to be vulnerable to Type I error while having fewer Type II errors; where the use of causal steps methods of mediation are “most likely to miss real effects but are very unlikely to commit a Type I error” (MacKinnon, Lockwood, Hoffman, West and Sheets, 2002:13). For MacKinnon et al. (2002:13), an “alternative causal steps method, the test of whether $\alpha$ and $\beta$ [paths between the independent variable and the mediator (\(\alpha\)) and between the mediator and the
dependent variable ($\beta$) are jointly statistically significant has substantially more power and more accurate Type I error rates”. Because randomisation was not possible, and the conditions of a randomised experiment were not present, the Barron and Kenny (1986) approach applied in this study does not claim causality (MacKinnon et al., 2002) in the mediation process, but simply claims findings that either support or context the underlying theory.

To further test this relationship, while modelling error terms, structural equation modelling was applied. According to the structural paths, the relationships between these variables fail to meet the requirements for potential moderation according to Baron and Kenny’s (1986) causal path mediation method. The direct path between education and satisfaction is not significant ($\beta$= -.095; p<.084). However, according to bootstrapped confidence intervals, ($lower= -.183; upper= -.004$) this association is marginally significant. Because of the proximity of the upper estimate to zero, however, the non-significance of this path was accepted. Although the path from satisfaction to earnings ($\beta$= .198; p<.002) as well as the path from education to earnings (.172;p<.005) are significant, the absence of clear significance for the path between education and satisfaction is taken to not support the hypothesis that satisfaction mediates the relationship between education and earnings. This was taken to support the decision to accept the null hypothesis and reject the alternative hypothesis. General human capital, or schooling, does not seem to transmit to earnings in this context through the mechanism of intrinsic continuance satisfaction.

**Hypothesis 3: Experience (specific human capital) mediates the relationship between education (general human capital) and earnings**

Tests of mediation (Baron and Kenny, 1986) were again performed, this time with years of education as the independent variable, experience as the mediator, and earnings as the dependent variable. Experience was regressed on the independent variable, education; this association was significant ($\beta$= -.392; p<.001). The dependent variable, earnings, was regressed on the independent variable, education ($\beta$=11.021;p<.019). Finally, the dependent variable, earnings, was regressed on both the independent variable and the mediator ($\beta$=13.004;p<.001 for Education and $\beta$=5.059;p<.155 for Experience).

According to these results, experience was taken to not mediate the relationship between education and earnings. It is noted, however, that it might be possible that education mediates the role of experience on earnings. Although an individual's endowment of education typically precedes entry into the sector (and the tested model is based on this rationale), it is acknowledged that the effects of education may remain with an individual, and that it is possible that the influence of years of experience in the sector (specific human capital) on earnings might be mediated by years of general education experience (general human capital). However, this potentiality is left to further research, as the investigation of the mediating role of education, as interesting as it is, is beyond the scope of this study. Having not met the requirements for mediation, the null hypothesis is accepted and the alternative hypothesis is rejected.

In terms of the standard total effects within the structural model, the relationship between education and earnings (.139) is larger than the relationship between experience and earnings (.083). This is perhaps not consistent with human capital theory (Becker, 1964), which predicts that specific human capital is typically more 'proximal' to productivity effects than general human capital, which sometimes has no influence in specific contexts. It is possible that learning investments gained outside the sector have more of an influence on productivity than 'earning by doing' within the sector. This suggests that explicit knowledge may have a stronger relationship with earnings than tacit knowledge (Nonaka, 1994) gained over time in the sector. It is possible that this is an atypical relationship, as it is usually tacit knowledge that is more difficult to develop in working contexts and that is more likely to contribute to productivity than explicit knowledge (Nonaka, 1994).

**Hypothesis 4: Hours worked per day mediates the relationship between education and earnings**

The potential role of hours worked per day as a mediator of the influence of education on earnings was tested, using Baron and Kenny’s (1986) three steps. Firstly, hours worked were regressed on the independent variable, education. This association was not significant ($\beta$= -.004; p<.896). Secondly, the dependent variable, earnings, was regressed on the independent variable, education. As previously reported, this association was also significant ($\beta$=11.021;p<.019). Finally, the dependent variable, earnings, was regressed on both the independent variable and the mediator ($\beta$=11.044;p<.015 for education and $\beta$=5.437;p<.501 for satisfaction); only education is significantly associated with earnings in this equation. Hours worked per day are not found to mediate the relationship between years of education and earnings of street traders in this context. The null hypothesis is accepted and the alternative hypothesis is rejected. The transmission of general human capital in the form of schooling breaks down in this tested mediated relationship when hours of effort invested do not differentiate traders by earnings. This is taken to be an
atypical relationship; more hours worked per day are not associated with higher earnings. It is also possible that enough traders that earn more work fewer hours.

**DISCUSSION**

The aim of this research was to test the extent to which the association between school education and street trader earnings is mediated by continuance satisfaction, experience and effort invested through hours worked per day. Although education in the form of schooling was found to be significantly associated with street trader earnings, it is concluded that the mechanisms through which schooling transmits to street traders is independent of intrinsic satisfaction, specific human capital in the form of experience and effort invested in the form of hours worked per day.

Notably, specific human capital was not found to mediate the relationship between general human capital and earnings. These findings suggest that explicit knowledge, or general human capital, may have more of an influence on street trader earnings than tacit knowledge, or specific human capital in this context. It is argued that this contests the predictions of human capital theory (Becker, 1964), and other predictions that tacit knowledge (experience in the street trading context related to learning by doing and proxied by experience) is expected to have a stronger relationship with productivity (and therefore street trader earnings) than explicit knowledge in the form of schooling (Nonaka, 1994). It is possible, however, that street trader activities are at a ‘tipping point’ of productivity where earnings are elastic in relation to differences in schooling. It is possible that much of the dysfunctionality inherent in the sector may relate to low levels of schooling, which in turn is expected to be reflected in relatively low levels of literacy and numeracy. It is therefore possible that street trader productivity, or earnings, are more sensitive to years of schooling than to years of experience in the sector.

It is concluded that certain human capital relationships in the sector might not conform to relationships predicted by human capital theory (Becker, 1964), possibly because of the sensitivity of traders to explicit knowledge, or general human capital, and their lower levels of sensitivity to tacit knowledge, or specific human capital. It is argued that these findings provide new insights into the nature of the dysfunctionality associated with the informal context.

There is another explanation for the ‘inverse’ relationship of human capital in this context; the development of tacit experience, or specific human capital, might be continually disrupted, through the imposition of ‘illegality’ as a status on traders. This is not an explanation that is tested in this research, but merely an alternative explanation for these findings that is derived from a further analysis of the street trader literature. According to Tissington (2009), many street traders typically choose what to sell on the basis of their ability to pick up their stock and run away from the Metropolitan Police to avoid confiscation and other consequences. It is argued that polices that seek to simply eliminate street trading might create a context where traders become ‘illegal’ by policy definition; and are therefore kept in a ‘state of flux’, where they are not able to develop typical, or ‘functional’ human capital relationships. It is possible that traders in this context that do not achieve stability in their operations might not earn enough to accumulate capital and develop functional human capital relationships.

Further research is recommended, in order to investigate the causal mechanisms that underlie these findings, and to verify if the dysfunctionality in the sector is primarily related to low levels of numeracy, literacy and educational human capital.

**CONCLUSIONS**

Human resources theory was tested in this study. Management researchers have the responsibility to inform management practices across different contexts. The core implication that derives from this study is that certain human capital relationships in this context seem to be atypical, or dysfunctional, and that this dysfunctionality might be related to relatively low levels of education; education may differentiate individuals according to earnings in the sector.

It is concluded that there are two possible dimensions to the finding that education is more strongly associated with earnings than experience; higher levels of education may enable earnings, but there is another effect that is also possibly present—learning through experience might be constrained by external influences.

Although this study cannot ascribe causality and did not investigate why these relationships are dysfunctional, on the basis of the literature that already exists, it was argued that this dysfunctionality might
be related to contextual influences that keep this sector in a state of flux; where about sixty percent of traders are of foreign origin, and many are therefore ‘illegal’ by definition.

In this context, the management of the sector through the elimination of traders from the city’s streets, however, seems to have temporarily been stalled by Constitutional Court provisions. It is recommended that transmission of general human capital, or schooling effects, to productivity, or earnings should be strengthened, given that this may differentiate traders in this context. An alternative policy for the management of the sector is recommended; one that provides stability and allows human capital to deepen its relationships with productivity. This might only be possible if the sector is treated as a developmental space, and individuals are empowered to develop, using the sector as a stepping-stone to entrepreneurial empowerment (De Soto, 1989). Street trader skills training is recommended; particularly training that provides numeracy and literacy skills to traders. It is argued on the basis of these findings that street trader earnings might be particularly sensitive to improvements in numeracy and literacy that may be associated with this type of training which is similar to schooling.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Following Mavungu (2014:214), it is recommended that street traders are provided with training, “to enable them to gain an appreciation of the impact of their activities on the environment, on services such as water in the city and on the socio-cultural health of society in general”. This training will help them to avoid creating certain negative externalities that may provoke negative responses from other stakeholders. This is also a form of explicit learning, which when coupled with numeracy and literacy training may contribute to the functionality of the sector.

However, although authors such as Mavungu (2014) recommend more extensive regulation, it is argued here that developmental approaches such as training and enablement policies that help individuals to attain functionality, or functional working effects, may be more effective in improving the ways traders operate, and empower them to improve the standards of their management of their enterprises and working spaces. It is argued that a punitive approach, or attempts to simply remove them, will result in human suffering and will simply displace the problem. It is argued, on the basis of these results, that it is possible that a ‘punitive’ approach might constrain specific human capital, or context-specific learning that contributes to productivity. Further, given the differences in opinion and perspectives of formal enterprise operators in the city centre (Mavungu, 2014), it is not clear what the externalities of street trading really are. The consequences of Operation Clean Sweep, which may remain a City of Johannesburg policy going forward, notwithstanding the Constitutional Court ruling, should be researched more extensively.

If formal enterprises potentially lose customers that enter the city to shop on account of the presence of street traders then this needs to be investigated. It is concluded that the externalities associated with street trading are unclear, and it is argued instead, on the basis of these results, that policy interventions should attempt to improve the fundamental functionality of the sector, as an alternative approach.

The impact of academic research on policy in this context might now be limited, given the continued attempts by the City to eradicate street trading, but the human costs of sudden interventions such as those witnessed in 2013 cannot be met without calls for policy to be based on well-thought-through and well researched actions.

Another recommendation relates to future research. Given the difficulty of obtaining data in the street trading context, causal research techniques are recommended. This may require large budgets, as quasi-experimental and experimental research is needed in order to validate the causal mechanisms that underlie these findings. It is a limitation of this type of research that it can only claim tests of theory and cannot make causal claims due to its reliance on associative statistics. Given the lack of consensus relating to the potential of the informal sector, it is recommended that policy makers and their potential partners allocate resources to support large-scale causal research in the sector. It is argued that such costs cannot compare to the human costs of management policies in the sector that are not backed by causal evidence.

REFERENCE LIST


ESTABLISHING STUDENT PERCEPTIONS OF AN ENTREPRENEUR USING WORD ASSOCIATIONS: A GENDER AND ETHNICITY PERSPECTIVE

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ABSTRACT
The primary objective of this study was to establish whether differences exist between students of different genders and from different backgrounds with regards to the image or perception they have of an entrepreneur. The literature suggests that there are differences between males and females, as well individuals from different ethnic backgrounds, in terms of their intentions to become entrepreneurs. By establishing the image or perceptions that students of different genders and from different ethnic backgrounds have of an entrepreneur it is hoped that insights will be provided into their intentions to become entrepreneurs. Possible perceptions were established by means of a qualitative projective technique, namely a continuous word association test. This technique involves presenting a stimulus word to participants who are required to give as many responses as possible in a specified period of time. Convenience sampling was used, and 163 non-business students from the Nelson Mandela Metropolitan University participated in the study. The words generated were coded into three broad categories and eight subcategories by searching for themes and words of a similar nature. Given the results of this study it appears that female students are more positive towards entrepreneurship than male students are, and recalled more attributes of an entrepreneur than male students did. Male students recalled more holistic associations than females students did. All ethnic groups perceived an entrepreneur as a risk-taker who is innovative and creative, and involved with a business enterprise. The different ethnic groups did, however, have different perceptions of the rewards expected from entrepreneurship.

Key words: Entrepreneurship; perceptions; students; word associations

INTRODUCTION AND PROBLEM DEFINITION
According to Nagy, Pete, Györfy, Petru and Benyovszki (2010:20), an important driver of entrepreneurial activity is how entrepreneurship is perceived. Various perceptions of the rewards, drawbacks and challenges of entrepreneurs and entrepreneurship are shared by students, business owners and the general public (Davey, Plewa & Struwig, 2011; Brown, Beale & White-Johnson, 2011; Cañizares & García 2010; Moy, Luk & Wright, 2003; Zacharakis, Meyer & DeCastro, 1999; Stephan, Lukes, Dej & Richter, 1987). A perception exists that there are differences between genders in their capacity to be entrepreneurs (Dabic, Daim, Bayraktoroglu, Novak & Basic, 2012; Cañizares & García, 2010; Arenius & Kovalainen, 2006; Birley, 1988), as well as differences in the entrepreneurial capacities of various ethnic and cultural groups (Mensah & Benedict, 2010; Altinay, 2008; Boyd, 2008; Clark & Drinkwater, 2000; Basu, 1998). According to these studies, norms and expectations differ amongst communities and cultures, and as a result it is understood that individuals from certain ethnic groups have a more positive perception of entrepreneurship than others.

“Attitude towards a behaviour” refers to how positive a person feels about the behaviour, and depends on expectations and beliefs about the personal impact of outcomes resulting from the behaviour (Dabic et al., 2012:319). The more positive the attitude of an individual towards the behaviour, the more likely it is that the behaviour in question will be performed (Kakkonen, 2010; Bergmann, 2002). Several studies (Gray, Farrington & Sharp, 2010; Pihie, 2009; Gird & Bagrain, 2008; Lüthje & Franke, 2003) have shown that attitude towards a behaviour has the strongest influence on entrepreneurial intentions. Urban, Botha and Urban (2010:115) assert that one’s attitude is determined by one’s beliefs or perceptions about a particular behaviour, and attitude towards entrepreneurship is defined as a person’s perception of being an entrepreneur (Zaidatol, 2009:340), which is associated with entrepreneurial intentions (Kolvereid & Isaksen, 2006; Kolvereid, 1996).

Vahie and Paswan (2006:70) contend that an image is the sum of associations that are positioned in an individual’s mind with regard to a certain concept, and it is these associations that lead to an individual’s overall perceptions of that given concept. According to Pritchard and Frank (2010:1018), these associations
are formulated through cognitive reasoning and are based on what the individual knows about the functional attributes of the concept as well as how the individual feels based on the psychological attributes of the concept. Marketers often make use of image to determine what position a particular product or brand occupies in a consumer's mind, and whether positive or negative associations are made which influence the consumer's decision whether to purchase that product or not (Prayag, 2010:463).

Several studies (Prayag, 2010; Simms & Trott, 2006; Baloglu & Mc Cleary, 1999) have made use of free association and word association tests when measuring image. Word association techniques provide a true reflection of the internal thoughts and feelings of the research subject, owing to the use of a vague, ambiguous and unstructured stimulus (Guerrero, Claret, Verbeke, Enderli, Zakowska–Biebans, Vanhonacker, Issanchou, Sajdakkowsa, Granl, Scalvedi, Conte, & Herleth, 2010:226; Donoghue, 2000:47). According to Tausczik and Pennebaker (2009:30), words reveal information pertaining to people's priorities, their intentions, where their attention is and what they are trying to avoid. This suggests that words could be used to determine the image or perceptions that individuals have of an entrepreneur, as deeper meanings and underlying associations can be revealed.

Since image measures the perception of a given concept, and perception in turn influences the attitude towards behaviour, it can be argued that if the image of an entrepreneur can be determined, then one can establish whether that image, held in the minds of stakeholders, positively or negatively influences their intentions. According to Sester, Dacremont, Deroy and Valentín (2013:476), to better understand entrepreneurial behaviour it is important to understand the image associated with entrepreneurship. By identifying the image or perceptions that students of different genders and from different ethnic backgrounds have of an entrepreneur, their underlying feelings and attitudes towards such persons and the career these persons have chosen, could possibly be revealed and the promotion of entrepreneurship as a desirable career choice among them can be enhanced based on their demographic profile.

PURPOSE AND PRIMARY OBJECTIVE

The purpose of this study was to determine the perception and image of an entrepreneur in the eyes of students of different genders and from different ethnic backgrounds. In order to establish this perception and image, the concept of “entrepreneur” was subjected to a word association test among non-business students prior to completing a module in entrepreneurship. Through word associations a more realistic and detailed perception and image of an entrepreneur can be revealed (Prayag 2010:463).

Against the background given above, the primary objective of this study was to establish whether differences exist between students of different genders and from different backgrounds with regards to the image or perception they have of an entrepreneur. The perception and image that an individual has of a person, action or event influences his or her feelings and decisions concerning that person, action or event, such as the feelings, decisions or actions concerning being an entrepreneur. If entrepreneurs are positively perceived by individuals, the likelihood of these individuals becoming entrepreneurs increases (Stephan et al., 1987:182). By establishing the image or perceptions that students of different genders and from different ethnic backgrounds have of an entrepreneur it is hoped that insights will be provided into their intentions to become entrepreneurs.

THE PERCEPTION AND IMAGE OF AN ENTREPRENEUR: A GENDER AND ETHNICITY PERSPECTIVE

Several studies have noted gender differences in the perceptions and attitudes towards entrepreneurship (Dabic et al., 2012; Danish & Smith, 2012; Dawson & Henley, 2012; Cañizares & García, 2010; Kirkwood, 2009; Arenius & Kovalainen, 2006; Orhan & Scott, 2001; Birley, 1988). According to Cañizares and García (2010:770), women are perceived to be less entrepreneurial and less risk-tolerant (Dabic et al., 2012:320) than men. It is also believed that women are less likely to seek external finance as they believe there to be barriers to finance accessibility (Kirkwood, 2009:348). Dabic et al. (2012:320) add that women have a lower self-concept of their perceived abilities to become an entrepreneur and in turn have less interest in becoming entrepreneurs than men. In a study conducted by Dawson and Henley (2012:713) it was found that the possibility of making more money was a primary motivator for men, where having a more flexible time schedule to spend with family was a motivator for women to become entrepreneurs. Kirkwood (2009:348) notes that women are often pushed, whereas men are often pulled towards entrepreneurship due to the differences in perceived benefits of entrepreneurship.

It is clear from the above that women and men perceive entrepreneurship differently and display different attitudes towards it. As a result, it can be suggested that the nature of the evaluations of entrepreneurship made by men and women may differ. According to Kirkwood (2009:348), however, many of the motivations
in men and women are similar in nature. Men and women perceive entrepreneurship to offer them a degree of independence. Against this background, the following hypotheses are formulated:

\[ H^1: \text{There is no difference in the nature of words generated by male and female students.} \]

\[ H^2: \text{There is a difference in the nature of words generated by male and female students.} \]

Studies report differences in entrepreneurial capacity among various ethnic and cultural groups (Mensah & Benedict, 2010; Altinay, 2008; Boyd, 2008; Clark & Drinkwater, 2000; Basu, 1998). According to these studies, norms and expectations differ amongst communities and cultures, and as a result it is believed that white individuals have a more positive perception of entrepreneurship than non-white individuals. Businesses owned by non-white entrepreneurs tend to be smaller in terms of lower sales and fewer employees and tend to be less successful than businesses owned by white entrepreneurs (Fairlie & Robb, 2008:1).

Boyd (2008:2390) suggests that individuals of the same ethnicity tend to follow certain career paths that are similar in economic activity and require a similar set of skills, which are referred to as occupational clusters. Often these clusters involve the pursuit of self-employment, which requires minimal skills and no formal training. According to Basu (1998:315), it is perceived that ethnic groups who are in the minority are forced to start their own business to avoid unemployment caused by discrimination in the labour market. However, Basu (1998:315) adds that this is a common push factor that could influence all individuals to start their own business regardless of ethnicity.

According to Chatterji and Seamans (2010:3) as well as Clark and Drinkwater (1998:386), non-white individuals generally start their own business at a lower rate than white individuals. This is attributed to family values, structure and consumer discrimination. Chatterji and Seamans (2010:3) add that non-white entrepreneurs often face more challenges in business than white entrepreneurs. It is also perceived that the non-pecuniary rewards of entrepreneurship are higher for non-white entrepreneurs than they are for white entrepreneurs (Clark & Drinkwater, 1998:386). It is therefore clear that differences in the perceptions and attitudes towards entrepreneurship exist among different ethnic groups. The following hypotheses are formulated and will be subjected to empirical testing:

\[ H^3: \text{There is no difference in the nature of words generated by students from different ethnic groups.} \]

\[ H^4: \text{There is a difference in the nature of words generated by students from different ethnic groups.} \]

**RESEARCH METHODOLOGY**

A qualitative research paradigm was adopted for this study. This approach offers a suitable tool to assess the mental representations of an entrepreneur as held by individuals, thereby revealing how they perceive the concept (Roininen, Arvola & Lahteenmaaki, 2006:20). Given the purpose and objective of this study, a projective technique was considered most appropriate. Projective techniques involve a form of indirect questioning which results in a better reflection of how the subject (concept) is perceived by a subject (participant). Projective techniques are used to overcome a subject’s reluctance to reveal his or her true feelings and perceptions, and to unlock hidden or suppressed meanings (Cooper & Schindler, 2006:205; Churchill, 1996:283). More specifically, a word association test, a form of projective technique, was used in this study. When administering word association tests, participants are given a stimulus word or picture and are then asked to write down as many words as possible that come to mind, in an attempt to retrieve associations from the participant’s associative or semantic memory (Koll, Wallpach & von Kreuzer, 2010:588). The continuous word association technique was adopted in this paper. This form of word association requires research participants to give as many responses as possible within a specified time frame upon presentation of a stimulus word. A continuous word association test allows for unrestricted responses and ensures that the research participants keep on track and continue to give responses to the original stimulus word as a result of the time constraint imposed (Nielsen & Ingwersen, 1999:18).

**Sampling and data collection**

The sample consisted of non-business students from the Nelson Mandela Metropolitan University (NMMU). These students were requested to participate in a word association test which was administered during the first lecture of an entrepreneurship module. Stephan et al. (1987:182) contend that investigating the image that students have of an entrepreneur is a viable research avenue because students have a high potential to become successful entrepreneurs. As such, convenience sampling was adopted.

When undertaking the continuous word association test, participants were asked to write down the words or phrases that came to mind when thinking of the term “entrepreneur”, which was the stimulus word, within a ten-minute period. In addition, they were also asked to provide demographic details pertaining to their gender, ethnicity, qualification for which they were enrolled, and whether they were related to an
entrepreneur. For the purposes of this study only the gender and ethnicity of students were taken into consideration.

**Reliability and validity (rigour or trustworthiness)**
Reliability refers to the “extent to which the data collected is accurate, consistent and stable” (Struwig & Stead, 2013:138). A research study indicates a high degree of reliability if it was to be repeated and produces the same results. (Collis & Hussey, 2009:64). Donoghue (2000:50) defines “validity” as the degree to which a particular research instrument measures what it is intended to measure. In terms of projective techniques, specifically when using word association techniques, “validity” refers to interpreting the data the way in which the participant understood or meant it. Struwig and Stead (2013:136) consider triangulation to be one of the ways to build trustworthiness and rigour in qualitative research, thereby ensuring the validity and reliability of the data collection and analysis methods.

The validity and reliability of the data collected in this paper was established through triangulation. Bryman and Bell (2011:399), as well as Collis and Hussey (2009:85) define triangulation as using either different sources of data (primary and secondary), different research methods or different researchers in the same study in order to reduce researcher bias and increase the validity and reliability of the research. Collis and Hussey (2009:85), and Jick (1979:602) make specific reference to triangulation of theories, which entails comparing theories from different disciplines. Data triangulation refers to collecting and comparing data at different times, from different sources to verify the data. Investigator triangulation refers to different researchers collecting and comparing results, and methodological triangulation refers to using different methods to collect and analyse the data.

In this study a triangulation of theories was applied by comparing and combining literature from the entrepreneurship and management, marketing, psychology and lexicography disciplines. Data triangulation was ensured in the present study by re-administering the word association test to the same set of students at a later time period (these results do not form part of this paper). To ensure investigator triangulation, three competent researchers, with a thorough understanding of the entrepreneurship literature and research, were involved in the analysis and interpretation of the data. The categorisation process used was guided by the entrepreneurship literature. The study made use of mixed methods for collecting and analysing data. A mixed method approach ensures that methodological triangulation occurs. A qualitative method, namely a projective technique, was used to collect the data, specifically a continuous word association test, and to analyse the data collected a quantitative summative (manifest) content analysis was used. As such, the validity and reliability were ensured through triangulation of theories, data, methods and investigators.

**Coding framework and analyses**
“Coding” is described as the process of applying categories to sections of data and collating the similarities and relationships between those categories (Gibson & Brown, 2009:178). An in-depth investigation of the entrepreneurship literature facilitated and guided the search for themes and codes. In studies on brand image, the components of image are considered to be tri-structured in nature, consisting of cognitive (what the individual knows), affective (how the individual feels) and holistic (overall symbolism, combination of affective and cognitive) evaluations (Prayag, 2010:473; Baloglu & McCleary, 1999:870). The words generated by the participants in this study were broadly coded according to these categories. To ensure more salient and accurate interpretations, the words generated were then further subcategorised by searching for themes within the broad categories. In each subcategory synonyms and similar words were grouped together. The categorisation process occurred over a period of time, during which the various words generated were grouped according to recurring themes. Three researchers were involved in the categorisation process and consensus was reached through logical argumentation.

The nature of the words generated, the frequencies of recurring words, the number of different types of words, first words recalled (positioning), and the average number of words recalled, were established when analysing the data. The data analysis was done using Microsoft Excel. Chi-square analyses was undertaken to determine whether relationships exist between the associations students made and their gender and ethnicity.

**RESULTS**
In the paragraphs below, firstly a profile of the student participants will be described. Thereafter, the nature of the words generated by the participants in this study as well as the positioning of the words are discussed. Lastly, the most frequently occurring words generated are presented.
Profile of participants
One hundred and sixty three students studying social sciences at NMMU participated in this study. These students were enrolled for a module in entrepreneurship. The word association test was undertaken during the first lecture of the module in entrepreneurship. The majority of participants were female (66.87%). White students (42.33%) were in the majority, while black (38.04%), Coloured (12.88%) and Asian (1.84%) students made up the rest of the sample. Most students were studying towards either a BA Psychology degree (44.10%) or a Bachelor of Human Movement Sciences degree (22.09%). Of the 163 students who participated, 55.83 per cent indicated that they were related to an entrepreneur.

The nature of the words associated with “entrepreneur” recalled by students based on their demographic profile
Based on their gender and ethnicity the nature of the words that students associated with the term “entrepreneur” are discussed in the sections below. The word associations are either of a cognitive *(what the individual knows)*, affective *(how the individual feels)* or holistic *(overall symbolism, combination of affective and cognitive)* nature.

**The nature of the words recalled by students based on their gender:** From Table 1 it can be seen that the majority of the words recalled by male (66.32%) and female (59.51%) students were of a cognitive nature. However, more of the words recalled by male than female students were of a cognitive nature. The majority of these cognitive words recalled by both male (84.66%) and female (80.00%) students related to the attributes of an entrepreneur. In the cognitive category, male (12.14%) and female (13.39%) students recalled more or less the same number of synonyms, but female students (6.61%) recalled more skills and competencies of an entrepreneur than did male students (3.19%). Female students (14.35%) made more affective associations with the term “entrepreneur” than did male students (10.59%). In this category, female students (91.85%) made more positive associations with “entrepreneur” than did male students (78.00%). Therefore, male students (22.00%) made more negative associations than did female students (8.15%).

**Table 1: A comparison of the nature of the words recalled by students of different genders**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Female students</th>
<th>Male students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>f</td>
</tr>
<tr>
<td>Cognitive</td>
<td>59.51</td>
<td>560</td>
</tr>
<tr>
<td>Synonyms</td>
<td>13.39</td>
<td>75</td>
</tr>
<tr>
<td>Attributes</td>
<td>80.00</td>
<td>448</td>
</tr>
<tr>
<td>Skills and competencies</td>
<td>6.61</td>
<td>37</td>
</tr>
<tr>
<td>Affective</td>
<td>14.35</td>
<td>135</td>
</tr>
<tr>
<td>Positive</td>
<td>91.85</td>
<td>124</td>
</tr>
<tr>
<td>Negative</td>
<td>8.15</td>
<td>11</td>
</tr>
<tr>
<td>General</td>
<td>26.14</td>
<td>246</td>
</tr>
<tr>
<td>Holistic</td>
<td>58.94</td>
<td>145</td>
</tr>
<tr>
<td>Operational</td>
<td>39.84</td>
<td>98</td>
</tr>
<tr>
<td>Unrelated</td>
<td>1.22</td>
<td>3</td>
</tr>
</tbody>
</table>

(f = frequency of words; D = Number of different words)

In the general category, the words recalled by male and female students were of a similar nature. Female students (58.94%) recalled slightly less holistic evaluations than male students (60.55%), whereas female students (39.84%) recalled slightly more operational words than male students (39.45%). Only 1.22 per cent of the words recalled by female students were categorised as unrelated, whereas none of the words recalled by male students were placed in this category. As can be seen above, several differences have been noted in the nature of the words recalled between male and female students. Whether these differences are statistically and practically significant was determined using Chi-square and Cræmer’s V statistics.
Table 2: A comparison of male and female students

<table>
<thead>
<tr>
<th>Cognitive</th>
<th>Affective</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
<td>%</td>
<td>f</td>
</tr>
<tr>
<td>Female students</td>
<td>560</td>
<td>59.51</td>
<td>135</td>
</tr>
<tr>
<td>Male students</td>
<td>313</td>
<td>66.31</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>873</td>
<td>61.78</td>
<td>185</td>
</tr>
</tbody>
</table>

$\text{Chi}^2 = 6.90, p = 0.032$ (statistically significant), $V = 0.07$ (not practically significant).

From Table 2, it can be seen that a statistically significant difference ($\text{Chi}^2 = 6.90, p = 0.032, V = 0.07$) exists in the nature of the words generated by male and female students. Croemer's V statistic ($V = 0.07$), however, reveals these differences to be of no practical significance. Although the Chi-square value is greater than the critical value ($df = 2; 5.99$) indicating statistical significance, the Croemer's V statistic suggests no practical significance. Therefore, the null hypothesis below cannot be rejected:

$H_0^1$: There is no difference in the nature of words generated by male and female students.

The nature of the words generated was investigated further in terms of the various subcategories. In the cognitive category, no statistically significant differences ($\text{Chi}^2 = 5.12, p = 0.077, V = n/a p > 0.50$) between male and female participants were noted in terms of the synonyms, attributes and skills and competencies recalled. Similarly, no statistically significant differences ($\text{Chi}^2 = 0.02, p = 0.876, V = n/a p > 0.50$) were observed in the general category in terms of the holistic, operational and unrelated words recalled by students. However, in the affective category, a statistically and practically significant ($\text{Chi}^2 = 6.68, p = 0.010, V = 0.19$) difference in the positive and negative associations was reported between male (78.00%) and female (91.85%) students.

The nature of the words recalled by students based on their ethnicity: For all ethnic groups participating, the nature of the words recalled was more or less similar, with most words recalled being of a cognitive nature followed by words of a general and then affective nature (see Table 3). In the cognitive category, Coloured (63.37%) students recalled slightly more words than white (62.14%) or black (61.31%) students. In the cognitive category, Coloured students recalled more attributes (83.49%) and skills and competencies (6.42%) than did the other groups of students, whereas black students recalled more synonyms for “entrepreneur” (16.71%) than the other two groups of students. In the affective category, white students (88.88%) recalled slightly more positive associations with “entrepreneur” than did Coloured (87.50%) or black students (81.97%). With regard to the general category, black students (27.92%) made slightly more general associations with “entrepreneur” than white (22.78%) or Coloured students (22.67%). However, in the general category, holistic words were recalled more frequently by Coloured (61.54%) and black (60.76%) students, whereas white students recalled more words of an operational nature (45.59%) than did the other two groups. Black students (1.90%) were the only group who recalled words that were unrelated to entrepreneurship in the context of the study.

Table 3: A comparison of the nature of the words recalled by students from different ethnic backgrounds

<table>
<thead>
<tr>
<th>Categories</th>
<th>White students</th>
<th>Black students</th>
<th>Coloured students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
<td>D%</td>
<td>f</td>
</tr>
<tr>
<td>Total number of words</td>
<td>597</td>
<td>371</td>
<td>54</td>
</tr>
<tr>
<td>Total number of participants</td>
<td>69</td>
<td>63</td>
<td>21</td>
</tr>
<tr>
<td>Average number of words</td>
<td>8.65</td>
<td>8.98</td>
<td>8.19</td>
</tr>
<tr>
<td>Cognitive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synonyms</td>
<td>9.70</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>Attributes</td>
<td>82.75</td>
<td>307</td>
<td>40</td>
</tr>
<tr>
<td>Skills and competencies</td>
<td>4.69</td>
<td>28</td>
<td>8</td>
</tr>
<tr>
<td>Affective</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>88.88</td>
<td>80</td>
<td>14</td>
</tr>
<tr>
<td>Negative</td>
<td>11.11</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>General</td>
<td>22.78</td>
<td>136</td>
<td>25</td>
</tr>
<tr>
<td>Holistic</td>
<td>54.41</td>
<td>74</td>
<td>12</td>
</tr>
</tbody>
</table>
Operational | 45.59 | 62 | 13 | 37.34 | 59 | 12 | 38.46 | 15 | 6
Unrelated | 0.00 | 0 | 0 | 1.90 | 3 | 3 | 0.00 | 0 | 0

(f = frequency of words; D = Number of different words)

As can be seen, several differences exist in the nature of the words recalled by students from different ethnic groups. Whether these differences are statistically and practically significant was established by calculating Chi square and Craemer’s V statistics.

Table 4: A comparison of students from different ethnic groups

<table>
<thead>
<tr>
<th>Cognitive</th>
<th>Affective</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>f</td>
<td>%</td>
<td>f</td>
<td>%</td>
</tr>
<tr>
<td>White</td>
<td>371</td>
<td>62.14</td>
<td>90</td>
</tr>
<tr>
<td>Black</td>
<td>347</td>
<td>61.31</td>
<td>61</td>
</tr>
<tr>
<td>Coloured</td>
<td>109</td>
<td>63.37</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>827</td>
<td>61.95</td>
<td>175</td>
</tr>
</tbody>
</table>

$\text{Chi}^2 = 7.78, p = 0.100$ (statistically insignificant), $V = n/a p > 0.50$.

From the Table above, it appears that there is no significant difference between the nature of the words recalled by students from different ethnic groups ($\text{Chi}^2 = 7.78, p = 0.100, V = n/a p > 0.50$). The Chi-square value is less than the critical value ($df = 4; 9.49$), therefore the null hypothesis below cannot be rejected: $H_0^{\text{null}}$. There is no difference in the nature of words generated by individuals from different ethnic groups.

The nature of the words generated was investigated further in terms of the various subcategories. In the cognitive category, statistically significant differences ($\text{Chi}^2 = 15.17$, $p = 0.004$, $V = 0.10$) are reported between students from different ethnic groups in terms of the frequency of synonyms, attributes and skills and competencies recalled. As mentioned above, Coloured students recalled more attributes (83.49%) and skills and competencies (6.42%) than the other ethnic groups of students, whereas black students recalled more synonyms for “entrepreneur” (16.71%) than the other two groups. In the affective category, no statistical differences ($\text{Chi}^2 = 1.51$, $p = 0.471$) are reported in the words recalled by students from different ethnic backgrounds. Similarly, no statistical differences are reported in the general category ($\text{Chi}^2 = 1.83$, $p = 0.400$) for these groups.

The positioning of words associated with “entrepreneur” recalled by students based on their demographic profile

In the sections below, the first three words that came to mind when confronted with the term “entrepreneur” among student participants of different genders and ethnic backgrounds are presented.

The positioning of words based on gender: From Table 5 it can be seen that in the case of female students, the first word that came to mind the most times was business enterprise (holistic). This word was recalled first (20 times) and second (7 times) the most times. The word risk-taker (attributes) was recalled as the word that came to mind first 7 times, second 7 times and third 11 times. Of the top three words being recalled first, second and third (nine words in total), five related to the attributes of an entrepreneur, three were holistic in nature and one was a synonym for “entrepreneur”. For male students, the first word that came to mind the most times was business enterprise (holistic). This word was recalled as the first word (16 times) and as the second word (5 times) the most times. The word creative (attributes) was recalled first 14 times and second 4 times. Macro environment (holistic) was recalled most frequently as the first word 13 times, as the second word 3 times and as the third word 4 times. Of the top three words being recalled first, second and third (nine words in total), four related to the attributes of an entrepreneur and five were holistic in nature. In summary, the word risk-taker was recalled either first, second or third the most frequently among female students – but it was not recalled as one of the first three words that came to mind among male students. The word creative was recalled either first or second among male students the most often – but was not mentioned as one of the first three words that came to mind among female participants. Business enterprise was recalled the most times as either the first or second word that came to mind, among both male and female student participants. Macro environment was recalled either first, second or third among male students but was not recalled as one of the top three words among female students. The nature of the words recalled first, second and third the most times by female students thus differs from those recalled by male students. Although the words recalled in these positions by both male and female students were either attributes or holistic in nature, female students recalled more attributes of an entrepreneur whereas male students recalled more holistic associations.
### Table 5: Positioning of words recalled by students of different genders

**FEMALE STUDENTS (109 PARTICIPANTS)**

<table>
<thead>
<tr>
<th>Word position</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>business enterprise</td>
<td>20</td>
<td>holistic</td>
<td>business-owning person</td>
<td>14</td>
<td>synonym</td>
<td>risk-taker</td>
<td>7</td>
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</tr>
<tr>
<td>Second</td>
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<td>7</td>
<td>attributes</td>
<td>business enterprise</td>
<td>7</td>
<td>holistic</td>
<td>makes money</td>
<td>7</td>
<td>attributes</td>
</tr>
<tr>
<td>Third</td>
<td>risk-taker</td>
<td>11</td>
<td>attributes</td>
<td>profit-orientated</td>
<td>7</td>
<td>attributes</td>
<td>financing</td>
<td>7</td>
<td>holistic</td>
</tr>
</tbody>
</table>

**MALE STUDENTS (54 PARTICIPANTS)**

<table>
<thead>
<tr>
<th>Word position</th>
<th>Word</th>
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<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>business enterprise</td>
<td>16</td>
<td>holistic</td>
<td>creative</td>
<td>14</td>
<td>attributes</td>
<td>macro environment</td>
<td>13</td>
<td>holistic</td>
</tr>
<tr>
<td>Second</td>
<td>business enterprise</td>
<td>5</td>
<td>holistic</td>
<td>creative</td>
<td>4</td>
<td>attributes</td>
<td>macro environment</td>
<td>3</td>
<td>holistic</td>
</tr>
<tr>
<td>Third</td>
<td>macro environment</td>
<td>4</td>
<td>holistic</td>
<td>determined</td>
<td>4</td>
<td>attributes</td>
<td>innovative and original</td>
<td>3</td>
<td>attributes</td>
</tr>
</tbody>
</table>

(f = frequency of words)

**The positioning of words based on ethnicity:** From Table 6 it can be seen that the words recalled first most frequently by white students were either business enterprise or business-owning person. Business enterprise (holistic) was recalled as the first word 10 times and as the second word 3 times. Business-owning person (synonyms) was recalled first 6 times and second 3 times among white students. Of the top three words being recalled first, second and third by white students (nine words in total), four related to synonyms of an entrepreneur, three related to attributes of an entrepreneur and two were holistic in nature.

**Table 6: Positioning of words recalled by students of different ethnic backgrounds**

**WHITE STUDENTS (69 PARTICIPANTS)**

<table>
<thead>
<tr>
<th>Word position</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>business enterprise</td>
<td>10</td>
<td>holistic</td>
<td>business-owning person</td>
<td>6</td>
<td>synonyms</td>
<td>creative</td>
<td>6</td>
<td>attributes</td>
</tr>
<tr>
<td>Second</td>
<td>business-owning person</td>
<td>3</td>
<td>synonyms</td>
<td>innovator</td>
<td>3</td>
<td>synonyms</td>
<td>business enterprise</td>
<td>3</td>
<td>holistic</td>
</tr>
<tr>
<td>Third</td>
<td>risk-taker</td>
<td>9</td>
<td>attributes</td>
<td>profit-orientated</td>
<td>4</td>
<td>attributes</td>
<td>business founder</td>
<td>2</td>
<td>synonyms</td>
</tr>
</tbody>
</table>

**BLACK STUDENTS (63 PARTICIPANTS)**

<table>
<thead>
<tr>
<th>Word position</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
<th>Word</th>
<th>f</th>
<th>Sub-category</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>business-owning person</td>
<td>11</td>
<td>synonyms</td>
<td>risk-taker</td>
<td>9</td>
<td>attributes</td>
<td>profit-orientated</td>
<td>7</td>
<td>attributes</td>
</tr>
<tr>
<td>Second</td>
<td>business enterprise</td>
<td>8</td>
<td>holistic</td>
<td>risk-taker</td>
<td>7</td>
<td>attributes</td>
<td>business founder</td>
<td>5</td>
<td>synonyms</td>
</tr>
<tr>
<td>Third</td>
<td>business-owning person</td>
<td>7</td>
<td>synonyms</td>
<td>financing</td>
<td>5</td>
<td>holistic</td>
<td>risk-taker</td>
<td>5</td>
<td>attributes</td>
</tr>
</tbody>
</table>
Among black students, the words business-owning person and risk-taker were recalled most frequently as the first words that came to mind. The word risk-taker (attributes) was recalled as the first word 9 times, the second word 7 times and the third word 5 times. Business-owning person (synonyms) was recalled as the first phrase 11 times and the third phrase 7 times. Of the top three words being recalled first, second and third by black students (nine words in total), three related to synonyms of an entrepreneur, four related to attributes of an entrepreneur and two were holistic in nature.

The first word or phrase that came to mind most frequently among Coloured students was business enterprise (5 times; holistic). The words risk-taker and creative were also words that were recalled first or second most often. Creative (attributes) was recalled as the second (4 times) and third (2 times) word most often. Risk-taker (attributes) was recalled as the first word 2 times and the third word once. Of the top three words being recalled first, second and third by Coloured students (nine words in total), two related to synonyms of an entrepreneur, six related to attributes of an entrepreneur and one was holistic in nature.

The top three words in common which came to mind for white, black and Coloured students were business enterprise, business-owning person, risk-taker and business founder. The word creative was recalled first among white students and second and third among Coloured students but not recalled as one of the first three words that came to mind for black students. Profit-orientated was recalled first by black students and third by white students but was not recalled as one of the first three words that came to mind among Coloured students. White students recalled the word innovator, which was not recalled by black or Coloured students. The word financing was recalled by black students but not recalled by white or Coloured students as one of the top three words that came to mind. Coloured students, however, recalled the words ambitious, and committed and dedicated, which were not among the first three words that came to mind among white and black students.

Differences in the positioning of the words recalled thus exist among students from different ethnic backgrounds. The nature of the words recalled first were either synonyms, attributes or words of a holistic nature. White students recalled more synonyms for “entrepreneur”, while black and Coloured students recalled more attributes of an entrepreneur.

The top ten most frequently occurring words recalled by students based on their demographic profiles
In the sections below, the top ten words that occurred most frequently among student participants of different gender and ethnic backgrounds are described.

**Top ten most frequently occurring words among students of different genders:** The top ten most frequently recalled words by female and male students are presented in Table 7. For both male (50%) and female (47.7%) participants the word risk-taker was recalled most frequently. Female students mostly associate an entrepreneur with being a risk-taker (47.71%), a business enterprise (45.87%), being innovative and original (36.70%), the selling of goods and services (36.70%) and being creative (33.03%). Male students mostly associate an entrepreneur with being a risk-taker (50.00%), being creative (50.00%), a business enterprise (37.04%), selling of goods and services (33.33%) and being innovative and original (31.48%).
Table 7: Top ten most frequently recalled words by students of different genders

<table>
<thead>
<tr>
<th>FEMALE STUDENTS (109 PARTICIPANTS)</th>
<th>CATEGORY</th>
<th>SUBCATEGORY</th>
<th>f</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-taker</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>52</td>
<td>47.71</td>
</tr>
<tr>
<td>Business enterprise</td>
<td>General</td>
<td>Holistic</td>
<td>50</td>
<td>45.87</td>
</tr>
<tr>
<td>Innovative and original</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>40</td>
<td>36.70</td>
</tr>
<tr>
<td>Selling of goods and services</td>
<td>General</td>
<td>Operational</td>
<td>40</td>
<td>36.70</td>
</tr>
<tr>
<td>Creative</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>36</td>
<td>33.03</td>
</tr>
<tr>
<td>Makes money</td>
<td>Affective</td>
<td>Positive</td>
<td>34</td>
<td>31.19</td>
</tr>
<tr>
<td>Profit-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>31</td>
<td>28.44</td>
</tr>
<tr>
<td>Goal- and achievement-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>31</td>
<td>28.44</td>
</tr>
<tr>
<td>Business founder</td>
<td>Cognitive</td>
<td>Synonyms</td>
<td>27</td>
<td>24.77</td>
</tr>
<tr>
<td>Business-owning person</td>
<td>Cognitive</td>
<td>Synonyms</td>
<td>26</td>
<td>23.85</td>
</tr>
</tbody>
</table>

* (f = frequency of words; percentages (%) calculated as \( \frac{f}{n} \))

Of the top ten most frequently recalled words by female students, seven were cognitive, two were general and one was affective in nature. More specifically, five were attributes, two were synonyms and one word was recalled in each of the holistic, operational and positive subcategories. Among the male student participants, seven of the top ten words recalled most frequently were of a cognitive nature and three of a general nature. More specifically, seven were from the attributes, two from holistic and one from the operational subcategories.

Table 7: Top ten most frequently recalled words by students of different genders (continued)

<table>
<thead>
<tr>
<th>MALE STUDENTS (54 PARTICIPANTS)</th>
<th>CATEGORY</th>
<th>SUBCATEGORY</th>
<th>f</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-taker</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>27</td>
<td>50.00</td>
</tr>
<tr>
<td>Creative</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>27</td>
<td>50.00</td>
</tr>
<tr>
<td>Business enterprise</td>
<td>General</td>
<td>Holistic</td>
<td>20</td>
<td>37.04</td>
</tr>
<tr>
<td>Selling of goods and services</td>
<td>General</td>
<td>Operational</td>
<td>18</td>
<td>33.33</td>
</tr>
<tr>
<td>Innovative and original</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>17</td>
<td>31.48</td>
</tr>
<tr>
<td>Leader</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>16</td>
<td>29.63</td>
</tr>
<tr>
<td>Macro environment</td>
<td>General</td>
<td>Holistic</td>
<td>16</td>
<td>29.63</td>
</tr>
<tr>
<td>Hardworking</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>14</td>
<td>25.93</td>
</tr>
<tr>
<td>Profit-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>13</td>
<td>24.07</td>
</tr>
<tr>
<td>Opportunistic</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>12</td>
<td>22.22</td>
</tr>
</tbody>
</table>

* (f = frequency of words; percentages (%) calculated as \( \frac{f}{n} \))

Of the attributes most frequently recalled by male and female students, four were the same (risk-taker, creative, innovative and original and profit-orientated). The operational phrase recalled most frequently by both male and female students was the same (selling of goods and services), and one of the holistic phrases recalled by both groups was the same (business enterprise). Among the top ten most frequently recalled words by females and not by males were makes money, goal- and achievement-orientated, business founder and business-owning person, whereas the top ten most frequently recalled words by males and not females were leader, macro environment, hardworking and opportunistic.

Top ten most frequently occurring words among students of different ethnic backgrounds: From Table 8 it can be observed that white students mostly consider an entrepreneur as someone who is a risk-taker (49.28%), innovative and original (34.78%), makes money (37.68%) and owns and manages a business enterprise (42.03%). Black students mostly considered an entrepreneur as someone who is a risk-taker (53.97%), profit-orientated (47.62%), innovative and original (39.68%) and involved in the selling of goods and services (39.68%). Coloured students on the other hand considered an entrepreneur as someone who is creative (52.38%), a risk-taker (38.10%), motivated (33.33%) and involved in the management of a business enterprise (42.86%).
Table 8: Top ten most frequently recalled words by students of different ethnic backgrounds

<table>
<thead>
<tr>
<th>WHITE STUDENTS (69 PARTICIPANTS)</th>
<th>WORD</th>
<th>CATEGORY</th>
<th>SUBCATEGORY</th>
<th>f</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk-taker</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>34</td>
<td>49.28</td>
</tr>
<tr>
<td>2</td>
<td>Creative</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>31</td>
<td>44.93</td>
</tr>
<tr>
<td>3</td>
<td>Business enterprise</td>
<td>General</td>
<td>Holistic</td>
<td>29</td>
<td>42.03</td>
</tr>
<tr>
<td>4</td>
<td>Makes money</td>
<td>Affective</td>
<td>Positive</td>
<td>26</td>
<td>37.68</td>
</tr>
<tr>
<td>5</td>
<td>Innovative and original</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>24</td>
<td>34.78</td>
</tr>
<tr>
<td>6</td>
<td>Selling of goods and services</td>
<td>General</td>
<td>Operational</td>
<td>24</td>
<td>34.78</td>
</tr>
<tr>
<td>7</td>
<td>Leader</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>21</td>
<td>30.43</td>
</tr>
<tr>
<td>8</td>
<td>Goal- and achievement-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>17</td>
<td>24.64</td>
</tr>
<tr>
<td>9</td>
<td>Hardworking</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>16</td>
<td>23.19</td>
</tr>
<tr>
<td>10</td>
<td>Opportunistic</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>15</td>
<td>21.74</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BLACK STUDENTS (63 PARTICIPANTS)</th>
<th>WORD</th>
<th>CATEGORY</th>
<th>SUBCATEGORY</th>
<th>f</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk-taker</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>34</td>
<td>53.97</td>
</tr>
<tr>
<td>2</td>
<td>Profit-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>30</td>
<td>47.62</td>
</tr>
<tr>
<td>3</td>
<td>Innovative and original</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>25</td>
<td>39.68</td>
</tr>
<tr>
<td>4</td>
<td>Selling of goods and services</td>
<td>General</td>
<td>Operational</td>
<td>25</td>
<td>39.68</td>
</tr>
<tr>
<td>5</td>
<td>Business founder</td>
<td>Cognitive</td>
<td>Synonyms</td>
<td>23</td>
<td>36.51</td>
</tr>
<tr>
<td>6</td>
<td>Business-owning person</td>
<td>Cognitive</td>
<td>Synonyms</td>
<td>18</td>
<td>28.57</td>
</tr>
<tr>
<td>7</td>
<td>Creative</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>18</td>
<td>28.57</td>
</tr>
<tr>
<td>8</td>
<td>Goal- and achievement-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>17</td>
<td>26.98</td>
</tr>
<tr>
<td>9</td>
<td>Opportunistic</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>13</td>
<td>20.63</td>
</tr>
<tr>
<td>10</td>
<td>Hardworking</td>
<td>Cognitive</td>
<td>Attributes</td>
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<td>17.46</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>COLOURED STUDENTS (21 PARTICIPANTS)</th>
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<th>CATEGORY</th>
<th>SUBCATEGORY</th>
<th>f</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>Cognitive</td>
<td>Attributes</td>
<td>11</td>
<td>52.38</td>
</tr>
<tr>
<td>2</td>
<td>Business enterprise</td>
<td>General</td>
<td>Holistic</td>
<td>9</td>
<td>42.86</td>
</tr>
<tr>
<td>3</td>
<td>Risk-taker</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>8</td>
<td>38.10</td>
</tr>
<tr>
<td>4</td>
<td>Motivated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>7</td>
<td>33.33</td>
</tr>
<tr>
<td>5</td>
<td>Ambitious</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>7</td>
<td>33.33</td>
</tr>
<tr>
<td>6</td>
<td>Makes money</td>
<td>Affective</td>
<td>Positive</td>
<td>7</td>
<td>33.33</td>
</tr>
<tr>
<td>7</td>
<td>Opportunistic</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>6</td>
<td>28.57</td>
</tr>
<tr>
<td>8</td>
<td>Profit-orientated</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>5</td>
<td>23.81</td>
</tr>
<tr>
<td>9</td>
<td>Flexible</td>
<td>Cognitive</td>
<td>Attributes</td>
<td>5</td>
<td>23.81</td>
</tr>
<tr>
<td>10</td>
<td>Freedom and independence</td>
<td>Affective</td>
<td>Positive</td>
<td>5</td>
<td>23.81</td>
</tr>
</tbody>
</table>

* (f = frequency of words; percentages (%) calculated as \( \frac{f}{N} \))

The word risk-taker was the most frequently recalled word among white (49.28%) and black (53.97%) students, while risk-taker was recalled the third most times among Coloured students (38.10%). The most frequently occurring word among Coloured students was the word creative (52.38%). The word creative was the second word recalled among white students (44.93%) and the seventh most frequently recalled word among black students (28.57%).

Of the top ten most frequently recalled words by white students, seven were cognitive, two were general and one was affective. More specifically, seven were attributes, one operational, one holistic and one positive. Among the black students, nine were cognitive in nature and one was general. More specifically, seven were attributes, two were synonyms and one was operational. Seven of the ten words recalled by Coloured
students were cognitive in nature, two were affective and one was general. More specifically, seven were attributes, two were positive and one was holistic.

Of the attributes recalled among the top ten words by white, black and Coloured students, three were the same (creative, risk-taker and opportunistic). The attributes innovative and original, goal- and achievement-orientated and hardworking were common to white and black students, but not recalled among the top ten words of Coloured students. Instead, Coloured students recalled the attributes motivated, ambitious and flexible among their top ten words whereas black and white students did not. The operational phrase recalled among the top ten words of both white and black students was selling of goods and services. This operational term was, however, not recalled as among the top ten of Coloured students. The most frequently recalled positive association was makes money. This term was common among the top ten words recalled by both white and Coloured students, but not as among the top ten words recalled by black students. The holistic term business enterprise was most recalled among the top ten words of Coloured and white students, but not among the top ten recalled by black students.

A top-ten word recalled by white students that was not recalled as one of the top ten words by black or Coloured students was leader. Black students recalled the synonyms for “entrepreneur” of business founder and business-owning person, whereas these synonyms were not recalled among the top ten words recalled by white and Coloured students. Among the top ten most frequently recalled words, Coloured students recalled words such as motivated, ambitious, flexible and freedom and independence, which were not recalled by black and white students.

**DISCUSSION OF FINDINGS**

The primary objective of this study was to establish whether differences exist between students of different genders and from different backgrounds with regards to the image or perception they have of an entrepreneur. These perceptions were established by means of continuous word association tests.

The majority of the words recalled by both male (66.32%) and female (59.51%) students were cognitive in nature, however, more of the words recalled by male students were cognitive in nature than the words recalled by female students. The vast majority of these cognitive words recalled by both genders related to the attributes of an entrepreneur. Although a much smaller number of words, the number of synonyms recalled by male and female students were similar, and female students recalled slightly more skills and competencies of an entrepreneur than did male students. Differences in the nature of the words generated by male and female students assessed at the onset of the entrepreneurship module were found to be statistically but not practically significant.

The nature of the words generated by male and female participants was investigated further in terms of the various subcategories. No statistical or practical significance was found between male and female students within the various subcategories, with the exception of the affective category. Female students made more positive associations with the term “entrepreneur” than male students did and this difference was found to be both statistically and practically significant. The findings suggest that female students are more positive towards entrepreneurship than male students are. This finding appears to contradict the literature which concludes that women are often “pushed” into entrepreneurship because of family commitments, while men are often “pulled” into entrepreneurship because of the perceived benefit of financial gain (Dabic et al., 2012; Dawson & Henley, 2012; Kirkwood, 2009).

The word risk-taker was recalled either first, second or third most frequently among female students. However, this word was not recalled as one of the first three words that came to mind among male students. The words creative and macro-environment were recalled first among male students but not among female students. Business enterprise was, however, a common word recalled first by both male and female student participants. Although the words recalled in these positions by both male and female students were either attributes or holistic in nature, female students recalled more attributes of an entrepreneur, whereas male students recalled more holistic associations first.

The findings suggest that the first thought that comes to mind when thinking of an entrepreneur differs between male and female students. Male students think of someone who is creative, whereas female students think of someone who is a risk-taker. Cañizares and García (2010:770), suggest that women are perceived to be less entrepreneurial and less risk-tolerant (Dabic et al., 2012:320) than men. Dabic et al. (2012:320) add that women have a lower self-concept of their perceived abilities to become an entrepreneur and in turn have less interest in becoming entrepreneurs than men. It can therefore be suggested that if female students do not perceive themselves as risk-takers, they are not likely to follow an entrepreneurial career.

For both male and female participants the word risk-taker was recalled most frequently. Female students mostly associated an entrepreneur with being a risk-taker, a business enterprise, being innovative and original, the selling of goods and services and being creative. Male students, on the other hand, mostly associated an entrepreneur with being a risk-taker, being creative, a business enterprise, selling of goods and services and being innovative and original. Among the top ten most frequently recalled words by females and not by males were makes money, goal- and achievement-orientated, business founder and business-owning person, whereas the top ten most frequently recalled words by males and not females were leader, macro-environment, hardworking and opportunistic.

For all ethnic groups participating in this study, the nature of the words recalled were more or less similar, with most words recalled being of a cognitive nature followed by words of a general and then an affective nature. These differences between the nature of the words generated by the various ethnic groups were found not to be statistically or practically significant. This implies that ethnicity has no influence on the way an entrepreneur is perceived.

The nature of the words generated were further investigated in terms of the various subcategories. For the various ethnic groups no statistical or practical significant differences were found between the various categories with the exception of the cognitive category. Black students recalled more synonyms (16.71%) and fewer skills and competencies (2.88%) than did Coloured or white students. This finding suggests that black students do not perceive an entrepreneur as possessing learned skills and competencies. Therefore, if black students do not perceive themselves as possessing these necessary skills and competencies, they do not perceive themselves as potential entrepreneurs. These findings provide a possible explanation for the situation of ethnic groups who are in the minority tending to follow career paths which require minimal skills and no formal training (Boyd, 2008:2390), causing them to be pushed into entrepreneurial careers as a final resort (Basu, 1998:315).

The top four words or phrases which white, black and Coloured students recalled in common were business enterprise, business-owning person, risk-taker and business founder. The word creative was recalled as one of the first words that came to mind for white and Coloured students but not for black students. Profit-orientated was recalled as one of the first words by black students and white students but was not recalled as one of the first words that came to mind among by Coloured students. White students recalled the word innovator, which was not recalled by black or Coloured students. The word financing was recalled by black students but not recalled by white or Coloured students as one of the top three words that came to mind. Coloured students, however, recalled the words ambitious, and committed and dedicated, which were not among the first three words that came to mind among white and black students. As can be seen above, while some of the first words that come to mind are similar among the various ethnic groups, several other differences exist.

White students mostly associate “entrepreneur” with being someone who is a risk-taker, innovative and original, makes money, and owns and manages a business enterprise. Black students mostly associate an entrepreneur with someone who is a risk-taker, profit-orientated, innovative and original and involved in the selling of goods and services. Coloured students on the other hand associate an entrepreneur with someone who is creative, a risk-taker, motivated and involved in the management of a business enterprise. A top ten word recalled by white students that was not recalled as one of the top ten words among black or Coloured students was the word leader. Black students recalled the synonyms of an entrepreneur business founder and business-owning person, whereas as these synonyms were not among the top ten words recalled by white and Coloured students. Coloured students recalled words such as motivated, ambitious, flexible and freedom and independence, which were not recalled by black and white students. These findings show that all ethnic groups perceived an entrepreneur as a risk-taker who is innovative or creative and involved with a business enterprise. Interestingly, a top ten word/phrase recalled by both white and Coloured students was makes money, which was not recalled among the top ten words/phrases by black students. Profit-orientated was, however, the second most frequently recalled word by black students. This perception regarding making money provides a possible explanation for the phenomenon that black individuals generally start their own businesses at a lower rate than white individuals (Clark & Drinkwater, 1998:386; Chatterji & Seamans, 2010:3).

**IMPLICATIONS**

Both male and female participants mostly associated an entrepreneur with possessing certain attributes, more specifically the attributes of risk-taker, creative, and innovative and original. However, obtaining learned skills and competencies such as marketing, management, finance, time management, communication and leadership skills (Gill & Nahum, 2012:657; Corić, Katavic & Kopecki, 2011:217; Wickham, 2004:411; Moy et al., 2003:19) contributes to an individual’s ability to act, think and behave...
innovatively (Birdthistle, 2008:554). A lack of these learned skills and competencies has a negative influence on the growth and success of a business enterprise, and is considered to be a challenge for South African individuals who, as a result of skills shortages, find it difficult to obtain secure employment in the formal sector (Gill & Nahum, 2012:657; Mensah & Benedict, 2010:159).

Male students mostly associated an entrepreneur with the attribute of creativity, whereas female students associate an entrepreneur mostly with the attribute of being a risk-taker. It is possible to suggest that women who have a lower self-concept of their perceived abilities to become an entrepreneur are less interested in becoming entrepreneurs than men. Therefore, if female students do not perceive themselves as risk-takers, they are not likely to follow an entrepreneurial career.

Image is often formed as a result of influences in the external environment (Martin & Rodríguez del Bosque, 2008:263). For example, South African governmental institutions that are established to assist entrepreneurs and cultivate entrepreneurship play an important role in creating an image of an entrepreneur that is associated with innovation and self-empowerment as opposed to an image that associates entrepreneurship with a solution to poverty, unemployment and financial insecurity. By creating a positive image in the eyes of all stakeholders more South Africans, particularly women, would possibly be attracted to an entrepreneurial career as opposed to being pushed into entrepreneurship as a final resort.

The findings of this study show that black students do not associate making money with being an entrepreneur, and cite financing as an issue facing these individuals. The aforementioned were not cited by the other ethnic groups participating. It is possible to suggest that black students do not perceive entrepreneurship as financially rewarding and consider access to financing a challenge and a hindrance to becoming an entrepreneur. Black students also associated considerably fewer skills and competencies with being an entrepreneur than did other ethnic groups, suggesting that these students are unaware of the skills and competencies needed to be an entrepreneur. To address these associations of black students, a more favourable and realistic image needs to be portrayed to these participants. Educators and governmental agencies need to ensure that all South Africans, specifically black South Africans, are aware of the non-pecuniary rewards of entrepreneurship, as well as the various sources of assistance available to them. In addition, it is the responsibility of the aforementioned to ensure that future entrepreneurs are aware of the learned skills and competencies that contribute to entrepreneurial success and to provide the institutions that can deliver them.

LIMITATIONS AND FUTURE RESEARCH

As with any study of this nature, several limitations must be highlighted. The current study limits itself to participants who were identified by means of convenience sampling. Student participants were sourced from NMMU and were limited to non-business students from the social sciences who were studying a module in entrepreneurship only. Therefore, because convenience sampling was used to identify the participants in this study, the findings cannot be generalised to the entire student population.

In future studies, the sample group could be expanded to include students from other provinces in South Africa, as well as students from business studies and other disciplines. In this way comparisons can be made and additional insights gained on how an entrepreneur is perceived among various stakeholders. It would also be interesting to establish the image that employees of entrepreneurs and the community at large have of an entrepreneur. These findings could provide insights into the image of an entrepreneur in the eyes of all stakeholders and possible explanations for the level of entrepreneurial activity in the country.

Although three researchers, guided by the literature, analysed and interpreted the words generated by the word association tests, interpretations were subjective and an element of compromise was present when categorising the various words. In future studies, researchers could possibly work in two groups of two, whereby the first group identifies the words and develops the coding framework. Thereafter, the second group of two could validate the interpretations of the first.

Although various types of word association tests exist, this study made specific use of the continuous word association test. In order to establish the perception and image of an entrepreneur, the participants were exposed to one word only, namely the “entrepreneur”. Furthermore, the study limited itself to the use of a quantitative summative (manifest) content analysis to analyse the data collected from the continuous word association test. It is recommended that in future studies, other relevant stimulus words could be used to reveal deeper insights into the perception of an entrepreneur and entrepreneurship. Possible terms include “entrepreneurship”, “small business”, “intrapreneur”, “social entrepreneur” and “family business”. In addition, other forms of word association tests could be performed.
REFERENCE LIST


USING THE ANALYTICAL HIERARCHY PROCESS TECHNIQUE TO CLASSIFY UNWANTED SERVICES

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ABSTRACT
The unwanted services industry is mainly under-researched. Except for the occasional reference to funeral services as an extreme example of an unwanted service, no effort has been made up to now to comprehensively define the industry and to establish a classification system for unwanted services. This paper aims to provide more clarity on the concept of ‘unwanted services’. Firstly, based on the marketing literature, the field of unwanted services is appropriately defined. Secondly, through an application of the analytical hierarchy process (AHP) technique on a sample of 300 respondents, the degree of unwantedness of a number of pre-determined unwanted services industries was established. The contribution of the study lies in the development of a continuum of unwanted services. This continuum will assist marketers in classifying cohorts of unwanted services together, and to establish marketing synergy between the different industries.

Key words: Unwanted services, Classification, AHP technique

INTRODUCTION
Despite the exponential growth in the development of marketing literature over the past few decades, a number of areas still appear to be under-researched. The unwanted services industry is a typical example of such an area. The term ‘unwanted services’ refers to those services and products on offer that all the existing or potential clients avoid (Schwartz, Jolson & Lee, 1986). Although uncertainty might exist regarding the exact meaning of unwanted services, funeral services, pest control and insurance services are often viewed as typical examples of unwanted services.

Research within the field of unwanted services necessitates that the field be appropriately identified and described. In order to achieve this objective, it is important identify those services that could be regarded as of an unwanted nature, and to classify these services according to their degree of unwantedness. A typical example of such classification is the tangibility continuum that was developed by Shostack (1977), which is used to classify services according to their level of tangibility.

It is against this background that the study on which this paper reports, aimed to develop a continuum along which unwanted services can be classified. Once unwanted services have been classified appropriately, marketers can use the continuum to group different types of unwanted services in order to achieve marketing synergy.

UNWANTED SERVICES
Although consumer goods can be classified in different ways, consumers’ shopping habits are normally used as a basis for the classification. A typical classification of consumer goods appears in Figure 1.

Figure 1: Classification of consumer goods

Source: Adapted from Kotler & Keller (2012).
The classification system depicted in Figure 1 represents the typical reference that is being made to unwanted (unsought) goods. Although no pertinent references to unwanted (unsought) services could be found, many authors include examples of unwanted services when illustrating the term 'unsought goods'. Examples in this regard are insurance (Marshall & Johnston 2010), funeral services (Kotler & Keller 2012), blood transfusion services (Kotler & Armstrong 2010), certain medical services, such as abortion and sterilisation (Fam, Waller & Erdogan 2004) and plumbing services and roadside assistance (Brassington & Pettitt 2003). Since the marketing literature appears to focus on unwanted products, and then include examples of services when the term ‘unsought product’ is defined, it is implied that the definition of ‘unsought services’ is similar to that of ‘unsought products’ (or goods).

Kotler and Keller (2012) define unsought goods as those products that the consumer does not know about or does not normally consider buying. This definition parallels that of Lamb, Hair, McDaniel, Boshoff, Terblanche, Elliot and Klopper et al. (2011) who distinguish between two types of unsought products: new unsought products (products that have not been on the market before, and where consumers have to be made aware of the benefits of the products through advertising and distribution), and regularly unsought products (products that are needed but which consumers do not like to think about or want to spend money on).

Fam et al. (2004) describe controversial products (which include unwanted services) as those products that, for reasons of delicacy, decency, morality, or even fear, tend to elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented. Badger (2008) argues that unwanted services have the challenging task of attracting customers that do not want to be attracted by them.

The majority of products on the market today provoke little more response from consumers than the decision to purchase or reject, or, perhaps, just ambivalence (Xu, Summers & Belleau 2004). However, some products that are on offer can evoke strong, negative emotions which, in turn, give rise to a hostile business environment. Unwanted services appear to be a typical example of this category of products/services.

One of the few studies that were found within the field of unwanted services is that by Schwartz et al. (1986) who used the funeral service industry as unit of analysis. The unwantedness of funeral services is illustrated where the authors argue that, when it comes to funeral services (as example of unwanted services), three uncommon conditions are normally present: Firstly, the purchaser has not, prior to the situation, sought out or obtained information about available, required and desired options, including cost considerations. The industry is therefore confronted by a negative demand, which can be described as a state in which all or most of the important segments of the potential market dislike the product and, in fact, might conceivably pay a price to avoid it. Secondly, the purchase cannot be avoided, and substantial time pressures prevail. The consumer is often in a situation of immediate need and he/she does not have time to shop around for the best possible deal (or even to review legal requirements). Thirdly, the emotional state of the bereaved buyer has a strong impact on the rational decision-making process. For example, in the case of funeral services, the survivors of the deceased have very real needs that dwarf the desire for involvement in the selection process.

The above considerations are confirmed by Bertrand, Mullainathan and Shafir (2006) who found that purchase decisions regarding unwanted services (such as funeral services) must be made quickly and often under great emotional duress.

However, Schwartz et al. (1986) discuss a term known as “negative demand”, which refers to the situation in which most or all of the existing or potential markets avoid the product or service on offer (Schwartz et al., 1986). Theron (2011) also proposes that in an exchange relationship, the consumer is sometimes negative towards the idea of building a relationship with the service provider. Services that form part of this category include dental services and major surgeries performed by healthcare professionals (Schwartz et al., 1986). Kotler and Keller (2012) also refer to a category of goods that are often neglected by the general public. They term these goods ‘unsought goods’. Smoke detectors are an example of products that fall within this category (Kotler & Keller, 2012). Schwartz et al., (1986) propose that goods or, in this case, services, that have a negative demand must be analysed and that the reason for the market's resistance to these services should be determined.

The definition of unsought products does not, however, capture the complete essence of what one can consider to be an unwanted service. The definition stated above does not touch on the negative connotation associated with unwanted services. It neglects the concept of negative demand, which is very important if one is to form a thorough understanding of what constitutes unwanted services. ‘Negative demand’ refers to products that consumers avoid purchasing and exhibit a strong dislike towards (Kotler & Keller, 2012). This
definition captures the fundamental nature of unwanted services. The missing element of this definition, however, is that it fails to extend the definition originally referring to goods and other such products, to services.

EXAMPLES OF UNWANTED SERVICES INDUSTRIES
Since the exact scope and meaning of the concept 'unwanted services' have not been established yet, it could be challenging to identify specific examples of unwanted services. However, based on the conditions identified by Schwartz et al. (1986), a number of categories have been identified. These categories include, amongst others, funeral services, certain medical services, personal recovery services and security services. However, it should be borne in mind that these industries are merely regarded as examples of unwanted services industries, and that it should therefore not be seen as an exhaustive list of all possible unwanted services.

Funeral services
Funeral services as industry could possibly be described as the foremost example of an unwanted service. For most people, the usage of funeral services at some point in their lives is inevitable (Schwartz et al., 1986). The funeral services industry is, ironically, a very profitable industry, generating vast amounts annually within the United Kingdom as well as in the United States of America (Theron, 2011). Owing to the fact that funeral services typically have a negative demand (Schwartz et al., 1986), the majority of consumers, when forced to engage in the funeral services industry, have not had prior engagement with the industry and so are uncertain about how to approach it. This negative perception towards funeral services might be enforced by the fact that consumers in general attempt to avoid uncertainty and risk.

Furthermore, Schwartz et al. (1986) indicate that customers are often under time pressure when a decision needs to be made about the use of funeral services providers. This increased level of time pressure results in a situation where one is forced to seek out funeral services. This is unexpected and the purchaser of the service is consequently forced, for practical reasons, to make quick decisions regarding a burial and funeral.

When someone has lost a loved one, that person is likely to experience a wide array of negative emotions (Schwartz et al., 1986) such as shock, anger and sadness. It is under these conditions and in this state, that buyers are expected to make important decisions regarding how to properly handle the burial of their loved ones. Schwartz et al. (1986) further argue that such customers may experience feelings of guilt, and these feelings (in conjunction with other negative emotions), are likely to affect the way in which they perceive the funeral service experience in a negative manner. Furthermore, Sanders (2012) argues that, due to the significance of such intense and intimate emotions, many people feel conflicted about the commercialisation of funerary rites.

Kopp and Kemp (2007) argue that, despite the fact that virtually every person will purchase or consume a funeral-related service sometime or other, little is understood about the processes a consumer undertakes when making these expensive decisions in stressful circumstances.

Medical services
Medical services are often associated with special needs, which are mixed with a high degree of emotional involvement (Cătoiu, Geangu & Gârdan, 2013). Therefore, Cătoiu et al. (2013) argue that these consumers should be viewed as consumers who are in a particular condition or state regarding a specific health issue. Créé and Chebat (2013) found that individuals seeking medical attention often experience suffering, are frightened, and lack control over the health service process. These experiences result in patients being highly emotional, demanding and sensitive, while facing reduced choice capacities.

Medical services may be classified into three broad sections, namely medicine, dentistry and nursing. Consumers may display a dislike towards various medical services as a result of fear. Whilst regular health check-ups are recommended by medical professionals, consumers often avoid such visits. This may be as a result of an aversion to thinking about the possibility of illness and death, especially since individuals prefer to avoid services in which they believe the possibility of physical risk is a reality (Hoffman & Bateson, 1997).

Regrettably, this avoidance of medical check-ups means that when consumers visit healthcare professionals such as doctors and dentists, it is owing to the fact that what they feared has indeed occurred (Kleinknecht & Bernstein, 1978). In order to be treated, a client who engaged in avoidance behaviour and who has developed a medical disorder may be required to undergo painful operations and procedures in order to regain his or her health (Vassend, 1992). The result may be that the customer exhibits increased fear and dislike for medical practices, and an even greater resultant avoidance of the service (Vassend, 1992).
Personal treatment services

Personal treatment services include services such as Alcoholics Anonymous, drug rehabilitation centres, mental illness institutions and the like. The focus of such centres is to transform the minds and habits of those who attend (Morgenstern, Labouvie, McCrady, Kahler & Frey, 1997; Norcross, Strausser-Kirtland & Missar, 1988). The relevant parties are often required to proceed with a series of steps in order to regain their sense of holistic wellbeing (Morgenstern et al., 1997).

Personal treatment services often, however, carry a certain degree of social stigma (Fortney, Mukherjee, Curran, Fortney, Han & Booth, 2004). Human beings tend to enjoy feeling in control of their lives and do not like to feel as though others are responsible for regulating their actions.

Another factor that may be responsible for the negative perception consumers have towards personal treatment centres is that, in order for one to be admitted to such an institution or group, the person has usually reached a low point in life. People such as those referred to in the previous paragraph may associate this low point in their lives with the personal treatment services that they were required to utilise in order to regain control of their lives.

The abortion industry might be regarded as a fitting example of personal recovery services. An abortion is a particularly sensitive topic amongst many women (World Health Organization, 2012). Not only can it be an extremely painful experience; it is also traumatising and carries a social stigma (World Health Organization, 2012). It is inevitable that this procedure will be regarded as of a highly emotional nature.

In those instances where women choose to undergo such procedures, they are often at a point of desperation and feel as though this is their only option. Abortion services are generally avoided, as they are regarded as invasive and a "last resort". Abortions are generally regarded as high-risk procedures amongst women of all ages and thus fall into the category of 'unwanted services'.

Socio-cultural views in many countries also prevent many women from considering abortion a viable alternative to carrying a foetus to term. Unsafe or "backstreet" abortions are responsible for serious health complications amongst women who have had such procedures performed (World Health Organization, 2012). The dangers of "backstreet" abortions have led to the view that abortions in general are to be avoided owing to their potential to cause physical harm.

Security services

Customers’ need for safety and security is well established – to such a degree that the well-known Maslow's hierarchy puts these needs almost at the bottom of the pyramid of needs. The need for security services is often driven by fear, which in turn could have both positive and negative effects (Ferraro, 1995). From a positive perspective, fear creates a greater sense of awareness (thereby forcing people to be more cautious); however, some of the negative effects include restriction of lifestyles, poor quality of life and decreased confidence (Boakye, 2013). It is therefore not unexpected to find levels of anxiety can be reduced if safety devices are installed and behavioural security measures are taken (Rittichainuwat & Chakraborty, 2012).

The aim of security firms is primarily to reduce customers’ levels of risk. According to Malhotra, Ulgado, Agarwal and Bahlbaki (1994) these risks refer to three distinct categories, namely physical, financial and emotional risk. Although the occurrence of these risks may vary according to the specific situation, the emotional risk often appears to be the most relevant risk.

The general argument is that the majority of citizens are peace-loving, and that they would prefer to remove physical, financial and emotional risks. By implication, these risks can be removed by making use of security services providers. However, the fact that security services providers are in operation, does not mean that security services are wanted, since customers may feel that a safe environment would in the first instance make these type of services unnecessary.

The four categories of unwanted services listed above merely serve as examples of unwanted services, and the intention is by no means to act as a comprehensive list of all unwanted services. It should be remembered that whether a service should be regarded as of an unwanted nature or not, is dependent on the customer’s point of view. All possible services therefore to some degree be regarded as of an unwanted nature.
In order to assess the primary objective of this study (namely to develop a continuum of unwanted services), it was necessary to identify a complete list of unwanted services. This process, however, was dominated by the unavailability of research on the topic, and it was necessary to rely on a combination of the available literature, conversations with knowledgeable spokespeople, personal judgement as well as experience. This process resulted in the identification of the industries that appear in Table 1.

<table>
<thead>
<tr>
<th>Potential industry</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency services</td>
<td>Emergency Room (ER) services; roadside assistance.</td>
</tr>
<tr>
<td>Financial and coverage services</td>
<td>Financial banking series; insurance services.</td>
</tr>
<tr>
<td>Funeral services</td>
<td>All services pertaining to the organisation and execution of funerals.</td>
</tr>
<tr>
<td>Personal recovery services</td>
<td>Counselling services; Alcoholics Anonymous.</td>
</tr>
<tr>
<td>Public services</td>
<td>Fire department services; lighthouses; municipal services.</td>
</tr>
<tr>
<td>Public transportation services</td>
<td>Bus services; minibus series; train services</td>
</tr>
<tr>
<td>Regular maintenance services</td>
<td>Plumbing services; electrical maintenance services.</td>
</tr>
<tr>
<td>Routine medical services</td>
<td>Dental services, medical check-ups; veterinary services.</td>
</tr>
<tr>
<td>Safety and security services</td>
<td>Private security services; parking attendants.</td>
</tr>
</tbody>
</table>

Due to the unavailability of literature, the industries that appear in Table 1 should be seen as a point of departure for further research, rather than as an all-inclusive list of all possible unwanted services.

**OBJECTIVES OF THE RESEARCH**

The primary objective of the current study was to develop a classification scheme for services with regard to “unwantedness”. This primary objective was supported by the following secondary objectives: to identify the industries that could be regarded as of an unwanted nature; and to assess the degree of unwantedness of each of the identified industries.

**METHODOLOGY**

*Measurement instrument:* A self-administered questionnaire served as a means of collecting data regarding the sample. The questionnaire was developed according to the requirements of the analytic hierarchy process (AHP) technique. The AHP technique refers to a decision-making approach that makes use of a wide variety of criteria, in order to rank relevant factors according to a hierarchy (Saaty, 1990). It is a practical method of determining solutions for complicated problems (Zahedi, 1986), and has been applied extensively to a variety of industries (Costa & Evangelista, 2008).

*Sampling:* Both convenience and judgement sampling were used for this study. Undergraduate students from a leading South African university participated in the study, and the initial sample consisted of 300 participants.

*Data analysis:* Due to the complex procedures required to analyse data according to the AHP technique, the data were analysed by the Centre for Statistical Consultation at the participating university.

**EMPIRICAL RESULTS**

*Realised sample and response rate:* For the purpose of the study, a total of 300 respondents, both male and female, were originally decided upon. However, 14 of the respondents’ questionnaires had to be discarded due to incomplete or incorrectly completed questionnaires. For this reason, a total of 286 completed questionnaires were analysed.

*Descriptive statistics:* The appropriate statistical tests were conducted, after which tables and graphs displaying the data were formulated. The results are presented in Table 2.

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>AHP rating</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency services</td>
<td>267</td>
<td>0.0972</td>
<td>0.0488</td>
</tr>
<tr>
<td>Financial and coverage services</td>
<td>255</td>
<td>0.0969</td>
<td>0.0430</td>
</tr>
<tr>
<td>Funeral services</td>
<td>263</td>
<td>0.1982</td>
<td>0.0786</td>
</tr>
<tr>
<td>Personal recovery services</td>
<td>263</td>
<td>0.1288</td>
<td>0.0407</td>
</tr>
<tr>
<td>Public transport services</td>
<td>270</td>
<td>0.1139</td>
<td>0.0564</td>
</tr>
<tr>
<td>Regular maintenance services</td>
<td>265</td>
<td>0.1196</td>
<td>0.0384</td>
</tr>
<tr>
<td>Routine medical services</td>
<td>281</td>
<td>0.1036</td>
<td>0.0373</td>
</tr>
<tr>
<td>Safety and security services</td>
<td>284</td>
<td>0.0941</td>
<td>0.0390</td>
</tr>
<tr>
<td>Public services</td>
<td>284</td>
<td>0.1085</td>
<td>0.0493</td>
</tr>
</tbody>
</table>

Note: Due to the close proximity of some of the findings to each other, four decimals were indicated.
The descriptive statistics indicate that the standard deviations are extremely low. For this reason, it can be argued that the data were not severely biased as a result of different respondents interpreting the questions in various ways. The standard deviations of the services were acceptable, as they were below the maximum value of 2. The results of Table 2 are graphically represented in Figure 2.

**Figure 2: AHP rating without consistency**

![Figure 2: AHP rating without consistency](image)

It became apparent that respondents viewed funeral services as the most unwanted of all the services scrutinised for the sake of the study. Funeral services received an AHP rating of 0.1982, which was the highest rating of all the services regarded as unwanted. Personal recovery services had the second highest AHP rating at 0.1289. Regular maintenance was determined as being the third most unwanted service, with an AHP rating of 0.11967. Following regular maintenance services was public transport services, with an AHP rating of 0.1140. With an AHP rating of 0.1085, public services was ranked the fifth most unwanted service. Routine medical services received an AHP rating of 0.1036, indicating its ranking as the sixth most unwanted service. The AHP rankings for emergency services and for financial and coverage services were extremely close, with the respective services scoring 0.0972 and 0.0969 respectively. Safety and security services received an AHP rating of 0.0941, making it the ninth most unwanted service. These results, however, also did not take consistency into consideration. Table 3 displays the results when consistency was taken into account.

**Table 3: Descriptive statistics with consistency**

<table>
<thead>
<tr>
<th>Category</th>
<th>N</th>
<th>AHP rating</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency services</td>
<td>267</td>
<td>0.0905</td>
<td>0.0432</td>
</tr>
<tr>
<td>Financial and coverage services</td>
<td>255</td>
<td>0.0947</td>
<td>0.0418</td>
</tr>
<tr>
<td>Funeral services</td>
<td>263</td>
<td>0.2063</td>
<td>0.0782</td>
</tr>
<tr>
<td>Personal recovery services</td>
<td>263</td>
<td>0.1321</td>
<td>0.0424</td>
</tr>
<tr>
<td>Public transport services</td>
<td>270</td>
<td>0.1089</td>
<td>0.0523</td>
</tr>
<tr>
<td>Regular maintenance services</td>
<td>265</td>
<td>0.1159</td>
<td>0.0376</td>
</tr>
<tr>
<td>Routine medical services</td>
<td>281</td>
<td>0.0966</td>
<td>0.0331</td>
</tr>
<tr>
<td>Safety and security services</td>
<td>284</td>
<td>0.0910</td>
<td>0.0400</td>
</tr>
<tr>
<td>Public services</td>
<td>284</td>
<td>0.1049</td>
<td>0.0504</td>
</tr>
</tbody>
</table>

Table 3 shows that the standard deviations, when consistency is taken into consideration, are still extremely low. For this reason, one can still be sure that the data were not severely biased. According to the results displayed in Figure 3, which considered consistency, respondents still viewed funeral services as the most unwanted of all the services scrutinised for the sake of the study. Funeral services received an AHP rating of 0.2177, which was the highest rating of all the services regarded as unwanted. Personal recovery services had the second highest AHP rating at 0.1382. Regular maintenance was determined as being the third most unwanted service, with an AHP rating of 0.1214.
Figure 3: AHP rating with consistency

Following regular maintenance services was public transportation services, with an AHP rating of 0.1165. With an AHP rating of 0.1120, public services was ranked the fifth most unwanted service. Routine medical services received an AHP rating of 0.1013, indicating its ranking as the sixth most unwanted service. The AHP rankings for financial and coverage services and for safety and security services were extremely close, with the services scoring 0.1008 and 0.0986 respectively.

SUMMARY OF RESULTS
The primary objective of the current study was to identify and classify, by means of a literature review and the analytic hierarchy process, those industries that could be regarded as offering unwanted services.

Ranking of unwanted services industries
The AHP technique determined that funeral services were considered the most unwanted service by the respondents. This service received the highest AHP rating, and, as such, it can be concluded that consumers are most wary of this service industry in relation to the nine other service industries identified as offering unwanted services. Table 4 displays the rankings of the nine industries identified as offering unwanted services.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Unwanted services industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Funeral services</td>
</tr>
<tr>
<td>2.</td>
<td>Personal recovery services</td>
</tr>
<tr>
<td>3.</td>
<td>Regular maintenance</td>
</tr>
<tr>
<td>4.</td>
<td>Public transportation services</td>
</tr>
<tr>
<td>5.</td>
<td>Public services</td>
</tr>
<tr>
<td>6.</td>
<td>Routine medical services</td>
</tr>
<tr>
<td>7.</td>
<td>Financial and coverage services</td>
</tr>
<tr>
<td>8.</td>
<td>Safety and security services</td>
</tr>
<tr>
<td>9.</td>
<td>Emergency services</td>
</tr>
</tbody>
</table>

The rankings in Table 4 are graphically represented in Figure 4.
Grouping of unwanted services

The nine unwanted services were subdivided into three categories: highly unwanted services, moderately unwanted services and mildly unwanted services.

**Highly unwanted services:** In the current research, funeral service providers seemed to be most affected by the results of the AHP. This is because the AHP determined that funeral services are, by far, the most unwanted service. This means that funeral service providers may need to investigate methods through which the perception consumers have towards the service can be altered. Unfortunately, the stigma associated with funeral services is unlikely to fade completely ever, owing to its association with death (Lynch, 2004) and the various negative emotions, such as grief (Lynch, 2004) that consumers experience while using the service. Funeral services are regarded as highly unwanted and therefore can be categorised as a group of unwanted services on its own. Unfortunately, the associations that consumers have with regard to funerals are, generally speaking, not positive. However, if a funeral service provider makes a conscious effort to make clients feel well looked after, it may be possible for a funeral services provider to counteract, to a degree, the effects of the service’s negative connotation.

**Moderately unwanted services:** Four of the services observed during the study received AHP ratings of similar value. These services have thus been classified as ‘moderately unwanted services’. This category of unwanted services includes personal recovery services, regular maintenance services, public transportation services and public services. Although these services are not regarded in the same negative way as funeral services, it is still important that this category be managed with caution. Similarly to funeral services, it is important that employees of these service providers treat their clients with sincere interest and genuine concern. Another important factor to take into consideration is that all of the services, except personal recovery services, may be regarded as mundane by clients. Personal recovery services require a certain level of delicacy and care, as clients are likely to be in precarious emotional situations. For these services, it is, however, still unnecessary to offer emotional support services, as the service in itself is concerned with offering its clients emotional support. The three remaining services that constitute the moderately unwanted services category are not regarded as emotionally charged services. For these services, it may prove unnecessary to offer clients emotional support. Such firms may benefit greatly from offering additional services. Further research regarding the matter, however, would still need to be conducted. It may, for instance, be beneficial, with regard to services that are considered unwanted (possibly due to the apathy that they inspire) to offer clients entertainment or free products (such as free food) in order to counter the apathy consumers may feel towards services considered mundane.

**Mildly unwanted services:** Four out of the nine unwanted services industries were categorised as mildly unwanted services. This implies that these services may not be as unlikeable as was initially believed. However, it may be beneficial for firms offering such services to ensure that they do their best to offer the clients fast, efficient service with a friendly, caring attitude.

**LIMITATIONS OF THE STUDY**

A limitation of the study is that a limited age group was surveyed. Only students, mostly between the ages of seventeen and twenty-two, were surveyed. This may have resulted in a form of bias in that this age group was not representative of the entire adult population to which the findings of this study are applicable. A possible lack of respondent experience may be regarded as a further limitation of the study. Further, related to age is the fact that the majority of students surveyed for the purpose of this study were unlikely to have had adequate – if any – experience of the relevant unwanted services. The handling of funerals, for example, is usually done by the working adults within families who are generally responsible for the legal and financial burdens associated with funerals. It is these adults who are usually responsible for interaction with firms within the unwanted services industries. This implies that students who participated in the study may have had the depth of understanding necessary in order to complete the questionnaire accurately. As a result of the students’ lack of understanding, they may have felt unable to relate to the topic. This may imply that
several of the respondents may have been unable to completely engage in the survey, which in turn may have resulted in a lacklustre approach to completing the questionnaire.

CONCLUSION
The unwanted services industry is a relatively unexplored industry that poses many new challenges to the modern marketer. The results of this study are a step towards solving the enigma that surrounds the industry. However, the research was exploratory by nature and cannot be said to offer finite and conclusive results. The unwanted services industry is complex and affected by various factors such as the inherently subjective nature of human opinion and, possibly, emotion. Whilst this study does not provide marketers with substantial information regarding how to manage the unwanted services industry, it does provide a foundation upon which further research can be conducted regarding the matter.

REFERENCES
THE IMPORTANCE OF MEASURING RETURN ON MARKETING INVESTMENT IN THE INSURANCE INDUSTRY

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ABSTRACT  
The study focuses on the Return on Marketing investment (ROMI) in the Life insurance industry in South Africa, establishing whether various marketing activities are measured to determine their contribution to the bottom line/ profit margins (basic purpose of ROMI) and to what extent. A total of 16 recognised Life Insurance companies were identified and a sample size of seven companies selected consisting of marketing managers. Structured interviews were conducted with these managers, and feedback was transcribed and analysed. It was identified in the study that in order to measure ROMI, it starts by being accountable for the marketing spending. The overall results of the study indicate that spending on marketing does contribute to profit margins and that ROMI is considered by the life insurance industry as important to measure.

Key words: Return on Investment (ROI), Return on Marketing Investment (ROMI), Marketing Investment, Marketing Expenses, Life Insurance

INTRODUCTION  
Return on Marketing Investment (ROMI) is derived from the Return on Investment (ROI) formula in order to determine the value of marketing budgets and expenditure. To understand ROMI, an understanding of the ROI formula is important, as well as understanding the concept of marketing. A simple calculation to determine ROI is by dividing net profit by investment, which results in the amount of profit generated from each investment (Economy watch, 2010).

Marketing is known to fulfil the purpose of brand awareness, product promotions, obtaining new customers, and maintaining relationships. In understanding the full concept of marketing, an understanding needs to be established that marketing extends beyond just advertising, communications, product promotions or closing a sale (Seggie, Cavusgil and Phelen, 2007:834). Fill and Jamieson (2006:13) explained that marketing promotes the company and its products, and also aims to develop and maintain the network of relationships in the market. It includes the entire chain and processes of successfully taking products and services into the market. Spending on marketing activities and the budgets thereof should be decided with a clear objective in mind that supports the company's goals of financial wellbeing (Powell, 2002:2).

Therefore, measuring ROMI simply means indicating financial outcomes from the marketing activities employed. Marketing activities in this study refer to both above-the-line and below-the-line functions so as to provide a general overview of the industry. The research conducted was based specifically on the life insurance industry, and not the insurance industry as a whole. For the purpose of this study marketing activities refer to intangible assets, that is marketing in the life insurance industry which takes the form of print and online advertising, public relations, television promotions, radio promotions and billboards, events and cinema, amongst others (InsureMe, 2013).

A study by Munro and Snyman (2005:127) pointed out that South Africa has the most developed life insurance industry, which is highly sophisticated with its assets corresponding to over 80% of GDP. International consultancy and advisory company, NMG Consulting, which services multi-national insurance companies, also supports the view that the life insurance industry in South Africa is the most dynamic, fragmented and innovative in the world, focusing extensively on quality and competitive business models (NMG Consulting, 2012).

Moreover, South Africa is said to have the highest life insurance premiums in the world in relation to GDP. The NMG Group explained that it is possible for a life insurer in South Africa to be a major player and demand premiums based on risk differentiation and its product offering. This is supported by certain factors, that when combined bring about highly demanded insurance as well as clients willing to pay premiums for the value offering. ROMI is increasingly becoming important to measure in the life insurance industry the extent the marketers in the industry go to in order to remain relevant, be accountable and be considered a
vital part of their respective companies. Every company is in business for wealth maximisation, thus ‘sales’ is an imperative part of any company. Therefore successful companies, whether big or small, must see marketing and sales as having one rhythm, for the fact that marketing is a driver for sales.

LITERATURE REVIEW

Fundamental concept of Return on Marketing Investment (ROMI)

In recent years there has been increasing demand to provide quantifiable measures to evaluate the ‘value add’ that some functional areas within companies bring. Marketing was identified as one of the areas where measurement of its value add has proven to be difficult, leading to senior management to increasingly demand that the return on marketing investment be determined and measured (Seggie et al., 2007: 833).

Does accountability for marketing expenditure equal investment? Focusing on return on marketing investment allows marketers to measure the effectiveness of spending on their marketing activities (Cook and Talluri, 2004: 25). This was also supported by Ryals et al. (2007: 991), who claimed that spending on marketing activities results in financial benefits, which supports and enhances shareholder wealth and companies’ long-term growth, and thus can be regarded as an investment. In addition to the above view, Seggie et al. (2007: 835) added that it is vital that companies treat marketing expenditure as an investment so that they are encouraged to measure the return on marketing. They further pointed out that marketers are under continuous pressure to be accountable by showing a return on their marketing activities, and that accountability for marketing efforts depends on measurement. This will result in marketing managers not being accountable if they are unable to measure. Therefore, for companies to show accountability, they need to be able to measure the return on marketing activities, thus it is essential for them to treat spending on marketing activities as an investment and not as an expense (Duboff, 2007: 31).

One of the reasons why marketing has at times been excluded or has had minimal input in strategy development is its inability to account for the value that marketers add in companies. It has been pointed out that some marketers themselves have previously lacked the knowledge to connect marketing to financial outcomes (Seggie et al., 2007: 833). In order to determine whether marketing activities add to the financial wealth of a company, it is important that in measuring return on marketing investment a connecting link should be identified between investing in marketing activities and financial outcomes. This would be to ascertain that spending on marketing activities leads to incremental sales and revenue, as establishing this link would equal accountability (Duboff, 2007: 61).

However, McDonald (2005: 256) pointed out that there are other marketing elements that contribute to incremental sales and revenue such as price, product packaging, benefits of the product, effectiveness of sales staff and customer loyalty, which should be acknowledged as they also have an impact on increased sales and revenue. McDonald further explained that the problem with being accountable for marketing efforts is that marketing is not only a promotional activity but also involves other marketing value propositions, thus making accountability a challenge.

In addition to the view above, Marshall (2007: 47) explained that Ed See, the Chief Operating Officer of Marketing Management Analytics, pointed out that smaller companies are doing better when it comes to accountability of spending as they are more knowledgeable on how to get the most out every cent they spend. He believed that accountability of spending on marketing activities is improving since more of the marketing communities respond to demand for accountability. In order to prove to senior management and other functional areas that spending on marketing activities is an investment, marketers have to show that there is a link between marketing activities and financial outcomes. This is because managers of different disciplines have different views when it comes to return on marketing investment. (Marshall, 2007: 47).

Finance and Marketing have different views on return on marketing investment. Finance does not believe that marketing activities add to the financial wealth of a company, while marketers hold a positive view that marketing activities do contribute to a company’s incremental sales and revenues (Marshall, 2007: 48). In most cases, Chief Executive Officers and Chief Financial Officers are sceptical about the value that marketing activities add, due to a lack of quantifiable measures of success. This is one of the reasons many companies find it easy to cut their marketing budget when faced with the need for cost cutting. Therefore, by measuring the return on marketing investment and providing quantifiable results, marketers can make investments more coherently and negotiate rationally on cost cutting activities (InfoNow, 2008).

Similarly, Marshall (2007: 46) also believed that most financial executives are still uncertain about the return that marketing activities contribute to the financial wealth of a company. He stated that results from a survey conducted to assess corporate attitudes toward marketing return on investment yielded findings that showed...
that financial executives have strong uncertainties about marketing return on investments. The survey also indicated that these financial executives viewed marketing as an expense and not an investment. To overcome such views, Duboff (2007: 49) stated that marketers must be forward thinking when investing in marketing activities, in a way that will resonate well with company executives. He explained that marketers must learn to speak the same language as these financial executives (CFOs) and chief executive officers (CEOs) to clearly articulate and justify their marketing activities and to communicate results in financial terms. This will enable marketers to shift the views of these CEOs and CFOs (Band, 2003: 18).

Many companies focus their marketing efforts on current and potential customers with the aim of gaining brand awareness and recognition, market share, competitive advantage, and increased sales, and this is the feedback or results that is provided to CEOs and CFOs on marketing performance. However, marketers have since learned to speak the same languages as these executives, such as shareholder value, financial performance, and return on investment, which in a way forces them to be accountable for the expenditure on their marketing activities (Romero, 2011: 148).

Marketing is perceived as an investment that results in the enhancement in drivers of customer equity, which leads to customer perceptions being enhanced, leading to customer attraction and customer loyalty improving. This in turn results in customer lifetime value increasing along with customer equity. When considering customer equity in view with the expenditure on marketing activities, the resulting effect is a return on marketing investment (Rust, Lemon and Zeithaml, 2004: 109).

Powell (2002: 2) stated that companies that have adopted a ROMI culture tend to focus on nurturing and growing their brands, as well as building and maintaining relationships with their customers, while being effective still remains a priority. A study that was conducted in 2009 by a global independent research company, to provide an assessment of the state of return on marketing investment measurement in firms, indicated that this business practice was still in its early stage of development (Crosby, 2009: 10). The study revealed that although there are increasing expectations for marketing to deliver measureable, quantifiable results and to demonstrate satisfactory return on investments, approximately one-third of the surveyed firms made no effort to measure return on marketing investment and one-third had been working on it for less than two years. It also showed that only 22% of those that had made an effort reported good progress (Crosby, 2009: 10).

Crosby (2009: 11) further pointed out that it is unclear from the study whether companies actually calculate the return on marketing investment, or are simply looking for some key indicators like customer loyalty, retention, share, volume or margin. It is also unclear whether they are taking into account a single-period return or an average return on multiple periods when measuring return on marketing investment. He believed that measuring return on marketing investment can be complex and challenging, but can be overcome by proper attention and patience.

With that, Powell (2009) explained that ROMI should be adopted by companies as one of their top strategies. Powell (2009) indicated that marketers who put more resources into measuring ROMI make improved decisions in marketing investments. Other studies also confirmed that marketers can make better and more accurate decisions by focusing their marketing efforts on customers that bring revenue back into the company. Since some marketers have recently learnt to integrate their marketing activities into a business model, they can now quantify the return on marketing investment. This is the reason why today one can see business strategists running the marketing function and turning it into more of a revenue driver (Cymbic, 2001).

Donath (2005: 5) found that once marketers have established the metrics of measuring ROMI in place, their suppliers such as advertising and public relations agencies buy into them greatly, and assist in pointing out areas of improvement. Powell (2002: 2) made a personal assumption those marketers who take measuring ROMI seriously could earn up to 20% more than those who do not. He also made qualitative guesses about the value of measuring ROMI, i.e. that it: reduces waste on marketing expenditure by 10-15%.

improves response rates from advertising by 125%.

increases revenue by 10-20%.

grow profit margins by 5-10%.

Cook and Talluri (2004: 253) added that in addition to control on spending and incremental revenue, measuring ROMI:

heightens the focus on achieving business goals,

makes business processes more efficient,
heightens transparency,
allows marketers to forecast possible outcomes,
increases marketers' efficiency and response rates in providing alternatives solutions,

Contrary to above, Donath (2005: 5) found that most of the marketers' suppliers are reluctant to be measured in determining ROMI as they do not want to know how badly they might be doing. Cook and Talluri (2004: 251) pointed out that some managers even fear that measuring marketing performance can threaten their job security and salaries. Marketers who do not set comprehensive goals at the beginning often fail at measuring ROMI, because it would mean that marketers spend on marketing activities without a clear definition of being able to measure whether they have achieved their goals (Powell, 2002: 3). Donath (2005:1) stated that there are still marketers who believe that measuring marketing activities cannot be quantified, which explains why they feel threatened and frightened by the concept of ROMI and believe that it is being forced on them by CEOs and CFOs demanding accountability for marketing expenditure.

Marketers who do not measure ROMI are unable to link investments in marketing activities to possible incremental revenue or profit. They are therefore unable to defend their budget which possibly encourages other executives to continue to view marketing activities as an expense and not as an investment (Powell, 2002: 4). With the positive outlook that return on marketing brings, Cook and Talluri (2004: 251) stated that there are, however, barriers to implementing return on marketing investment successfully, especially when being introduced for the first time. They stated that the barriers are as follows:

- Resistance to change within the company.
- Some companies are unable to define profit or returns.
- Some managers believe that results from marketing activities are not measurable.
- Some managers do not trust measures of return on marketing investment, as they are fearful that such objective measures of performance could threaten their compensation and even their jobs.
- Some managers lack financial acumen and generally mistrust ROMI and its benefits.
- Some managers are convinced that marketing returns cannot be measured.
- Marketing working in silos from other departments.

Some companies have departments that continually compete for resources and lack of cooperation amongst these departments is the downfall of a successful implementation of ROMI. Problems faced by marketers regarding the value that ROMI brings to the companies can be easily overcome. McDonald (2005: 260) believed that marketing needs buy-in from other business functions in order to achieve successful implementation of ROMI, while Cook and Talluri (2004: 251) believed that successful implementation of ROMI is when it has become part of the marketing culture. They further added that marketers who have successfully implemented ROMI have worked closely with their finance and operations departments to establish a fit between their processes. Therefore it is important for companies to integrate ROMI with other functional departments and with operational systems (such as Information Technology) which facilitates the ease of adoption in the company. In order to be accountable and foster a culture of ROMI, companies should turn to training as a starting point. Once marketers learn and understand how to measure marketing results, their fear and doubts disappear. In addition, their confidence will grow and they can defend their marketing budgets with comprehensive answers when faced with budget cuts and other adversity (Powell, 2002: 5).

The Life Insurance Industry

The Life Insurance Industry is dominated by a few major players which include: Old Mutual, Sanlam, Liberty, Discovery and Momentum, just to name a few, while there are other smaller players that have proven to be successful. In this industry customers have a genuine choice and benefit structures, therefore distributors and insurers generate enough returns to defend investing back in the business (NMG Consulting, 2012). Munro and Snyman (2005: 127) explained that the life insurance companies in South Africa are said to have invented the universal life and annuity policies, and also policies associated with dread diseases. They further highlighted products in the life insurance industry, which include:

- Life insurance policy – life cover in the case of death.
- Retirement fund policy – which include pension and provident funds.
- Health insurance – medical aid schemes exempt and benefit schemes.

Life insurance has been divided into two major categories - individual life business and group life business. Individual life businesses are policies sold to individuals by intermediaries such as brokers and other office agents on behalf of several companies. Group life business is life insurance that covers a company's employees as part of that company's employee benefit scheme, and the company usually contributes a portion of the premium which does not include cash build-up (Munro and Snyman, 2005: 136).

The South African market has been described by NMG Consulting (NMG Consulting, 2012) as being:
An insurance friendly market created by high risk awareness and a safety net that is limited. ‘One size fits all’ models are avoided by the fragmented client demographics and distribution. New companies that enter the market keep it from a state of oligopoly. There are various approaches to risk management that are driven by different demands and high target returns. High risk complexities are created by pricing power obscuring future cost challenges. The NMG Group explained that it is possible for a life insurer in South Africa to be a major player and demand premiums based on risk differentiation and its product offering. This is supported by certain factors, that when combined bring about highly demanded insurance as well as clients willing to pay premiums for the value offering. The company explains that the demand dynamics in South Africa increase life insurance product sales and drives revenues (NMG Consulting, 2012).

There is high market penetration into wealthy client segments, which supports the current South African market but which also potentially lessens future market growth. There is limited market growth attributable to acquiring new customers through the use of brokers. Thus for insurers that depend on brokers to bring in business, the focus should be on increasing market share and keeping pace with the increasingly growing demographic segments (NMG Consulting, 2012).

The South African market has low barriers to entry, resulting in the high market penetration of insurance companies. These new entrants to the insurance industry are known to be successful in establishing their presence (Munro and Snyman, 2005: 129). Life insurance in South Africa is characterised by the different strategies and distinct risk constraints when it comes to pricing, product and underwriting. Some insurers lead in high product differentiation (Momentum), while others lead in high innovation (Discovery Insure), and some lead on operational efficiency when it comes to pricing (Old Mutual), making our insurance market as a whole unique (NMG Consulting, 2012).

**PROBLEM INVESTIGATED**

From the preceding literature review it is evident that Return on Marketing Investment (ROMI) allows marketers to make decisions that result in marketing activities translating to profitable growth. The costs of spending on these activities are clear, profit realised from each activity is known to be somewhat unclear. Thus, marketers are continuously being pressurised to “show a return” from their marketing investments. Marketers believe that marketing activities are a necessary expense since they create a prolonged effect in the future and thus argue that this should be regarded as an investment contributing significantly to company profits or revenues.

The life insurance industry is known to be a highly competitive environment where many companies are striving to gain bigger market share by enticing customers via various marketing activities known to be highly expensive exercises. The challenge is in providing quantifiable evidence of financial return from these marketing efforts.

The purpose of the study is not in the calculation of ROMI, but to understand the concept and its value-add perceptions on how it is viewed, and benefits retrieved by the life insurance companies when measuring it. The reasons for undertaking this particular study were to determine the extent that spending on marketing activities contribute to profit margins or whether they are just seen as expenses, thus determining the importance of measuring the return on marketing in the life insurance industry. Therefore the following research question can be posed:

**To what extent do the life insurance companies measure ROMI in order to determine whether spending on their marketing activities is viewed an important contributor to company profits?**

**RESEARCH OBJECTIVES**

The research objective was explained by Zikmund (2005: 45) as what the research study aims to accomplish; the purpose of the research expressed in measurable terms. This research study main objective is: To investigate whether marketers in the life insurance industry view the Return on Marketing Investment as important to measure.

**RESEARCH METHODOLOGY**

The approach to addressing the research problem was carried out by using a qualitative method of study. A qualitative method was selected as the study required interaction with the participants for gaining in-depth, detailed data in order to gain an understanding of the participants’ points of view. The research design is a qualitative survey where personal interviews were conducted with participants. To ascertain the influence and participative organisational adaptations of ROMI in the insurance industry, opinions were sought from prominent role-players in the insurance industry.
The research population for this study consisted of a target population of 16 recognised life insurance companies in South Africa. The target population identified was homogeneous, meaning that individuals in the population were similar with respect to their job titles. A final sample of seven insurance companies was included in the study. These were selected on a judgemental basis. The discerning factor for selection was the extent to which ROMI was known and used within companies. From each company the marketing manager was interviewed, as they are responsible for driving the marketing initiatives and being accountable for the department’s productivity and success. The participants were experts in the marketing field and had been in the insurance industry for more than 10 years. They held executive positions in their respective departments and companies.

Data collection was done by means of qualitative interviewing. These interviews were conducted in two sessions. Firstly a questionnaire was sent to the respondent in order for the respondent to familiarise him/herself with the line of questioning. Questions were a mixture of yes/no questions as well as open ended questions. The second round of interviewing involved the researcher getting together with the research subject to record the responses of the research subject. The advantage of this technique is that the research subject had the advantage of preparing responses to the questions posed.

After the data was collected the data was transcribed and captured, then collated and analysed. An important factor was looking for themes or patterns in the data and grouping the similarities into categories and subcategories in order to make a deduction. Similar patterns were marked to capture initial thoughts and impressions, done by using insert comment feature or using different colour fonts.

RESULTS
The research interviews contained 12 questions that were sent prior to the interview, and which were presented to the participant. The order and structure in which the questions were asked was consistent throughout all interviews, in an effort to enhance consistency between interviews. The open-ended format afforded the participants to respond freely and to keep the researcher’s input to a minimal. It also afforded the researcher the opportunity to ask additional questions to probe where answers were not clear, as well as to comment on points of interest in an effort to get answers to the questions.

Analysis of Interview Feedback
A tabula format to interpret the interview feedback was used and the feedback was outlined through the identification of four key themes. The themes were identified through grouping similarities together (which in this case were the interview questions themselves) under each relevant theme. Question by question analysis was made under each theme.

Theme 1 – Awareness of ROMI: The question refers:
Q.1: Do you know the term ROMI?
Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q.1</td>
<td>P - 1</td>
</tr>
<tr>
<td>Q. 1</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Analysis of results:
All the participants knew the term ROMI. Six of the seven participants could say the name in full and correct the first time.
The one participant after being corrected indicated awareness of the term, but only knew it as ROI (Return on Investment) at their company.
The deduction of the finding is that all participants knew and understood what the term ROMI means. Therefore 100% awareness of ROMI is deduced.

Theme 2 - Actions taken in measuring ROMI: This theme aimed to identify steps taken by marketers in an attempt to measure ROMI, as indicated by feedback to questions 2, 4, 11 and 12. An indication whether the participants take action on measuring ROMI resulted in the below findings.

The question refers:
Q. 2. a) Do you record spending on marketing activities?
   b) How?
Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P-represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 2 a)</td>
<td>Yes</td>
</tr>
<tr>
<td>b)</td>
<td>Compare budget to cost</td>
</tr>
<tr>
<td>P-1</td>
<td>Yes</td>
</tr>
<tr>
<td>P-2</td>
<td>Yes</td>
</tr>
<tr>
<td>P-3</td>
<td>Yes</td>
</tr>
<tr>
<td>P-4</td>
<td>Yes</td>
</tr>
<tr>
<td>P-5</td>
<td>Yes</td>
</tr>
<tr>
<td>P-6</td>
<td>Yes</td>
</tr>
<tr>
<td>P-7</td>
<td>No</td>
</tr>
</tbody>
</table>

Analysis of results:

Of the seven participants, six indicated recording spending on marketing activities, while one participant (participant 7) indicated non-monitoring of its marketing expenses. The finding is that all the participants, except for participant 7, use the same method to record spending on their marketing activities; they all base their spending according to the allocated budgets, however they provided varying methods of recording the spending. The variation is from simple Excel spreadsheet entry to specialised technological systems designed to record and track spending. The participant not recording marketing expenditures or investments did acknowledge and respect the need to start focusing on monitoring marketing investments, more especially after the changes undertaken by the company (rebranding and revamping their life insurance company) which came with increased marketing budget and more activities to invest in.

The question refers:

Q. 4. Do you measure ROMI with each marketing activity?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P-represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 4</td>
<td>Yes</td>
</tr>
<tr>
<td>P-1</td>
<td>Yes</td>
</tr>
<tr>
<td>P-2</td>
<td>Yes</td>
</tr>
<tr>
<td>P-3</td>
<td>Yes</td>
</tr>
<tr>
<td>P-4</td>
<td>Yes</td>
</tr>
<tr>
<td>P-5</td>
<td>Yes</td>
</tr>
<tr>
<td>P-6</td>
<td>Yes</td>
</tr>
<tr>
<td>P-7</td>
<td>No</td>
</tr>
</tbody>
</table>

Analysis of results:

Six participants indicated and confirmed measurement of ROMI per activity undertaken, while one participant (participant 7) indicated no measurement of ROMI. The non-measurement was due to the fact that recording and monitoring of expenses had not been a priority to the company in the past. Of the six participants that actually measured ROMI, one participant indicated that at times it is required to measure activities as a job lot and not per individual activity. The finding is that the job lot is representative of various activities with the aim of reaching one objective.

The question refers:

Q. 11. How do you measure ROMI in your company?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P-represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 11</td>
<td>Budget Expenses</td>
</tr>
<tr>
<td>P-1</td>
<td>Sales actuarial team</td>
</tr>
<tr>
<td>P-2</td>
<td>Measures leads</td>
</tr>
<tr>
<td>P-3</td>
<td>Pre and post research</td>
</tr>
<tr>
<td>P-4</td>
<td>Measures cost per lead vs. retention and premium payments</td>
</tr>
<tr>
<td>P-5</td>
<td>Budget Expenses</td>
</tr>
<tr>
<td>P-6</td>
<td>Sales</td>
</tr>
<tr>
<td>P-7</td>
<td>Not measured</td>
</tr>
</tbody>
</table>

Analysis of results:

Of the six participants that indicated measurement of ROMI in their respective companies, the results show that the measures used vary per company, as indicted. The participant that indicated no measurement of ROMI pointed out future consideration to attempt some kind of measure.

The question refers:

Q. 12. Do you believe that your measuring tools is effective?

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P-represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 12</td>
<td>Yes</td>
</tr>
<tr>
<td>P-1</td>
<td>No</td>
</tr>
<tr>
<td>P-2</td>
<td>Yes</td>
</tr>
<tr>
<td>P-3</td>
<td>Yes</td>
</tr>
<tr>
<td>P-4</td>
<td>Yes</td>
</tr>
<tr>
<td>P-5</td>
<td>Yes</td>
</tr>
<tr>
<td>P-6</td>
<td>Yes</td>
</tr>
<tr>
<td>P-7</td>
<td>No</td>
</tr>
</tbody>
</table>

Analysis of results:

It was found that of the six participants that measure ROMI, five believe that the respective measuring tools used are effective in their respective companies. Only one participant doubted the effectiveness of the measuring tools it uses. Participant 7 did not measure ROMI, thus they reported not having any measures in place. Common sense would prevail that if a participant takes steps in measuring ROMI but doubts the tools
used, then commitment to the cause, a true reflection on the return and being effective in measuring may be compromised.

**Deduction on Theme 2:**
The overall finding under this theme is that 81% of the participants take active steps, as varied as they are from one another, in attempting to measure ROMI as part of the daily operational plans.

**Theme 3 - Importance of measuring ROMI:** The views of the participants on the importance of measuring ROMI are indicated by grouping feedback on questions 5, 6, 7, and 8. An intention to determine whether participants view ROMI as important and practical resulted in the following findings:

**The questions refer:**

Q. 5 a) Do you think it is practical to measure ROMI, given the type of business or industry you operate in?
   b) Please elaborate with relevant reasons.

**Results are as follows:**

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 5 a)</td>
<td>P -1 Yes P -2 Yes P -3 Yes P -4 No P -5 Yes P -6 Yes P -7 No</td>
</tr>
</tbody>
</table>

**Analysis of results:**
Of the seven participants, only five indicated the practicality of measuring ROMI while two indicated that it is not practical. This meant that one participant deems ROMI measurement to be impractical, although they actually measure it. Participant 7 does not measure ROMI at all. The reasons for not measuring ROMI were found to be:
- intangible products being sold,
- no direct correlation proven between marketing activities and the extent of increases in sales, and
- difficulty in measuring because the lead time for new business on certain products may range from six months to four years.

**The questions refer:**
Q. 6. Would you agree that ROMI is important?
Q. 7. If yes, please elaborate with relevant reasons.

**Results are as follows:**

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 6</td>
<td>P -1 Yes P -2 Yes P -3 Yes P -4 Yes P -5 Yes P -6 Yes P -7 Yes</td>
</tr>
</tbody>
</table>

**Analysis of results:**
All seven participants agreed that ROMI is important; even participant 7 who does not measure ROMI. The reasons were found to be that measuring ROMI:
- improves competition,
- encourages differentiation of products,
- plays a part in company reputation,
- ensures company is top of mind,
- shows commitment,
- justifies spend,
- measures marketing success,
- achieves marketing effectiveness,
- controls and monitors the marketing budget,
- provides a platform for negotiating budget increases, and
- keeps track of returns.

**The question refers:**
Q. 8. Are the benefits experienced from the marketing spending acknowledged by the CFO and CEO?

**Results are as follows:**

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 8</td>
<td>P -1 Yes P -2 No P -3 Not sure P -4 Yes P -5 Yes P -6 Yes P -7 Yes</td>
</tr>
</tbody>
</table>
Analysis of results:
All seven participants indicated full support from their CEO in recognising the benefits of the marketing investments; however the CFO did not recognise the benefits brought by marketing. Of the 6 participants, three indicated that their CEOs are marketing driven and led. This includes the one participant (participant 7) who does not consider tracking, monitoring and measuring marketing activities to be a priority. Participant 7 indicated that the CEO instructed and led the revamping and rebranding drive of the company and injected more resources into the marketing investments, deeming it a priority going forward. Only one participant who actually measures ROMI could not confirm whether the CEO and CFO acknowledge the benefits provided by marketing investments undertaken.

Deduction on Theme 3
The finding is that 81% of the participants believe in the practicality and importance of measuring ROMI, while 4% is unsure of its practicality and 15% believes it is impractical. These results thus indicate that even though the companies attempt to measure ROMI, some do find it impractical given the type of industry. To clarify, the impracticability of the marketing activities that do not drive sales (brand awareness focused. e.g. company website, Facebook) was emphasised, thus a generalisation was made.

Theme 4 - Linking marketing activities to profits: A connecting link between marketing activities to increased sales, revenue or profits is indicated by grouping feedback on questions 3, 9 and 10. In an attempt to link the marketing activities to incremental sales or profits, the findings are as follows:

The question refers:
Q.3. Do believe that spending on marketing activities contribute to profit margins or incremental sales? Please elaborate with examples.

Results are as follows:

<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 3</td>
<td>P -1  Yes</td>
</tr>
</tbody>
</table>

Analysis of results:
All seven participants believe that spending on marketing activities does contribute to profit margins.

The questions refer:
Q. 9. Can you identify a marketing investment/ spend that contributed to an increase in sales, revenue or profit?
Q. 10. If so, can you elaborate on the impact?

Results are as follows:

<table>
<thead>
<tr>
<th>Question</th>
<th>Interview response feedback – (P- represents Participant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q. 9</td>
<td>P -1  Yes</td>
</tr>
</tbody>
</table>

Analysis of results:
Although the results indicated 100% positivity in contributing to profits, it does not necessarily mean that all participants strive to measure the return on those marketing investments as indicated in Theme 2. This would explain the two participants being unable to identify marketing spend in their respective companies that contributed to increases in sales and profits. Only five of the participants were able to identify the contribution. Five of the seven participants were able to elaborate on the impact that marketing has had on the sales and profits in their respective companies, as indicated above. The impact on sales and profits were found to be:

Client retention
Increased sales
New business leads
Improved client relationships
Increased brand awareness and confidence.

Deduction on Theme 4
A deduction can be made that 86% of the participants can link marketing activities to incremental sales, revenue and possible profits, while 14% is unable to link the two factors. Valid reasons for the inability of the two participants to provide history and examples in determining the link between marketing investments and revenue and profits are identified as:
Participant 2 was fairly new in the current company (less than one year), thus they were unaware if it had been done in a previous campaign. Participant 7 does not attempt to track spending on marketing activities, and no attempts are made to measure a return from those activities.

**Major Highlights and Findings**
The overall results show that in measuring ROMI a few elements are currently being considered by the marketing managers, namely:
- There should be a budget to spend.
- There should be recording and tracking of expenditures.
- There should be recording and tracking of sales.
- There should be a clear objective for each marketing activity taken.

Marketing activities can have a long term and short term impact.

The four themes yielded results from each interview question and the findings thereof. It can be concluded that there are vast similarities in the feedback analysed, which are summarised as follows:
- All participants believe that marketing activities contribute to incremental sales, even amongst those that have proven difficult to measure.
- The budget plays a major role in keeping track of the marketing spending.
- It is easier to measure the return on activities that actually drive sales.
- Measuring ROMI indicates what works and does not work.
- It is important to have CEO buy-in.

The life insurance industry is in the business of selling intangible products to the market; it is a services industry. But how do these marketers ensure that they translate these marketing activities into money? The answer is by measuring ROMI. The purpose of this study was therefore to uncover whether marketers in the life insurance industry do measure ROMI and to what extent, in order to ascertain if ROMI is sufficiently important to be measured in the life insurance industry.

**CONCLUSIONS**
It can be concluded that ROMI is increasingly becoming important to measure in the life insurance industry, which is proven by the extent the marketers in the industry go to in order to remain relevant, be accountable and be considered a vital part of their respective companies. Every company is in business for profits and financial wealth, thus ‘sales’ is an imperative part of any company. Therefore successful companies, whether big or small, must see marketing and sales as having one rhythm, for the fact that marketing is a driver sales. The greater the sales, the greater the profits.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**
The first recommendation is that a clear distinction be made between the actual marketing activities that can be measured and those that cannot be measured in an effort for accuracy in measurement, keeping in mind that some long term activities can be difficult to measure (such as brand building and reputational activities). Thus there should be three standard categories when measuring ROMI:
- Category 1: marketing activities based purely on driving sales – short term effect. The period short term should also be determined.
- Category 2: marketing activities with a longer life cycle where sales will only materialise a few year later subsequent to the activity – long term effect. The period long term should also be determined.
- Category 3: marketing activities that are purely for reputational and confidence building, such as websites, social media platforms, general company brochures, etc.

The second recommendation is the development of standard formulas that can be used for the first two categories in measuring ROMI. Category 3 above, although important, proves difficult to measure, therefore it is recommended that the measurement thereof should not be attempted in order to simplify matters and minimise guess work and confusion.

**FUTURE RESEARCH**
Marketers have come a long way, however they still have further to go in order to perfect the measurement of ROMI. In conducting the study, it is identified that more literature is needed around the study of ROMI, therefore a suggestion can be made for further studies to be conducted, focusing on the following areas:
- Determining and establishing a standard method or formula that marketers in the life insurance industry can use in measuring ROMI. In this way more companies will attempt to measure ROMI with readily available
information (methods of measuring ROMI), thus leading to a decline in the numbers of companies not measuring.

Conducting a detailed comparative study between marketers’ views and financial managers’ views on ROMI. Now that an understanding is established from the marketers’ views and opinions of why ROMI is deemed as important to measure in the life insurance industry, it would equally be important to determine the views of the financial managers or CFOs, as they are seen as gate keepers to all company finances and are accountable for overall company profits and losses.

Conducting a historical study to determine the actual link between marketing and financial outcomes, with an emphasis on reviewing financial reports and aligning them to specific marketing activities at specific periods in an attempt to quantify the real impact of ROMI. In this study the participants only provide their views and expert opinions, therefore the study rely on their personal feedback to make a deduction. A historical study will quantify and base the results on proven facts.

LIMITATIONS OF STUDY

The research study was limited to the life insurance industry in the Gauteng province to companies that had been in operation for more than five years. Only views of marketing managers were solicited, thus excluding all junior marketing specialists from the study. Opinions and views of financial managers on ROMI were not investigated as the study was limited only to the views of the marketing managers in this industry, as this is not a comparative study between Financial Managers’ views and Marketing Managers’ views. The implication of the limitations is that this study may not be representative of the wider population in South Africa. Views of financial managers could be imperative to the study, as marketing managers need to be accountable to financial managers. This is because financial managers drive and allocate budgets and have the final responsibility for company profits. The exclusion of financial managers meant that the study has a biased view and may have yielded different findings if financial managers were included.

REFERENCE LIST


REWARDS AMONGST LOWER AND MEDIUM LEVEL MANAGERS: A CARROT OR STICK

T. Mlilo
University of Johannesburg

M.M. Bounds
University of Johannesburg

ABSTRACT
There is a general perception that organisations use ‘one size fits all’, type of rewards to motivate their managers. There is also a perception that managers are only motivated by financial rewards as compared to non-financial rewards in order for them to perform as expected. The aim of the study was to determine whether rewards are perceived as a motivator by lower- and medium-level managers. This survey study used quantitative methods to determine the perceptions of rewards amongst managers at furniture retail enterprises. The target population of the study was 172 lower-managers and middle-level managers working for a retail company. In this study the target population included women and men of different age groups, race groups, and so forth. Non-probability sampling (purposive sampling) was employed as the intent was to survey lower-managers and middle managers only. SPSS Version 15 was used to analyse the data to ensure that a quantitative analysis for the study could be conducted. The Mann-Whitney U test was used for this study to distinguish between two groups of samples in the population in order to decide whether there was a statistically significant difference. The results for this study showed that there were statistically significant relationships between age and compensation.

Key words: Rewards, motivation lower- and medium-level managers

INTRODUCTION
Employers have to increasingly make difficult decisions about their workforce compensation and its relationship to performance (Towerswatson, 2010). Van der Merwe, Basson and Coetzee (2009), citing Fong and Shaffer (2003), Hall and Fourie (2007) and Marchington and Wilkinson (2008), have noted that a number of organisations, including furniture retail enterprises, view their employees as a competitive advantage. They are thus using creative approaches of corporate initiatives in order to attract and keep valuable employees, such as lower-level and middle-level managers.

Employers are mostly concerned about keeping employees motivated, especially in view of the 2008/9 economic crisis which led to wage freezes, lost bonuses, increased work demands and downsizing. Motivating top talent may be quite difficult under such circumstances because by the time the economy recovers top talent may have left the company for greener pastures leading to a battle of talent among companies (Scott & McMullen, 2010). In response to these issues, management in companies are spending billions of rands on human development programmes and rewards systems in order to motivate dissatisfied and poorly motivated employees (Muedi, 2008).

Van der Merwe, Basson and Coetzee (2009), citing Fong and Shaffer (2003), Hall and Fourie (2007) and Marchington and Wilkinson (2008), have noted that a number of organisations, including furniture retail enterprises, view their employees as a competitive advantage. They are thus using creative approaches of corporate initiatives in order to attract and keep valuable employees, such as lower-managers and middle managers. Financial and non-financial reward schemes are equally important to attract, keep and encourage employees, such as lower-managers and middle managers, and to ensure they perform in a satisfactory way (Van der Merwe et al., 2009). According to Kocabiyikoglu and Popescu (2007), if managers are motivated properly they can help the organisation to increase its profitability. They propose some drivers of managerial (including lower-managers and middle managers) motivation and the use of performance pay to amend motivational patterns within their organisations.

According to Bhengu (2009), there are various factors that play a major role in an employee’s decision whether to remain with the company or to leave it. Factors such as better pay, benefits or progression in their career are the most common primary reasons given by employees why they leave their jobs. These factors do not need further explanation, but the main reasons for employees to leave the organisation are the things that they normally complain about almost on a daily basis, one of these being the rewards (non-financial and financial). Rewards are used as a key to elicit strategic align performance (Bhengu, 2009)
It appears that for the organisation to be able to gain competitive advantage over their rivals they have to make sure that key employees are kept through offering good rewards systems. Bussin (2008) suggest that its high time organisations have to change their plans and policies on employee retention and connectivity. The author further states that there is an increase in correlation between retention and commitment of employees and bottom line of the organisation. Many organisations are faced with a huge challenge of not knowing how to keep their existing employees committed, because when they leave the organisation it becomes an expense for them. Munsamy and Venter (2009) states that companies should understand the expectations from their employees pertaining to rewards, so as to avoid enticing of employees by competitors offering them better rewards, furthermore companies should develop reward strategies that are not easy for competitors to duplicate them.

LITERATURE REVIEW
Motivation
Mullins (2007:250) defines motivation as the “direction and persistence of action. It is concerned about why people choose a particular course of action in preference to others, and why they continue with a chosen action, often over a long period and in the face of difficulties and problems.” In addition Robbins, Odendaal and Roodt (2007:131) define motivation as the “processes that account for an individual's intensity, direction, and persistence of effort towards attaining a goal.” Robbins et al. (2007) mention three key elements of motivation, namely: intensity, direction and persistence.

Intensity – focuses on how hard a person tries to be motivated.
Direction – is when an individual is presented with various alternatives to choose from
Persistence – measures how long a person can maintain their effort.

The lack of motivation within the organisation can lead to poor work performance among lower-managers managers, which may contribute significantly to an organisation losing its competitive edge (Muedi, 2008). Furthermore, according to Howard and Dougherty (2004), a reward structure can provide an organisation with a competitive advantage. They argue that pay structures which are designed to be linked with activities, attributes and performances can support the organisation’s direction to help attain their goals. Thus, pay satisfaction and perceived pay fairness add value to employees’ emotional, psychological and physical health, even though it might not be true that happier employees are more productive (Howard & Dougherty, 2004). Motivation is further differentiated into two types - intrinsic and extrinsic motivation - for better understanding.

Rewards
On reviewing the literature about total rewards Gibson (1995:13) asked “what do companies and their employees owe one another in the 90’s? If asked, both employers and employees are likely to shout a very loud ‘nothing’. If you re-phrase the question – what do employees and employers desire from their association with one another? The answer may be very different.” In determining their satisfaction, employers will be loyal, pursue high quality, be committed and be service-oriented. On the other hand, within their jobs, employees will expect the following: compensation linked to individual contribution, assignments that are challenging and interesting, training to maintain employability, and flexibility in the workplace. The various degrees of affiliation and affinity of employees will be used as a fundamental shift in expectations and present a driving force in determining innovative compensation strategies that have a direct relationship with organisational performance. Epstein (2008) found that factors such as organisational growth, client satisfaction and retention are used as determining factors of organisational success by most studies conducted in the microfinance industry.

According to WorldatWork (2010), total rewards which emerged in the 1990s were used to retain, attract and motivate employees. Total rewards were used to organise compensation and benefits, and combined intangible and tangible ways as well. Since then multiple total rewards have been published which take into consideration the importance of leveraging multiple programmes, cultural dynamics to satisfy employees, contributing to the improvement of business performance and results. The inclusion of compensation, benefits, work-life, performance and recognition, and development and career opportunities in the strategies of the organisation can help the organisation to retain, attract and motivate their employees. In addition Rumpel and Medcof (2006) postulated that one of the promising approaches in reward management is total rewards because it has been adopted by technologically oriented businesses like IBM, Microsoft, AstraZeneca, and Johnson & Johnson. A total rewards system has been the hallmark of traditional compensation practices because it takes a holistic approach to rewards, going beyond the strong focus on pay and benefits. Rewards include all the rewards available in the organisation, including opportunities for learning and development, and quality work environment (Rumpel & Medcof, 2006).
According to Fong and Shaffer (2003), Hall and Fourie (2007), Marchington and Wilkson (2008), van der Merwe, Basson & Coetzee (2009), there is an increasing trend for companies to consider employees as key in the struggle for a competitive advantage, and thus creative approaches of corporate initiatives are implemented to attract and retain the most valuable employees. According to Guthrie (2007), both the financial and non-financial reward recognition systems play a vital role in a company’s strategic approach to human resource processes and practises aimed at attracting, retaining and motivating high performing employees (Guthrie, 2007).

Herzberg (cited in Beel, 2007) further argued that employees are only satisfied with money, but they are not motivated by it. However, employees can be highly motivated by motivators that are intrinsic such as achievement and increased accountability, but they can become dissatisfied if they are paid low salaries or not paid at all. In contrast, employees can be dissatisfied if they are no intrinsic motivators, but can be satisfied if their salaries are high. However, for a reward such as a merit bonus or promotion to be classified as a motivator, the organisation needs to link it to performance (Smit, Cronje, Brevis & Vrba, 2011).

Lower- and medium-level managers
Lower-level managers are managers that are responsible for formulating short-term objectives and they give directions and guidance to the operative employees who perform the day-to-day activities. Bateman and Snell (2011) define lower-managers managers as operational managers who supervise the organisation’s operations. They implement specific plans developed by middle managers and work hand-in-hand with non-management employees of the organisation (Bateman & Snell, 2011). On the other hand, middle-level managers are liable for translating and breaking complex goals set by top managers into smaller units, and they are responsible for managing lower level managers such as lower-managers managers. Bateman and Snell (2011) define middle level managers as those types of managers who are located below top level managers and above the frontline managers in the organisation’s hierarchy. They are responsible for translating the general goals and plans developed by strategic managers into more specific objectives and activities (Bateman & Snell, 2011). In this study lower-managers and middle managers constitute branch managers, regional and operational executive managers employed in the various retail chains of the organisation where the study was conducted.

PROBLEM INVESTIGATED
"Why does man work?", and secondly, “Why does one man work harder than others?” (Kposowa, 2005:13). The fact is that there are few studies in South Africa which address the issues of employees’ perceptions and the value they attach to different recognition schemes and rewards. Only the best companies will be able to reinforce their strategies and strengthen their future competitive advantage through creative implementation of rewards packages (van der Merwe, 2009). The problem statement of this study is as follows: There is no clear empirical evidence to suggest what the managers think about rewards (financial, non-financial, intrinsic and extrinsic) as a motivational instrument in their organisations. The research question of this study is therefore as follows: What is the perception of rewards as a motivator among lower- and middle-level managers?

RESEARCH OBJECTIVES
The aim of this study is to find out the perception of lower- and middle-level managers with regards to rewards as a motivator.

Propositions
P1: There is no significant difference between the mean values of age and the following reward variables: P1a – motivation; P1b – benefits; P1c – compensation; P1d – work-life; P1e – career and development

P2: There is no significant difference between the mean values of salary earned annually and the following reward variables: P2a – motivation; P2b – benefits; P2c – compensation; P2d – work-life; P2e – career and development

RESEARCH METHODOLOGY
This survey study used quantitative and descriptive methods because the purpose of the study was to determine the perceptions of rewards among managers at a furniture retail company. For the results of this study to be considered reliable a large number of participants had to be surveyed. All the reasons for choosing a quantitative method for the study are supported by the definition by Leedy and Ormrod (2010:94).

Method of data collection
There are a number of different methods of data collection that can be used for a study. In this instance the structured questionnaire method was used for the purpose of collecting data regarding the perceptions of managers on rewards as a motivator at furniture retail enterprises. Self-administered questionnaires were
deemed appropriate for the study as a data collection method because of the quantity of information required.

**Population**

In this study the target population included women and men of different age groups, race groups, and so forth, working for furniture retail enterprises. Non-probability sampling (purposive sampling) was used as the intent was to survey lower-level managers and middle-level managers only. Zikmund (2003) defines non-probability sampling as a method of obtaining units or people who are conveniently available. A target population of 172 respondents (lower- and middle-level managers) was used for this study, using Purposive sampling. Purposive sampling creates a basis for creating a representative sample so that everyone in a population stands a chance to be nominated and all possible samples of the same size have an equal chance of being selected (Leedy & Ormrod, 2010).

**Method of data analysis**

The purpose of this study was to test the perceptions of rewards as a motivator amongst managers. For the primary data to be interpreted, SPSS Version 15 was used to analyse the data in this study to ensure that quantitative analyses for this study could be conducted. The completed questionnaires were coded and edited in order to calculate frequency distribution and to analyse personal data, and to calculate the central tendency and percentage distribution. SPSS is regarded by many professionals as one of the best software for statistical analysis. The statistics obtained from the research were then presented in the form of computer graphics, with the help of STATKON for data analysis.

**RESULTS**

The following descriptive statistics (measure of central tendency) were exploited: mean, median, mode, frequencies, standard deviation and percentages

**Demographic profile**

The biographical information of the 172 retail managers who participated in the study is:

**Gender:** The results show that the sample was more representative of male managers than female managers. Of the 172 respondents 65.1\% (n=112) was male and 34.9\% (n=60) comprised female respondents.

**Age of managers:** the majority of the sample were between 40-44 years old (23.8\%, n=41), followed by the 30-34 year age group (19.2\%, n=33), 35-39 years (18.6\%, n=32), 45-49 years (16.9\%, n=29), 25-29 years and 50-54 years (8.7\%, n=15), 55-59 years (2.3\%, n=4), younger than 24 years (1.7\%, n=3).

**Years of experience:** The majority of the respondents fell between the category of between 3 to 5 years of experience (33.7\%, n=58), followed by those with 6 to 9 years of experience (27.3\%, n=47). The respondents with 15 years and more represented 15.7\% (n=27), followed by respondents with 10 to 14 years of experience (15.1\%, n=26) and less than 2 years of experience (8.1\%, n=14).

**Marital status:** The majority of the respondents were married (59.3\%, n=102), those living together (not married) accounted for 12.2\% (n=21), single managers represented 21.5\% (n=37), divorced made up 6.4\% (n=11) and widows or widowers represented 0.1\% (n=1) of the population.

**Management position:** the majority of the respondents were lower-managers managers (branch managers), who accounted for 82.0\% (n=141), and middle level managers (regional/operational and executive managers) made up 18.0\% (n=31).

**Reliability of the measuring instrument**

**Overall satisfaction with rewards presented in mean and standard deviation:** Measuring instrument clearly shows that the majority of managers were satisfied with the rewards that they were receiving from the organisation in the study. It shows that the mean is 3.59, standard deviation: 0.867 out of a total number of 170 respondents. Two respondents did not respond to the question, and were therefore regarded as missing. Shows a high median (4), as well as a high mode (4) while the minimum is 1 and the maximum is 5. For this question in the questionnaire, a Likert scale was used from 1 to 5, where: 1= Very dissatisfied 2= Dissatisfied 3= Neutral 4= Satisfied 5= Very satisfied

**Overall satisfaction presented in frequencies:** Research reveals the overall satisfaction of respondents with regard to the rewards that they received in the organisation. The majority of the respondents (53.5\%, n=92), indicated that they were satisfied with the rewards that they received in the organisation; 23\% (n=44) indicated that they were very dissatisfied, 8.7\% (n=15) were dissatisfied. The respondents who were neutral accounted for 25% (n=43), and 9.3% (n=16) were very satisfied. Of all the respondents, 2\% (n=2) did not answer the question.

**Frequency distribution:** Research reveals the overall satisfaction of respondents with regard to the rewards that they received in the organisation. The majority of the respondents (53.5\%, n=92), indicated that
they were satisfied with the rewards that they received in the organisation; 2.3% (n=4) indicated that they were very dissatisfied, 8.7% (n=15) were dissatisfied. Of all the respondents, 2% (n=2) did not answer the question. 

**KMO and Bartlett's test:** The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test were used to ascertain whether there was a relationship among variables. The results are represented as: .912, which means the value is greater than the minimum value of KMO .6; therefore it can be considered to be a good factor analysis. Bartlett's test is significant at p=0.000. According to Pallant (2007), KMO measures the acceptability of the sample. The minimum value of KMO should be .6 and the index should range from 0 to 1.

**Reliability and validity**

Literature was gathered regarding perception of rewards as a motivator amongst managers and was used to formulate the questions for the respondents, thus ensuring validity. Aids such as the SPSS program in conjunction with Cronbach’s coefficient alpha can be used to determine reliability of the study.

### Table 6.1: Total variance

<table>
<thead>
<tr>
<th>Factor</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total % of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>1</td>
<td>13.489</td>
<td>43.511</td>
<td>13.109</td>
</tr>
<tr>
<td>2</td>
<td>2.556</td>
<td>8.245</td>
<td>2.206</td>
</tr>
<tr>
<td>3</td>
<td>1.712</td>
<td>5.522</td>
<td>1.322</td>
</tr>
<tr>
<td>4</td>
<td>1.550</td>
<td>5.000</td>
<td>1.153</td>
</tr>
<tr>
<td>5</td>
<td>1.174</td>
<td>3.789</td>
<td>.749</td>
</tr>
</tbody>
</table>

Table 6.1 presents the initial Eigen values, and the percentage variance. A factor analysis was obtained through the analysis of 172 responses from the managers. To achieve the main aim of factor analysis of reducing a large number of factors into smaller factors, 31 statements from the survey were taken and they were reduced to five factors. The components that were used for this study were those with an Eigen value of 1 or more. The Eigen values for the first five factors that had an Eigen value of 1 or more recorded in the table above were 13.489, 2.556, 1.712, 1.550, and 1.158 respectively. A total of 66.066% of the variance could thus be explained by the five components and the variances by each factor were as follows: 43.511%, 8.245%, 5.522%, 5.000%, and 3.789% respectively. The total variance explained for the study by the five factors was more than the desired variance of 50%, and therefore a factor analysis was deemed appropriate.

### Table 6.2: Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach’s Alpha</th>
<th>N of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career</td>
<td>.892</td>
<td>7</td>
</tr>
<tr>
<td>Motivation</td>
<td>.888</td>
<td>6</td>
</tr>
<tr>
<td>Work life</td>
<td>.872</td>
<td>9</td>
</tr>
<tr>
<td>Benefits and compensation</td>
<td>.878</td>
<td>5</td>
</tr>
<tr>
<td>Development</td>
<td>.841</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 6.2 reveals Cronbach’s alphas of five factors and it shows that they are high. Factor one had a Cronbach alpha of .892, followed by .888, .872, .878, .841 respectively for each of the other factors. These values clearly show that the measures were internally reliable because the Cronbach’s alphas for the five factors were more than .7.

**Inferential statistics**

According to Jackson (2012), inferential statistics are procedures that are followed in coming to conclusions regarding certain populations, based on the data collected from the sample. Furthermore, this involves the use of procedures for drawing conclusions based on the scores obtained from the research study and going beyond them to make inferences about a population (Jackson, 2012). Moreover, inferential statistics allow the researcher to make inferences about large populations by collecting data on relatively small samples (Leedy & Ormrod, 2010). Inferential statistics also provide a way of helping researchers to make reasonable guesses about a large group that is unknown by sampling a small group that is known (Leedy & Ormrod, 2010). For this study the Mann-Whitney U test was utilised because the responses were not normally distributed. The results are discussed below. The tests were done to see whether there were significant
differences between demographic factors such as, age, gender and salary earned annually, and different reward elements such as motivation, benefits and compensation, career and development and work-life. The propositions with values equal or bigger than 0.05 were accepted as the null hypothesis, which means there are no differences. Values less than 0.05 resulted in the rejection of the null hypothesis and it could thus be concluded that there was a difference in responses.

Table 6.3: Crosstab – Years of experience

<table>
<thead>
<tr>
<th>Crosstab</th>
<th>B1.5a</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>rA3 5 years or less</td>
<td>45</td>
<td>26</td>
</tr>
<tr>
<td>% within rA3</td>
<td>63.4%</td>
<td>36.6%</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>89</td>
<td>9</td>
</tr>
<tr>
<td>% within rA3</td>
<td>90.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Total</td>
<td>134</td>
<td>35</td>
</tr>
<tr>
<td>% within rA3</td>
<td>79.3%</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

Table 6.3 shows that 63.4% of the respondents with five or less years of experience believed that a market-related salary was important and was offered to them; 90.8% of those with more than five years of experience believed that it was offered and was important. The table shows that compensation was not as important to the younger respondents as to the older respondents who believed that compensation was very important.

Table 6.3: Age – Npar Tests

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>rA2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean_Motivation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>82</td>
<td>4.43</td>
<td>.565</td>
<td>81.37</td>
</tr>
<tr>
<td>40 years or older</td>
<td>89</td>
<td>4.53</td>
<td>.589</td>
<td>90.27</td>
</tr>
<tr>
<td>Mean_WorkLife</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>82</td>
<td>4.25</td>
<td>.606</td>
<td>87.47</td>
</tr>
<tr>
<td>40 years or older</td>
<td>87</td>
<td>4.19</td>
<td>.597</td>
<td>82.67</td>
</tr>
<tr>
<td>Mean_Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>81</td>
<td>4.47</td>
<td>.583</td>
<td>80.46</td>
</tr>
<tr>
<td>40 years or older</td>
<td>87</td>
<td>4.55</td>
<td>.600</td>
<td>88.26</td>
</tr>
<tr>
<td>Mean_Compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>81</td>
<td>3.90</td>
<td>.731</td>
<td>76.38</td>
</tr>
<tr>
<td>40 years or older</td>
<td>87</td>
<td>4.11</td>
<td>.711</td>
<td>92.06</td>
</tr>
<tr>
<td>Mean_Career</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>81</td>
<td>4.03</td>
<td>.945</td>
<td>79.35</td>
</tr>
<tr>
<td>40 years or older</td>
<td>87</td>
<td>4.27</td>
<td>.736</td>
<td>89.29</td>
</tr>
<tr>
<td>Mean_Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Younger than 40 years</td>
<td>82</td>
<td>4.46</td>
<td>.571</td>
<td>83.35</td>
</tr>
<tr>
<td>40 years or older</td>
<td>87</td>
<td>4.49</td>
<td>.579</td>
<td>86.55</td>
</tr>
</tbody>
</table>

Table 6.4: Test Statistics

<table>
<thead>
<tr>
<th>Test Statistics</th>
<th>Mann-Whitney U</th>
<th>Wilcoxon W</th>
<th>Z</th>
<th>Asymp. Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean_Motivation</td>
<td>3269.000</td>
<td>6672.000</td>
<td>-1.206</td>
<td>.228</td>
</tr>
<tr>
<td>Mean_WorkLife</td>
<td>3364.500</td>
<td>7192.500</td>
<td>-639</td>
<td>.523</td>
</tr>
<tr>
<td>Mean_Benefits</td>
<td>3196.000</td>
<td>6517.000</td>
<td>-1.072</td>
<td>.284</td>
</tr>
<tr>
<td>Mean_Compensation</td>
<td>2866.000</td>
<td>6187.000</td>
<td>-2.110</td>
<td>.035</td>
</tr>
<tr>
<td>Mean_Career</td>
<td>3106.500</td>
<td>6427.500</td>
<td>-1.349</td>
<td>.177</td>
</tr>
<tr>
<td>Mean_Development</td>
<td>3432.000</td>
<td>6835.000</td>
<td>-0.450</td>
<td>.652</td>
</tr>
</tbody>
</table>

a. Grouping Variable: rA2

ISBN: 978-0-86970-784-5 723
Table 6.4 shows a p-value less than 0.05, which means there is a statistical significance difference. This applies to P1d which refers to age and compensation such as performance-based cash bonuses, social security and award schemes.

The following propositions are accepted: P1a, P1b, P1c and P1e. This means that there was no significant difference between older and younger respondents when it came to age and the factors of motivation such as permanent contract, treatment with respect, recognition, security, market-related salary and autonomy; age and the quality of work-life such as employee assistance, childcare, flexible work, supportive boss and colleagues, maternity and paternity leave, opportunity to create good relationships in the workplace, safety standards and sense of challenge; age and benefits such as subsidised medical aid, retirement and pension plans; and age and career and development such as promotions, training, 360 degree skills assessment, interaction with experts, attending conferences, mentoring, pre-retirement counselling, shares and profit-sharing, and employment security.

Table 6.5 Salary Earned Annually

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean_Motivation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>114</td>
<td>4.43</td>
<td>.608</td>
<td>83.15</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>57</td>
<td>4.57</td>
<td>.504</td>
<td>91.69</td>
</tr>
<tr>
<td>Mean_WorkLife</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>114</td>
<td>4.22</td>
<td>.624</td>
<td>85.70</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>55</td>
<td>4.21</td>
<td>.554</td>
<td>83.55</td>
</tr>
<tr>
<td>Mean_Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>113</td>
<td>4.52</td>
<td>.558</td>
<td>84.46</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>55</td>
<td>4.50</td>
<td>.660</td>
<td>84.59</td>
</tr>
<tr>
<td>Mean_Compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>114</td>
<td>3.90</td>
<td>.740</td>
<td>77.33</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>54</td>
<td>4.23</td>
<td>.650</td>
<td>99.63</td>
</tr>
<tr>
<td>Mean_Career</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>113</td>
<td>4.05</td>
<td>.930</td>
<td>80.54</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>55</td>
<td>4.37</td>
<td>.603</td>
<td>92.64</td>
</tr>
<tr>
<td>Mean_Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R200 000 or less</td>
<td>114</td>
<td>4.46</td>
<td>.557</td>
<td>83.65</td>
</tr>
<tr>
<td>More than R200 000</td>
<td>55</td>
<td>4.50</td>
<td>.611</td>
<td>87.79</td>
</tr>
</tbody>
</table>

Table 6.5 reveals that the respondents who earned an annual salary less than R200 000 thought that compensation was not so important to them; compared to the respondents who earned an annual salary of more than R200 000 who thought that compensation was very important.

Table 6.6: Test Statistics

<table>
<thead>
<tr>
<th>Test Statistics</th>
<th>Mann-Whitney U</th>
<th>Wilcoxon W</th>
<th>Z</th>
<th>Asymp. Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean_Motivation</td>
<td>2924.500</td>
<td>9479.500</td>
<td>-1.092</td>
<td>.275</td>
</tr>
<tr>
<td>Mean_WorkLife</td>
<td>3055.500</td>
<td>4595.500</td>
<td>-2.68</td>
<td>.789</td>
</tr>
<tr>
<td>Mean_Benefits</td>
<td>3102.500</td>
<td>9543.500</td>
<td>-1.017</td>
<td>.306</td>
</tr>
<tr>
<td>Mean_Compensation</td>
<td>2261.000</td>
<td>8816.000</td>
<td>-2.805</td>
<td>.005</td>
</tr>
<tr>
<td>Mean_Career</td>
<td>2660.000</td>
<td>9101.000</td>
<td>-1.541</td>
<td>.123</td>
</tr>
<tr>
<td>Mean_Development</td>
<td>2981.500</td>
<td>9536.500</td>
<td>-.546</td>
<td>.585</td>
</tr>
</tbody>
</table>

Table 6.6 shows a p-value of less than 0.05, which means there is a statistical significance difference. This applies to P3d which refers to salary earned annually and compensation such as performance-based cash bonuses, social security and award schemes.

The following propositions are thus accepted: P2a, P2b, P2c and P2e. This means that there was no significant difference between higher-earning and lower-earning respondents with regard to salary earned annually and the factors of motivation such as permanent contract, treatment with respect, recognition, security, market-related salary and autonomy; salary earned annually and the quality of work-life such as
employee assistance, childcare, flexible work, supportive boss and colleagues, maternity and paternity leave, opportunity to create good relationships in the workplace, safety standards and sense of challenge; salary earned annually and benefits such as subsidised medical aid, retirement and pension plans; and salary earned annually and career and development such as promotions, training, 360 degree skills assessment, interaction with experts, attending conferences, mentoring, pre-retirement counselling, shares and profit-sharing, and employment security

Mann-Whitney U test: testing of propositions P1 AND P2

**Proposition 1 – Age:** When it comes to age and motivation, the results of the study show that there is no significant difference in how older employees are motivated in relation to the younger staff. Therefore Proposition P1a is accepted. Older and younger managers are motivated by the same factors regardless of the circumstances at work, ranging from a permanent work contract, respectful treatment, recognition, security, market-related salary and autonomy. Similarly, Kooij, de Lange, Jansen and Dikkers (2008) cite Linz (2004) whose research results found that salary is the most important job motivator for Russian employees and that there was no statistical significant difference among the young and older managers with regard to their preference of job motivators. The authors further state that security and salary are highly appreciated by older managers, followed by approachability and respect from their associates. Regarding age and work-life, the results of this study reflect that there is not a significant difference between older and younger managers when it comes to the level of importance they attribute to work-life. Hence Proposition P1b is accepted. This means that both younger and older managers attribute more or less the same level of importance to all the various factors that influence work-life such as employee assistance, childcare facilities, flexible work, supportive and caring boss and maternity and paternity leave. According to Skinner and Pocock (2008), employees who are educated and those who are in the age group of 25 to 54 years normally experience poor work-life. The findings of their studies reveal that the concerns of work-life are way above the traditional emphasis on work-family matters. They state that the work-life that is not good has an adverse effect on the majority of those employees who do not have children; yet those employees who are parents experience the worst work-life interaction. However, there is no statistical difference between the work-life of men who are fathers and those who do not have children, when it comes to work-life interaction between co-workers and the task at hand. Employees in the age group 35 to 44 years reported that it was challenging to attain work-life balance. Furthermore, employees earning higher salaries, managers, and university graduates faced the same challenges as those in the age group of 35 to 44 years. In contrast, those who were self-employed, older employees, those who worked fewer than 25 hours per week, and those who did not work overtime found it easier to balance their personal life and their work-life (Banwell, 2006). In terms of age and benefits, the results show that there is no significant difference in the way older employees value organisational benefits compared to younger employees. Proposition P1c is thus accepted. This shows that older and younger managers look at benefits the same way regardless of possible variations in subsidised medical aid, retirement and pension plans. When it comes to age and compensation, the study showed that there actually is a significant difference between older managers and their younger counterparts. Proposition P1d is thus rejected. Older managers view and rate the importance of compensation differently from younger managers when it comes to performance-based cash bonuses, award schemes, shares and social security. The value attributed to compensation differs amongst varying age groups, particularly between younger managers and their older colleagues. Younger employees tend not to place a lot of value on compensation as compared to their older counterparts. These types of results dictate certain implications that management should consider when issuing rewards to lower and middle level managers. In the retail organisation studied, a high percentage of lower and middle level managers were over the age of 40 years, which means management has to deal with more employees who actually focus on compensation. Therefore the organisation should create a reward system where employees feel that they are catered for, and see the value of their input in the organisation relative to the rewards received. Regarding age and career development, the results reflect that there is no significant difference in how older managers perceive and rate this factor compared to their younger colleagues. Proposition P1e is thus accepted. Older managers give the same importance to career and development as their younger counterparts; this includes getting promoted, training, 360-degree skills assessment and employment security.

**Proposition 2 – Salary earned annually and rewards:** When it comes to the salary earned and motivation, the study found that there was no significant difference regarding motivation between higher earning managers and lower earning managers. Proposition P2a is thus accepted. Therefore, higher and lower level managers are motivated the same regardless of the circumstances at work, ranging from a permanent work contract, respectful treatment, recognition, security, market-related salary and autonomy. In terms of salary earned and work-life, the results of the study reflect no significant difference regarding the value attributed to work-life between higher earning and lower earning managers. Therefore, Proposition P2b is accepted. This means that both higher and lower earning managers attribute more or less the same level of importance to all the various factors that influence work-life such as employee assistance, childcare facilities, flexible work,
supportive and caring boss and maternity and paternity leave. Regarding salary earned and benefits, this study has shown that there is no significant difference in how higher earning and lower earning managers value benefits. Proposition P2c is thus accepted. Higher and lower level managers thus view benefits in the same way regardless of possible variations in subsidised medical aid, retirement and pension plans. On the other hand, Mohan and Ruggiero (2003) have found that male managers generally earned 55% more than female managers and this was based on salary, bonuses and other annual pay options. Despite these figures, 75% of the salaries earned by the men could be justified by the fact that the female managers in question managed smaller enterprises. The difference in salaries is also influenced by the differing levels of seniority and age between the male and female managers (Mohan & Ruggiero, 2003). With regard to salary earned and compensation, results of this study show that there is a significant difference between higher earning managers and their lower earning counterparts in the level of importance attributed to compensation from management. Proposition P2d is thus rejected. Higher earning managers view and rate the importance of compensation differently from lower earning managers when it comes to performance-based cash bonuses, award schemes, shares and social security. In addition, Roath and Schutt (2009) have found that the first preference of employees when questioned about the rewards was “compensation”. Organisations should thus formulate organisation’s compensation in such a manner that it is linked to strategic goals of the organisation because it is the most highly identifiable element. Compensation leads to employees to come up with personal needs that are in favour and in line with organisational goals.

The results of this study reflect that the more managers earn (the higher their salary), the more value they place on compensation packages offered by the organisation in contrast to lower earning managers. This is due to the fact that higher experience levels in management positions lead to increased salaries over the years and at that point managers feel a sense of belonging to the organisation, hence the marked interest in benefits such as company shares (Pfau & Kay, 2002). In terms of salary earned and career and development, this study has shown that there is no significant difference in how female managers and male managers view this factor and the importance they attribute to it. Therefore Proposition P2e is accepted. Higher earning managers give the same importance to career and development as their lower earning counterparts; this includes getting promoted, training, 360-degree skills assessment and employment security.

CONCLUSIONS
In terms of the inferential results for this study, the aim was to find out about the perception of rewards as a motivator among managers. The tests were done to determine whether there were significant differences between demographic factors such as, age, gender, salary earned annually and different reward elements such as motivation, benefits and compensation, career and development and work-life. The following was found:
There was a statistical significance difference when it came to P1d because the p-value was less than 0.05. This referred to gender and compensation (performance-based cash bonuses, social security and award schemes). Propositions P1a, P1b, P1c and P1e were thus accepted. This means that there was no significant difference when it came to gender and the factors of motivation.
Finally, it was also found that P2d exhibited a statistical significant difference because the p-value was less than 0.05. This referred to salary earned annually and compensation such as performance-based cash bonuses, social security and award schemes. However, the following propositions were accepted: P2a, P2b, P2c and P2e because there was no significant difference between higher-earning and lower-earning respondents regarding the factors of motivation.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
At the beginning of this study there was no clear empirical evidence to suggest what managers thought about rewards (financial, non-financial, intrinsic and extrinsic) as a motivational instrument in their organisations. However, this study has shed some light on this problem and the results reflect several distinguishable relationships between biographical factors such as the manager’s age, and salary earned annually relative to total rewards elements such as motivation, work-life, benefits and compensation, and career and development. This study has attempted to add to the body of knowledge in terms of understanding the role that rewards play in motivating managers and how these can change their behaviour in the course of achieving company objectives. The study also examined the relevant rewards perceived to be motivators by both lower-managers and middle managers in a company.

LIMITATIONS OF THE STUDY
The fact that this study concentrates only on lower-managers and middle level managers is a limitation on its own because their perceptions regarding rewards as a motivator might not be a true reflection of what other managers at different levels, such as top managers, perceive. The use of one method (quantitative,
questionnaires) is a limitation because it captures the perceptions of the respondents without explanations of their choices of answers; but when used in conjunction with qualitative methods it will have more weight, and the researcher will have a clearer understanding of why they perceive rewards as a motivator. Their perceptions about rewards might not be generalisable to other companies in the same industry. Another limitation is the instrument that was used to collect the data (the questionnaires), which might pose some problems for respondents, especially when it comes to what they value and their beliefs concerning rewards. Finally, the use of questionnaires limits the data collection of perceptions because it involves noticeable social and psychological factors and, above all, perceptions are difficult to recognise and measure.

FUTURE RESEARCH
It would be beneficial if future research could be conducted on a larger scale, including more organisations within the same sector as well as with companies from different industrial sectors which would make comparisons possible. Moreover, such research could also then be used to compare local companies with international companies, which could then be used for more accurate benchmarking.

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THE INFLUENCE OF THE CHARACTERISTICS OF FAMILY MEMBERS’ JOBS ON FAMILY BUSINESS SUCCESS

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ABSTRACT
A need exists for research on the characteristics of the family member’s job in family businesses. Through investigating the influence of job characteristics on the success of family businesses, this paper attempts to address this need. In this study, family business success was measured by two dependent variables, namely Harmonious family relationships and the Perceived future continuity of the businesses. More specifically, the primary objective of this paper was to investigate the influence of the job characteristics of family member employees, namely Workload and variety, Organisational support, Job insecurity and Rewards and advancement on the success of family businesses. In order to achieve the primary objective of this study, a survey was undertaken using a structured questionnaire. The respondents were identified by means of a convenience snowball sampling technique, and the survey yielded 462 useable questionnaires from 142 family businesses. To assess the validity and reliability of the measuring instrument, the data collected were analysed by means of an exploratory factor analysis and Cronbach alpha coefficients were calculated. The correlations between the extracted factors were, furthermore, determined. Lastly, the hypotheses were assessed by means of Multiple Regression Analysis. The results show that the job characteristics Organisational support and Rewards and advancement are statistical significant predictors of the success variable Harmonious family relationships among family members, whereby Organisational support are the only statistical significant predictor of the Perceived future continuity of family businesses. Based on the findings of this study practical recommendations are suggested to ensure the sustainability of family businesses.

Keywords: Family business, Job characteristics, Family harmony, Perceived future continuity, Business success

INTRODUCTION AND PROBLEM STATEMENT
Family-owned businesses represent the oldest and most prevalent type of business worldwide (Farrington, Venter & Van der Merwe, 2011: 51); they are stable and optimistic even in times of economic uncertainty (Ibrahim, McGuire & Soufani, 2009: 1); and they play an important role in economic development and the creation of wealth of the new global economy (Farrington, 2009: 64; Ibrahim et al., 2009: 1; Venter & Boshoff, 2005: 283). Family businesses, therefore, provide a good foundation for growth and competitiveness in the world (Zahra, Hayton, Neubaum, Dibell & Craig, 2008: 1050).

Despite their important contribution as a driver of economic growth and wealth creation in the world (Basu, 2004: 13; Ibrahim, Soufani & Lam, 2001: 245), the survival rate of family businesses beyond the founder’s generation is extremely low (Nicholson, 2008: 104). The downfall of these family businesses not only destroys entire families, but leads to unemployment and has a significant negative impact on the national economies of countries (Ibrahim et al., 2009: 2). It is therefore important that family businesses are successful to ensure sustainability and longevity.

During the past three decades, many studies have shown that job characteristics can have a profound impact on employee well-being for example job strain, burnout and work engagement (Coetzer, 2004; Jackson, 2004; Storm, 2002). That is also relevant to family businesses because family member wellness plays a critical role to ensure a happy family that can ultimately lead to a successful business (refer to studies conducted by Wohlfahrt, 2012, Hoogendyk, 2011; Rowland, 2011). Hoogendyk (2011: 3) in an exploratory study on family business wellness emphasised that factors such as work-related stress and job demands and resources can influence the physical and psychological wellbeing of individuals. The impact that these factors can have on individuals as a result of experiences at work could have spill-over effects on the individual’s family life. In family businesses, however, could these effects be more significant due to the intertwinement of the family and the business (Hoogendyk, 2011: 3). It is therefore important to investigate the impact of the characteristics of family members’ jobs on the success and longevity of family businesses.

The Job Characteristics Scale (Jackson, 2004), in line with the Job Demand-Resources (JD-R) model developed by Demerouti, Bakker, Nachreiner and Schaufeli (2001a), was utilised in this study to assess the
job characteristics of family member employees in the participating studies. For the purpose of this study, the following constructs were used to assess the job characteristics of the participating family members, namely Workload and variety, Organisational support, Job insecurity and Rewards and advancement.

Measuring the success of the business poses challenges for family-owned businesses (Distelberg & Sorenson, 2009). Generally success is viewed in terms of both financial and non-financial outcomes. However, it appears that a preference for non-financial outcomes exists among family-owned businesses (Cater & Justis, 2009: 111; Short, Payne, Brigham, Lumpkin & Broberg, 2009: 12). For the purpose of this study, the success of the family business will be measured using two variables, namely Harmonious family relationships among family members and the Perceived future continuity of the participating family businesses.

Against this background, the primary objective of this study is to investigate the influence of the job characteristics of family member employees on the achievement of Harmonious family relationships and Perceived future continuity in family businesses. Furthermore, as in the case of several other studies within the South African context (Van der Merwe, Venter & Farrington, 2012; Eybers, 2010; Farrington, 2009; Van der Merwe & Ellis, 2007), a small and medium-sized family business is defined as a business where a single family owns at least 51% of the equity of the business; where a single family is able to exercise considerable influence in the business; where at least two family members are concerned with the management or operations of the business; and where the business employs fewer than 200 full-time employees.

OPERATIONALISATION OF VARIABLES

Measuring the success of family businesses is not an easy task. Scholars broadly categorised the success of family businesses as financial and non-financial success (Zellweger & Nason, 2009: 205). Various authors (Cater & Justis, 2009: 111; Short et al., 2009: 12; among others), however, suggest that non-economic goals may even take precedence over goals such as growth and profitability. Non-economic goals include goals such as providing employment for family members (Cater & Justis, 2009: 111; Short et al., 2009: 12; Chrisman, Chua & Litz, 2004); ensuring the well-being of the family (Distelberg & Sorenson 2009: 70; Chrisman et al., 2004); and wanting to preserve the business so that it can be passed on to the next generation family members, thereby ensuring transgenerational sustainability (Chrisman, Kellermanns, Chan & Liano, 2010: 14; Cater & Justis, 2009: 120; Short et al., 2009: 21).

For the purpose of this study, the success of the family business will be measured by the well-being of the family members (Harmonious family relationships among the family members) and transgenerational sustainability (Perceived future continuity of the family business) (refer to Figure 1). The dependent variables will be operationalised (items measuring the variables) in the following paragraphs.

The Job Demands-Resources Model (Demerouti et al., 2001a) is a psychological model that attributes employee well-being to the characteristics of work environments. One central assumption of the JD-R model is that, although every occupation (or organisation) may have its own specific work characteristics associated with well-being, it is still possible to model these characteristics in two broad categories, namely job demands and job resources (Coetzer, 2004; Jackson, 2004; Storm, 2002). According to this model, job demands are the main predictors of work-related stress and burnout, whilst job resources are the most important predictors of work engagement, particular where the job demands are high (Bakker, 2011; Xanthopoulou, Bakker, Demerouti & Schaufeli, 2009: 235). Research has revealed that job demands such as high work pressure, emotional demands, and role ambiguity may lead to sleeping problems, exhaustion, and impaired health (Doi, 2005: 5; Halbesleben & Buckley, 2004: 865), whereas job resources such as social support, performance feedback, and autonomy may instigate a motivational process leading to job-related learning, work engagement, and organizational commitment (Demerouti, Bakker, De Jonge, Janssen & Schaufeli, 2001b: 279; Salanova, Agut & Peiro, 2005: 22; Taris & Feij, 2004).

THE THEORETICAL MODEL

Figure 1 depicts the hypothesised model. It is hypothesised that the constructs assessing the characteristics of the job, as measured by the Job Characteristics Scale, namely Workload and variety, Organisational support, Job insecurity and Rewards and advancement (Rothmann, Mostert & Strydom, 2006: 84; Jackson, 2004: 122; Demerouti et al., 2001a) have significant relationships with the dependent variables, Harmonious family relationships among family members and the Perceived future continuity of the family business. The selected constructs assessing the characteristics of the job included in this study (see Figure 1) are justified by a sufficiency of theory in the organisational behaviour literature (Rothmann et al., 2006: 84; Jackson, 2004:122; Demerouti et al., 2001a).
Dependent variables: Perceive business success

The importance of harmonious family relationships to the future success of the family business is well established (Adendorff, Venter & Boshoff, 2008; DeNoble, Ehrlich & Singh, 2007). Both anecdotal and empirical evidence suggests that harmonious relationships among family members are essential for successful family businesses, as well as successful successions (Eybers, 2010; Farrington, 2009; Sharma, 2004; Ward, 2004; Flören, 2002). For the purpose of this study, Harmonious family relationships refer to relationships among family members characterised by support, appreciation, care, emotional attachment and cooperation.

Family businesses are often more concerned with the long-term continuity of the business than non-family businesses are (Short et al., 2009: 21; Miller, Le Breton-Miller & Scholnick, 2008). These businesses place much emphasis on survival (Distelberg & Sorenson, 2009: 70; Short et al., 2009: 12) because they view the business as a long-term resource base to be used by the family and potentially by multiple generations (Distelberg & Sorenson 2009: 75; Castillo & Wakefield, 2007). Assessing the future continuity of the family business is however difficult. Although most family businesses have the dream to transfer the business from the senior to the next generation family members, is future continuity as a goal subjective and difficult to measure. How does one then establish whether future continuity has been achieved or not, if the future has not yet taken place (Farrington et al., 2011: 52)? According to Distelberg and Sorenson (2009: 69), family systems theorists propose that an individual's perception of whether or not a goal has been achieved are influenced by a belief system as well as by the individual's assessment of the availability and use of resources needed to achieve that goal. That means that a belief system exists behind every tangible or objective indicator of success; therefore, the objective measure of success and the belief system work together to create perceptions of whether those goals have been achieved or not (Farrington et al., 2011: 52; Distelberg & Sorenson, 2009: 69). For the purpose of this study, the Perceived future continuity of the family business refers to the family business providing future generations with employment, wealth, involvement and a legacy (Miller & Le Breton-Miller, 2005: 38) and thereby ensuring transgenerational sustainability (Chrisman et al., 2010: 14; Cater & Justis, 2009: 120; Short et al., 2009: 21).

Independent variables: Job Characteristics

Many studies have shown that job characteristics can have a profound impact on employee well-being for example job strain, burnout and work engagement (Coetzer, 2004; Jackson, 2004; Storm, 2002) and it is still possible to categorize these characteristics in two broad categories, namely job demands and job resources (Demerouti et al., 2001a). Job demands represent aspects of the job that could potentially cause strain in cases where they exceed the employee's adaptive capability. More specifically, job demands refer to physical, social or organisational aspects of a job that require sustained physical and/or psychological effort on the part of the employee and that are therefore associated with certain physiological and/or psychological
costs (Schaufeli & Bakker, 2004: 3). Job demands are not negative, but may lead to job stress when employees are confronted by demands which require effort when they have not recovered from stress caused by previous demands (Meijman & Mulder, 1998). Karasek (1979) identifies various influential demands and recognises a restricted definition of job demands that are mainly quantitative in nature, such as workload and time pressure. The JD-R model supports this view by recognising that demanding characteristics of the working environment, work pressure, overload, emotional demands, and poor environmental conditions may lead to the impairment of health and ultimately to absenteeism (Schaufeli & Bakker, 2004: 3; Semmer, Zapf & Dunckel, 1995: 106; Zapf, Vogt, Seifert, Mertini & Isic, 1999).

Job resources concern the extent to which the job offers assets/opportunities to individual employees. Job resources refer to those physical, psychological, social or organisational aspects of the job that: (1) reduce job demands and the associated physiological and psychological costs, (2) are functional in achieving work goals, and/or (3) stimulate personal growth, learning, and development (Demerouti et al., 2001a). Hence, resources are not only necessary to deal with job demands, but they also are important in their own right. This agrees with Hackman and Oldham’s (1980) job characteristics theory that emphasizes the motivational potential of job resources at that level, including autonomy, feedback, and task significance.

The Job Characteristics Scale (Demerouti et al., 2001a), utilised in this study, evaluates four constructs measuring the job characteristics in an organisation, namely job demands such as Workload and variety and Job insecurity and job resources such as Organisational support, and Rewards and advancement. The purpose of this study is therefore to further investigate the impact of the job characteristics of family member employees on the success of the family business. Evidence supports the distinct nature of these four constructs measuring the characteristics of the job (Jackson, 2004) and each of these constructs will now be discussed.

Workload and variety
Workload means assignments that an employee must fulfil to have work done in a certain amount of time (Karakutuk, Tural, Gokce, Aydin, Miser, Haktanir, Babadogan, Simsek, Kutlu, Kargin, Bagli & Yilmaz, 2003). In this study Workload and variety refers to the pace and amount of work, mental load, emotional load and demands on variety of skills needs. The nature of work is changing, particularly in terms of how mentally and emotionally demanding workers perceive their jobs to be. A survey conducted among a representative sample of the European workforce revealed that a growing number of workers, in the Netherlands, reported working at high speed most of the time (Paoli, 1997). A similar trend among US employees has been reported (Bond, Galinsky, & Swanberg, 1998).

Lazear (2005) proposes it is valuable for an entrepreneur to be a “Jack of all trades”, while those who work for others should be specialists. Even when entrepreneurs can hire others, they “must be sufficiently well versed in a variety of fields to judge the quality of applicants” (2005: 650). Research (Harris, Saltstone & Fraboni, 1999: 447) has confirmed that Entrepreneurs were found to have higher levels of stress associated with workload than with role ambiguity and underutilization of skills. Compared to scores reported previously for various occupational categories, the entrepreneurs scored significantly higher than did white collar, blue collar, and professional groups on the workload scale and significantly lower on scales measuring role ambiguity and under-utilization of skills, due to heavy workloads, long hours, and a self-established role in the organisation.

Against this background, the following hypotheses are formulated:

**H** 
There is a significant negative relationship between the perception of Workload and variety, as job demand in the family business, and Harmonious family relationships among family members in the participating family businesses

**H** 
There is a significant negative relationship between the perception of Workload and variety, as job demand in the family business, and the Perceived future continuity of the participating family businesses

Organisational support
In this study, the construct Organisational support refers to learning, independence, to the relationship with supervisors and colleagues (and in this study family members), flow of information and feedback, communication role clarity and participation in decision-making. A common goal in occupational health research is to investigate which psychosocial factors can reduce or minimise the harmful effects of stress in the workplace (Fenlason & Beehr, 1994). The effect that social support has on stress and health is one of those factors that have been frequently investigated in such research. It is generally accepted that social support is related to health (Cohen & Syme, 1985). Positive relations at work with colleagues and supervisors (family members) could serve as a form of social support at work and an organisational resource.
Leach (1991) argued that senior managers in family businesses are often torn between the demands of family values and business principles. Birdthistle and Fleming (2007: 144) reason that family businesses often follow a distinctive set of management strategies and implement different management styles that facilitate the development of more efficient approaches to business management and problem-solving, such as flat management, customer service, leaner structures, quicker and centralized decision making processes and the commitment of qualified personnel. With decisional control resting largely in the hands of top family members, the family business benefits from lower decision-making costs and enhanced flexibility (Goffee & Scase, 1991; Poza, Alfred & Maheshwari, 1997). Differences also arise in the design and control of organisations, according to Birdthistle and Flemming (2007:145). The assignment of tasks, the grouping of work activities, the flow of work and information, and the standardisation and control of work processes are informally organised in family businesses (Whisler, 1988). Goffee and Scase (1991) highlighted that owners take advantage of ambiguity in small businesses, and that they influence their managers and employees indirectly. Empirical findings (Farrington, Venter, & Boshoff, 2012) have shown that physical resources, skills diversity, and strategic leadership are important determinants of sibling team success whereas role clarity and competence are not. However, Entrepreneurs in smaller enterprises have more difficulties than those in larger ones in finding time and money forth development of these skills, which are so important for the competitiveness of their enterprises (European Association of Craft, Small and Medium Sized Enterprises, 2001). Therefore, if opportunities for training are created and utilized it could assist employees in family business in executing their tasks successfully and serve as an organisational resource. The following hypotheses are formulated in this regard:

**H**^2a: There is a significant positive relationship between Organisational support, as job resource in the family business, and Harmonious family relationships among family members in the participating family businesses

**H**^2b: There is a significant positive relationship between Organisational support, as job resource in the family business, and the Perceived future continuity of the participating family businesses

**Job insecurity**

The average life span of family business is 24 years, which coincides with the average time the founder is associated (Desai cited in Panjwani, Aggarwal & Dhameja, 2008). Such murky statistics of the longevity of family business indicates lack of succession planning (Panjwani, Aggarwal & Dhameja, 2008) as well as the likelihood of experiences of job insecurity. Job insecurity in this study refers to uncertainty about the future. Job insecurity is a subjectively experienced stressor and concerns feelings of insecurity about the future. Those who suffer from job insecurity compared to those in secure jobs report more psychosomatic symptoms and depression (Kinnunen & Na’tti, 1994; De Witte, 1999), job dissatisfaction (Reisel, Probst, Chia, Maloles & König, 2010), reduced work efforts (Brockner, 1988), less organisation commitment and trust in management, and deteriorating industrial relations and organisational identification (Feather & Rauter, 2004). Downsizing can be seen as a factor that increases job insecurity and that destroys employees’ psychological contract (Millward & Brewerton, 2002). Downsizing also strengthens intentions to leave the company (Iverson & Pullman, 2000). These negative effects of job insecurity threaten the organisation’s survival (Schaufeli, Leiter & Maslach, 2009). Harmful effects on the remaining worker’s productivity was observed (Brockner, 1988) and survivors had a tendency to seek alternative employment (Noer, 1993), after downsizing. Hu and Schaufeli (2011) confirmed that past and anticipated downsizing was positively related to emotional exhaustion and cynicism (burnout) in a sample of Chinese family-owned business workers. Job insecurity as a job demand therefore seems to be related to negative outcomes for employees. Against this background, the following hypotheses are formulated:

**H**^3a: There is a significant negative relationship between Job insecurity, as job demand in the family business, and Harmonious family relationships among family members in the participating family businesses

**H**^3b: There is a significant negative relationship between Job insecurity, as job demand in the family business, and the Perceived future continuity of the participating family businesses

**Rewards and advancement**

*Rewards and advancement* includes items such as remuneration, and career possibilities and opportunities. In a survey conducted by the *Family Business Magazine* (Autumn 1999) respondents rated family employee compensation second only to succession as a key concern as they looked back over the past ten years and ahead to the next ten years (Hoover & Hoover, 2001). Aronoff and Ward (1993:59) highlighted the growing importance of family employee compensation as more second and third generation heirs enter the family business. Questions about remunerating family employees can, therefore, become increasingly complex and unmanageable as a family business grows and passes from generation to generation (Van der Merwe, 2007). All employees, including family members, should be paid competitive market value compensation for
their jobs (Barrett, 2001:19). Family members, in addition to being paid money on which to live, need recognition and a yardstick of achievement (Barrett, 2001:19). Cash is only one form of recognition, and market value is only one form of achievement measurement. Compensation, to be truly effective, should include more than money alone. Extra money may be available through incentive schemes, bonus programs and the like (Barrett, 2001:19). Maas, Van der Merwe and Venter (2005:39) and Syms (1992:142) all agree that a great deal of trouble can be avoided by having a written compensation policy. Against this background, the following hypotheses are formulated:

H4a: There is a significant positive relationship between Rewards and advancement, as job resource in the family business, and Harmonious family relationships among family members in the participating family businesses

H4b: There is a significant positive relationship between Rewards and advancement, as job resource in the family business, and the Perceived future continuity of the participating family businesses

RESEARCH METHODOLOGY

Development of the measuring instrument

In order to operationalise the variables, an instrument was utilised to measure the dependent and independent variables. The validity and reliability of the 14 items measuring the dependent variables used in this study have been confirmed in previous studies (Van der Merwe et al., 2012; Farrington et al., 2011; Eybers, 2010; Farrington, 2009; Venter, 2003; Sharma, 1997; File & Prince, 1996). With regard to the items measuring the characteristics of the job, the Job Characteristics Scale (JCS) utilised in this study was validated and tested in the South African environment by Jackson (2004:122) and Rothmann, Mostert and Strydom (2006: 84), among others. The instrument utilised in this study assesses four constructs measuring the job characteristics of family members, i.e. Workload and variety, Organisational support, Rewards and advancement, and Job insecurity, with 50 statements on the basis of a 5-point Likert type scale ranging from 1 = never to 5 = always. In respect of each statement, subjects have to indicate the degree to which they agree or disagree on a certain statement.

Study population

The target population of this study was family members employed (active family members) by small and medium-sized family businesses in South Africa. The active family members include members of the senior and next (younger) generation. Because there is no database of family businesses available in South Africa, it was decided to use a convenience sample, by means of the snowball sampling technique, to identify the family businesses that participated in this study (Page & Meyer, 2000: 100). To generate a preliminary list of family businesses, well-known business people were contacted in various regions in South Africa. These business people then acted as informants and identified potential family businesses for inclusion in the sample. The latter then identified a further set of family businesses. These referrals were subsequently contacted telephonically to confirm that they adhere to the definition of small and medium-sized family businesses used in this study (Van der Merwe et al., 2012; Eybers, 2010; Farrington, 2009; Van der Merwe & Ellis, 2007). A list of 350 family businesses willing to participate in the study was compiled as a result of these efforts. The sampling technique and methodology are consistent with those of other family business researchers who have been constrained by the lack of a national database on family businesses (Eybers, 2010; Farrington, 2009; Van der Merwe & Ellis, 2007; Adendorff, 2004; Sonfield & Lussier, 2004; Venter, 2003).

Data collection

Family businesses listed on the database were contacted to identify the active family members in the particular family business, and questionnaires were then mailed to these family members. Each questionnaire was sent with a covering letter that guaranteed the confidentiality of the responses, as well as a return-paid envelope, in order to make it as easy as possible for respondents to take part in the research. A total of 442 questionnaires were returned from 142 family businesses.

Statistical analysis

The data collected was statistically analysed using STATISTICA (Statsoft, 2012) and IBM SPSS (IBM SPSS, 2012). The construct validity of the measuring instrument was assessed by means of an exploratory factor analysis, while the reliability of the measuring instrument was assessed by calculating Cronbach alpha coefficients. The correlations between the constructs were assessed by Pearson correlation analyses. The relationships between the independent variables and the dependent variables were examined by means of multiple linear regression analysis.
EMPIRICAL RESULTS
The empirical results are presented in five sections, namely the characteristics of the sample (demographic information), factor analyses and calculating Cronbach alpha coefficients to investigate the construct validity of the instruments used in this study, descriptive statistics of the dependent and independent variables measured, determining the correlations between the variables, and multiple regressions analyses to test the hypotheses formulated.

Demographic information
The majority of the 462 participating active family members were under the age of 40 years (47.40%), 13.21% between the ages of 40 and 49, with 39.39% over the age of 50 years. Furthermore, two thirds of the respondents were male (64.29%) and one third female (35.71%). All the businesses that participated in this study (n = 142) can be categorised as small and medium-sized family businesses (fewer than 200 employees).

Construct validity and reliability results
Before conducting a correlation and multiple regression analysis to determine the relationships between the variables and the impact of job characteristics on family business success factors, the number of factors and the items loading onto each factor must be known (Hair, Black, Babin, Anderson & Tatham, 2006). For this reason, an exploratory factor analysis was conducted to identify the unique factors present in the data before implementing multiple regression analysis. In order to conduct the exploratory factor analysis, the data was divided into two models. The first model related to the dependent variables, while the second model related to the independent variables. In identifying the factors to extract for each model, the percentage of variance explained and the individual factor loadings were considered.

A Principal Axis Factoring with an Oblime (Oblimin with Kaiser normalisation) rotation was performed on the principal components of the exploratory factor analysis to assess the constructs measuring the dependent variables. The Kaiser-Meyer-Olkin measure of sampling adequacy of 0.938 indicates that patterns of correlations are compact and that factor analysis should yield reliable factors (Field, 2009: 647). Bartlett’s test of sphericity yielded a p-value smaller than 0.001, indicating that the correlation between variables was sufficient for factor analysis. Furthermore, Kaiser’s criterion was used to determine the number of factors to be extracted, namely to retain factors with eigen-values greater than one (Field, 2009: 647). All the items demonstrated sufficient discriminant validity by loading to a sufficient extent and, therefore, no items were deleted. As recommended by Field (2009: 644), factor loadings greater than 0.40 were considered significant. The Oblimin rotated factor matrix of the dependent variables is presented in Table 1.

In the model relating to the dependent variables, two factors with eigen-values greater than one, explaining 70.31% of the variance before rotation, were extracted in the exploratory factor analysis. After rotation, these factors could be identified as the theoretical dimensions of Harmonious family relationships and Perceived future continuity, respectively. When factors are correlated, sums of squares of loadings cannot be added to obtain a percentage variance explained for each of the rotated factors as in the case of uncorrelated factors (IBM SPSS, 2012). With regard to the dependent variables, the exploratory factor analysis confirmed all the latent variables and items as originally intended in the hypothesised model (Figure 1).

<table>
<thead>
<tr>
<th>TABLE 1: Factor analysis for the dependent variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
</tr>
<tr>
<td>Our family members appreciate each other.</td>
</tr>
<tr>
<td>Our family members support each other.</td>
</tr>
<tr>
<td>Our family members care about each other’s wellbeing.</td>
</tr>
<tr>
<td>Our family members acknowledge each other’s achievements.</td>
</tr>
<tr>
<td>Our family members encourage each other to put in their best efforts.</td>
</tr>
<tr>
<td>Our family members get along well both inside and outside the working environment.</td>
</tr>
<tr>
<td>Our family members are emotionally attached to one another.</td>
</tr>
<tr>
<td>Our family members prefer to cooperate with each other rather than compete with one another.</td>
</tr>
<tr>
<td>I see our family business as a means to create wealth for future generations.</td>
</tr>
</tbody>
</table>
To be involved in the family

Continuing the business into the future will give future generations the opportunity to be involved in the family business.

Continuing the business into the future will provide employment opportunities for future generations.

I see our family business as a means to sustain a harmonious family relationships for future generations.

I see our family business as continuing into the future.

For the independent variables a Principal Component Analysis was carried out on the 50 items of the JDR scale and four factors, which explained 46.7% of the total variance, were extracted. One item (Repeatedly having to do the same thing) did not load significantly (loading larger than 0.30) on any of the factors and was removed from subsequent analysis. A Principal Component Analysis with a direct Oblimin rotation was, thereafter, conducted on the remaining 49 items. The Oblimin rotated factor matrix of the independent variables is presented in Table 2.

TABLE 2: Factor analyses for the Job Characteristics Scale (JCS) (independent variables)

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have too much work to do?</td>
<td>-.123</td>
<td>.662</td>
<td>.149</td>
<td>-.071</td>
</tr>
<tr>
<td>Do you work under time pressure?</td>
<td>-.104</td>
<td>.670</td>
<td>-.035</td>
<td>-.115</td>
</tr>
<tr>
<td>Do you find that you do not have enough work?</td>
<td>.092</td>
<td>.302</td>
<td>-.348</td>
<td>.047</td>
</tr>
<tr>
<td>Do you have to be attentive to many things at the same time?</td>
<td>.040</td>
<td>.727</td>
<td>.010</td>
<td>.109</td>
</tr>
<tr>
<td>Do you have to give continuous attention to your work?</td>
<td>.029</td>
<td>.672</td>
<td>-.024</td>
<td>-.020</td>
</tr>
<tr>
<td>Do you have to remember many things in your work?</td>
<td>.151</td>
<td>.704</td>
<td>-.048</td>
<td>.180</td>
</tr>
<tr>
<td>Are you confronted in your work with things that affect you personally?</td>
<td>-.138</td>
<td>.447</td>
<td>.165</td>
<td>.123</td>
</tr>
<tr>
<td>Do you have contact with difficult clients/suppliers in your work?</td>
<td>.017</td>
<td>.517</td>
<td>.238</td>
<td>.166</td>
</tr>
<tr>
<td>Does your work put you in emotionally upsetting situations?</td>
<td>-.171</td>
<td>.438</td>
<td>.248</td>
<td>.091</td>
</tr>
<tr>
<td>Does your work make sufficient demands on all your skills and capacities?</td>
<td>.001</td>
<td>.583</td>
<td>-.199</td>
<td>-.274</td>
</tr>
<tr>
<td>Do you have enough variety in your work?</td>
<td>.164</td>
<td>.400</td>
<td>-.225</td>
<td>-.326</td>
</tr>
<tr>
<td>Does your job offer you opportunities for personal growth and development?</td>
<td>.077</td>
<td>.318</td>
<td>-.184</td>
<td>-.516</td>
</tr>
<tr>
<td>Does your work give you the feeling that you can achieve something?</td>
<td>.249</td>
<td>.323</td>
<td>-.165</td>
<td>-.373</td>
</tr>
<tr>
<td>Does your job offer you the possibility of independent thought and action?</td>
<td>.347</td>
<td>.279</td>
<td>-.137</td>
<td>-.270</td>
</tr>
<tr>
<td>Do you have freedom in carrying out your work activities?</td>
<td>.399</td>
<td>-.004</td>
<td>.048</td>
<td>-.286</td>
</tr>
<tr>
<td>Do you have influence in the planning of your work activities?</td>
<td>.390</td>
<td>.202</td>
<td>.012</td>
<td>-.232</td>
</tr>
<tr>
<td>Can you participate in the decision about when a piece of work must be completed?</td>
<td>.286</td>
<td>.196</td>
<td>.011</td>
<td>-.380</td>
</tr>
<tr>
<td>Can you count on family members when you come across difficulties in your work?</td>
<td>.736</td>
<td>-.042</td>
<td>-.133</td>
<td>.069</td>
</tr>
<tr>
<td>If necessary, can you ask family members for help?</td>
<td>.759</td>
<td>-.094</td>
<td>-.206</td>
<td>.123</td>
</tr>
<tr>
<td>Do you get on well with family members?</td>
<td>.649</td>
<td>-.117</td>
<td>-.120</td>
<td>-.038</td>
</tr>
<tr>
<td>Can you count on your supervisor (or other family members) when you come across difficulties in your work?</td>
<td>.730</td>
<td>-.110</td>
<td>-.246</td>
<td>.079</td>
</tr>
<tr>
<td>Do you get on well with your supervisor (or other family members)?</td>
<td>.614</td>
<td>-.045</td>
<td>-.133</td>
<td>-.143</td>
</tr>
<tr>
<td>In your work, do you feel appreciated by other family members?</td>
<td>.472</td>
<td>-.025</td>
<td>-.028</td>
<td>-.358</td>
</tr>
<tr>
<td>Do you know exactly what other people expect of you in your work?</td>
<td>.312</td>
<td>-.069</td>
<td>.143</td>
<td>-.383</td>
</tr>
<tr>
<td>Do you know exactly for what you are responsible and which areas are not your responsibilities?</td>
<td>.444</td>
<td>.042</td>
<td>.203</td>
<td>-.261</td>
</tr>
<tr>
<td>Do you know exactly what your direct supervisor (or other family members) thinks of your performance?</td>
<td>.399</td>
<td>-.003</td>
<td>.248</td>
<td>-.415</td>
</tr>
<tr>
<td>Do you receive sufficient information on the purpose of your work?</td>
<td>.385</td>
<td>-.085</td>
<td>.157</td>
<td>-.456</td>
</tr>
<tr>
<td>Do you receive sufficient information on the results of your work?</td>
<td>.299</td>
<td>-.031</td>
<td>.197</td>
<td>-.590</td>
</tr>
<tr>
<td>Do you receive sufficient feedback on your work performance?</td>
<td>.298</td>
<td>-.034</td>
<td>.216</td>
<td>-.598</td>
</tr>
<tr>
<td>Does your direct supervisor (or other family members) inform you about how well you are doing your work?</td>
<td>.352</td>
<td>-.026</td>
<td>.174</td>
<td>-.481</td>
</tr>
<tr>
<td>Are you kept adequately up-to-date about important issues within the family business?</td>
<td>.541</td>
<td>.047</td>
<td>.091</td>
<td>-.337</td>
</tr>
<tr>
<td>Is the family business's decision-making process clear to you?</td>
<td>.570</td>
<td>.003</td>
<td>.101</td>
<td>-.350</td>
</tr>
<tr>
<td>Is it clear to you whom you should address within the family business for specific problems?</td>
<td>.577</td>
<td>-.058</td>
<td>.051</td>
<td>-.206</td>
</tr>
</tbody>
</table>
Can you discuss work problems with your direct supervisor (or other family members)? .679 .039 -.133 -.041
Can you participate in decisions about the nature of your work? .617 .074 .020 -.209
Do you have a direct influence on the family business’ decisions? .460 .186 .102 -.220
Do you have contact with family members as part of your work? .615 .022 .058 .106
Can you have a chat with family members during working hours? .641 .037 .116 .193
Do you find that you have enough contact with family members during working hours? .475 .024 .087 .069
Do you need to be more secure that you will still be working in one year’s time? .018 .121 .808 .025
Do you need to be more secure that you will keep your current job in the next year? .030 .132 .818 .032
Do you need to be more secure that next year you will keep the same function level as currently? .009 .074 .776 .001
Do you think that the family business pays good salaries? -.091 -.142 .020 -.724
Can you live comfortably on your pay? .013 -.069 -.034 -.724
Is there a direct link between work performance and compensation in the family business? .023 .032 .102 -.645
Do you think you are paid enough for the work that you do? -.034 -.137 -.113 -.737
Does your job offer you the possibility to progress financially? .063 .009 -.092 -.684
Does the family business give you opportunities to follow training courses? -.116 .064 -.153 -.635
Does your job give you the opportunity to be promoted? -.107 .034 -.024 -.645

Rotation method: Direct Oblimin
Factor 1: Organisational support (job resource)
Factor 2: Workload and variety (job demand)
Factor 3: Job insecurity (job demand)
Factor 4: Rewards and advancement (job resource)

The first factor, labelled Organisational support, included items intended to measure learning, independence, family relations at work, supervisor relations, role clarity, information and feedback, participation, and contact. The second factor, labelled Workload and variety, included items intended to measure the pace and amount of work, mental load, emotional load and the utilization of a variety of skills. The third factor, labelled Job insecurity included tree items related to security about the continuation or availability of your job. The fourth factor, labelled Rewards and advancement included items that were related to remunerations and opportunities for progress and Rewards and advancement such as promotion. Factor loadings of the individual items of the factors can be obtained from Table 2. We were able to partially duplicate the findings of the initial factor analyses of the Job Characteristics Scale (Jackson, Rothmann, & Van de Vijver, 2006). The Rewards and advancement and the Workload and variety factors were confirmed. However, the Task Characteristics and structure and relationship scale collapse into a single scale which was labelled Organisational support, while the three items measuring insecurity at work formed a single factor which we labelled Job insecurity. The extracted factors yielded by the exploratory factor analyses (Table 1 and 2), were used as base for further statistical analyses.

Descriptive statistics of the variables measured
Furthermore, descriptive statistics were used to analyse the data. The alpha coefficients and descriptive statistics of and the correlations between the constructs measuring the different job characteristics and future continuity and family harmony are given in Table 3.

<table>
<thead>
<tr>
<th>Scale</th>
<th>α</th>
<th>Mean (x)</th>
<th>SD (s)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workload and variety</td>
<td>.795</td>
<td>3.635</td>
<td>.590</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational support</td>
<td>.939</td>
<td>4.179</td>
<td>.607</td>
<td>.262</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Insecurity</td>
<td>.930</td>
<td>2.574</td>
<td>1.333</td>
<td>.090</td>
<td>.053</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rewards and advancement</td>
<td>.854</td>
<td>3.485</td>
<td>.937</td>
<td>.213</td>
<td>.581</td>
<td>-.066</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future continuity</td>
<td>.937</td>
<td>4.225</td>
<td>.707</td>
<td>.187</td>
<td>.434</td>
<td>-.030</td>
<td>.360</td>
<td></td>
</tr>
<tr>
<td>Family harmony</td>
<td>.942</td>
<td>4.141</td>
<td>.703</td>
<td>.134</td>
<td>.698</td>
<td>-.048</td>
<td>.442</td>
<td>.624</td>
</tr>
</tbody>
</table>

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

With regard to the dependent variables, the variable Perceived future continuity yielded the highest average mean value (x = 4.225), followed by the variable Harmonious family relationships (x = 4.141).
The results furthermore indicated that the independent variable *Organisational support* yielded the highest average mean value ($\bar{x} = 4.179$) with regard to the variables measuring the job characteristics of the participating family members’ jobs. This means that the family members rated this construct as the most positive in direct comparison with the other constructs. The other independent variables yielded the following mean scores: *Workload and variety* ($\bar{x} = 3.635$), *Rewards and advancement* ($\bar{x} = 3.485$) and *Job insecurity* ($\bar{x} = 2.574$).

*Organisational support* refers to the relationship with supervisors and colleagues, flow of information, communication role clarity and participation in decision-making. The variable obtained a score of $\bar{x} = 4.179$ and $s = 1.133$. These results suggest that respondents generally feel fairly secure in their positions within the family businesses. Considering however that the scale is from one to five, with values closer to five indicating insecurity, the mean of 2.734 indicates that respondents do not feel a complete sense of security.

*Rewards and Advancement* includes items such as remuneration, career possibilities and training opportunities and obtained a score of $\bar{x} = 3.485$ and $s = 0.937$. These results indicate that the majority of respondents feel the family business allow to some extent for *Rewards and advancement*, although, possibly not enough.

Table 2 shows that acceptable Cronbach alpha coefficients were obtained on all the scales (above the normal cut-off value of 0.70). It is, therefore, concluded that the instrument used to measure the constructs of the dependent and independent variables (JCS) are reliable with acceptable internal consistence.

**Correlations between variables**

To investigate the relationship between the variables investigated, Pearson correlation coefficients ($r$) were calculated and are presented in Table 3. Inspection of Table 3 indicates that there are statistical significant ($p < 0.01$) correlations between the following construct combinations: between *Organisational support* and *Rewards and advancement*, with a large practical significance or effect ($r = 0.581$); between *Organisational support* and *Harmonious family relationships*, with a large practical significance or effect ($r = 0.698$); and between *Organisational support* and *Perceived future continuity*, with a medium practical significance or effect ($r = 0.434$); between *Rewards and Advancement* and *Harmonious family relationships*, with a medium practical significance or effect ($r = 0.442$); between *Rewards and Advancement* and *Perceived future continuity*, with a medium practical significance or effect ($r = 0.360$); and lastly, between *Perceived future continuity* and *Harmonious family relationships* ($r = 0.624$) with a large practical significance effect.

**Multiple regression analyses**

Multiple linear regression analysis is used to identify relationships between several independent variables and a dependent variable (Wilson, 2010: 248; Rubin, 2009: 231), and can be used to predict a dependent variable based on several independent or explanatory variables (Cooper & Schindler, 2007; Hair, Anderson, Tatham & Black, 1998). Factor scores for each participant were computed as the average of all items contributing to the relevant factor, automatically replacing missing values by means of substitution. Multiple linear regression analysis was performed to assess whether the independent variables, as identified in this study, exert a significant influence on the dependent variables, namely *Harmonious family relationships* among family members and the *Perceived future continuity* of the family business. As such, two separate regression models were used and the results thereof are discussed in the paragraphs below (Refer to Table 4).
TABLE 4: Multiple regression results: Impact of the independent variables on the dependent variables

<table>
<thead>
<tr>
<th>Harmonious family relations</th>
<th>Perceived future continuity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standardized Coefficients</strong></td>
<td><strong>t-value</strong></td>
</tr>
<tr>
<td>(Constant)</td>
<td>B</td>
</tr>
<tr>
<td>Workload and variety</td>
<td>.073</td>
</tr>
<tr>
<td>Organisational support</td>
<td>.328</td>
</tr>
<tr>
<td>Job insecurity</td>
<td>-.001</td>
</tr>
<tr>
<td>Rewards and advancement</td>
<td>.152</td>
</tr>
<tr>
<td>R²</td>
<td>.459</td>
</tr>
</tbody>
</table>

** p<0.01 / * p<0.05

Inspection of Table 5 indicates that, in line with the correlation analyses, 21.1% of the variation in Harmonious family relationships in the participating family businesses is explained by the constructs measuring the characteristics of the family members' jobs, with Organisational support [β = .328; (t = 5.625)] and Rewards and Advancement [β = .152; (t = 2.666)] proofing to be the only statistical significant predictors of Harmonious family relationships in the participating family businesses.

Table 5 also indicates that 49.3% of the variation in Perceived future continuity in the participating family businesses is explained by the constructs measuring the characteristics of the family members’ jobs, with Organisational support [β = .668; (t = 14.324)] proofing to be the only statistical significant predictor of Perceived future continuity in the participating family businesses.

CONCLUSION

This study build on other exploratory studies conducted on family member employee wellness in small and medium-sized in South Africa (Wohlfahrt, 2012, Hoogendyk, 2011, Rowland, 2011). The exploratory factor analyses conducted in this study provide sufficient evidence of construct validity of the instruments utilised to measure the dependent variables (Business success) and independent variables (job characteristics of family member employees) respectively. As the Cronbach alpha coefficients of all the constructs exceed the normal cut-off of 0.70, it can be concluded that there is sufficient evidence of internal consistency and thus reliability. Based on the results, it can be concluded that the instruments used in this study are valid and reliable and that the findings of the study can be interpreted as such.

The multiple regression analyses indicate significant positive relationships between the independent variables Organisational support (p < 0.001) and Rewards and Advancement (p = 0.008) and the dependent variable Harmonious family relationships among family members, respectively. The hypotheses that there is a significant positive relationship between Organisational support (H²b) and Rewards and Advancement (H⁴a) of family members, and Harmonious family relationships among family members respectively were therefore accepted. The hypotheses that there is a significant relationship between Workload and variety of family members’ job (H³b) and the Job Insecurity (H⁵b) of family members and Harmonious family relationships among family members were rejected.

The positive regression coefficients indicate that Harmonious family relationships among family members are related to the feeling of Organisational support and Rewards and Advancement that family members perceived in the participating family businesses. That means in practice that family members who feel that their jobs are characterised by learning; independence; a good working relationship between family members; good flow of information and feedback; open communication; role clarity; participation in decision-making; fair remuneration; and career possibilities and opportunities; are more likely to experience harmonious family relationships among family members.

Furthermore, the findings indicate a significant positive relationships between the independent variables Organisational support (p < 0.001) and the dependent variable Perceived future continuity of the participating family businesses. The hypotheses that there is a significant positive relationship between Organisational support (H²b) of family members, and Perceived future continuity of the participating family businesses was therefore accepted. The hypotheses that there are significant relationships between Workload and variety (H¹b), Job Insecurity (H³b) and Rewards and advancement (H⁴b) of family members and Perceived future continuity of the participating family businesses respectively were, however, rejected.
The positive regression coefficient indicates that Perceived future continuity of the participating family businesses is related to the feeling of Organisational support that family members perceived in the participating family businesses. That means in practice that the more positive the family members are concerning their jobs with regard to the opportunity to learn; a feeling of independence; a good working relationship between family members; good flow of information and feedback; open communication; role clarity and participation in decision-making; the more likely it is that they see that the business will be handed over as a legacy to the next generation of family members.

In conclusion, the results of the regression analyses indicated that job resources (Organisational support and Rewards and advancement) should have a positive influence on family business success. It seems, however, that job demands (Workload and variety and Job insecurity) do not have a significant negative effect on family business success. It should, however, be noted that care should be exercised in the interpretation and utilisation of the results, and the findings of the study cannot be generalised to all family businesses in South Africa.

MANAGEMENT IMPLICATIONS AND RECOMMENDATIONS

In order to establish an environment where the characteristics of family member employees’ jobs could make a contribution to ensure family business longevity, the following suggestions are put forward. The family should monitor the job resources and demands affecting the well-being of family member employees. It is suggested that family businesses should use diagnostic tools to investigate the wellness of all employees (including non-family employees) on a regular basis. That could ensure that workplace burnout and stress are monitored and, if necessary, pro-active corrective actions be taken. It could also ensure work engagement and job satisfaction. All family member employees should be part of the planning and decision-making processes with regard to the characteristics of their jobs. That includes, among others, a fair workload; market-based compensation; clear work roles and responsibilities; ensuring job security; the development of all family members to realise their full potential; and providing organisational support to create a positive work environment. Family members of the younger generation, in particular, should have a voice in the business; they should be developed and trained to improve their competency and work performance; they should receive regular feedback on their work performance and should be compensated fairly; among others. Family businesses that invest time and effort to ensure a positive work environment in terms of the demands and resources of the family member employees’ jobs could ensure harmonious family relationships and, ultimately, the future continuity and success of the family business.

LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

This study is not without its limitations and, in all empirical studies, the limitations must be identified and considered when making recommendations and conclusions. Firstly, although family businesses from six of the nine provinces in South Africa participated in this study, owing to the use of a non-probability snowball convenience sample, the sample cannot be considered to be representative of all small and medium-sized family businesses in South Africa. As such, the findings reported cannot be generalised to the general family business population. It should, however, be noted that the findings of this study with regard to investigating the dependent variables, Harmonious family relationships and Perceived future continuity, are consistent with previous studies done on several small and medium-sized databases in South Africa. Based on that, it could therefore be assumed that the convenience sample used in this study is representative of the typical small and medium-sized family business in South Africa.

Secondly, the proposed hypothesised model focused exclusively on the Job Characteristics Scale to investigate the job characteristics of family members employed by family businesses; i.e. Workload and variety, Organisational support, Job insecurity and Rewards and advancement. The measuring instrument was not fully adapted to investigate the job characteristics of family members’ jobs in family businesses and some measurement issues may have affected these results.

Thirdly, only family members of those family businesses who were willing to participate in this study were surveyed. The businesses were informed about the general nature of the study before agreeing to participate. Because the characteristics of the family members’ jobs and the perceived success of the family business are sensitive issues in most family businesses, only owner-managers that were positive about the aspects measured might have chosen to participate in this study. As such, this study may only reflect family businesses where the owner-managers felt that the study would not put them in a negative light. This self-selection bias, while problematic, is however common in family business research.

Despite the limitations identified, this study has added to the empirical body of family business research. Based on the fact that published evidence of a quantitative nature on the influence of family member’s job
characteristics on the sustainability of small and medium-sized family businesses both nationally and internationally is still lacking, the findings of this study present challenges for further research. Future studies could further investigate the other constructs concerning family members' wellness that could have an influence on the success of family businesses, for instance work-related burnout and stress, work engagement and workplace bullying.

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ORGANISATIONAL CULTURE IN CHINESE ORGANISATIONS IN SOUTH AFRICA: TOWARDS NEW MANAGEMENT SYNERGIES AND DYNAMICS

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M.J. Louw  
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ABSTRACT

China’s presence in Africa has increased rapidly in the recent years. However, organisational level knowledge in this area of Chinese presence in Africa is still sparse; not much is known from an empirical research perspective. Research in this area could therefore assist managers of Chinese organisations achieve organisational effectiveness by advising them on management practices appropriate for the southern African context, in particular. This paper thus proposes that being aware of the organisational cultures of Chinese organisations in Africa is an important part of employing appropriate management practices that can lead to organisational effectiveness. The research is exploratory in nature and examined the case of a multi-national Chinese PC organisation which was found to have a predominantly market culture that positioned it towards achieving its goal to be a market leader. Chinese, South African and PC industry cultures were also found to have had an impact on the formation of the Chinese organisation’s culture.

Key words: organisational culture, market culture, globalisation, China in Africa,

INTRODUCTION

China’s presence in and involvement with Africa has been an increasing phenomenon, with China recently becoming Africa’s largest trading partner (Chatelard, 2012; The Economist, 2013). The reasons for China’s presence in Africa have been outlined by Gill, Huang and Morrison (2007, cited in Jackson, Louw and Zhao, 2011:3) as: seeking resources to fuel China’s development goals; seeking political alliances to support its aspirations to be a global influence; and seeking markets to sustain its growing economy. With regards to the latter, Chun (2011) reiterated that Africa is indeed a potential market, while The Economist (2013) also reported that “a growing number of firms want to be close to Africa’s fast-growing consumer class.”

According to Chatelard (2012), the presence of Chinese organisations in Africa is made up of numerous private investors, state agencies and other hybrid actors. Chinese organisations in Africa can therefore be found operating in sectors that include finance, communication, infrastructure, construction, mining, agriculture, trading, wholesale, retail and manufacturing (Brautigam, 2009). In South Africa particularly, a number of Chinese and South African organisations have signed agreements covering investments in railways, power transmission, construction, mining, insurance, telecoms and nuclear power (SA Info, 2010). Moreover, many Chinese multinational organisations have established their presence in South African markets operating in, inter alia: information technology, telecommunications and vehicle manufacturing.

Globalisation of the world economy has also created a unique set of issues relating to the effective management of people across different cultures. Within organisational settings, management issues stemming from different cultures have the potential to affect organisational behaviours and lead to low organisational performance (Daouda, 2009). Organisational culture is one such management issue that has an impact on the performance and success of an organisation (Smith, 2003:249).

As presently little empirical research and literature exists about Chinese presence in Africa at the organisational level (Jackson, Louw & Zhao, 2011:2), this paper seeks to look at the role of organisational culture as a managerial issue that can assist Chinese companies in South Africa achieve the desired organisational effectiveness. In this regard, it is imperative to assess managerial practices of these Chinese organisations in order to ascertain their appropriateness in the South African context as they pursue the goal of organisational effectiveness. The paper therefore specifically examines the case of a Chinese multinational organisation operating in South Africa as a sales organisation in the personal computer (PC) industry, by assessing its organisational culture and examining the way the organisational culture contributes towards the organisation’s performance.

LITERATURE REVIEW

Organisational culture is seen as a powerful and stable force in an organisation (Schein, 1996) that has important implications for organisational performance (Kotter & Heskett, 1992, cited in Øgaard, Larsen &
Marnburg, 2005: 24). The importance of organisational culture has therefore been highlighted both in management research and practice (Lund, 2003:219; McKinnon, Harrison, Chow & Wu, 2003:25).

Schein (1990) defines organisational culture as “a pattern of basic assumptions, invented, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration.” Schein’s (1990) definition was used in the research therefore as it was found to be consistent with Cameron and Freeman’s (1991) framework of organisational culture types. Tsui, Wang and Xin, (2006:369) also provide confirmation for this consistency. In this regard, Cameron and Freeman’s (1991) framework of organisational culture types describes organisational cultures according to two orientations: a continuum of the organisation’s relative emphasis or focus, from internal maintenance (smoothing and integration) to external (competitiveness and differentiation) positioning; and a continuum of organic (flexible and spontaneous) to mechanistic (controlled and stable) processes within the organisation (Lund, 2003:221). Furthermore, Cameron and Freeman’s (1991) framework proposes four elements which are considered to be core attributes of different forms of organisational culture: prominent features; values bonding people; role of leadership; and the organisation’s strategic focus (Cameron & Freeman, 1991:28). These four elements represent the different types of organisational culture along the horizontal axis acts of the organisation’s relative internal or external focus and the vertical axis of organic or mechanistic processes within the organisation (Lund, 2003:221). There are, therefore, four resultant types of organisational cultures that emerge in each quadrant of the framework as seen in Figure 1 below:

**Figure 1: Types of organisational culture**

<table>
<thead>
<tr>
<th>INTERNAL MAINTENANCE (smoothing activities, integration)</th>
<th>ORGANIC PROCESSES (flexibility, spontaneity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clan culture</td>
<td>Adhocracy culture</td>
</tr>
<tr>
<td>Hierarchy culture</td>
<td>Market culture</td>
</tr>
</tbody>
</table>

**MECHANISTIC PROCESSES (control, order, stability)**

**EXTERNAL POSITIONING (competition, differentiation)**

Source: Adapted from Cameron & Freeman (1991).

The clan culture describes the culture of organisations with organic processes, focusing on internal maintenance. The features of the clan culture therefore include cohesiveness, participation, team work, a sense of family and the organisation seen as a personal place (Lund, 2003:221; Cameron & Freeman, 1991:29). An organisation with a clan culture therefore values loyalty and commitment from its employees (Louw, 2012:519). Leaders are seen as mentors (Lund, 2003:221) and the organisation places a strong emphasis on human resource development (Cameron & Freeman, 1991:29).

The adhocracy culture has flexible processes and a focus directed towards its external environment. An organisation with this type of organisational culture will therefore emphasise creativity, innovation, adaptability (Lund, 2003:222; Cameron & Freeman, 1991:30). Leaders in an adhocracy culture would model and enhance the values of entrepreneurship, flexibility and risk (Cameron & Freeman, 1991:29. An organisation is thus best served by an adhocracy culture when its strategic emphasis is organisational growth, obtaining new resources, customer satisfaction and innovation (Louw, 2012:521; Chang & Lee, 2007:164).

An organisation with a market culture will be identified by being competitive and goal driven (Louw, 2012:521; Lund, 2003:221; Cameron & Freeman, 1991:29). Employees in these organisations would therefore be rewarded based on their achievement of goals set by the organisation (Den Hartog & Verburg, 2004:60). The external focus of the organisation means the main goals of the organisation relate to its external environment, such as the goals of productivity, efficiency and gaining market share, focused towards positioning the organisation as a market leader (Louw, 2012:521; Chang & Lee, 2007:164; Øgaard et al., 2005:25). The leadership style related to a market culture consists of decisiveness and an ability to
achieve results in order to lead the organisation towards goal fulfilment and market superiority (Lund, 2003:221; Cameron & Freeman, 1991:29).

Lastly, the defining features of the hierarchy culture include formal rules, procedures, coordination, and structure (Louw, 2012:518; Den Hartog & Verburg, 2004:60). As a result of the bureaucratic nature of formal control processes, however, the organisation can tend towards ineffectiveness (Louw, 2012:518). An organisation with a hierarchy culture would be driven by a strategic emphasis on stability, predictability and order (Lund, 2003:221; Cameron & Freeman, 1991:29). Employees are expected to obey and adhere to certain work standards, resulting in the systemisation and standardisation of tasks (Louw, 2012:518; Chang & Lee, 2007:164). The leader in a hierarchy culture would fulfil the role of being a coordinator, organiser and administrator (Lund, 2003:221; Cameron & Freeman, 1991:29).

It is worth noting that organisational cultures seldom exist in their pure form (Trompenaars & Hampden-Turner, 2000:177). A certain type of organisational culture may be found to be dominant in the organisation, or multiple cultures can be found to exist in a culturally fragmented organisation (Louw, 2012). However, when the four core features of the organisational culture are congruent, it will lead to a strong or dominant organisational culture (Cameron & Freeman, 1991). Although the issues of organisational culture congruence and strength are useful in determining the dominant type(s) of organisational culture present in organisations, they are less important than the actual organisational culture types in determining organisational performance (Tsui et al., 2006:353).

In addition, Louw (2012:515) proposes that the starting point for understanding organisational cultures is the organisation's macro-culture context, which constitutes of the national and industry cultures of the organisation. This view is also supported by Aycan, Kanungo & Sinha's (1999:522) Model of Culture Fit which claims that the socio-cultural and enterprise environments of an organisation affect its internal work culture, i.e. organisational culture. In the context of this research therefore, issues concerning the Chinese and South African national cultures, as well as the culture of the PC industry become pertinent.

Chinese culture has been mainly influenced by Confucianism, Toaism, Buddhism, communism and more recently, capitalism from increased globalisation and economic reforms (Fang, 2003:363; Louw, 2012:513; Wang, Wang, Ruona & Rojewski, 2005:314; Shaw, Tang, Fisher & Kirkbride, 1993:789). According to Wang et al. (2005:315, 324), although the Chinese culture is not homogenous, Confucianism's (even if no longer officially prescribed) legacy, provides a basis for understanding current organisational and management practices in China. Five aspects outlined by Wang et al. (2005:315-318), as providing assistance in the process of understanding Confucian values: are hierarchy and harmony, group orientation, guanxi networks (relationships), mianzi (face) and time orientation. Hierarchy and harmony mean everyone in Confucian society has a predetermined position and role to play and rank is emphasised to maintain social harmony. Group orientation refers to principles that promote familial and close personal relationships which render Confucianism collectivistic in nature. Group interest is primary; individuals exist for the benefit of the group and are expected to conform. Guanxi is about forming relationships, connections, networking. A system of obligations and indebtedness therefore arises due to the nature of relationships outlined by Confucian teaching. Mianzi is important and about showing respect for others' social status and reputation, remaining loyal and honouring obligations in order to ensure that others do not lose face, i.e. suffer shame. It is considered more important to do this give face to others than to try and preserve one's own face. Finally, with regards to time orientation a contradiction in time orientation can be seen to exist between certain Confucian values. Whereas the Chinese can tend more towards the past, rely on tradition and history, they can also be long-term future oriented which makes them diligent and hard working. The Chinese proverb, for example, "Hardworking creates earlier spring," (Wang et al., 2005:318) bears witness to this long-term orientation to time. Chinese culture is thus characterised by hard work, thrift, tolerance, moderation and perseverance (de Man, 2009; Jackson, 2002:170).

On the other hand, South Africa has a rich and diverse cultural heritage stemming from traditional African, as well as European and Asian societies (Khoza, 2006:127; Trompenaars & Hampden-Turner, 2000:220; McFarlin & Coster, 1999:70). Cultural norms and values are encompassed in a philosophical value system known as Ubuntu, which is reflected in daily life, in the way many South Africans think and behave (Khoza, 2006:6; Karsten & Illa, 2005:612). Khoza (2006:6) speaks of Ubuntu as “African humanism” - a value system based on humaneness, where people treat others with dignity, and are able to be humble, compassionate and tolerant towards one another. In addition, Mangaliso (2001:24) provides a useful discourse on Ubuntu and the seven main areas it relates to, with regards to the values that inform the thoughts and manifest behaviours of many South Africans. These seven main areas are: relationships, language and communication, decision making, time, productivity and efficiency, leadership seniority and belief systems. In relationships, interdependence is valued (Bell & Metz, 2011:82) and the collective is held in higher regard.
than the individual (Khoza, 2006:xxi). Individuals are seen as an integral part of the greater community and individual achievement is also most valued when it benefits the greater community and not achieved at the expense of the group (McFarlin & Coster, 1999:72, 74). The aim of communication and the use of language is to enhance understanding, thereby reinforcing unity among people (Mangaliso, 2001:26). The communicator would therefore be more concerned with the social effects, than the efficiency of their communication (Mangaliso, 2001:26). Communicators would thus opt for lengthy conversations if it means understanding and social relations would be enhanced. The process of decision making according to Ubuntu is inclusive and takes considerable time, involving much consultation as it aims to achieve harmony and reach consensus (Mangaliso, 2001:27; McFarlin & Coster, 1999:74). Participation by members of the community and negotiation are thus valued in Ubuntu, especially in managing conflict (Wanless, 2007:118; Karsten & Illa, 2005:613; Mangaliso 2001:28). Furthermore, Ubuntu views time as a continuum that serves to remind communities of their shared past and shared future (Mangaliso, 2001:28). Time will therefore serve to reinforce the interdependent and collective nature of communities as they experience the meaning of time together. Once again, social well-being will be held in higher regard than being productive or efficient (Mangaliso, 2001:28). When relationships are healthy and prospering, trust is fostered amongst people. It is this trust that results in a “collective work ethic” (Khoza, 2006:6) that helps to enhance productivity (Mangaliso, 2001:29). McFarlin and Coster (1999:71) reiterate the importance of trust if a group of people are to be effective. Ubuntu thus allows for collective productivity amongst people through social cohesion. With regards to age and seniority in leadership, older people are believed to be more capable at leadership, because of their lived experiences and the wisdom they have gained over the years (Bell & Metz, 2011:90; Mangaliso, 2001:30); the elders (especially older males) are respected and they therefore carry more authority (Wanless, 2007:118). An age hierarchy will therefore be observed in South African society, as elderly people are to be respected by younger people (Bell & Metz, 2011:90). Lastly, Africans believe in the existence of an omnipotent Creator and that they can have a relationship with this Creator through the mediation of their ancestors (Mangaliso, 2001:30). Once again, the interdependence amongst people in African society is reflected in the communal and social network that forms a part of the traditional African belief system (Bell & Metz, 2011:83).

Managers managing Chinese organisations operating in South Africa therefore, would need an awareness of both Chinese and South African culture, especially depending on the nature of the workforce. Neglecting the cultural differences that exist within cross-national and multicultural organisations can lead to organisational failure (Daouda, 2011) and also impede the development of effective management practices and organisational cultures (Chipandambira, 1999).

However, regardless of some distinct differences between the Chinese and South African cultures, Bell and Metz (2011:82) provide some similarities between Confucianism (relating to Chinese culture) and Ubuntu (relating to South African culture). Both traditions are seen to: place an importance on social relationships and their reciprocal nature; place nurturing social relationships as living a morally good life; endorse partiality, where a person is morally obligated to the people closest to them; and also endorse moral hierarchies, where elders are afforded more respect in society. These similarities in the national cultures could therefore point towards a starting point in the endeavour to create new synergies between Chinese and South African management practices.

Lastly, Gordon (1991:401) points out that it is to the benefit of organisations to take their industry environment into consideration if they are to succeed. Pertaining to the organisation's industry culture therefore, the PC industry provides a range of products and services to the market (Niemond, 2013) and can thus be seen to be a complex, competitive industry. The PC industry is very competitive as the rate of change is highly dynamic, owing to: rapid technology developments; changes in the economy; and changing customer preferences for more portable devices and ease of internet access (IDC, 2013; Niemond, 2013). In the midst of this competitiveness, however, the PC industry in Africa and more specifically South Africa has plenty of growth opportunity. Organisations operating in South Africa's PC industry therefore need to keep the changing customer preferences of quality, affordability and portability of devices in mind if they are to survive and succeed in light of the dynamic nature of the PC industry. Organisational cultures emphasising adaptability and innovation thus become essential in the dynamic PC industry. Moreover, with regards to the organisation's sales nature, sales organisations need to generate and optimise sales volumes in order to achieve organisational goals (Dietz, 2009:55). In order for sales people to successfully sell and achieve value for customers in the dynamic PC industry, they need to align their performance with the achievement of specific organisational sales targets (Dietz, 2009:55; Ridnour, Lassk, & Shepherd, 2001:248). Control in sales organisations can be described as moderate to tight because although salespeople are required to be multi-skilled in order to sell to their clients and quickly adapt to changing customer needs, competitive threats and new technological developments in the PC industry (Loftness, 2013; Welsh, 2009), there is still some form of control in terms of targets that are outlined and expected by the organisation.
PROBLEM INVESTIGATED
As presently little empirical research and literature exists about Chinese presence in Africa at the organisational level (Jackson, Louw & Zhao, 2011:2), this paper seeks to examine the role of organisational culture, as a managerial issue that can assist Chinese organisations achieve the desired organisational performance in the South African context.

RESEARCH OBJECTIVES
Specific objectives for this research therefore are to: identify and describe the Chinese organisation’s dominant organisational culture type(s); assess the role of the organisation’s macro-culture context in the Chinese organisation’s culture formation; and give recommendations on how Chinese organisations can manage their organisational culture in order to overcome management challenges they face in the southern African context.

RESEARCH METHODOLOGY
In order to achieve the purpose of the research, a case study approach, which is located within the interpretive research paradigm was used (Collis & Hussey, 2009). The case study methodology (Yin, 2003:13) was deemed the most appropriate for the research, as the research posed descriptive research questions; sought to understand and draw meaning from participants’ responses with regards to their views of the organisational culture; and sought to research the current organisational culture phenomenon which could be regarded as quite contemporary in nature.

The case for this research was a Chinese multinational personal computer (PC) manufacturing and sales organisation operating in South Africa. The South African based operations of the Chinese organisation are also the headquarters for the multinational’s operations in the African region. Specifically, the organisation’s operations in the South African market are mainly sales oriented; therefore the core group of employees are salespeople. The total number of employees employed in the South African office is 40, which includes sales and support employees, as well as managers across frontline, middle and top management levels.

Purposive sampling (Sekaran & Bougie, 2009:276; Cooper & Schindler, 2006:424; Zikmund, 2003:382), was used to sample research participants at the organisation. The research participants were targeted because they have information deemed to be useful to the researcher. More specifically, heterogeneous sampling was used to enable the collection of data from various participants in order to “describe and explain key themes” (Saunders, Lewis & Thornhill, 2000:174) emerging from various perspectives represented in the data.

The researcher chose to primarily use semi-structured interviews to gain in-depth understanding of the organisational culture, as experienced by the research participants (Cooper & Schindler, 2006:204). Interviews were thus conducted with twelve participants from the core sales department and different support departments, as well as across different managerial levels.

The target questions of the interview schedule were based on a typology of organisational cultures constructed by Cameron and Freeman (1991). The organisational culture questions addressed four specific attributes of organisational culture, namely: prominent features, values bonding people, role of leadership and the strategic focus of the organisation (Cameron & Freeman, 1991:28).

The researcher analysed the data using content analysis which is “a research technique for making replicable and valid inferences from texts to the contexts of their use” (Krippendorff, 2004:18). Content analysis was also used so that meaning could be drawn from the data (Collis & Hussey, 2009).

To establish the trustworthiness of the research, the four quality criteria for qualitative research as identified by Lincoln and Guba (1985, cited in Babbie & Mouton, 2006:277-279), were used, namely credibility, transferability, dependability, and confirmability. Firstly, with regards to achieving credibility, the researcher strove to maintain accuracy in factual reporting and descriptions of the case study, theory linking to the data and analysis of participants’ interview responses. Secondly, as transferability depends on the research being carried out in similar contexts, a descriptive context of the case was provided which incorporated the national cultures of China and South Africa, the nature of the Chinese organisation’s operations globally and in South Africa, as well as the nature of its employees in the South African organisation. Thirdly, dependability was achieved by keeping an accurate and transparent trail of what happened during the research process in order to allow for the assessment of the research techniques’ rigour. Furthermore, confirmability was achieved through data triangulation by collecting data from different sources, leaving less space for researcher bias to dominate the interpretations of the research. Lastly, the researcher obtained respondent
validity for the analysis of qualitative data in order to increase the validity of the conclusions made (Collis & Hussey, 2009:279).

RESULTS
Findings interpreted from the data collected during interviews with research participants at the Chinese organisation, are presented in this section. The interpreted data fit into the four main categories considered to be the core attributes of different forms of organisational cultures. Namely, these categories are: prominent features, values bonding people, role of leadership and strategic focus. Different themes emerging from the data as pertaining to each category are thus presented in this section.

Prominent features
Participants were asked to give key words they would use to describe the prominent features of their organisation’s culture and also explain why. Analysis of the data therefore showed that participants felt that the prominent features of their organisation’s culture were: performance driven (P1, P4, P5, P8, P9, P10); global (P1, P2, P3, P12); Chinese (P2, P10, P11); entrepreneurial and innovative (P7, P11, P12); and teamwork (P1, P6, P8).

Performance driven: Participants felt that their organisational culture was “very performance oriented” (P4). With regards to this performance orientation therefore, one participant explained, “It’s a sales organisation; we’re all about um, selling of course” (P1). Achievement was therefore linked to this performance orientation, where participants felt that they had to constantly achieve the goals of the organisation (P1, P8, P9). Hard work also characterised this performance orientation (P8, P10) in that the organisation emphasises “recognising hard work, but also very firm in terms of managing poor performance” (P1). One participant in particular felt that the organisational culture, in this regard, was therefore “demanding and not very people focused” but about “achieving numbers” and “if you don’t perform consistently then they’ll get rid of you” (P9).

Global: With the organisation “being a multinational” (P2) four of the participants felt that the organisational culture of the South African operation was therefore a global culture. This global culture inherited from the head quarters of the organisation, was described by one participant as being “comprehensive, thought through, being implemented correctly also” (P2) and another as “brought down from a global version all the way down and then carried throughout the entire organisation” (P12). The global nature of the organisational culture is described as prevailing in all operations of the organisation worldwide – “so whether you’re in Nigeria, in the US, or in China, we speak the same language” (P1). One participant additionally stated, “We inherit the global cultures but we use them from a local standpoint…adapting a global culture to local conditions” (P3).

Chinese: Some participants felt that due to the Chinese origin of the organisation, as well as the presence of Chinese managers in the global top management team, the local organisation’s culture therefore had been influenced by elements of the Chinese culture (P2, P10, P11). One participant stated, “It’s a Chinese owned company so a lot of the cultural aspect would be driven by, you know, the way they do things in China. The work ethic - you know the Chinese work quite hard and there isn’t that, you know, mentality that, you know, ‘tomorrow’s still another day’ type of thing” (P10). This participant therefore perceived that the Chinese culture emphasised a hard working ethic and this aspect of the Chinese culture had then filtered through to the rest of the organisation’s operations, even in South Africa. In contrast, another participant pointed out that “efficiency” (P11) as an element of the Chinese culture, had filtered through to the organisation’s culture. Efficiency was viewed by this participant as a feature of the organisational culture because the organisation manufactures its own products; therefore efficiency was important for their production.

Entrepreneurial and innovative: Due to the dynamic nature of the organisation and its environment, some participants felt that the organisational culture also had entrepreneurial and innovative features. One participant expressed: “It’s not a slow paced environment. But anyway that’s what IT is all about because you know, technology changes all the time so you need to be always on your toes” (P10). This view was supported by another participant who felt that as a result, the organisational culture was “quite energetic”, “fast” and “ever changing” (P7). In addition, due to “no really proper processes and systems in place: no defined process on everything” (P11), employees needed to be “innovative” (P11, P12), and “think out the box, setting your own grounding” (P11). Specifically, one participant also believed that this entrepreneurial and innovative feature existed because the organisation is fairly new in its operations in South Africa and the nature of their business undergoes constant change (P11).

Teamwork: The organisational culture was also described as characterised by teamwork, where everybody pulled together to get work done – “everyone is willing to do more than their job so we all take on different projects to be part of the team” (P8). In addition, another participant enjoyed being in a part of a team because of the “close and trusting” (P6) culture it created with her colleagues, resulting in feeling like she’s part of “a big family” (P6). Teams were further described as playing an important role at the global leadership
level as well as at local team levels (P1, P2, P3, P10). Briefly, the global leadership team’s role was seen as strategising, whereas different local teams were seen as responsible for executing strategy in their respective territories (P1, P3). More details concerning global and local leadership teams are hence discussed further under the role of leadership category.

**Values bonding people**

In order to ascertain which organisational values bond people within the organisation, participants were asked to give examples of prevalent values and how they have seen them enacted. Participants at the organisation therefore felt that they were mainly bonded by: the organisation’s value statement (P1, P3, P4, P9, P11, P12); passion (P7, P10); and work life balance (P6).

**Organisation’s value statement:** The organisation has an explicitly communicated culture statement (P3) that outlines the values upheld by the organisation. As a result, half of the participants interviewed believed these values created bonding amongst organisational members. Speaking of these values, one participant stated, “We have them around and not just on the walls but, uh it’s our ethos, it’s what drives us; it’s not just lip service, you know, because it’s what drives our behaviour, it’s what drives our culture” (P1). This view was supported by another participant who also stated, “It’s the way that we define the way we do everything... no matter whether you’re in segment A or segment Z within our organisation” (P3). Furthermore, these values are on display in the meeting rooms and serve both as a reminder to employees but also as information for everyone who interacts with the organisation (P1, P4). These values specifically pertain to: performing excellently and with integrity, being committed to the organisation, continually growing through new challenges and being innovative. As these values are “highlighted in everything” (P12) employees do, employees are also “measured on” (P4) these values. Finally, those employees seen to embody these values in their daily work are recognised and rewarded both formally and informally (P1, P8) – “the informal recognition program really is about just catching people doing the right things at that time and just recognise them informally. You know, ‘thank you’... So formal recognition is, you know, we have a quarterly award where an employee that has demonstrated not just the performance side of things which is more quantitative, but also the qualitative behaviours, you know, um, without having to sell, but having demonstrated the values that we stand for, where we recognise them” (P1).

**Passion:** Two participants in particular felt that the organisation also emphasized a value of passion (P7, P10). One participant stated that this “absolute passion” showed “in all our advertising campaigns, in all our communication from our top managers, in our drive for success, in all our internal communications and in our meetings” (P7). The other participant felt that generally, passion signified by doing something wholeheartedly was instilled in the employees. This participant felt that it was “actually quite good because we want to be winners all the time” (P10). This passion was therefore deemed important for employees to have if the organisation is to perform successfully.

**Work life balance:** One participant in particular felt that from their personal experience, the organisation valued a work life balance: “There’s a strong emphasis on, like, your work life sort of balance and everyone is quite pro-families... So this is the only company that I have ever worked for that every year end function you bring your partner to.” The participant further stated: “just within the dynamic of your colleagues in your team you kind of know everyone’s business and, not to a detriment, like so you can skinner and whatever, but that so you are aware if someone’s going through something and whatnot” (P6). For this participant therefore, the perceived work life balance valued by the organisation as promoted through being pro-families and encouraging healthy relationships among colleagues, made her feel that there was a “close and personal vibe” (P6) in the organisation, which she liked.

**Role of leadership**

Participants described the roles that they have seen leadership playing in the organisation in terms of: sharing the vision and strategy (P1, P2, P3, P4, P5, P7, P11, P12); setting performance expectations (P1, P4, P6, P7, P9, P10, P12); being involved (P2, P8, P11); and a diversity of roles (P1, P2, P3, P7, P10).

**Sharing the vision and strategy:** Sharing the vision for more than half the participants appeared to be a major key role that they have seen the leadership at their organisation playing. One participant stated, “I think there’s a lot of focus on strategies that have been put in place so I think there’s a lot of strategic views in terms of how we’re going to move forward” (P5). Sharing the vision and strategy was seen be done by both the global leadership team as well as by local leadership teams (P1, P2, P3). However, local leadership teams were seen to not only share the vision, but also ensure that it is executed in a manner that suited local conditions (P3). Sharing the vision and strategy was seen to be done by leadership through “presenting where the company is going” (P4) and “sharing information and aligning the business units” (P5). Participants therefore felt that the result of sharing the vision and strategy was that it “helped the organisation a lot in terms of where we want to go in the future” (P5) and that they now “all speak the same
language, all understand what [the organisation] is looking at growing” (P12). There was, however, one participant who expressed that generally employees felt that although the vision and strategy had been clearly communicated, the individual part each employee played in achieving that vision wasn’t clear: “I think a lot of us are sitting in limbo with, ‘Well, what’s my part in this’ - kind of thing. We know where the direction is, but the execution of what the strategy is, is the problem” (P7). This led the participant to therefore feel like the leadership is “disconnected” (P7).

**Setting performance expectations:** Leadership was seen as also setting performance expectations for employees to achieve. “There’s a definite plan and you’re expected to be achieving that plan…you’ve got to hit the ground running” (P6). In this regard, the global leadership team was thought to be “more autocratic, coming from the top” (P10) in setting performance expectations for the organisation’s local operations. This generally perceived autocratic approach was not viewed favourably as employees felt that local leadership teams should be given more leeway in setting performance expectations. Participants felt they know and understand their local markets better and should therefore not be just given targets that need to be achieved (P9, P10). Employees are also viewed as “leaders in their own right” (P1) therefore when given performance targets to achieve, managers will not be “peering over employees’ shoulders for them to do their jobs” (P1).

**Being involved:** Some participants felt that leadership has been generally “involved” (P2), taking a more “hands-on” (P8) approach to the organisation’s operations and “leading by example” (P11). A participant thus stated, “Our GM, what he does very well for me is he visits us; goes to the trenches if I can use that analogy, and he walks the floor and he goes to the customers and he hears from them and sees from them and so on. So that is very good. I think um, a lot of other leaders would send the people there, but him himself he goes first you know. So that is a very good leadership style” (P2). Employees therefore seemed to appreciate an involved approach to leadership, which induced feelings that the organisation also “cares” about them (P2).

**Diversity of roles:** Finally, participants also expressed that they believe it was in fact a diversity of roles that they had seen simultaneously fulfilled by the leadership. In addition to communicating the vision, leaders were seen to: trust and empower employees to run with the vision (P1, P3), manage the mentorship and development of employees (P3), lead decisively by giving options of solutions to be implemented (P2) and employ different leadership styles according to each leader (P10). For example, with regards to mentorship and development, it was expressed that, “So more of the team leads manage a full ecosystem of development, as well as promotion and all of those things. But I wouldn’t be able to put it in a sentence just because the roles are so diverse and um your team leads would do way different things and their different tactics in order to drive their team” (P3).

**Strategic focus**
The final question asked required participants to describe what they understood to be of strategic (long term) importance to their organisation. Participants therefore believed that it was of strategic importance to the organisation to: maintain current markets and grow new markets (P1, P2, P3, P6, P7, P11, P12); as well as be number one (P4, P7, P8, P9, P10).

**Maintain current markets and grow new markets:** Globally, the strategic focus of the organisation is deemed to be “two-fold” (P3) – to maintain its leading position in its current market, while also growing its market share in markets where it is still “a new entrant” (P3). The organisation was mentioned to have experienced success in being among the top global players in the PC industry, leading to securing a position as one of the leaders in the market (P1, P3, P10). Maintaining this lead in the market was especially seen to be important to the organisation’s operations in China as well (P3). Moving forward, the organisation was described as having an ambition to break into the detachable devices part of the PC industry. “Innovation” (P2, P7, P12), “new products” (P11), “an established brand name” (P2), “channel capability” (P1, P2) and staff talent (P1, P2) were all described as key factors that will help the organisation execute its strategy. Overall, therefore, the organisation was said to be focused on “profitability and growth” (P12) and was “market share driven” (P6).

**Be number one:** Being a “market leader” (P4, P7) was also deemed to be a primary strategic focus of the organisation; becoming “the number one brand internationally” (P8). Not only was it seen as important to be number one, but participants also added that staying there was imperative (P4, P7, P9, P10). One participant stated the organisation’s key factors that will enable it to be and stay as number one – “the product offering you know uh, top quality you know, best technology you know all of that…all those factors will get them to be number one. So ya, as I said you know, quite driven to stay on top” (P10). Being the number one employer was also mentioned to be one of the organisation’s long term objectives (P10).

**DISCUSSION AND CONCLUSIONS**
The findings point to the market culture as the organisation’s dominant organisational culture type. The most prominent feature of the culture was described primarily in terms of “performance”. Performance was driven through: communicating about the strategy, setting performance targets, rewarding performing employees...
and managing poor performance. The organisation’s culture is therefore goal driven which is characteristic of market cultures (Lund, 2003:221). The achievement of employees is highly valued by the organisation and therefore rewarded to further reinforce the market culture (Den Hartog & Verburg, 2004:60). Performance objectives in terms of sales targets are given to employees, due to the South African operation primarily being a sales organisation. Performance targets therefore mean processes in the organisation tend to be more mechanistic and controlled (Lund, 2003:221); flexibility only features in how employees achieve their goals in prospecting new clients and maintaining customer relationships. Employees are not only rewarded for achieving their sales targets, but they’re also rewarded for demonstrating the values upheld by the organisation in their work behaviours. Competitiveness was also found to be another feature of the organisation’s market culture, where the organisation had a goal of attaining market superiority over its competitors. Performance and achievement are thus key criteria for fulfilling and maintaining this vision of being a market leader (Cameron & Freeman, 1991:29). Leaders in the organisation, consistent with the market culture, were seen as decisive and setting achievement targets for employees (Lund, 2003:221). In addition, in this market culture, the role of leadership was seen to be geared towards communicating the strategy and culture, tying it to organisational performance. The organisational strategy was driven by the global leadership team who set performance objectives for the organisation and empowered local leadership teams to implement the strategy in their respective territories. As the market culture is oriented towards the external environment, towards being a market leader (Ogaard et al., 2005:25), it therefore best serves the organisation in its endeavours to be and stay as, the number one PC manufacturing and sales organisation worldwide.

Although the market culture was found to be the dominant organisational culture type, features from other organisational culture types were also observed from the data. These were specifically the adhocracy and clan cultures. The adhocracy culture also has an orientation towards the external environment, emphasizing values of entrepreneurship, innovation and adaptability, with a focus on growth (Louw, 2012:521). The Chinese organisation’s culture was thus described as innovative and adaptive due to the ability to offer customers quality products that can ensure continued customer satisfaction (Chang & Lee, 2007:164). To a lesser extent than both the market and adhocracy cultures, features of the clan culture were also observed in the data. These were the features of teamwork and a sense of family (Lund, 2003:221). The organisation emphasises working in teams on order to achieve sales targets for the different regions it operates in. Teamwork therefore led to greater participation and cohesion of team members that created close relationships resembling those of a family.

The macro-culture elements of national and industry cultures were also seen to have had some effect on the formation of the Chinese organisation’s culture. Specifically, some employees believed that the hard work and efficiency elements of the Chinese Confucian culture (de Man, 2009; Jackson, 2002:170) had also influenced the organisation’s culture. Hard work and efficiency were seen as tied to the performance orientation of the organisation. Both these aspects of hard work and efficiency are related to the achievement and productivity nature of the market culture (Chang & Lee, 2007:164). In addition, elements of hierarchy were expressed by a participant who particularly felt it related to the top global leadership team and the way they related to leaders under them. Confucianism outlines that everyone in society has a predetermined position and role to play; rank is therefore emphasised to maintain social harmony (Wang et al., 2005:315-318). Lower level leaders and employees are therefore expected to receive instructions and carry them out without necessarily being involved in the decision making process. Lastly, values underlined by both Confucianism and Ubuntu in South African culture were also highlighted in the data pertaining to teamwork. Group orientation is valued in Chinese culture and interdependence in relationships is valued in South African culture (Bell & Metz, 2011:82; Wang et al., 2005:315-318). Social cohesion and a “collective work ethic” that results in trust (Khoza, 2006:6), helps to enhance productivity (Mangaliso, 2001:29) that benefits teams. However, due to the sales nature of the organisation, individual productivity was also rewarded by the organisation when employees met their individual sales targets; the importance of a collective work ethic could therefore be seen as limited by the organisation’s form of reward system.

Finally, the dynamic and competitive PC industry, both globally and locally (IDC, 2013; Niemond, 2013), means the organisation has had to value innovation and be externally oriented in order to survive, adapt and stay as a market leader in the industry. The dynamic and competitive nature of the PC, as well as the organisation’s aspirations to be and stay as the market leader, can also be seen as relating to elements of the adhocracy and market cultures discussed earlier.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
It is important that managers are not only aware of what their organisational culture is, but also know how that organisational culture can be maintained and influenced (Kerr & Slocum, 2005:130). Once managers
are able to do this, the organisational culture can be used to create organisational success that sets the organisation apart from its competitors (Smith, 2003:249).

The findings of this research can therefore be used to firstly identify which factors have had the most impact on the formation of the Chinese organisation’s culture so as to know how to manage the organisational culture towards organisational effectiveness. In this regard, managers would mainly consider the nature of the organisation’s Chinese origin, South African context, sales operations and PC industry as the main factors influencing the organisational culture. An awareness of these factors affecting the formation of the organisational culture empowers managers to better manage their organisation’s cultures. In addition, managers also need to know how to reinforce the desired culture through management practices. For example, currently, the reward system based on achieving targets is one of the ways leaders in the organisation effectively reinforce the performance and competitive values of the organisation’s market culture. Managers can therefore look at other management practices to see whether they serve to further reinforce the organisational culture, creating clarity as to what is expected and valued from employees. Finally, with the dissatisfaction expressed by some employees about the organisation’s culture being too performance driven to the neglect of softer people issues, it is recommended that managers look into how they can also pay attention to these softer people issues which can lead the employers to feel more satisfied employees.

With regards to the limitations of the research, the South African operations of the Chinese organisation had no Chinese managers or employees. The findings of the research could have therefore been further enriched by the participation of Chinese employees to shed further light as to any other possible influencers from the Chinese culture. The generalisability of the research is also limited to this specific and similar contexts, therefore it is recommended that the results are used cautiously for other contexts. Future research could therefore specifically explore in more depth the organisational cultures of other Chinese multi-national organisations in South Africa and the rest of Africa to see which other factors have a specific and significant influence on the formation of their organisational cultures in the African context. Given some of the similarities in Chinese and South African cultures, future research could look at how new synergies can be formed from the two cultures that could enhance management practice in the South African and possibly greater African context. Also, other forms of Chinese organisations such as state-owned enterprises or family owned businesses could be researched to contribute further empirical evidence to what has been described as an organisational-level research deficient area in management knowledge. The current research therefore, has adopted an exploratory approach in order to contribute to the organisational level empirical research still growing pertaining to the phenomenon of increased Chinese presence in Africa.

REFERENCE LIST


THE INFLUENCING ROLE OF ENTREPRENEURSHIP EDUCATION IN THE FORMATION OF ENTREPRENEURIAL INTENTION

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ABSTRACT
The purpose of this paper is to establish whether rural university students who have had exposure to entrepreneurship education will have higher intentions to start their own businesses than those who did not have exposure to entrepreneurship education. A survey was conducted using a sample of 329 final year commerce students from a rural university in the Limpopo province. A structured questionnaire consisting of questions measuring entrepreneurial intention and exposure to entrepreneurship education was distributed to students during their lectures. Data was analysed by means of SPSS. The findings revealed that the respondents who have had exposure to entrepreneurship education were statistically significantly different from those who did not have such exposure in terms of their intention to start a business, the attitude towards becoming an entrepreneur and perceived behavioural control. The theory of planned behaviour has proven to be a valuable tool for evaluating the impact of entrepreneurship education.

Key words: Entrepreneurial intention models, entrepreneurship education, entrepreneurial intention.

INTRODUCTION
South Africa has significantly lower total entrepreneurial activity rates (TEA) of 7.3% that is below the average of all participating efficiency-driven economies (Turton and Herrington, 2013:40). The country has lowest score of 39% of people who believe that they have entrepreneurial capabilities while 12% indicated that they have entrepreneurial intentions when compared to other Sub-Saharan African countries that have participated in the 2012 Global Entrepreneurship Monitor study (Herrington and Kelley, 2013:22 & 24). Entrepreneurial activity in rural areas is also reported to be lower than that of urban areas (Herrington, Kew and Kew, 2010:42). These results appear to be worrying given the fact that since 1995 the South African government has put a number of measures in place to foster an enabling environment for small businesses and various institutions have been set up to provide support to small, medium and micro enterprises (Department of Trade and Industry, 2005:3). Research findings indicate that education and training is one of the key constraints on entrepreneurial activity in South Africa (Herrington, Kew and Kew, 2011:31).

Education is vital in enabling individuals to acquire competencies to move from an idea stage to the commercialisation of the idea (Herrington and Kelley, 2013:46). The decision to act entrepreneurially follows the formation of entrepreneurial intention (Douglas, 2013:637). Previous research suggests that entrepreneurial intentions are the foundations for understanding the new venture creation process (Liñán, Nabi and Krueger, 2013:2; Bird, 1988:443). Hence entrepreneurial intention is positively related to entrepreneurial behaviour (Delanoë, 2013:393; Kolvereid and Isaksen, 2006:881; Zhang and Yang, 2006:167). On the other hand it is reported that individuals start new ventures based on the belief that they have the necessary skills and knowledge to do so (Bosma, Jones, Autio and Levie, 2007:37).

According to Henry, Hill and Leitch (2005:165) and (Kuratko, 2005:580), some aspects of entrepreneurship can be successfully taught. The belief that some of the abilities needed to be a successful entrepreneur can be taught and learnt has led to an increase in the number of entrepreneurship education and training programs over the last two decades in both developed and developing countries (Fayolle, Gailly and Lassas-Clerc, 2006:701). The increase in the number of colleges and universities that offer entrepreneurship courses has been accompanied by an increase in empirical studies that assess the impact of entrepreneurship education on entrepreneurial intention as the foundation for entrepreneurial behaviour (United States Small Business Administration (U.S. SBA), 2006; Fayolle, 2004; Liñán, 2004; Peterman and Kennedy, 2003).

LITERATURE REVIEW
Models of entrepreneurial intention
The two dominant models used by researchers in studying entrepreneurial intentions are the Shapero and Sokol’s model of the entrepreneurial event (SEE) (Shapero and Sokol, 1982) and Ajzen’s theory of planned behaviour (TPB) (Ajzen, 2005). These models are discussed in the next sections.
Shapero and Sokol's model of the entrepreneurial event: The SEE model suggests that entrepreneurial intentions can be predicted from perceived desirability, perceived feasibility and propensity to act (Krueger, Reilly and Carsrud, 2000:418; Shapero and Sokol, 1982:82). In this model individuals' intention to start a business develops from the personal attractiveness of starting a business and the degree to which they feel personally capable of doing so. Propensity to act is the "personal predisposition to act on one's decisions" (Krueger et al., 2000:419). The SEE model proposes that the entrepreneurial event emerges from the interactions between situational, cultural and social variables. Shapero and Sokol (1982:82-83) view the entrepreneurial process as an event that is initiated by some sort of displacement event. The appearance (or acquisition) of a perceived facilitator or the removal (or avoidance) of a perceived inhibiting factor are some of the displacement events that could lead to the initiation of an entrepreneurial action. Krueger, Schulte and Stamp (2008:2) posit that displacement events could be regarded as triggers to action or barriers to action. The support for the SEE model especially with regard to perceived desirability and perceived feasibility, in predicting entrepreneurial intention is found in Miralles, Riverola and Giones (2012:7; Oruoch (2006:23-25); Audet (2004:7) and Grundstén (2004:69-70).

The theory of planned behaviour: The theory of planned behaviour (TPB) suggests that the most important immediate determinant of action is a person's intention to perform or not to perform that action (Ajzen, 2000:418; Ajzen, 2005:117). Since its introduction, the TPB has been empirically tested and validated in numerous studies. These studies include those that focused on the intention to start a business (Liñán et al., 2013; Iakovleva, Kolvereid and Stephan, 2011; Paasio and Pukkinen, 2005; Fayolle, Gailly, Kickul, Lassas-Clerc and Whitcanack, 2005; Krueger et al., 2000), the growth decision (Wiklund, Davidsson and Delmar, 2003; Wiklund and Shepherd, 2003) and the relationship between entrepreneurship education and entrepreneurial intention (Otuya, Kibas, Gichira and Martin, 2013; Muofhe and Du Toit, 2011; Souitaris, Zerbinati and Al-Laham, 2007). According to the TPB, entrepreneurial intentions can be predicted with high accuracy from the attitude towards the behaviour, subjective norms and perceived behavioural control (Ajzen, 2005). In the TPB the intention to start a business derives from a favourable or unfavourable evaluation of doing so, perceived personal capability and perceived social pressure felt by an individual to perform or not to perform the behaviour (Ajzen and Cote, 2008:301; Ajzen, 2005:117-118).

Exposure to entrepreneurship education and its impact on entrepreneurial intention

The majority of studies report that exposure to entrepreneurship education encourages students to start their own businesses (Jones, Jones, Packham and Miller, 2008:606; Souitaris et al., 2007:582; Franke and Lüthje, 2004:5). Studies that are based on entrepreneurial intention models have found that participation in entrepreneurship education is positively associated with the antecedents of entrepreneurial intention (Sánchez, 2013:456; Otuya et al., 2013:140; Muofhe and Du Toit, 2011:13; Guerrero, Lavin and Alvarez, 2009:10; Fayolle et al., 2006:714; Liñán, 2004:18; Owusu-Ansah, 2004:9-10; Peterman and Kennedy, 2003:137) and greater entrepreneurial knowledge (Liñán, 2004:18). Exposure to entrepreneurship education is positively related to the establishment of new ventures (Dickson, Solomon and Weaver, 2008:247). Research findings further indicate that exposure to entrepreneurship education programs increase perceptions of self-efficacy of starting a business (Sánchez, 2013:456; U.S. SBA, 2006:128; Zhao, Hills and Selbert, 2005:1269; Ramayah and Harun, 2005:17; Alvarez and Jung, 2004:1; Peterman and Kennedy, 2003:136). Brice and Spencer (2007:52) define entrepreneurial self-efficacy (ESE) as the degree to which individuals believe that they have the necessary skills to successfully start a new business venture. According to Forbes (2005:599), ESE can influence an individual's decision to start a business and the effectiveness with which they manage their ventures once they have founded them. Sequeira, Mueller and McGee (2007:286) found that ESE had a positive and statistically significant effect on entrepreneurial intentions and nascent behaviour.

PROBLEM INVESTIGATED

Given the fact that entrepreneurial activity is considered to be an intentionally planned behaviour that could be understood with the use of entrepreneurial intention models (Krueger et al., 2000:412), this paper examines the relationship between exposure to entrepreneurship education and entrepreneurial intention. This paper examines whether rural university students in the Limpopo Province who have had exposure to entrepreneurship education will have higher intentions to start their own businesses than those who did not have that exposure.

RESEARCH OBJECTIVES AND HYPOTHESES

The objectives of this study were:

To determine whether exposure to entrepreneurship education influences the intention to start a business.

To determine the relationship between entrepreneurship education and the antecedents of entrepreneurial intention.
The following hypotheses were formulated in order to achieve the objectives of the study:

H₁: Students who have been exposed to entrepreneurship education will have higher entrepreneurial intention than those who have not been exposed to such education.

H₂: Students who have been exposed to entrepreneurship education will differ from those who have not been exposed to such education in their attitudes towards becoming an entrepreneur.

H₃: Students who have been exposed to entrepreneurship education will differ from those who have not been exposed to such education in perceived behavioural control.

RESEARCH METHODOLOGY

The sample

This study was carried out by means of survey and included 329 final year commerce students at a rural university in Limpopo. The reason for choosing this group of students is that they were suitable for studying entrepreneurial intentions as they were facing important career decisions on completion of their studies of which entrepreneurship could be one of them. This is in line with other similar studies such as (Liñán and Chen, 2009:194; Liñán, 2008:263; Liñán, Urbano and Guerrero, 2007:5; Krueger et al., 2000:421).

Data collection instrument

Structured and validated questionnaires that were used in previous studies were distributed to students during their lectures. All questions were adopted with no alterations from Liñán and Chen’s (2009:612-613) entrepreneurial intention questionnaire. The entrepreneurial intention questionnaire was solely designed for the theory of planned behaviour as it is applied to entrepreneurship (Liñán, Urbano and Guerrero, 2011:215; Liñán and Chen, 2009:600). Liñán, Rodríguez-Cohard and Rueda-Cantuche (2011:196) suggest that this entrepreneurial intention questionnaire could be a valuable instrument for evaluating the impact of entrepreneurship education programmes. The reliability of the measuring instrument was tested by means of Cronbach’s Alpha. Garson (2009:2) states that the cut-off criteria for internal consistency reliability is 0.60 for exploratory research and that alpha of at least 0.70 or higher is required to retain an item in an adequate scale. The used questionnaire had the Cronbach Alpha values ranging from .722 to .818 (Liñán and Chen, 2009:198). The reliability of the measuring instrument was tested and the Cronbach’s Alpha values ranged from .750 to .904, suggesting that it was a reliable instrument for use in this study. Students were informed about the purpose of the research and were asked to freely participate in the study by completing the questionnaire. The questionnaires comprised questions measuring entrepreneurial intention (four questions), attitude towards becoming an entrepreneur (five questions) and perceived behavioural control (seven questions) that were based on a seven-point Likert scale ranging from 1 = Totally disagree to 7 = Totally agree (Table 1). Data on exposure to entrepreneurship education (1 = had entrepreneurship module, 2 = No entrepreneurship module) and biographical details (1 = male, 2 = Female) were collected using nominal scales. Students completed the questionnaires in the presence of the researcher.

Table 1: Measures of entrepreneurial intention, attitude towards becoming an entrepreneur and perceived behavioural control

<table>
<thead>
<tr>
<th>Variable</th>
<th>Items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial intention</td>
<td>I am ready to do anything to be an entrepreneur.</td>
<td>.750</td>
</tr>
<tr>
<td></td>
<td>My professional goal is to be an entrepreneur.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will make every effort to start and run my own business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am determined to create a business venture in the future.</td>
<td></td>
</tr>
<tr>
<td>Attitude towards becoming an entrepreneur</td>
<td>Being an entrepreneur implies more advantages than disadvantages to me.</td>
<td>.847</td>
</tr>
<tr>
<td></td>
<td>A career as an entrepreneur is totally attractive to me.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If I had the opportunity and resources, I’d like to start a business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amongst various options, I would rather be an entrepreneur.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Being an entrepreneur would give me great satisfaction.</td>
<td></td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>To start a business and keep it working would be easy for me.</td>
<td>.904</td>
</tr>
<tr>
<td></td>
<td>I am able to control the creation process of a new business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I would have complete control over the situation if I start and run a business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am prepared to do anything to be an entrepreneur.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I know all about the necessary practical details needed to start a business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If I wanted to, I could easily start and run a business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If I tried to start a business, I would have a high chance of being successful.</td>
<td></td>
</tr>
</tbody>
</table>
Data analysis
The Statistical Package for the Social Sciences (SPSS) was used to analyse the data. Because the data did not have a normal distribution non-parametric statistics were applied. Saunders, Lewis and Thornhill (2009:449) define non-parametric statistics as the statistics that have been designed for use when the data are not normally distributed. This statistical technique include the Mann-Whitney U test that was used to test differences in entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control between the groups based on their different levels of exposure to entrepreneurship education.

RESULTS
Characteristics of the sample
This study involved 329 students who were registered for various commerce degrees. Of the 329 respondents 57.1% were female and 41.9% were male. In terms of age 24.6% were in the age category between 18 and 21 years, 61.1% of the respondents were in the age category between 22 and 25 years, 7.6% were in the age category between 26 and 30 years, 2.7% were in the age category between 31 and 35 years, while 2.7% were above 36 years. In terms of exposure to entrepreneurship education, 42.6% of the respondents have had a one year module in entrepreneurship while 57.1% did not have exposure to entrepreneurship education.

Differences in entrepreneurial intention based on exposure to entrepreneurship education
The nonparametric Mann-Whitney U test was used to determine how the groups of respondents differed from each other in entrepreneurial intention based on their different levels of exposure to entrepreneurship education. The results in Table 2 revealed that students who have had exposure to entrepreneurship education were statistically significantly different (p < .01) from those who did not have such exposure in entrepreneurial intention. Students who have had exposure to entrepreneurship education had higher mean rank values than those who did not have exposure to entrepreneurship education for all four entrepreneurial intent factors. The results suggest that entrepreneurship education stimulates the intention to start a business. Therefore, the first hypothesis is accepted (H1).

Table 2: Mann-Whitney U test results for the differences in entrepreneurial intention based on exposure to entrepreneurship education

<table>
<thead>
<tr>
<th>Entrepreneurial intention</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am ready to do anything to be an entrepreneur</td>
<td>Entrepreneurship module = 187.02</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>No entrepreneurship module = 148.48</td>
<td></td>
</tr>
<tr>
<td>My professional goal is to be an entrepreneur</td>
<td>Entrepreneurship module = 181.43</td>
<td>0.003**</td>
</tr>
<tr>
<td></td>
<td>No entrepreneurship module = 152.68</td>
<td></td>
</tr>
<tr>
<td>I will make every effort to start and run my own business</td>
<td>Entrepreneurship module = 190.31</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>No entrepreneurship module = 146.02</td>
<td></td>
</tr>
<tr>
<td>I am determined to create a business venture in the future</td>
<td>Entrepreneurship module =181.29</td>
<td>0.006**</td>
</tr>
<tr>
<td></td>
<td>No entrepreneurship module =152.78</td>
<td></td>
</tr>
</tbody>
</table>

** P < .01

With regard to the attitude towards becoming an entrepreneur, the results (Table 3) indicate that students who have had exposure to entrepreneurship education differed significantly (p < .01 and p < .05) from those who did not have such exposure in the attitude towards becoming an entrepreneur. The mean rank values of students who have had exposure to entrepreneurship education were significantly higher than the mean rank values of those who did not have such exposure on four of the five attitude factors. The results suggest that entrepreneurship education could be a valuable tool in developing positive entrepreneurial attitudes. The findings provides partial support for the second hypothesis (H2).
Table 3: Mann-Whitney U test results for the differences in the attitude towards becoming an entrepreneur based on exposure to entrepreneurship education

<table>
<thead>
<tr>
<th>Entrepreneurial intention</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being an entrepreneur implies more advantages than disadvantages to me.</td>
<td>Entrepreneurship module = 186.31 No entrepreneurship module = 149.02</td>
<td>0.000**</td>
</tr>
<tr>
<td>A career as an entrepreneur is totally attractive to me.</td>
<td>Entrepreneurship module = 189.45 No entrepreneurship module = 146.66</td>
<td>0.000**</td>
</tr>
<tr>
<td>Amongst various options, I would rather be an entrepreneur.</td>
<td>Entrepreneurship module = 183.19 No entrepreneurship module = 151.36</td>
<td>0.002**</td>
</tr>
<tr>
<td>Being an entrepreneur would give me great satisfaction.</td>
<td>Entrepreneurship module = 176.89 No entrepreneurship module = 156.09</td>
<td>0.033*</td>
</tr>
</tbody>
</table>

*P < .05 ** P < .01

The results in Table 4 show that students who have had exposure to entrepreneurship education were statistically significantly different (p < .01 and p < .05) from those who did not have such exposure in perceived behavioural control. Students who have had exposure to entrepreneurship education had higher mean rank values than those who did not have exposure to entrepreneurship education on all seven perceived behavioural control factors. It follows from the results that entrepreneurship education enhances perceived capability to start a business by equipping students with the skills to do so. Therefore, the third hypothesis is accepted (H3).

Table 4: Mann-Whitney U test results for the differences in perceived behavioural control based on exposure to entrepreneurship education

<table>
<thead>
<tr>
<th>Entrepreneurial intention</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>To start a business and keep it working would be easy for me.</td>
<td>Entrepreneurship module = 180.49 No entrepreneurship module = 153.38</td>
<td>0.009**</td>
</tr>
<tr>
<td>I am able to control the creation process of a new business.</td>
<td>Entrepreneurship module = 182.93 No entrepreneurship module = 151.55</td>
<td>0.002**</td>
</tr>
<tr>
<td>I would have complete control over the situation if I start and run a business.</td>
<td>Entrepreneurship module = 180.65 No entrepreneurship module = 153.26</td>
<td>0.008**</td>
</tr>
<tr>
<td>I am prepared to do anything to be an entrepreneur.</td>
<td>Entrepreneurship module = 186.60 No entrepreneurship module = 148.80</td>
<td>0.000**</td>
</tr>
<tr>
<td>I know all about the necessary practical details needed to start a business.</td>
<td>Entrepreneurship module = 191.05 No entrepreneurship module = 145.46</td>
<td>0.000**</td>
</tr>
<tr>
<td>If I wanted to, I could easily start and run a business.</td>
<td>Entrepreneurship module = 180.44 No entrepreneurship module = 153.42</td>
<td>0.009**</td>
</tr>
<tr>
<td>If I tried to start a business, I would have a high chance of being successful.</td>
<td>Entrepreneurship module = 178.00 No entrepreneurship module = 155.25</td>
<td>0.021*</td>
</tr>
</tbody>
</table>

*P < .05 ** P < .01

CONCLUSIONS

The purpose of this study was to investigate the entrepreneurial intentions of rural university students and whether exposure to entrepreneurship education influences the intention to start a business. The majority of students in this study have the intention start their own businesses in the future. The findings have shown that the respondents who have had exposure to entrepreneurship education differed statistically significantly from those who did not have this exposure in entrepreneurial intent. It follows from the findings that efforts to stimulate rural entrepreneurial activity in South Africa are more likely to succeed if more students are exposed to entrepreneurship education. The results support earlier research that has found that exposure to entrepreneurship education is positively associated with the intention to start a business (for example Muofhe and Du Toit, 2011:13; Dickson et al., 2008:248; Ramayah and Harun, 2005:18; Alvarez and Jung, 2004:1; Owusu-Ansah, 2004:9-10; Souitaris et al., 2007:582).

The shortcomings of this study lies in its cross-sectional nature. It is therefore impossible to infer causal relationships and actual behaviour. Owing to the use of a convenience sample the results cannot be generalised to all rural university students in South Africa. The researcher did not control other forms of exposure to entrepreneurship such as entrepreneurial role models and prior start-up experience which might have contributed to the intention of the respondents to start a business. The study only focused on the association between exposure to entrepreneurship education, entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control. In this case it is not clear whether entrepreneurship education leads to the establishment of new ventures by those who were exposed to it.
However, the U.S. SBA (2006:129) and Dickson et al. (2008:247 & 250) reported a positive association between entrepreneurship education and subsequent entrepreneurial activity.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

Entrepreneurship is an intentionally planned activity. An understanding of the antecedents of entrepreneurial intention and the factors impacting on these antecedents is vital in improving the efforts to promote entrepreneurship especially in South Africa, where the unemployment rate is high. The results of this study have shown that entrepreneurship education can be one of the valuable tools to stimulate entrepreneurial intention. This means that more students should be exposed to entrepreneurship education in order to increase the number of people with intentions to start a business. Since entrepreneurial intention is positively associated with entrepreneurial behaviour (Kolvereid and Isaksen, 2006:881; Zhang and Yang, 2006:167; Delanoë, 2013:393), policymakers could facilitate the establishment of new ventures by those with entrepreneurial intention by providing them with support to do so.

For higher education institutions, the findings suggest that entrepreneurial intention models could be valuable tools in designing and evaluating the impact of education programmes on the entrepreneurial intention of students. For example, these models can be used to assess the impact of entrepreneurship education programmes on changing the antecedents of entrepreneurial intention and ultimately entrepreneurial behaviour (Fayolle et al., 2006:705). Studies on entrepreneurial intention are still very few in South Africa. Therefore, there is a need for more knowledge regarding the factors influencing the antecedents of entrepreneurial intention. Future research can apply entrepreneurial intention models to examine for example, the impact of entrepreneurial support and socio-cultural factors on entrepreneurial intention and behaviour. Despite the high unemployment in the country, South Africa continues to experience low TEA rates (Herington and Kelley, 2013:28). Therefore, an understanding of the effect of entrepreneurial support and societal values on entrepreneurial activity could shed some light into this problem. Liñán et al. (2013) are of the view that there should be increased efforts towards the social legitimation of entrepreneurship and raising students’ awareness of support bodies, and training and support measures. According to Iakovleva et al. (2011:365), government initiatives could affect the establishment of new ventures only if they influence the antecedents of entrepreneurial intention and motivate the youth to start their own businesses.

**REFERENCE LIST**


THE RELATIONSHIP BETWEEN SOCIAL CAPITAL AND ENTREPRENEURIAL INTENTION

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ABSTRACT
This paper investigates the relationship between social capital and entrepreneurial intention of final-year commerce students in the Limpopo province. It is based on Ajzen’s Theory of Planned Behaviour (TPB). The study was carried out by means of a survey and included 329 final-year commerce students at a rural university in the Limpopo province. A structured questionnaire was used to collect the data. Data were analysed by means of the Statistical Package for the Social Sciences (SPSS). Social capital was found to be statistically significantly correlated with the attitude towards becoming an entrepreneur, perceived behavioural control and entrepreneurial intention. The TPB seems to be a valuable tool in understanding the relationship between social capital and entrepreneurial intention. This study contributes to an understanding of the role of social capital in entrepreneurship in South Africa in terms of its relationship with the intention to start a business.

Key words: Entrepreneurial intention, Social capital, Theory of planned behaviour.

INTRODUCTION
The role of entrepreneurship in economic growth, innovation, wealth and job creation is widely recognised (Sanchez, 2013:447; Sen, 2013:624; Ramos-Rodríguez, Medina-Garrido, Lorenzo-Gómez and Ruiz-Navarro, 2010:566; Department of Trade and Industry (DTI), 2010:1). As a result, policymakers have taken the promotion of entrepreneurship as an important strategy that could stimulate economic development and create jobs (Liñan, Rodríguez-Cohard and Rueda-Cantuche, 2011:196). Since 1995 the South African government has put a number of measures in place to foster an enabling environment for small businesses and various institutions have been set up to provide support to small, medium and micro enterprises (DTI, 2005:3). Despite the existence of these initiatives, since 2002 South Africa’s total entrepreneurial activity rates had been reported to be very low compared to those of other countries (Turton and Herrington, 2013:17) and the percentage of individuals who have entrepreneurial intentions is 12%, which is significantly low among the Sub-Saharan African Countries (Herrington and Kelley, 2013:8). With the high rate of unemployment among the young people aged between 15 to 34 years (Statistics South Africa, 2014:17), South Africa urgently needs to develop targeted interventions that could stimulate the motivation among the youth to start their own business in order to reduce the unemployment rate. Aviram (2006:166) suggests that efforts to encourage entrepreneurship may be an effective method to reduce unemployment.

Given the foregoing, process-oriented cognitive models (Wickham, 2006:73; Segal, Borgia and Schoenfeld, 2005:44) and social capital (Neergaard, Shaw and Carter, 2005:341; Liñan and Santos, 2007:445-446; Klyver and Schett, 2011:3) have become increasingly popular in entrepreneurship research as valuable approaches for understanding the determinants of the decision to embark on an entrepreneurial career. Researchers argue that entrepreneurial intention is the foundation for the new venture creation process (Bird, 1988:443; Linan, Nabi & Krueger, 2013:2). This is based on the fact that entrepreneurial intentions precede action (Shook, Priem & McGee, 2003:380-381; Ajzen, 2012:438; Douglas, 2013:637). Entrepreneurial intention is defined as “self-acknowledged convictions by individuals that they intend to set up new business ventures and consciously plan to do so at some point in the future” (Thompson, 2009:676).

On the other hand, entrepreneurial activity is viewed as a social role that is embedded in networks of interpersonal relationships (Román, Congregado and Millán, 2013:168; Hisrich, Peters and Shepherd, 2008:62). Dakhli and De Clercq (2004:110) postulate that social capital is based on the sociological view of human action that considers entrepreneurs as actors who are shaped by their social environment. This environment also influences the manner in which entrepreneurs recognise opportunities (Anderson and Miller, 2003:17-18). The social cognitive theory supports these views with the emphasis on the importance of vicarious learning in the choice of behaviours (Bandura, 1986:20; Bandura, 1989:21).

While the existence of social capital dates as far back as the nineteenth century, there seems to be a lack of agreement among researchers concerning the definition of social capital. Most researchers define social capital based on its relationship with social networks (Neergaard et al., 2005:342). According to De Carolis, Litzky and Eddleston (2009:530), social capital is “the goodwill and resources that emanate from an individual’s network of social relationships”. An entrepreneur’s social networks and relationships may include people who play different roles such as family members, friends, current or ex-colleagues and business
connections (Klyver, 2007:259). Anderson and Miller (2003:21) opined that social capital is embodied within personal networks of social relations which assist in the resource-acquisition strategies required for new venture creation and success.

Previous research indicates that the presence of more successful entrepreneurs in the direct environments of individuals and being in a social circle with many entrepreneurs enhance perceptions of their own capabilities (Bosma, Jones, Autio and Levie, 2007:34; Elango and Winchell, 2007:203; Collins, Hannon and Smith, 2004:460) and are strongly associated with entrepreneurship (Muhanna, 2007:99; Liñán and Santos, 2007:450). A lot of media attention for entrepreneurship about the successes of entrepreneurial role models (Ahwireng-Obeng, 2003:16) and the recognition of entrepreneurship as a good career are also linked to entrepreneurial activity (Bosma et al., 2007:37; Co and Mitchell, 2005:7).

According to Statistics South Africa (2006:1), 89% of the population in the Limpopo province lives in rural areas. Research findings indicate that rural areas experience significantly lower entrepreneurial activity rates than urban areas and are dominated by necessity entrepreneurs (Orford, Herrington and Wood, 2005:17). Therefore, efforts to turn this situation around are needed in order to improve rural economies and reduce unemployment and poverty.

LITERATURE REVIEW

The theory of planned behaviour

Ajzen (2005:116) reports that the TPB is an extension to the theory of reasoned action developed by Ajzen and Fishbein in 1980. According to the TPB, entrepreneurial intentions can be predicted with high accuracy from the attitude towards the behaviour, subjective norms and perceived behavioural control (Ajzen, 2005:118). The intention to start a business derives from a favourable or unfavourable evaluation of doing so, perceived personal capability and perceived social pressure felt by an individual to perform or not to perform the behaviour (Ajzen, 2005:123-125; Ajzen and Cote, 2008:301). Ajzen (2005:123) argues that people develop attitudes from the beliefs they hold about the consequences of performing the behaviour. His view has been supported by a number of studies that have found that the attitude towards entrepreneurship are significantly related to the outcomes such as autonomy, authority, economic opportunity and self-realisation (Kolvereid and Isaksen, 2006:880), independence, self-actualisation and financial success (Fretscher and Weber, 2013:419).

Perceived behavioural control refers to the sense of self-efficacy or ability to perform the behaviour (Ajzen, 2005:118; Ajzen and Cote, 2008:301). It deals with the judgement relating to whether factors that may facilitate or impede the performance of the behaviour are available and the perceived power of these factors (Ajzen and Cote, 2008:303; Ajzen, 2012:447). Perceived behavioural control is determined by control beliefs about the availability of resources and opportunities (Ajzen, 2005:125).

According to Ajzen (2012:443), individuals would feel more pressured to perform the behaviour when they think significant others would approve or disapprove of them in performing a given behaviour and are motivated to comply with their expectations. On the other hand, the likelihood that individuals would engage in a particular behaviour depends on whether their social referents themselves engage or do not engage in it (Ajzen, 2005:124). Important referents may include a person’s parents, spouse, close friends, co-workers and even experts in the behaviour of interest.

In his theory of planned behaviour (TPB) Ajzen (2005:118) proposed that attitudes towards the behaviour, subjective norms and perceived behavioural control determine intentions to behave in particular way. However, the direct effect of subjective norms on entrepreneurial intention was not supported in the majority of studies that attempted to test this theory (for example, Ajzen, 1991 in Liñán and Santos, 2007:445; Krueger, Reilly and Carsrud, 2000:422; Brännback, Heinonen, Hudd and Paasio, 2005:7). It was found that subjective norms impact positively on the attitude towards the behaviour/personal attraction and perceived behavioural control which in turn were consistently reported as having a significant influence on entrepreneurial intention (for example, Oruoch, 2006:24; Liñán, Urbano and Guerrero, 2007:7; Liñán, 2008:266; Guerrero, Lavin and Álvarez, 2009:92; Liñán and Chen, 2009:609). Given these findings, Liñán and Santos (2007:445) suggested that there is a need to include different constructs representing social relationships of an individual (not only social norms) in order to improve the explanatory power of intention-based models. Thus the concept of social capital is proposed (Liñán and Santos, 2007:446). Liao and Welsch (2005:348) assert that an analysis of the impact of social capital on entrepreneurial activity takes into consideration the social context in which new ventures are created.
Social capital relevant to entrepreneurial intent models

Liñán and Santos (2007:447) argue that the kind of social capital to be incorporated into entrepreneurial intention models should be cognitive rather than structural as intentions come before the performance of any specific behaviour. Cognitive social capital can emerge both from the close contact with relatives or friends (bonding cognitive social capital) and from sporadic contacts with other people or organisations in which the individual does not actively participate (bridging cognitive social capital). They assert that bonding social capital based on strong ties from family or other relationships and bridging social capital based on weak ties may contribute to the formation of different values, beliefs or trust favourable to the desirability or feasibility to create a new firm. These authors analysed the influence of social capital on the formation of entrepreneurial intention using a sample of 354 students in Seville. Liñán and Santos (2007:450) found that both bridging and bonding cognitive social capital had a significant influence on entrepreneurial intention indirectly and explained 57 percent of variance in entrepreneurial intention. Bonding cognitive social capital affected entrepreneurial intention indirectly through perceived desirability (Liñán and Santos, 2007:450-451). Its effect is through knowing family entrepreneurs, knowing non-family entrepreneurs, positive valuation of entrepreneurship as a career in the closer environment and approval of the decision to start a business. Bonding cognitive social capital through contacts with entrepreneurial networks and start-up support bodies had a significant influence on perceived feasibility (Liñán and Santos, 2007:452). Tartako (2013:15 & 17) found that higher rates of social capital are significantly associated with the intention to start a business and the actual implementation of the intention to open a new a venture.

Bridge, O’Neill and Martin (2009:124) postulate that social capital can also include enterprising role models which can serve as examples to follow. Driga, Lafuente and Vaillant (2005:5) define role models as “persons that by their attitudes, behaviours, and actions establish the desirability and credibility of a choice for an individual”. Hisrich et al. (2008:61) are of the view that the choice of role models plays an important role in influencing entrepreneurs in their career path. Role models do not only increase the propensity towards entrepreneurship but they serve as mentors during and after the launch of a new venture and they provide a strong support and advisory system in every phase of the new venture. Previous research has found a significant impact of entrepreneurial role models on entrepreneurial intention (Paasio and Pukkinen, 2005:5; Van Auken, Stephens, Fry and Silva, 2005:6; Veciana, Aponte and Urbano, 2005:179; Dohse and Walter, 2012:890). Hytti, Paasio and Pukkinen (2005:9) found that entrepreneurial role models in the family (parents, sisters and brothers) increase the likelihood for setting up the firm. They found that parents as entrepreneurs increase the intent and feasibility of the entrepreneurial career but not the desirability. The findings indicate that having the spouse as an entrepreneur influences perceived personal desirability, feasibility and intent to set up the firm (Hytti et al., 2005:9-10). Moufhe and DuToit (2011:13) reported that entrepreneurial role models are significantly related to entrepreneurial intention, attitude towards entrepreneurship, self-efficacy and perceived behavioural control. The knowledge of other people who are entrepreneurs increases the likelihood of recognising business opportunities (Ramos-Rodriguez et al., 2010:576).

Pruett, Shinnar, Toney, Llopis and Fox (2009:585) found that the culture, the presence of entrepreneurs in the immediate family and expectation of family support are significantly related to entrepreneurial intentions. Respondents who expected that their family members will react negatively were less likely to intend to pursue entrepreneurship (Pruett et al., 2009:590). Research findings indicate that entrepreneurs are able to raise start-up funds and obtain labour from extended family members and friends. Parents are regarded as instrumental in providing encouragement and practical support that are needed during the start-up stage (Cruickshank and Rolland, 2006:73). Dohse and Walter (2012:890) found that individuals are more likely to form entrepreneurial intentions when they think that they will receive support from their strong ties.

Klyver, Hindle and Meyer (2008:332) report that entrepreneurs can through their networks derive the most important resources such as information; access to finance; access to skills, knowledge and advice; social legitimacy; reputation and credibility. Social networks can influence the different aspects of entrepreneurship such as opportunity seeking, resource acquisition and establishment of a business (Casson and Giusta, 2007:230). Vecchieri and Pelloni (2006:387) found that there is a strong negative relationship between social capital and the probability of adopting institutional assistance.

PROBLEM INVESTIGATED

Entrepreneurial intention has been reported as a precursor to the entrepreneurial behaviour. Hence the development of entrepreneurial intention is the first step in the new venture creation process (Shook et al., 2003:380-381). On the other hand, individuals are influenced by their social relations with others in their decision to follow the entrepreneurial career path. The purpose of this study was to investigate the
relationship between social capital and entrepreneurial intention of final year commerce students at a rural university in the Limpopo province based on the Theory of Planned Behaviour (TPB).

**RESEARCH OBJECTIVES**

The primary objective of this study was to determine the relationship between social capital and entrepreneurial intention.

The following hypotheses were formulated in order to achieve the primary objective:

- **H₁**: A positive relationship exists between entrepreneurial intention and the attitude towards becoming an entrepreneur.
- **H₂**: A positive relationship exists between entrepreneurial intention and perceived behavioural control.
- **H₃**: Individuals with high levels of social capital differ significantly from those with low levels of social capital in their intention to start a business.
- **H₄**: Individuals with high levels of social capital differ significantly from those with low levels of social capital in their attitude towards becoming an entrepreneur.
- **H₅**: Individuals with high levels of social capital differ significantly from those with low levels of social capital in how they perceive their own capability to start a business/perceived behavioural control.

**RESEARCH METHODOLOGY**

**Sample**

This study was carried out by means of a survey and included 329 final-year commerce students at a rural university in Limpopo. The reason for choosing this group of students is that they were suitable for studying entrepreneurial intentions as they were facing important career decisions on completion of their studies of which entrepreneurship could be one of them. This is in line with other similar studies such as (Krueger et al., 2000:420; Liñán and Chen, 2009:602; Liñán, 2008:263; Liñán et al., 2007:5).

**Data collection instrument**

Data was collected using a structured questionnaire that was distributed to students during their lectures. The questionnaire was developed based on validated questionnaires that were used in previous entrepreneurial intention and social capital studies such as Liñán and Chen (2009:612-613); Liñán and Santos (2007:448); Liñán (2008:270); Liñán et al. (2007:9) and Guerrero et al. (2009:8). All questions measuring entrepreneurial intention and its antecedents were adopted without alterations from Liñán and Chen’s (2009) Entrepreneurial Intent Questionnaire that was developed for Ajzen’s theory of planned behaviour. Additional measures of social capital were derived from Klyver and Schøtt (2008:8); Liao and Welsch (2002:5) and Liao and Welsch (2005:354). Social capital comprised four components that include knowledge of entrepreneurs, subjective norms (approval by the immediate family, friends and colleagues of the decision to start a business), valuation of the entrepreneurial activity in the closer and social environment, and family support. The questionnaire consisted of 27 questions that were based on a seven-point Likert scale (1=Totally disagree, 7=Totally agree) and five questions that were based on nominal scales as illustrated in Table 1. Seven point Likert scale type questions were used to collect data on entrepreneurial intention, the attitude towards becoming an entrepreneur, perceived behavioural control and social capital. Nominal scales (1 = Yes or 2 = No questions) were used for biographical data.

The reliability of the measuring instrument was tested by means of Cronbach’s Alpha. Garson (2009:2) states that the cut-off criteria for internal consistency reliability is 0.60 for exploratory research and that alpha of at least 0.70 or higher is required to retain an item in an adequate scale. The Cronbach’s Alpha values ranged from .769 to .924, suggesting that it was a reliable instrument for the study. Students were informed about the purpose of the research and were asked to freely participate in the study by completing the questionnaire. Students had to complete the questionnaires in the presence of the researcher. It took students at least 10 minutes to complete the questionnaire.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Items</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial intention</strong></td>
<td>I am ready to do anything to be an entrepreneur.</td>
<td>0.924</td>
</tr>
<tr>
<td></td>
<td>My professional goal is to be an entrepreneur.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will make every effort to start and run my own business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am determined to create a business venture in the future.</td>
<td></td>
</tr>
<tr>
<td><strong>Attitude towards becoming an entrepreneur</strong></td>
<td>Being an entrepreneur implies more advantages than disadvantages to me.</td>
<td>0.847</td>
</tr>
<tr>
<td></td>
<td>A career as an entrepreneur is totally attractive to me.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If I had the opportunity and resources, I’d like to start a business.</td>
<td></td>
</tr>
</tbody>
</table>
Amongst various options, I would rather be an entrepreneur. Being an entrepreneur would give me great satisfaction.

| Perceived behavioural control | To start a business and keep it working would be easy for me. I am able to control the creation process of a new business. I would have complete control over the situation if I start and run a business. I am prepared to do anything to be an entrepreneur. I know all about the necessary practical details needed to start a business. If I wanted to, I could easily start and run a business. If I tried to start a business, I would have a high chance of being successful. | .904 |

| Social capital | My friends would approve of the decision to start a business. My immediate family would approve of the decision to start a business. My immediate family values entrepreneurial activity above other activities and careers. My friends value entrepreneurial activity above other activities and careers. My colleagues value entrepreneurial activity above other activities and careers. In my country, entrepreneurial activity is considered to be worthwhile, despite the risks. The culture in my country is highly favourable towards the entrepreneurial activity. I personally know someone who is an entrepreneur. I know successful entrepreneurs in my community. It would be easier for me to receive support from the people that I know than from the government. | .769 |

**Data analysis**

Spearman’s (rho) correlation was used to determine the relationship between social capital, entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control. Kruskal-Wallis test was used to test whether the respondents who have high levels of social capital differed from those with low levels of social capital in entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control.

**RESULTS**

**Descriptive statistics of the sample characteristics**

This study involved 329 final year rural university students who were registered for various commerce degrees. Of the 329 respondents 58.1% were female and 41.9% were male. In terms of age 25.8% were in the age category between 18 and 21 years, 61.1% of the respondents were in the age category between 22 and 25 years, 7.6% were in the age category between 26 and 30 years, 2.7% were in the age category between 31 and 35 years, while 2.7% were above 36 years. These statistics mean that about 97% of the respondents were falling in the youth category. In terms of prior exposure to entrepreneurship for the three questions that were based on a nominal scale, 7% of the respondents were currently running their own businesses, 32.8% of the respondents have tried to start a business before while 28.6% of the respondents were coming from the families with members who were running businesses.

The relationship between social capital, entrepreneurial intention and its antecedents

The results of the Spearman’s correlation test (Table 2) revealed that social capital is statistically significantly (p < .01) correlated with entrepreneurial intention and its antecedents. Social capital had a positive but weak relationship with entrepreneurial intention (r = .238), the attitude towards becoming an entrepreneur (r = .342) and perceived behavioural control (r = .288). The results further indicated a significantly (p < .01) positive and strong relationship between entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control. The results suggest that the intention to start a business is formed based on the attractiveness of the entrepreneurial career and perceived personal capability of starting a business. From the results it follows that individuals are more likely to intend to start their own businesses, hold positive attitude towards becoming an entrepreneur and feel personally capable of starting...
their own businesses when their immediate families, friends and colleagues approve of their decision to do so; when they know other people who are entrepreneurs or successful entrepreneurs; when they perceive that entrepreneurial activity is positively valued in their closer environment and by the society; and when they think their family would support them.

Table 2: Descriptive statistics and correlations among variables

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Entrepreneurial intention</th>
<th>Attitude towards becoming an entrepreneur</th>
<th>Perceived behavioural control</th>
<th>Social capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial intent</td>
<td>2.22</td>
<td>.960</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitude towards becoming an entrepreneur</td>
<td>2.20</td>
<td>.952</td>
<td>.642*</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>2.10</td>
<td>.977</td>
<td>.573</td>
<td>.543</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Social capital</td>
<td>2.71</td>
<td>1.688</td>
<td>2.98</td>
<td>.342</td>
<td>.288</td>
<td>1.000</td>
</tr>
</tbody>
</table>

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

Differences in entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control between the respondents with high, average and low levels of social capital

Based on the averages that were calculated for social capital, three groups emerged namely: the respondents with high, average and low levels of social capital. Kruskal-Wallis test was used to determine if the three groups differ with regard to their entrepreneurial intention, the attitude towards becoming an entrepreneur and perceived behavioural control. The results of the Kruskal-Wallis test show that the respondents who had high, average and low levels of social capital differed significantly (p < .01) in entrepreneurial intention (Table 3), the attitude towards becoming an entrepreneur (Table 4) and perceived behavioural control (Table 5). The results provide support for hypotheses 3, 4 and 5.

Table 3: Differences in entrepreneurial intention between the respondents with high, average and low levels of social capital

<table>
<thead>
<tr>
<th>Entrepreneurial intention</th>
<th>Chi-square</th>
<th>Degrees of freedom</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am ready to do anything to be an entrepreneur.</td>
<td>18.697</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I will make every effort to start and run my own business.</td>
<td>19.438</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I am determined to create a business venture in the future.</td>
<td>21.563</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>My professional goal is to be an entrepreneur.</td>
<td>18.998</td>
<td>2</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

** P < 0.01

Table 4: Differences in the attitude towards becoming an entrepreneur between the respondents with high, average and low levels of social capital

<table>
<thead>
<tr>
<th>Attitude towards becoming an entrepreneur</th>
<th>Chi-square</th>
<th>Degrees of freedom</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being an entrepreneur implies more advantages than disadvantages to me.</td>
<td>23.680</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>A career as an entrepreneur is totally attractive to me.</td>
<td>20.819</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>If I had the opportunity and resources, I’d like to start a business.</td>
<td>33.196</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>Amongst various options, I would rather be an entrepreneur.</td>
<td>27.760</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>Being an entrepreneur would give me great satisfaction.</td>
<td>28.797</td>
<td>2</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

** P < 0.01
Table 5: Differences in perceived behavioural control between the respondents with high, average and low levels of social capital

<table>
<thead>
<tr>
<th>Perceived behavioural control</th>
<th>Chi-square</th>
<th>Df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>To start a business and keep it working would be easy for me.</td>
<td>15.745</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I am able to control the creation process of a new business.</td>
<td>16.505</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I would have complete control over the situation if I start and run a business.</td>
<td>32.704</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I am prepared to do anything to be an entrepreneur.</td>
<td>34.562</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>I know all about the necessary practical details needed to start a business.</td>
<td>27.404</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>If I wanted to, I could easily start and run a business.</td>
<td>16.316</td>
<td>2</td>
<td>0.000**</td>
</tr>
<tr>
<td>If I tried to start a business, I would have a high chance of being successful.</td>
<td>44.713</td>
<td>2</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

** P < 0.01

Furthermore, Mann-Whitney U test was used to determine which group differed significantly from the others based on the results in Tables 3, 4 and 5. No significant differences were found between the respondents with average and low levels of social capital and between the respondents with average and high levels of social capital in entrepreneurial intention. The respondents with high levels of social capital differed significantly (p < .01) from those with low levels of social capital in entrepreneurial intention. The results in Table 6 indicate that the respondents with high levels of social capital had significantly higher mean rank values in all entrepreneurial intent factors than those with low levels of social capital. It can be deduced from the results that the higher the levels of social capital, the more an individual would intend to start a business.

Table 6: Differences in entrepreneurial intention between the respondents with high and low levels of social capital

<table>
<thead>
<tr>
<th>Entrepreneurial intent factors</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am ready to do anything to be an entrepreneur.</td>
<td>High social capital = 170.37 Low social capital = 108.93</td>
<td>0.000**</td>
</tr>
<tr>
<td>I will make every effort to start and run my own business.</td>
<td>High social capital = 109.67 Low social capital = 170.25</td>
<td>0.000**</td>
</tr>
<tr>
<td>I am determined to create a business venture in the future.</td>
<td>High social capital = 170.37 Low social capital = 108.90</td>
<td>0.000**</td>
</tr>
<tr>
<td>My professional goal is to be an entrepreneur.</td>
<td>High social capital = 170.75 Low social capital = 106.50</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

** P < 0.01

With regard to the attitude towards becoming an entrepreneur, the results revealed no significant differences between the respondents with average and low levels of social capital and between the respondents with average and high levels of social capital. However, those high levels of social capital differed significantly (p < .01) from those with low levels of social capital in their attitude towards becoming an entrepreneur. The respondents with high levels of social capital had significantly higher mean rank values in all attitude factors than those with low levels of social capital, as shown in Table 7.

Table 7: Differences in the attitude towards becoming an entrepreneur between the respondents with high and low levels of social capital

<table>
<thead>
<tr>
<th>Attitude towards becoming an entrepreneur</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being an entrepreneur implies more advantages than disadvantages to me.</td>
<td>High social capital = 171.58 Low social capital = 101.24</td>
<td>0.000**</td>
</tr>
<tr>
<td>A career as an entrepreneur is totally attractive to me.</td>
<td>High social capital = 170.80 Low social capital = 106.22</td>
<td>0.000**</td>
</tr>
<tr>
<td>If I had the opportunity and resources, I’d like to start a business.</td>
<td>High social capital = 172.64 Low social capital = 94.55</td>
<td>0.000**</td>
</tr>
<tr>
<td>Amongst various options, I would rather be an entrepreneur.</td>
<td>High social capital = 172.24 Low social capital = 97.09</td>
<td>0.000**</td>
</tr>
<tr>
<td>Being an entrepreneur would give me great satisfaction.</td>
<td>High social capital = 172.11 Low social capital = 97.89</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

** P < 0.01

Significant differences (p < .01) were found between perceived behavioural control of the respondents with high levels of social capital and those with low levels of social capital (Table 8). The respondents with high levels of social capital had significantly higher mean rank values for all perceived behavioural control factors than those with low levels of social capital. No significant differences in perceived behavioural control were found between the respondents with average and low levels of social capital. The respondents with high
levels of social capital differed significantly \( (p < .01) \) from those with average social capital on two perceived behavioural control factors (Table 9). The respondents with high levels of social capital had significantly higher mean rank values with regard to perceptions of being prepared to do anything to become an entrepreneur and knowing all the necessary practical details to start a business. Surprisingly, the respondents with average social capital differed significantly \( (p < .01) \) from those with high levels of social capital on perceptions concerning the ease with which could start a business and keep it working.

**Table 8: Differences in perceived behavioural control between the respondents with high and low levels of social capital**

<table>
<thead>
<tr>
<th>Perceived behavioural control</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
</table>
| To start a business and keep it working would be easy for me.          | High social capital = 168.81  
Low social capital = 118.84 | 0.001** |
| I would have complete control over the situation if I start and run a business. | High social capital = 173.15  
Low social capital = 91.28 | 0.000** |
| I am prepared to do anything to be an entrepreneur.                    | High social capital = 172.76  
Low social capital = 93.75 | 0.000** |
| I know all about the necessary practical details needed to start a business. | High social capital = 171.65  
Low social capital = 100.78 | 0.000** |
| If I wanted to, I could easily start and run a business.               | High social capital = 170.10  
Low social capital = 110.66 | 0.000** |
| If I tried to start a business, I would have a high chance of being successful. | High social capital = 174.85  
Low social capital = 80.49 | 0.000** |

**P < 0.01**

**Table 9: Differences in perceived behavioural control between the respondents with average and high levels of social capital**

<table>
<thead>
<tr>
<th>Perceived behavioural control</th>
<th>Mean rank</th>
<th>p-value</th>
</tr>
</thead>
</table>
| To start a business and keep it working would be easy for me.          | High social capital = 141.54  
Average social capital = 210.83 | 0.001** |
| I am prepared to do anything to be an entrepreneur.                    | High social capital = 144.69  
Average social capital = 64.33 | 0.000** |
| I know all about the necessary practical details needed to start a business. | High social capital = 144.71  
Average social capital = 63.42 | 0.000** |

**P < 0.01**

**CONCLUSIONS**

The study sought to determine the relationship between social capital and entrepreneurial intention based on the TPB. The findings indicate that social capital is statistically significantly correlated with entrepreneurial intention and its antecedents (attitude towards becoming an entrepreneur and perceived behavioural control). The results suggest that perceptions of social capital impact positively on the intention to start a business, the attitude towards becoming an entrepreneur and perceived behavioural control. From the results it follows that individuals are more likely to form intentions to start a business, develop favourable attitude towards becoming entrepreneurs and feel personally capable of starting a business when they think doing so would be approved by their immediate family, friends and colleagues; they personally know someone who is an entrepreneur and know successful entrepreneurs in their communities; think their family would support them; and the entrepreneurial activity is positively valued by people close to them and the society in general. The respondents with high levels of social capital differed significantly from those with low levels of social capital in terms of their intention to start a business, the attitude towards becoming an entrepreneur and perceived behavioural control.

Tartarko (2013:15) reported a significant relationship between social capital and the intention to start a business. The findings support earlier research on entrepreneurial role models for example Klyver et al. (2008:339); Van Auken et al. (2005:7); Hytti et al. (2005:9-10); Veciana et al. (2005:179) and Dohse and Walter (2012:890). The findings suggest that celebrating and acknowledging the role of entrepreneurs in the society is vital in order to impact positively on entrepreneurial intention and its antecedents. However, it is worth noting that it is only when these entrepreneurs succeed that they would be a source of inspiration to potential entrepreneurs. Kolvereid and Isaksen (2006:882) found that attitude and subjective norms were significant predictors of self-employment intentions. These authors suggest that it is not only the venture idea and the entrepreneur that should be considered when evaluating or promoting a new venture but the **
entrepreneurs' household and significant others should be included too. Previous research by Oruoch (2006:24); Liñán and Chen (2009:30); Liñán et al. (2007:7); Liñán (2008:266) and Klyver and Schøtt (2008:13) found that subjective norms affect the attitude towards the behaviour and perceived behavioural control which in turn impacted on the intention to start a business. Liñán et al. (2007:8) and Liñán (2008:268) reported that closer and social valuation of the entrepreneurial activity impact on the antecedents of entrepreneurial intention. In line with Oruoch (2006:24) these findings indicate the importance of social support networks in influencing perceived desirability and perceived feasibility of entrepreneurship as an immediate source of support.

The shortcomings of this study lies in its cross-sectional nature. It is therefore impossible to infer casual relationships and actual behaviour. Since the study used a convenience sample, the results cannot be generalised to all final-year students. Future research could for example, examine how the social capital of entrepreneurs contributes to the growth intention as well as actual growth of their businesses.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

The implication of these findings for government institutions involved in the efforts to support entrepreneurship development is that such efforts should not only be directed at providing tangible and intangible support but should raise awareness of the importance of entrepreneurship for the society. These efforts would lead to increased social support and valuation of entrepreneurship which in turn may lead to entrepreneurial intention by impacting on its theoretical antecedents. Entrepreneurship educators can improve the knowledge of entrepreneurs among students by using entrepreneurs as guest speakers in their classrooms and designing educational tasks that provide students with the opportunity to interact with entrepreneurs.

**REFERENCE LIST**


LOGO-LEADERSHIP DEVELOPMENT: A ROLE-ORIENTATION APPROACH

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ABSTRACT
This qualitative study aimed to ascertain whether an intervention relating to leadership and linked to the life and teachings of Viktor Frankl, eminent logo-therapist, would affect the way aspiring leaders construct leadership in terms of meaning. The research participants comprised 20 students registered for a Master’s degree in Business Management. The data was collected in three steps being (1) a questionnaire, (2) a leadership development intervention, followed by (3) the same questionnaire completed pre-intervention. Framework analysis (Ritchie & Spencer, 1994) and a comparative method were used to analyse the data. The main finding suggests that a meaning-centred leadership development intervention may have an impact on the leadership role-orientation of aspiring leaders, changing from a predominantly career leadership role-orientation to a calling leadership role-orientation. The indication, however, is that this effect largely took place on an explicit (extrinsic) level and to a lesser extent on an implicit (intrinsic) level.

Key words: leadership, logotherapy, Viktor Frankl, calling

INTRODUCTION
Leadership has been widely discussed in classical as well as contemporary literature and the quantity of literature on this topic is growing at an increasing rate (Dinh, Lord, Gardner, Meuser, Liden, & Hu, 2014; Clifton, 2012). Kellerman (2012) argues that in spite of all this research, no clear or acceptable definition is to be found for leadership. However, there is no dispute that effective leadership within an organisation is a source of competitive advantage (Lord & Hall, 2005) and an important consideration by contemporary management. It has been found that leadership affects performance and organisational success, both within South Africa (Kock, Roodt, & Veldsman, 2002) and other countries (Wasserman, Anand & Nohria, 2010). Therefore, the importance of leaders within organisations remains indisputable (Bartone, Eid, Johnsen, Laberg & Snook, 2009).

In 2008 an economic crisis shook the world, described as the worst economic crisis since the Great Depression of the 1930s (Gempesaw, 2009). The main underlying causes of this economic meltdown may be ascribed to greed and unethical behaviour (Curtis, 2008). This raised serious questions about the state of business leadership. Hays (2010) observes that real business leaders were either comfortable with creatively deceiving the boards of directors, employees, governments and communities, or they themselves were defenceless against the deception of others. If anything, the economic crisis is indicative of a leadership crisis. This is also the case of leadership within South Africa. Jansen (2011:166) notes: “Even to the most disinterested observer of South African society, it is abundantly clear that our country has a crisis of leadership.” He continues to explain that this leadership crisis includes business leadership. If contemporary leadership is in crisis, this warrants a fresh attempt at business leadership development (cf. Leskiw & Singh, 2007). Van Velsor and Ascalon (2008) suggest that leadership development has a crucial role to play in promoting ethical behaviour in organisations. Even after the integration of ethics within business curriculums (Gempesaw, 2009), leaders of corporate giants took unreasonable risks to attain personal gain (Robinson, 2010). The challenge to aspiring leaders is more than merely increasing their personal and shareholders’ wealth. Owen (2004:ii) states: “I have come to realise that anybody can make money; it is much harder to make a difference.” Leaders are called to enable meaning in their organisations as there seems to be well established relationships between engaging in meaningful work and positive outcomes (Cameron, 2008).

The difficulty of developing leaders by challenging them beyond the provision of mere financial performance or individual gain might be ameliorated by looking from the vantage point of the individual’s search for meaning in life, or what Viktor E Frankl (1973a; 1973b; 1984a) referred to as the spiritual dimension of human existence. Beyond biological needs such as food and shelter, human beings have a need to find meaning (Hood, Hill & Williamson, 2005). According to Thompson and Janigian (1988), meaning is the
significance and worth of one’s life. Essentially, meaning or purpose answers the question ‘Why am I here?’ (Pratt & Ashforth, 2003). If leaders could recognise the idea that life has meaning, and, in effect, leadership within organisations has meaning, this could provide motivation and inspiration to these leaders beyond pure financial and individual interests.

Throughout history one can identify leaders who appeared to have a specific purpose or meaning and inspired followers to comprehend the importance of their meaning and to follow them. These leaders were not motivated by financial benefits or personal success, but by this sense of purpose. For example Ghandi, Nelson Mandela and O R Tambo, in the South African political struggle for democracy, overcame great difficulties through finding meaning.

It is the contention of this study that aspiring leaders can learn from, or be influenced by the extraordinary lives of great historical leaders and their discovery of meaning. Frankl challenges one’s perceptions of meaning, and the importance thereof on two levels: firstly, by his example of living a life of meaning in times of great suffering and secondly, through his life’s work on logotherapy.

Frankl led an extraordinary life embracing the tragedies of his experiences within the Auschwitz concentration camp in the Second World War (Frankl, 1984a) as an opportunity to study man’s reactions to horrific circumstances. Frankl is an example of a man who held onto meaning despite facing misfortunes including the loss of identity, human dignity and almost his own life on several occasions (Coetzer, 2003). Even after enduring the loss of his mother, father, brother and wife during the war (Coetzer, 2003), Frankl continued to believe that life has meaning and lived accordingly. He stated that “everyone has his own specific vocation or mission in life; everyone must carry out a concrete assignment that demands fulfilment. Therein he cannot be replaced, nor can his life be repeated, thus, everyone’s task is unique as his specific opportunity to implement it…” (Frankl, 1984b:99).

Frankl (1973a; 1973b; 1984a), “the prophet of meaning” (Krasko, 2004:22), centralised his research around the importance of finding meaning in life which he referred to as logotherapy (Shantall, 1997). Thus logotherapy is built on the premise that the search for meaning in life is the primary motivational force for all human behaviour (Marshall, 2009). Frankl (1969) explained that meaning in life can be found in one of three ways, being (1) what we contribute to life; (2) what the world offers to us, mostly in terms of relationships; and (3) the stand we take towards an unchangeable fate. The first mentioned category includes engaging in work as an avenue to find meaning. Therefore work, irrespective of the nature and type of work, can be seen as meaningful and purposeful. This is in line with the work-orientation theory by Wrzesniewski (2003; 2012) and Wrzesniewski, McCauley, Rozin and Schwartz (1997) explaining that there are three work-orientations amongst individuals: first, those who are motivated by rewards, namely a job-orientation; second, those who are motivated by success, called a career-orientation and finally, those who are motivated by meaning, namely a calling-orientation. Frankl’s (1969) idea that meaning can be found in work corresponds with, and appears to be at the root of the calling-orientation of Wrzesniewski et al. (1997).

Leaders across positions or industries can find meaning, and furthermore inspire followers undertaking a variety of work to do the same. The person, not the status of a career or profession, provides meaning to the job (Pattakos, 2004a). Meaning can also be found within any industry, doing any variety of work (Wrzesniewski, 2012). If a leader has an appreciation for the importance of meaning and this idea is internalised, the individual could be challenged to reconsider his/her work-orientation as a leader, or more accurately leadership role-orientation. Therefore, the leader is challenged to reconsider the question ‘why do I lead?’

Leadership with meaning, or what Mayfield and Mayfield (2012) refer to as logo-leadership, is the connection between leadership and Frankl’s logotherapy. Mayfield and Mayfield (2012) describe a logo-leader as a leader who incorporates logotherapeutic techniques, finds his/her own meaning and assists employees to search for meaning. For that reason, a leader must first appreciate the importance and benefits of finding meaning in order to be motivated to search for this individual specific meaning. And only when the leader has an appreciation for meaning, will followers in turn be encouraged to find meaning. Therefore, the point of departure in developing leaders in this regard, is to promote an appreciation for the importance of meaning, for leadership in general, and for the individual as a leader in particular. Leaders must thus be challenged to reconsider the question ‘why do leaders lead?’
LITERATURE REVIEW
Frankl’s approach to meaning: logotherapy

Logotherapy is an unconditional positive view of life; a “meaning-orientated approach” in that it pursues the “essence of life” or primary motivating force being the search for meaning in life (Marshall, 2009:8). Frankl (1969) professed that there are three pillars to logotherapy, namely (1) freedom of will, (2) will to meaning, and (3) meaning in life. Firstly, freedom of will opposes determinism which states that one’s being is determined by circumstances, for example genetic and cultural influences. Therefore, freedom of will refers to one’s ability to influence one’s life by making choices in all circumstances. Frankl (2000:94) writes: “Unlike an animal, man is no longer told by drives and instincts what he must do...”. Frankl did not deny that circumstantial factors had an influence on an individual, but believed that an individual had freedom of will irrespective of circumstances; and that at the very least, the individual could choose his attitude in any given circumstances (Burger, 2007). Consequently, Frankl held that because all individuals have freedom to will, each one is responsible for his own life, and for finding meaning in his life (Marshall, 2009).

Secondly, Frankl (1973a; 1973b; 1984a) as well as literature based on his principles (Pattakos, 2004a; Coetzer, 2003) point to the importance of the search for meaning, or will to meaning. According to Frankl, the search for meaning in life is the primary motivation or force in life (Burger, 2007). “Man is always reaching out for meaning, always setting out his search for meaning” (Frankl, 1978:31). This is in contrast to Freud’s theory that was based on his belief that people are motivated by urges, such as sex and aggression, or Adler’s theory that individuals are motivated by feelings of inferiority developed in childhood (Burger, 2007). The final pillar of Frankl’s work is the meaning of life. Frankl believed that there is a difference between ultimate and specific meaning to life (Burger, 2007). Ultimate meaning refers to the knowledge that one forms part of a greater order within the universe (Fabry, 1988). Therefore, life is not in total chaos which causes individuals to be at the mercy of life’s ups and downs. Specific meaning, according to Frankl (1984a), can be found in specific circumstances and differs from person to person, and situation to situation (Webber, 2000). It is important to note that specific meaning can be simple, and does not have to be spectacular or serious (Webber, 2000). Although logotherapy should be restricted to specific meaning, ultimate meaning may be used to increase an individual’s receptiveness to specific meaning (Fabry, 1988). Frankl (1954:18) believed “... life has meaning to the last breath”.

Frankl clarified that meaning cannot be created, but must be found in one of three ways. He explains: “Life can be made meaningful in a threefold way: first, through what we give to life (in terms of our creative works); second, by what we take from the world (in terms of our experiences); and third, through the stand we take towards a fate we no longer can change (an incurable disease, and inoperable cancer, or the like)” (Frankl, 1969:15).

The first mode refers to a creative contribution such as work (Krasko, 2004). The creating value can include a number of things from discovering new principles of science or technology, or painting a masterpiece to less ambitious tasks such as cleaning. The work itself does not have to be creative or spectacular, but the individual doing the work must find meaning in work. Therefore, the work is of subjective significance (Krasko, 2004). The intersection between work and finding meaning will be discussed in more detail later in this paper. Secondly, experiential values refer to the experience of love and beauty or other things that are authentic, good and true (Burger, 2007). This includes relationships, such as friendships and feeling part of a community. Finally, one can experience meaning through the attitude one can adopt when facing an unchangeable fate (Krasko, 2004). When faced with a fate that cannot be changed, an individual can find meaning in the suffering.

Taking the above into consideration, it is important to highlight that although it is an individual’s responsibility to find meaning through one or more of the above mentioned avenues, Frankl believed that a person can be assisted to discover the meaning of his/her existence. Burger (2007) explained that it is not logotherapy’s aim to provide meaning to an individual, but that purpose should be provoked. Pattakos (2004b:112) considers the search for meaning a “process” or “journey”, and not a destination or product. Although Frankl (1969) believed a person can be assisted to discover meaning, he was aware that due to the “complex and multiplex character of man and his existence” (Palma, 1976:17) this process may lead to considerable personal anxiety. Lantz (1998:101) explains that this personal anxiety is a side effect of the “meaning awareness and actualization, which are the awareness of vulnerability and personal responsibility.” Usually, such anxiety is managed by resisting meaning or meaning potentials.
Frankl (1992:70) stated that in order to cultivate circumstances that encourage finding meaning one should “…make clear to individuals that meaning exists, under all circumstances, to the last breath, and help them find it through demonstrating various meaning possibilities.” In order to accomplish this, Das (1998) suggests a four step process in which the individual is helped to: (1) detach from problems and symptoms; (2) alter his/her attitude by viewing circumstances with a changed perspective; (3) become open to new meaning possibilities; and (4) discover meaning possibilities within his/her circumstances. Logotherapy is based on a constructivism philosophy (Mahoney & Granvold, 2005), therefore, the last mentioned process happens through dialogue, more specifically the Socratic dialogue (Burger, 2007). This refers to a dialogue style that instead of providing answers helps the participant to discover the knowledge that they already have within them (Burger, 2007). Fabry (1988:9) identified five ‘guideposts’ to steer the dialogue through this process. (1) Self-discovery which facilitates the discovery of specific meaning; (2) choice, increased choices enhance possibilities of meaning; (3) uniqueness, awareness that no one can replace another person; (4) responsibility, accepting responsibility for finding meaning under all circumstances and (5) self-transcendence, going beyond one’s own needs. Fabry (1988) further discussed five techniques available to be used by a logotherapist within this dialogue. (1) Recollection of past meaningful experiences; (2) using a role model’s experiences as inspiration (3) reflecting upon personal greatest experience that point to meaning; (4) understanding previous established dreams within the context of meaning; and (5) provoking fantasies.

Work as a calling
Frankl’s (1984a) theory of meaning appears to be at the root of Wrzesniewski’s (2012) theory of work as a calling. Wrzesniewski (2012) explains that work is subjectively experienced by the individual in one of three ways, referred to as orientations towards work. These orientations guide basic goals for working, determine beliefs individuals have about the role of work in life, and are mirrored in behaviour, feelings and attitudes towards work (Wrzesniewski, 2012). This theory is a helpful framework to comprehend how individuals understand, experience and relate to work.

Three orientations towards work exist that may be defined as a job, a career or a calling (Wrzesniewski, 2003; 2012; Wrzesniewski et al., 1997). Those who see work as a job do their work primarily for financial/material rewards and these rewards are enjoyed outside work life. No personal satisfaction is gained from work itself, and passions are pursued outside work with the financial means provided by work. For example, work is a way to make house payments or pay to pursue a passion to travel. Individuals with a career-orientation are motivated by success. Individuals with this orientation work to achieve power, recognition and advancement that come from performing their work well. Work is thus a means to promotion, renown or gain in advancement, recognition and development of potential. For example, work could be seen as a way to become a senior partner within a firm, a senior manager or executive of a company.

Holding the view of a sense of work as a calling characterises individuals who work for the sake of the work itself. They consider work inherently fulfilling. They seek a greater good, regardless of the material rewards offered by their work. Their work offers a sense of meaning that reaches beyond personal benefit or acquisition of reward. Work is seen as an expression of one’s life’s purpose. Wrzesniewski (2012:46) defines a calling as “a meaningful beckoning toward activities that are morally, socially and personally significant”. Wrzesniewski (2012) argues that callings are (1) action-oriented; (2) pro-social in focus; and (3) evoked by a sense of meaning.

There seems to be clear connections between Frankl’s logotherapy theory of meaning and the concept of calling. Frankl believed that the search for meaning is the primary motivating force that drives human beings (Frankl, 1984a). As discussed previously, one of the three avenues through which an individual may find meaning in life is through work. Experiencing work as inherently meaningful is related to a calling-orientation towards work. Both Frankl (1984a) and Wrzesniewski (2012) are of the opinion that meaningful work is not limited to particular types of work, and may be experienced in any job; that experiencing work as meaningful has significant positive effects such as reduction in stress and depression. Thus Wrzesniewski’s (2012) theory of calling seems to be built on the theoretical foundations that Frankl (1984a) laid out. This correlation is illustrated in Table 1.1 below.
Table 1: Alignment of the work of Frankl and Wrzesniewski

<table>
<thead>
<tr>
<th>Meaning</th>
<th>Calling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of will. Therefore the individual has to take responsibility and has to take steps (action) towards finding meaning.</td>
<td>Action-oriented</td>
</tr>
<tr>
<td>Meaning results from reaching beyond egocentric needs and goals towards others. Ultimate meaning (knowledge that one forms part of a bigger picture) assists the search for meaning.</td>
<td>Pro-social in focus</td>
</tr>
<tr>
<td>Will to meaning. Most basic human need is to find meaning in life.</td>
<td>Evoked by a sense of meaning</td>
</tr>
</tbody>
</table>

There are sufficient benefits for companies on individual (Cameron, 2008; Bunderson & Thompson, 2009; Easterling & Smith, 2008), group (Wrzesniewski, Tosti & Landman, 2006; Hall & Chandler, 2005; Wrzesniewski, 2003) and organisational (Mayfield & Mayfield, 2012; Schlechter & Engelbrecht, 2006; Cartwright & Holmes, 2006) levels when work is experienced as meaningful i.e. work embedded in calling-orientation. It seems that leaders play a crucial role in establishing and maintaining a culture of meaning in the workplace (Rosso, Dekas & Wrzesniewski, 2010). However, they will only be able to accomplish this once they have taken on a leadership role in the form of a calling-orientation. Cameron (2008) made a link between work as a calling and leadership. In this sense work-orientation for the leader becomes one of a role-orientation.

Meaning in relation to leadership
Zaleznik (1977) considers searching for meaning as the most important characteristic of a leader, because it calls for maturity. Foldy, Goldman and Ospina (2008) emphasise the importance of a leader finding meaning and purpose in order to succeed. Ladkin (2008:35) emphasises that it is crucial for a leader to fulfil his or her purpose in an authentic way.

Apart from the requirement of leaders finding meaning for themselves, Gray and Densten (2007) argue that business leaders have an important role to play in assisting their followers in discovering meaning. Speechley's (2005) research on the changing nature of leadership indicates that one of the challenges facing leaders is their role and responsibilities in creating meaning for followers. Varney (2009:5) concludes that leadership is all about ‘meaning-making’. Given their power and influence, leaders play an integral part in creating and cultivating an environment in which employees find meaning (Gacioppe, 2000).

From the above one may conclude that meaning and leadership are connected in two ways, namely (1) for themselves leaders have to experience meaning, and (2) leaders are obliged to inspire and enable their followers to find meaning. Thus, if meaning is imperative for leadership and a leader’s role is about assisting to create and cultivate meaning, new opportunities for leadership development emerge.

Logo-leadership development
Two mutually exclusive views on leadership exist. One school of thought argues that leaders are born, and therefore the needed characteristics develop subconsciously. Hence, no development programme can assist the process (Grint, 2000). Accordingly, recruitment and selection of the correct candidates are key factors to gaining competitive advantage from leadership (Higgs, 2003). The second school of thought states that leaders are made and seeks to understand the conscious steps needed to become a leader.

Frankl (1984a) was of the opinion that meaning in life is discovered, and not created. Wrzesniewski (2012) concurs that callings (related to meaning) can be discovered. This presents a third school of thought, being that leadership, in general, and logo-leadership in particular, may be discovered as opposed to leadership being either innate or made. This suggests that an intervention for the development of logo-leadership should start with a phase for the discovery of meaning. Frankl’s (1984a) logotherapy assists individuals in finding meaning by creating an environment that facilitates the search. Therefore, the methods and principles of logotherapy could, in the same way, be used to facilitate the development of logo-leadership. This study set out to explore the latter. The design of the development intervention used in this study, that may serve as a positive trigger event for logo-leadership development (cf. Burger, 2007; Puente, Crous & Venter, 2007).

PROBLEM INVESTIGATED
The present role models of business leaders seem to have failed the world in that they are seen as being responsible for the current economic crisis that is threatening global economic stability (Hays, 2010). Given their actions, based on greed and power (Starkey & Tempest, 2009), it seems that they are mostly driven by job and career work-orientations with a limited sense of having a calling as leaders. Mindful of the work of
Argyris (1990), the challenge is to bring about change towards leadership with meaning (logo-leadership), not only on a superficial level (espoused theory) (Argyris, 1990) but on a deeper level, namely as a theory-in-use (Argyris, 1990). For the purposes of this study, espoused theory will be referred to as extrinsic, whereas theory-in-use will be referred to as intrinsic. These two action theories are similar to the notion of Weick’s (1976) explicit and implicit opinions or views.

It is proposed that an appreciative inquiry (AI) (positive change intervention) into the work and life of Frankl would constitute an effective ‘positive trigger’ (cf. Burger, 2007; Puente, Crous & Venter, 2007) intervention. The latter would aim to develop aspiring leaders towards logo-leadership through reevaluating the importance for individuals to find meaning in their lives, but more specifically within their organisations, given the context of this study being business management. A study of the potential influence of Frankl’s life and work on aspiring leaders can offer unique insights on the development of leadership. The development of logo-leadership is particularly relevant as the demand on organisations to provide meaning to employees increases (De Klerk, 2005) and the contemporary dynamics of leadership reveal the need to develop leaders who are motivated beyond financial benefits (Allio, 2009). This study proposes that the realisation of the importance of meaning will have an effect on the orientation of aspiring leaders towards work in general, and leadership in particular. As such, this may possibly serve as a positive trigger event for the development of logo-leaders (cf. Burger, 2007; Puente, Crous & Venter, 2007).

Wrzesniewski (2012) makes the claim that a calling-orientation towards work constitutes meaning in work. Wrzesniewski’s (2012) notion of a calling-orientation, therefore suggests that a logo-leader is one who has and enacts a specific role embedded in meaning, namely that of a calling. Frankl’s extraordinary and virtuous life poses the question of whether aspiring leaders can learn from and use his life and work as an inspiration in the discovery of meaning as leaders.

RESEARCH OBJECTIVES
The primary aim of the study was to ascertain whether an intervention relating to leadership and linked to the life and teachings of Viktor Frankl could affect the way aspiring leaders construct leadership in terms of meaning. In order to address this primary aim, these aspiring leaders were exposed to the life and teachings of Viktor Frankl, followed by an AI related to leadership with meaning (logo-leadership). Following from the primary aim, three objectives were posed:
The first objective was to ascertain whether aspiring leaders were able to construct the essence of leadership with meaning (logo-leadership).
The second objective was to ascertain whether aspiring leaders were able to change on an extrinsic (explicit) level with regard to leadership with meaning (logo-leadership) i.e. change their views of the concept of leader role-orientations from job- or career-orientations towards a calling-orientation.
The third objective was to ascertain whether aspiring leaders were able to change on an intrinsic (implicit) level with regard to leadership with meaning (logo-leadership) i.e. change their role-orientations to a calling-orientation rather than a job- or career-orientation.

RESEARCH METHODOLOGY
An exploratory research design is used in this study as dictated by the research objectives. Exploratory research helps to gain insights into a relatively unknown phenomenon (Maree, 2009) and explicate the central concepts and constructs which assist in determining priorities for future research (De Vos, 2000).

The appropriate approach for this study is a qualitative methodology. A qualitative methodology is particularly useful for the study of human behaviour (Bryman, 2004; Denzin & Lincoln, 2003). Due to the relational nature of leadership it is “context sensitive”, and qualitative data can be successfully used to investigate this field (Bryman, Stephens & Campo, 1996:355). Conger (1998:107) is of the opinion that due to the complexity of leadership, qualitative research is the “cornerstone” methodology in the study of leadership.

Sample
The research participants comprised 20 students registered for a Master’s degree in Business Management (MCom Business Management) at a metropolitan university in Johannesburg in the year 2010. The majority of the participants were male (80%) and between the ages of 31- 40 (70%), working in a wide range of industries. These students were chosen because they showed a particular interest in leadership as they volunteered to participate with the knowledge that the study would be a leadership development opportunity.
Process
A qualitative approach was followed. The data was collected in three steps. Each participant answered a pre-intervention questionnaire. Thereafter the participants were exposed to an intervention. First, the intervention consisted of a presentation about the life, ideas and work of Viktor E. Frankl by Burger (2007) who, for his PhD in Industrial Psychology, interpreted the work of Frankl for organisational developmental purposes. The second part of the intervention consisted of an AI (Cooperrider, Whitney, & Stavros, 2008) into leadership with meaning inspired by Frankl and his work. The inquiry consisted of interviews in pairs (meaning two participants interviewed each other using a structured interview guide), followed by a large group discussion. The AI process was facilitated by an expert. Although the AI was used for data collection purposes, it may also be regarded as an intervention since the act of asking questions triggers change, and words used to describe reality help create it (Keefe & Pesut, 2004). This implies that the act of asking positive questions and constructing a response verbally in pairs triggers the change process. Lastly, an individual post-intervention questionnaire was completed.

Instruments and method applied
Two questionnaires were administered, pre and post-intervention. They were identical with the exception of questions relating to demographic and biographic information and a question relating to the knowledge of Frankl’s life and work which were incorporated in the first application (pre-intervention) of the questionnaire.

The questionnaires consist of two sections. The first section consisted of three open-ended questions designed to ascertain the participants’ perceptions of leadership in general. The second section included three questions for measuring the participants’ personal leadership role-orientation. The questions were based on each of the work-orientations described by Wrzesniewski et al. (1997). To answer these questions participants had to rate themselves on a five-point rating scale for each question based on a specific role-orientation.

The method that was chosen and applied in order to bring about positive change in terms of leadership role-orientation was that of an AI (Cooperrider, Whitney & Stavros, 2003) which may be regarded as a potent approach to change and transformation (cf. Bradbury & Reason, 2001). This positive form of action research method came into being within the organisation development domain as an alternative to the traditional problem solving approach to organisational development and change (cf. Crous, 2008). This approach can be seen as meeting the “call for a social and behavioural science that is defined in terms of its ‘generative capacity’” (Ludema, Cooperrider & Barrett, 2006:155).

For the AI, an interview guide was developed. The AI interview guide contained 13 open questions to ensure no unnecessary restriction to the participants’ responses. All questions were worded in a constructive nature of language in order to stay true to the positive character of AI. The unconditional positive questions are in line with the ‘guideposts to meaning’ as set out by Fabry (1988:9).

Data collection
For the process of data collection a stepped approach was followed. First, each participant was requested to complete the first version of the questionnaire before the intervention. The second step, the intervention in the form of an AI, was initiated with interviews in pairs, followed up by a group discussion whereby participants extracted themes and topics related to leadership with meaning, embedded in the stories shared during the interviews in pairs. After the group had reached consensus that the list was comprehensive, each participant received three stickers to vote for the most appropriate ones relating to leadership with meaning. The data was captured on flipchart paper. Finally, the second version of the questionnaire was completed by each participant after the AI intervention.

Data analysis
For the construction of leadership with meaning (logo-leadership), the analysis was completed by the participants themselves in line with the study’s social constructionism approach. This was achieved through a facilitated group process discussion, informed by the interviews in pairs, whereby themes and topics relating to leadership with meaning (logo-leadership) were extracted. Thereafter, a democratic process of individual voting was followed to identify the seven top themes that would comprise the positive core of leadership with meaning (logo-leadership) (Cooperrider et al., 2008). The wording ‘leadership with meaning’ was specifically used instead of logo-leadership in order to avoid confusion as the concept logo-leadership was entirely unknown to the participants. Further, if the participants had been unsure what was meant by the concept logo-leadership and if the researcher had supplied an explanation, this could have influenced the results. Zikmund (2003) warns researchers to avoid using confusing words when doing research.
A variation of framework analysis (Ritchie & Spencer, 1994) was employed in order to investigate change, if any, on an extrinsic (explicit) level with regard to leadership with meaning/leadership role-orientation. Framework analysis is similar to thematic analysis (Lacey & Luff, 2009). The key difference is that although the general approach in both is inductive, framework analysis allows “themes identified a priori to be specified as coding categories” from the outset, in combination with “other themes or concepts that emerge de novo by subjecting the data to inductive analysis” (Dixon-Woods, 2011:39).

The rationale for choosing framework analysis includes the following: (1) it is driven by the accounts of the participants, (2) it is open to change, addition and amendment throughout, (3) it allows for in-case and between-case analysis, and (4) the interpretations gained from the process can be reviewed and judged (Srivastava & Thomson, 2009).

Another benefit of framework analysis is that it follows a systematic linear process that is repeatable and provides focus (Srivastava & Thomson, 2009). Ritchie and Spencer (1994) suggest using a five-step process, this being (1) familiarising with data, (2) identifying a thematic framework, (3) indexing, (4) charting, and (5) mapping and interpreting.

The specific process followed in this study was executed in the following way: The work-orientation theory (Wrzesniewski, 2003; 2012; Wrzesniewski et al., 1997), reframed as leadership role-orientations for the purpose of this study, was used as the framework for the data analysis. In order for the systematic analysis of the data to take place, an analysis was conducted for each individual case. Such a case was therefore “a choice of what is to be studied”, rather than a methodological choice (Stake, 2000:435). Analyses from these cases were thereafter integrated into a general framework.

Themes relevant to each of the role-orientations were identified in two ways. Firstly, a priori themes identified in the literature were presented underneath each of the appropriate role-orientations; secondly, inductive themes identified from the data obtained pre- and post-intervention, were added to the framework. This was done in the following manner: the researcher made notes whilst reading the data repeatedly. In this case the data was read several times for the sake of completeness. Note was taken of Ritchie and Spencer’s (1994) suggestion that logical and intuitive thinking should be combined in order to make connections between ideas, while judging the relevance and importance of themes.

Thereafter, the framework constructed was applied to the data, which is commonly referred to in qualitative analysis as coding or dividing the data into “meaningful analytical units” (Maree, 2009:105). Textual codes were used to identify pieces or sections of data which corresponded with a particular theme (cf. Srivastava & Thomson, 2009).

For the charting phase, the headings from the framework (the three role-orientations of job, career and calling) served as structure. Charting has the benefit of increased transparency of analysis (Dixon-Woods, 2011). Within the chart pieces of data, for example key words or quotations were included separately for the pre- and post-intervention steps. Traditionally, the final stage of analysis, mapping and interpretation, is to search for patterns, associations, concepts and explanations in the data (Srivastava & Thomson, 2009). Unique to this study’s final stage of analysis was that the pre- and post- analyses were compared to each other in order to investigate change, if any.

In order to ascertain change with regard to leadership with meaning/leadership role-orientation on an intrinsic (implicit) level, if any, the numerical scores awarded to a specific role-orientation, pre-intervention were compared to the corresponding orientation scores post-intervention for each case. This was done in order to ascertain to what extent, if any, change took place regarding leadership with meaning/leadership role-orientations on an intrinsic (implicit) level. The individual results were integrated into a table in order to present an overall view of change on the intrinsic (implicit) level. This was followed up by taking into account the highest score given to a specific role-orientation, before and after the intervention by each participant. The individual scores for each role-orientation were added up to provide a group score for these orientations. This allowed for the comparison of the pre-intervention group scores with those of the post-intervention scores in order to ascertain to what extent, if any, change in role-orientation took place.

**Ethical considerations**

The researcher upheld high ethical standards with the data collection, analysis and reporting by reporting as clearly as possible. The study did not rely financially on sponsors who could potentially increase ethical dilemmas (De Vos, 2000). The instruments and processes utilised were approved by the Academic Ethics Clearance Committee of the Faculty of Management before the study commenced. The data was used...
exclusively for this study and not utilised for any other purposes. The participants were not influenced by any benefit received for the study.

Due to the constructive nature of AI and the process being facilitated by an expert in AI, the study exclusively used positive questions to ensure that participants endured no emotional harm, and that participants benefitted from the study. The human rights of the participants were in no way breached or jeopardised, including human dignity. The researcher received informed written consent from the participants, having provided them with sufficient information to make an informed decision whether or not to participate in the study (cf. Bryman, 2004). The questionnaires and interview schedules were marked with a code in order that none of the participants could be identified. Anyone could elect to withdraw at any stage without suffering negative consequences. The participants’ right to privacy was respected throughout the research process. The questionnaires were answered anonymously, using codes to identify and match pre- and post-questionnaires. Finally, the participants were informed that the findings of the study would be made available to them to read should they so wish. The data will be kept for five years.

RESULTS

The pre-intervention questionnaire asked the participants to indicate their previous knowledge of the work of Viktor Frankl. None of the participants had extensive knowledge of Viktor Frankl; 15% had some knowledge of his work and 85% had no knowledge whatsoever before the intervention. Therefore, the majority of the sample was exposed to Frankl’s life and ideas for the first time during this intervention. Thus the possible influence of exposure to Frankl’s life and ideas as an intervention to develop logo-leaders could be studied with this sample.

The first objective of this study was to determine whether an intervention relating to leadership and linked to the life and teachings of Viktor Frankl resulted in aspiring leaders being able to construct the essence of leadership with meaning (logo-leadership). According to the leadership themes that were collectively identified by the participants, a logo-leader is one who has a vision (11 votes), leads by example (11 votes), has passion (9 votes), is selfless (9 votes), is inspirational (8 votes), ethical (8 votes) and empowering (8 votes).


Nelson Mandela (20%) and Ghandi (10%) were the leaders identified by the participants as being representative of logo-leadership. No other leader was mentioned by more than one participant. Three participants used leaders from their personal environment as examples of leaders who lead with meaning. The reasons supplied by the participants included humility, facing difficult circumstances and never giving up, brought meaning to members and focused on people. The political leaders who were mentioned by the participants included Jacob Zuma, John F Kennedy and Steve Biko. One participant referred to Apostle Paul from the Bible as a leader with meaning. The business leaders mentioned by the participants were Raymond Ackerman and Herman Mashaba. From the above discussion the first research objective was addressed through descriptive qualities of leadership with meaning (logo-leadership) by the group, and examples of leaders with meaning (logo-leaders) contributed by each participant.

In order to answer the second objective, a framework analysis was used to analyse the pre- and post-intervention qualitative data. As discussed above in Methodology, Ritchie and Spencer (1994) recommend when using framework analysis that the researcher identifies a thematic framework. Such a framework includes a priori and inductive themes. In this study the thematic framework used to analyse was the data structured along the lines of leadership role-orientations namely job-, career- and calling-orientation. Each individual participant was seen as a single case study. Thus each respondent was a unit of analysis. Therefore, it was not a methodological choice.

The multiple case studies illustrated that the majority (19) of the cases showed change on an extrinsic (explicit) level. Three of the cases had small or no change regarding their view of what leadership should be (extrinsic [explicit] level), being participants 5, 11 and 19. Only one case showed no change in view of the concept of leader role-orientation across all three questions. The rest showed changes; three cases showed change in one question, 13 (65%) cases in two questions and three cases in all three questions. Therefore, 19 (95%) changed of which 16 (60%) showed positive change, on an extrinsic (explicit) level with regard to
leadership with meaning or logo-leadership. The nature of this change was as follows: Pre-intervention, the primary theme regarding leader role-orientation was career-orientation being mapped 45 times. Calling-orientation was second at 27, and then job-orientation at 6. Post-intervention this changed as calling-orientation was dominant at 51, followed by career-orientation at 15 and job-orientation at 2. Thus career- and job-orientation decreased post-intervention, and calling-orientation increased. The prominent themes for the pre-intervention responses included operational and managerial activities, organisational goals, results, status and focus on self. Post-intervention the responses had a longer-term leadership focus. The dominant themes are in line with those identified by the participants in the AI regarding leadership with meaning (logo-leadership). Pre-intervention the participants made reference to the achievement of goals and objectives (career-orientation) 28 times, and after the intervention this decreased to nine times. Post-intervention the responses regarding when a leader experiences his work as a calling laid particular emphasis on passion and finding meaning.

The multiple case studies showed that 13 (65%) participants demonstrated a change regarding their personal leadership orientations (intrinsic [implicit] level), regardless of what that change entailed. None of the cases evidenced identical results, which means each participant had a unique starting point as well as a unique experience of the intervention. Seven cases indicated no change whatsoever. Of the 13 (65%) participants who demonstrated a change, eight (40%) showed positive change (meaning job- and/or career-orientation decreased and/or calling-orientation increased post-intervention), two (10%) showed consisted change (meaning all three orientations increased or decreased) and three (15%) demonstrated negative change (meaning job- and/or career-orientation increased and/or calling-orientation decreased post-intervention). In terms of ranking order change was evident. Both pre- (19 times) and post-intervention (17 times) the majority ranked career-orientation first. However, the number of both job- and career-orientations that were ranked first decreased post-intervention. In contrast, the first-ranking of calling-orientation increased post-intervention. Pre-intervention career-orientation received the most first position rankings, job-orientation was second and calling-orientation was third. Post-intervention job-orientation decreased and calling-orientation increased, thus calling-orientation ended in second place and job-orientation in third place. Although these represent minor changes, the changes correspond with the changes on extrinsic (explicit) level.

For many participants (13) it seems that the intervention resulted in an inconsistency between what they viewed leadership should be (extrinsic [explicit] level) namely that of a calling, and what they regarded themselves to be in relation to leadership (intrinsically), namely that of career success.

The findings of this study must be interpreted taking the following limitations into consideration. The study reports findings that emanated from a small sample. In addition, the participants were predominantly male, between the ages of 31 and 40, with a specific level of education. The timing and setting of this leadership development intervention may have had an impact on the results obtained. The intervention intended to act as a positive trigger event (one intervention), and did not attempt to evaluate a long-term comprehensive logo-leadership development programme. The study was limited to an account of immediate change, and did not attempt to provide an indication of long-term change. In addition, the study did not attempt to investigate whether any cognitive shifts caused by the intervention lead to behaviour changes, or if these changes would be permanent. The findings only reflect a snapshot of change that took place directly after the intervention.

The implications of the limitations are that one must be circumspect in generalising the findings. The findings must be interpreted in the light of the exploratory nature of the study based on an intervention that served as a positive trigger event. It is proposed that this application needs to be accompanied by further leadership development interventions.

CONCLUSIONS
The findings of this study indicate that the intervention enabled the construction of qualities and examples of leaders who represent the essence of logo-leadership. Consequently, the evidence showing the applicability of such a logo-leadership intervention on the development of aspiring leaders answered the primary research objective.

The main finding of this study suggests that a meaning-centred leadership development intervention, using the life and teachings of Viktor Frankl, may have an impact on the leadership role-orientation of aspiring leaders, changing from a predominantly career leadership role-orientation to that of a calling leadership role-orientation. Nevertheless, the indications are that this effect took place on largely an explicit level and less so on an implicit, internalised level. The change on the extrinsic (explicit) level will not lead to change in behaviour and actions; positive change will only take place once the desired positive leadership role-
orientation of a calling is made on an intrinsic (implicit) level. How to bring this about is a challenge that needs to be addressed by future research and leadership development on a practical level.

The findings must be understood with an appreciation of the complexity of leadership development and an individual’s search for meaning, which is unlikely to be entirely addressed using a single intervention. However, this study indicates the potential value of a meaning-centred intervention using the life and work of Viktor Frankl to develop logo-leadership. The realisation of the importance of individuals’ search for meaning in business organisations and the ability to adapt to this knowledge through for example the development of logo-leadership, could have an impact on competitive advantage in contemporary business environments.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The findings of this study suggest that the life and work of Viktor Frankl, culminating in logo-leadership (leadership with meaning) as expressed by a calling leadership role-orientation, may be utilised for leadership development. The findings indicate that there seems to be a link between the realisation of the importance of meaning, as facilitated by the exposure to the life and work of Viktor Frankl, and a change in orientation towards leadership. Therefore, the experience of meaning in work (calling) by aspirant leaders seems to motivate them beyond mere financial rewards (job) and success (career). Organisations can take this into consideration when designing leadership development programmes.

Emanating from the findings that an exposure to the work and life of Viktor Frankl may inspire a calling-orientation, this study served as a starting point for the following recommendations: Aspiring leaders, and potentially business leaders, would benefit from engaging with Frankl’s ideas regarding meaning encouraging discovery of calling, therefore his life and teachings can be explored by human resource learning and development as a helpful developmental tool. Leaders and aspiring leaders in organisations would stand to benefit from exposure to an intervention based on the life and teachings of Frankl by being motivated and inspired beyond pure financial and individual interests.

Interventions based on the work and life of Frankl may be used as a positive trigger event in the developmental process of leadership calling.

A component on meaning in life, specifically finding meaning as leaders, may be helpful in business leadership training courses whether in-house or external.

Future attempts of a similar intervention as used in this study, must appreciate and compensate for the possible tension or gap experienced by the participants between their espoused theory (explicit level) and their theory-in-use (implicit level).

Business organisations that wish to develop logo-leadership, specifically through cultivating a calling leadership role-orientation, may consider using the life and work of Viktor Frankl as a development tool.

REFERENCE LIST


SELF-INITIATED EMPLOYEE MIGRATION AND THE VOLUNTARY TURNOVER DILEMMA

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ABSTRACT
Factors that influenced the migration of professional Generation X knowledge workers are presented. A survey collected data on the reasons why skilled workers initiated migration, which can be categorised as economic, political, family and career, which are consistent with the drivers of employee engagement as well as turnover and retention research. A different approach to talent management needs further investigation, to secure knowledge retention and consequently competitive advantage. Mobile talent can be retained by approaching talent management in a way congruent with their prevailing values. Valuable information regarding talent retention was uncovered, showing that organisations can take proactive steps to retain these employees by specifically attending to better remuneration, career development and family. Remuneration seems odd, given the value system of Generation X. However, remuneration forms part of recognition, which is important to all Generations, including Xers. Family can be addressed by work-life balance, which can be achieved by flexibility.

Key words: Competitive advantage; self-initiated migration; talent management; turnover

INTRODUCTION
The importance of employees in sustainable organisational performance has been highlighted since the first publication on management. Owen (1813) was one of the first authors to observe that organisations can be more profitable if they treat employees in a different way. More recently, employees’ importance to organisations has been reflected in talent management, and in particular engaged talent. Talent management is the effort of organisations to recruit, develop and retain the right employees, across occupations and hierarchical levels, to ensure sustainable organisational performance now and in the future (Allen, Bryant & Vardaman, 2010; Cheese, Thomas & Craig, 2008; Nilsson & Ellström, 2012). Engaged talent reflects the extent to which employees are psychologically present in their work roles, employing and expressing themselves cognitively, emotionally and physically in their work roles (Kahn, 1990; Saks, 2006). Engaged employees drive organisational performance (Crook, Todd, Combs, Woehr & Ketchen, 2011; Frank, Finnegan & Taylor, 2004; Harter, Schmidt & Hayes, 2002; Heskett, Jones, Loveman, Sasser & Schlesinger, 1994; Lewis, 2011; Lockwood, 2007; Piersol, 2007) ensuring its long term sustainability – that is the creation of organisations that sustain financial, human, social and environmental resources over the long-term (Bradbury, 2003). Organisational performance is generally associated with economic results (Drucker, 1954; Nilsson & Ellström, 2012), ensuring long-term survival and growth (Bartlett & Ghoshal, 2002; Drucker, 1954). Economic results are expressed as financial gain (Ronda-Pupo & Guerras-Martin, 2012), which is dependent on a number of multi-faceted, interrelated and interacting, factors. These factors include the customers of the organisation, the employees and leadership of the organisation, society and the environment in which the organisation operates.

Economic results are possible by providing value to customers in satisfying their needs (Drucker, 1954). This means that customers are attracted to the organisation on the basis of superior value offered. This principle is called “competitive advantage” (Alderson, 1964), making it easier for customers to do business with the organisation (Kotler & Armstrong, 2000). Competitive advantage arises from something that the organisation’s competition cannot do or by doing something better than the competition (Alderson, 1964). Hence, it stands to reason that in order to be persistent, competitive advantage should be embedded in the organisation.

Competitive advantage is described as valuable, rare, inimitable and non-substitutable and associated with the “resource-based view of the firm” (Barney, 1991). Moreover, competitive advantage consists of three interrelated dimensions, namely (i) the arena where the organisation chooses to compete, (ii) customer value (customer capital) and (iii) access to the required resources, including employees or talent (human capital), processes, systems and assets (structural capital) to provide customer value in the chosen arenas (Nienaber, Cant & Strydom, 2002; Ordóñez de Pablo & Lytras, 2008). Resources, processes, systems and assets are entrenched in the organisation and thus potentially persistent. Talent is the most important among these dimensions to provide customer value, specifically the knowledge, skills, experience and attitudes they
bring to the workplace, which may change owing to changes in the workplace (Bartlett & Ghoshal, 2002; Campbell, Coff & Kryscynski, 2012; Lewis, 2011; Lockwood, 2007; Ordóñez de Pablo & Lytras, 2008; Owen, 1813; Pfeiffer, 2010; Whelan & Carcary, 2011). Talent by virtue of their interactions, whether intentional or not, within the organisation and the organisation’s constituents, in particular customers, has the capacity to convert their knowledge, skills, experience and attitudes to competitive advantage and ensuring organisational performance.

Having the right talent available today may be a dilemma for most organisations because of globalisation, skills shortages, the war for talent as well as the brain drain, the retirement of Baby Boomers, the current recessionary lay-offs and the mobility of talent (Beechler & Woodward, 2009; Farndale, Scullion & Sparrow, 2010; Schuler, Jackson & Tariq, 2011; Vaiman, Scullion & Collings, 2012). Of these phenomena mobility of talent is of greatest concern as talent can voluntary leave the organisation. Self-initiating migration (SIM) is increasing (Al Akram & Crowley-Henry, 2013) and thus concerning as the departure of talent adversely affects shaping a competitive advantage and consequently organisational performance. Skilled people are generally more mobile than the less skilled (Beechler & Woodward, 2009; Vaiman et al., 2012). Given the global skills shortage skilled people can easily migrate to another country. Generation X, the knowledge repositories of organisations, in particular does not have an objection to crossing borders to hone their skills as they are primarily loyal to their skills (Ruch, 2000). Migration adds to competitive pressures, and potentially threatens the sustainability of organisations.

SIM denotes the international mobile individuals, who have moved, from their own accord, rather than organisationally assigned expatriation, to another country for an indeterminable period (Al Akram & Crowley-Henry, 2013), a form of voluntary turnover, and is the focus of this article. SIM is, however, preventable and leadership can take pro-active action to avoid losing talent and preserve its competitive advantage and organisational performance. Previous research attended to employee turnover as well as migration from a variety of viewpoints (see Al Akram & Crowley-Henry, 2013). These include the role of governments’ policy (Sloman, 2011), the individual’s role in his/her employability that goes beyond organisational careers (Dries, Van Acker & Verbruggen, 2012; Hess, Jepsen & Dries, 2012); factors individuals consider in migration (Carr et al., 2005), the migration of professionals (Al Akram & Özübilgin, 2010, Ireland, 2001; Zikic, Bonache & Cerdin, 2010) the reasons why individuals leave an organisation (Holton, Mitchell, Lee & Eberly, 2008; Maertz & Knitt, 2012; March & Simon, 1958), career stages (Lam, Ng & Feldman, 2012) and retention strategies (Deery, 2008). None of these articles specifically attends to the different generations, leaving a gap in the literature. This article fills the gap by focusing on the migration of especially, professional Generation X, knowledge workers, while integrating different observations in connection with migration from previous research. This holistic view may assist organisations to prevent SIM, a form of voluntary turnover, of especially in the case of professional Generation X knowledge workers. Generation X is the major constituent of the contemporary workforce, deemed to be the knowledge repositories of organisations, playing a vital role in shaping competitive advantage and thus facilitating organisational performance.

LITERATURE REVIEW
Introduction
Various accounts of SIM are offered in the literature (Al Akram & Crowley-Henry, 2013), all dealing with a number of multi-faceted, interdependent and interacting factors. These accounts take a rather narrow focus, dealing with simplistic notions which are not adequate to illuminate SIM (Brewster, Bonache, Cerdin & Suutari, 2014). This paper integrates the various fragmented accounts of SIM in a comprehensive whole to clarify SIM, ranging from the definitions of talent management and talent, the challenges to talent management, voluntary turnover, including migration and retention of talent as well as Australia as migration destination.

Definitions of talent management
Talent management is not universally defined in the literature but generally refers to the recruitment, development and retention of talent (Nilsson & Ellström, 2012). Neither is there a consensus on the meaning of talent. Different perspectives on talent exist (Nilsson & Ellström, 2012). Some authors approach talent as exclusive, while others take an inclusive approach (CIPD, 2012). The former refers to talent as gifted people (Tansley, 2011) or highest achievers (Beechler & Woodward, 2009). Talent is also presented as high potential, high performers (CIPD, 2012) or exceptional people. The literature also proposes that talent presents key positions (Whelan & Carcary, 2011) or even pivotal teams in an organisation (Vaiman et al., 2012). On the other hand, the inclusive approach to talent considers all people in the organization (Beechler & Woodward, 2009; Farndale et al., 2010). An important consideration regarding talent, regardless of whether they are ordinary or gifted people, is the possession of the required knowledge, both explicit and tacit, skills, attitudes, experience and behaviour, competence (Schuler et al., 2011) and engagement.
(Farndale et al., 2010) to contribute to organisational performance. Engagement is reportedly declining (Saks, 2006; Serrano & Reichard, 2011; Lewis, 2011) predicting unfavourable prospects for future organisational performance. According to Nilsson and Ellström (2012) competence is perhaps more crucial to talent as it transcends knowledge because it involves cognitive and functional competence, values, motivational factors, personal traits, behaviour and an affective component, which influence behaviour. This description of competence is akin to engagement as described earlier. All of these aspects are required to enable a person to discharge effectively of his/her responsibilities which contribute to achieving a competitive advantage and, consequently, organisational performance.

Additional concerns in determining talent include whether talent is considered to be specific, that is knowledge and skills embodied in an individual which have limited applicability outside the incumbent firm, or generic, that is knowledge and skills with a wide applicability irrespective of context (Campbell et al., 2012). Further considerations include the view of talent as fixed or malleable, which will influence its treatment and consequently shaping competitive advantage and thus firm performance. The view that talent is fixed, holds that individual ability is predetermined and invariant (Beechler & Woodward, 2009). On the other hand the view that talent is malleable means that talent can be developed in a number of ways, including networking and knowledge sharing (Beechler & Woodward, 2009; Whelan & Carcary, 2011).

Talent wastage may occur in a system because some may be over-qualified for their positions or serving in areas unrelated to their current qualifications (Lindorf, 2011) or because talent is either overvalued or its potential is untapped (Campbell et al., 2012), hampering the conversation to competitive advantage. In sum the view taken on talent influences its treatment and consequent conversion to competitive advantage and organisational performance. Hence, for purposes of this article talent designates the superior mastery of a person to discharge effectively of his/her responsibilities which contribute to achieving a competitive advantage and, consequently, organisational performance. According to Nilsson and Ellström (2012) competence is akin to engagement as described earlier. All of these aspects are required to enable a person to discharge effectively of his/her responsibilities which contribute to achieving a competitive advantage and, consequently, organisational performance.

Talent management challenges
Although firms recognise the importance of talent management, their talent management efforts fail (Farndale et al., 2010; Vaiman et al., 2012). The talent management challenges are impacted by a number of factors, notably globalisation, mobility, changing demographic trends and skills shortages, which were pointed out earlier. It is especially increased mobility that threatens the competitive advantage of the firm. To take full advantage of talent in creating a competitive advantage, leadership should consider the impact of these challenges in their talent management efforts.

Globalisation: Globalisation can be seen as the overarching challenge to talent management as it impacts all other challenges. Globalisation makes it easier for organisations to operate in different countries and continents. Hence, it contributes to intensified competition among organisations resulting in improved innovation and low cost pressures (Schuler et al., 2011). With globalisation organisations have the potential to reach more customers, but at the same time customers are more demanding (Schuler et al., 2011). At the same time organisations have access to talent across the globe with required competence to achieve competitive advantage and sustained organisational performance (Schuler et al., 2011). However, globalisation facilitates employee mobility.

Mobility: Changes in the global competitive landscape witness the increased mobility of people, including emigration, which is increasing among professionals and skilled workers (Al Akram & Crowley-Henry, 2013; Vaiman et al., 2012) and are higher than that of low- and medium skilled workers (Beechler & Woodward, 2009). The internationalisation of higher education (Iredale, 2001), and professions (Carr, Inkson & Thorn., 2005; Iredale, 2001) as well as boundaryless careers (Dries, Van Acker & Verbruggen, 2012; Hess, Jepsen & Dries, 2012) facilitate mobility of skilled workers. In the past employers were mainly involved in the decision to assign workers internationally (Brewster et al., 2014), however nowadays individuals voluntarily and independently of employers make the migration decision (Al Akram & Özbilgin, 2010; Al Akram & Crowley-Henry, 2013; Carr et al., 2005; Farndale et al., 2010; Zikic, Bonache & Cerdin, 2010) partly to take care of their personal and professional development. Individuals consider economic, political, family and career factors in their decision whether or not to migrate (Carr et al., 2005). Economic factors, specifically an improved financial situation motivate skilled workers to migrate to affluent economies which are perceived to hold opportunities. Political factors that encourage migration range from political oppression to the lack of political initiative to grow national and regional economies as well as political interference in organisations. Hence, migrants relocate to countries with perceived freedom ranging from immigration criteria to business conditions and taxation. Migrants relocate their families, hence they are motivated by opportunities to improve the lives of the family members, including work-life balance. Career development especially professional development, challenging work and the valuing of their expertise are important consideration for contemporary skilled workers which support their decision to migrate. (Carr et al., 2005). These factors are consistent with the drivers of engagement as illuminated by Cheese et al. (2008), although only partially in
some instances. In addition, these factors coincide with the factors that influence job satisfaction and perceived alternatives, which in turn, effect turnover and retention (see Holtom et al., 2008). These factors are clarified in the section covering turnover and retention of talent. Mobility includes flow, which is the returning of migrants to their country of origin (Hess et al., 2012) after they have achieved their development goals. 

**Changing demographics:** Demographic changes create scarcity which intensifies the talent management challenge (Beechler & Woodward, 2009). The aging Baby Boomer generation, born between 1946 and 1964, is retiring (Beechler & Woodward, 2009; Buahene & Kovary, 2007), leaving a knowledge void at the employer (Vaiman et al., 2012), especially in developed countries. Developing countries, on the other hand, are facing increased graduate youth unemployment (Schuler et al., 2011; Vaiman et al., 2012), which make migration to developed countries an attractive alternative. The unique characteristics of the younger generations, especially Generation X, born between 1965 and 1980 (Buahene & Kovary, 2007) differs in several respects from the Traditionalist, Baby Boomers, and Generation Y, the most important is that Generation X is not loyal to an employer, but their skills. Consequently they value skills development. Furthermore, Generation X value productivity, work-life balance, flexible time and competence, especially by management (Buahene & Kovary, 2007). Female participants entering the global labour market forms part of changing demographics (Vaiman et al., 2012). All of these changes necessitate a different approach to talent management efforts.

**Skills shortages:** The global skills shortages (Nilsson & Ellström, 2012; Schuler et al, 2011; Vaiman, et al. 2012), especially critical skills including leadership and management (Farndale et al., 2010; Vaiman et al., 2012) as well as knowledge workers like engineers and nurses (Schuler, et al. 2011), aggravate the availability of required competence. Employers note that the skills shortage impedes the performance of their organisations (Nilsson & Ellström, 2012) and that the sources of talent supply are insufficient to meet demand. Sloman (2011) indicates that governments, across the globe, intervene in alleviating the skills shortages by influencing activities at the organisational level. These efforts encompass employability, which is a concerted effort by policy makers, employers and higher education institutions, on a national and international basis, to deliver competence needed by the (labour) market (Nilsson & Ellström, 2012). Employability relates to the individual's preparation for work and his/her ability to successfully manage a job, including the potential for mobility to transition from education or unemployment to employment, or one job to another (Nilsson & Elsström, 2012). In the same vein Leong and Walsh (2012) refer to career adaptability, as the quality of being able to change without great difficulty or to fit new or changed circumstances. Career adaptability is seen as an individual dealing with their own development (Leong & Walsh, 2012). In essence, the contemporary trend seems to indicate that individuals take greater responsibility for their career rather than relying on employers to do so. Hence, migration to another country presents an alternative to career development. Employers can also contribute to the skills shortages (Preston, 2012). Development of employees could be put on the backburner in giving preference to meet competitive challenges. Hence employers fail to train employees, as it is too costly or time consuming (Preston, 2012). Some contemporary employers seem to want 'job ready employees' without contributing to their training or providing an opportunity for them to gain experience (Preston, 2012). Employers thus neglect the influence of organisation specific knowledge which employees gain on the job, contributing to competitive advantage. Currently, employers’ focus is on meeting the increased competitive pressures. As such organisations decrease their operational costs by reducing talent (Schuler et al., 2011). Consequently, the remaining staff must absorb the higher workload, with no compensation for the additional tasks undertaken and longer work hours to complete the work. This trend, although understandable in view of the prevailing economic conditions, is contrary to the economic tasks of organisations, namely to create products and services, employment and wealth (Drucker, 1942). The information presented in this section shows that the skills shortages call for a different approach to talent management to ensure the organisation’s sustainability.

**Turnover and talent retention**

The prevention of voluntary turnover, including SIM, starts with the recruitment, deployment and development of talent. Turnover and retention are influenced by a number of factors, first reported on by March and Simon (1958). Although research expanded on the work of Simon and March (see Holtom et al., 2008) the basic tenets remained. March and Simon (1958) argue that it is necessary to balance employee and organisation contributions and inducements to prevent employees to depart. They maintain that two factors determine whether an employee will stay or leave, namely perceived desirability to leave (job satisfaction) and perceived ease of leaving (perceived alternatives). Subsequent research (Holtom et al., 2008) expanded on the model proposed by Simon and March giving a more complete understanding of turnover and retention. These include attitudes like organisational commitment, job involvement, stress and strain and well-being, contextual factors (reward system, organisation culture, climate), person-context interface (justice, leadership, interpersonal relationships) which lead to withdrawal cognitions, which combined with alternatives may lead to withdrawal behaviours and eventually to withdrawal (Holtom et al., 2008).
Cheese et al. (2008) observed the drivers of engagement which are the content of the work, coping, compensation, community, congruence and career ultimately aim at the sustainability of the organisation. The drivers of engagement identified by Cheese et al. (2008) coincide with the factors influencing turnover and retention as described by Holton et al. (2008). Content of the work ranges from the challenge the job makes on the employee, the sense of achievement the job offers, the opportunity to learn or discover new things, and whether it is meaningful and leads to some form of satisfaction (Cheese et al., 2008). Content of the work thus corresponds to the nature of the work proposed by Holton et al. (2008). Coping indicates whether the employee has been given the means to handle the job and whether his/her goals are achievable. Coping involves knowledge, skills, technology and training as well as a favourable working environment, supportive managers and colleagues and work practices and processes that reduce effort rather than adding to it (Cheese et al., 2008). Hence, coping is deemed to coincide with individual differences and attitudes, albeit partially, offered by Holton et al. (2008). Compensation refers to the employee’s notion of being fairly financially rewarded as well as being recognised for his/her contribution. In the main, compensation is rather a feeling that the employee is fairly valued for his/her contribution, the evaluation of which is understood by the employee and experienced as fair, which is reasonably market-related, signalling recognition (Cheese et al., 2008). Compensation consequently, is seen to overlap with reward, which forms part of organisational context on the macro-level, as suggested by Holton et al. (2008). Community refers to a feeling of positive social interactions in the workplace and whether the work is deemed as fulfilling, meaningful, enjoyable and fun and done in a supportive or collaborative environment rather than a confrontational environment (Cheese et al., 2008). Therefore, community is deemed to be comparable with the nature of the job, organisational context at the macro-level, specifically cohesion, and person-organisation interface as proposed by Holton et al. (2008). Congruence refers to the agreement between the individual and organisational values, alignment of expectations and includes values that have been met (Cheese et al., 2008). Consequently congruence is considered to match attitudes, specifically met expectations, and person-organisation interface as suggested by Holton et al. (2008). Career denotes the alignment between the career, life expectations and aspirations of the individual over both the short and the long term, including work-life balance (Cheese et al., 2008), including family friendly programs (Deery, 2008), whether the organisation is investing in them and whether employees can shape their own destiny. Career is thus considered to correspond to a greater or lesser degree to all the factors as suggested by Holton et al. (2008). The drivers of engagement discussed in this section coincide with the factors influencing mobility as discussed in the previous section.

Recently Maertz and Kmitta (2012) indicate the reasons why employees voluntary leave their employment. The five most important reasons are better pay, followed by problems or issues with management, then better working hours, schedules or shifts, thereafter a career change or opportunity for advancement/growth (Maertz & Kmitta, 2012). These reasons can be classified as compensation, coping and content of the work, which drive engagement. These reasons imply that economic, career and flexibility (family), as suggested by Carr et al. (2005) are important considerations for employees. Hence, if leaders pro-actively take care of these factors they will succeed in retaining talent.

**Australia**

The Australian economy is innovation driven, which implies that it needs skilled employees. Despite restrictive labour regulations Australia remains an attractive destination for migrants. Both the Australian government and organisations take action to promote the attraction and development of skills needed to improve its competitive position (Holland, Sheehan & De Cierie, 2007; Lindorff, 2012). Given the foregoing it stands to reason that professional, knowledge workers, regard Australia as a favourable migration destination.

**PROBLEM INVESTIGATED**

The problem investigated was to explore what factors influenced skilled workers, in particular Generation X, to migrate to Australia.

**RESEARCH OBJECTIVES**

Consequently the research objectives were, firstly to describe the factors influencing the migration Generation X professional knowledge workers, secondly to make recommendations to employers to retain them.

**RESEARCH METHODOLOGY**

The problem investigated dictates the research design and method to study the problem in question (Creswell, 2009; Denzin & Lincoln 2013). The purpose of this study was exploratory and descriptive in nature as it set out to explore and describe the factors which influenced skilled workers to migrate, specifically to
Australia. The study was situated in an interpretivist research philosophy, with the emphasis on experience and interpretation (Richards & Morse, 2013). The interpretive philosophy seeks to produce descriptive analyses that emphasize understanding of the phenomenon studied, rather than searching for broadly applicable laws (Denzin & Lincoln 2013; Richards & Morse 2013). An interpretivist philosophy holds that knowledge is created (Seymore, 2012). This means that the understanding of reality is not a simple account of what is, but rather that insight needs to be obtained of how people in societies and groups interpret reality (Seymore 2012), from a subjective perspective.

The above explanation of the interpretivist philosophy alludes to the application of a qualitative research approach in collecting and analysing data for this research (Denzin & Lincoln, 2013; Richards & Morse, 2013). In this instance, the use of a qualitative research approach was appropriate to the purpose of the inquiry conducted. Furthermore, the qualitative approach was in line with the predominant research approach within the interpretivist philosophy (Denzin & Lincoln 2013; Richards & Morse 2013). The most appropriate research design was a (descriptive) survey utilising a questionnaire to collect data exploring the factors that influenced the migration decision as found in the literature. The use of a questionnaire is not uncommon in qualitative research (Fisher, 2010). The questionnaire, partly following Mattes and Richmond (2000), consisted of six sections covering demographics, reasons for migrating, satisfaction levels in country of origin with potential factors influencing migration, the satisfaction levels of potential migration factors in host country, what factors will draw migrants back to their country of origin and the time frames to return to country of origin. The questionnaire consisted of 47 items. The majority of questions were close ended. However, open-ended questions were included to clarify certain close-ended options, which is consistent with the counsel of Fisher (2010). The reasons for leaving and returning to the country of origin had to be ranked from most to least important. Questions relating to satisfaction levels with economic, political, cultural, family and career in country of origin and Australia were scaled (5 point Likert-scale). Cronbach’s alpha was applied to test for internal validity – in all instances a score of higher than 0.7 were obtained and thus the instrument is deemed reliable.

The population was all the items in the data basis of an Australian migration agent selected for purposes of this study. The data basis contained 100 000 items of self-initiated migrants. The agent distributed the web-link to the questionnaire to all the items in the data basis with a request to participate. The covering email informed the participants of the purpose of the study, that participation was anonymous and voluntary, while all response would be treated as confidential, that is complying with ethical requirements. Participants were requested to complete the questionnaire from 13 May 2011 to 25 July 2011.

Descriptive data were collected and processing and analyses were descriptive in nature. The researchers were interested in knowing and understanding what factors influenced the migration decision of skilled workers. On this basis recommendations can be made to employers to retain their skilled employees. The results of the study are presented in the next section.

RESULTS (FINDINGS)
Response
A total of 152 responses were received of which 143 (94% of responses) were usable. This response rate is low, nonetheless, it presented valuable information that organisations can use in their talent management (recruitment, development and retention of talent) strategies to prevent voluntary turnover, including SIM, and consequently shaping competitive advantage and thus organisational performance. The demographics of respondents are presented next.

Demographics
This section reflects the demographics of the respondents. The demographics include gender, generation group, country of origin, qualification and occupation. These details are shown in tables 1 to 3.

| Table 1: Country of origin versus gender and generation group |
|---|---|---|---|---|
| | SA | UK | Philippines | Other | Total |
| Male | 33 (69%) | 15 (58%) | 4 (27%) | 34 (65%) | 86 (60%) |
| Female | 15 (31%) | 11 (42%) | 11 (73%) | 20 (35%) | 57 (40%) |
| Total | 48 (34%) | 26 (18%) | 15 (10%) | 54 (37%) | 143 (100%) |
| Y | 3 (6%) | 6 (23%) | 2 (13%) | 23 (42%) | 34 (23%) |
| X | 38 (79%) | 14 (53%) | 12 (80%) | 29 (53%) | 93 (65%) |
| Baby Boomer | 6 (12.5%) | 4 (15%) | 1 (7%) | 2 (3%) | 13 (9%) |
| Traditionalist | 1 (2%) | 2 (7%) | 0 | 0 | 39 (2%) |
The information in Table 1 shows that all countries are affected by SIM and that the majority of responding migrants were Generation X. Females represented a substantial portion of migrants, while the majority of participants were from South Africa.

The finding that a substantial number of respondents were female is consistent with the theory that holds demographics are changing specifically more females are participating in the labour market and subject to migration (Brewster et al., 2014; Vaiman et al., 2012). The migrants were mainly from Generation X. The qualifications of the migrants are illustrated in Table 2 below.

### Table 2 Qualifications of migrants

<table>
<thead>
<tr>
<th></th>
<th>SA (%)</th>
<th>UK (%)</th>
<th>Philippines</th>
<th>Other (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School leaving certificate</td>
<td>4 (8.33)</td>
<td>3 (12)</td>
<td>0</td>
<td>8 (15)</td>
<td>15 (10)</td>
</tr>
<tr>
<td>Diploma</td>
<td>8 (16.67)</td>
<td>9 (35)</td>
<td>3 (20)</td>
<td>7 (13)</td>
<td>27 (19)</td>
</tr>
<tr>
<td>National Diploma</td>
<td>5 (10.42)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 (3)</td>
</tr>
<tr>
<td>Post-graduate diploma</td>
<td>3 (6.25)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3 (2)</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>16 (33.33)</td>
<td>7 (27)</td>
<td>10 (67)</td>
<td>22 (42)</td>
<td>55 (38)</td>
</tr>
<tr>
<td>Post-graduate degree</td>
<td>4 (8.33)</td>
<td>7 (27)</td>
<td>2 (13)</td>
<td>15 (29)</td>
<td>28 (20)</td>
</tr>
<tr>
<td>Doctorate</td>
<td>4 (8.33)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4 (3)</td>
</tr>
<tr>
<td>Other</td>
<td>4 (8.33)</td>
<td>0</td>
<td>0</td>
<td>1 (2)</td>
<td>4 (3)</td>
</tr>
<tr>
<td>Total</td>
<td>48 (34)</td>
<td>26 (18)</td>
<td>15 (10)</td>
<td>53 (37)</td>
<td>143 (100)</td>
</tr>
</tbody>
</table>

The information in Table 2 demonstrates that the majority of migrants, irrespective of country of origin, held a Bachelors degree, followed by post-graduate degree and a diploma. The majority of migrants from the Philippines and South Africa held Bachelors degrees, while the majority of migrants from the UK held diplomas. These qualifications show that the migrants are skilled, which is also consistent with the mobility literature (Carr et al., 2005; Farndale et al., 2010; Hess et al., 2012; Iredale, 2001). In particular the mobility of Generation X is highlighted by this finding (Ruch, 2000). The occupations of migrants are reflected in table 3 below.

### Table 3 Occupations of migrants

<table>
<thead>
<tr>
<th></th>
<th>SA (%)</th>
<th>UK (%)</th>
<th>Philippines</th>
<th>Other (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineer</td>
<td>5 (26)</td>
<td>0</td>
<td>3 (16)</td>
<td>11 (58)</td>
<td>19 (13)</td>
</tr>
<tr>
<td>Accountant</td>
<td>4 (57)</td>
<td>1 (14)</td>
<td>0</td>
<td>2 (29)</td>
<td>7 (5)</td>
</tr>
<tr>
<td>Nurse</td>
<td>2 (33)</td>
<td>0</td>
<td>0</td>
<td>4 (66)</td>
<td>6 (4)</td>
</tr>
<tr>
<td>Teacher</td>
<td>1 (25)</td>
<td>1 (25)</td>
<td>0</td>
<td>2 (50)</td>
<td>4 (3)</td>
</tr>
<tr>
<td>Other</td>
<td>36 (35)</td>
<td>24 (23)</td>
<td>12 (12)</td>
<td>34 (33)</td>
<td>104 (72)</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>26</td>
<td>15</td>
<td>53</td>
<td>143 (100)</td>
</tr>
</tbody>
</table>

The information in table 3 illustrates that the majority of migrants were professionals and knowledge workers like engineers, followed by accountants then nurses and teachers. “Other” included IT/ITC, medical, HR, business owner and executives, which is also consistent with the mobility literature (Carr et al., 2005; Farndale et al., 2010; Hess et al., 2012; Iredale, 2001). In particular the mobility of Generation X is highlighted by this finding (Ruch, 2000). The participants’ education and profession show that it is easier for knowledge workers to migrate than less skilled workers (Beechler & Woodward, 2009; Vaiman et al., 2012). Given the global skills shortages it stands to reason that educated professionals are in a better position to migrate than less skilled workers. Given that Generation X may also be experienced, they are sought after by employers, particularly in Australia. The reasons for migration are addressed next.

### Reasons for migration

The reasons why skilled workers migrated to Australia are presented in table 4 below.

### Table 4: Reasons for migrating to Australia (Ranked from 1 most important to 12 least important)

<table>
<thead>
<tr>
<th>Reasons for leaving country</th>
<th>SA</th>
<th>UK</th>
<th>PHILIPPINES</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved safety and security</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Better future for children</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>No confidence in the future of your country of origin</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Government’s affirmative action policy</td>
<td>4</td>
<td>11</td>
<td>5</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Deterioration in social services</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Decline in your quality of life</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Decline in living standards</td>
<td>7</td>
<td>7</td>
<td>12</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>
The reasons advanced for migration to Australia included economic, political, cultural and career factors. The ranks assigned to the different factors varied between the different nationalities. Though family, specifically a better future for children, was highly ranked on the list of all respondents. Quality of life, career and professional advancement, were also high on the list for all except South Africans who indicated political factors were a more important consideration in their decision to migrate to Australia.

In the case of South Africans the open responses showed that political interference hampered career advancement. This is evident from responses like “Black Economic Empowerment”; “Restrictions on doing business if you are a white male”; “No matter how right I am for the next job I am told “sorry, you are white””. Given these responses one can infer that career advancement is also important to South African respondents, but are overshadowed by political reasons.

Reasons for migration match the theory (Al Akram & Crowley-Henry, 2013; Al Akram & Özbilgin, 2010; Carr et al., 2005; Cheese et al., 2008; Holtom et al., 2008; Iredale, 2001; 2008; Zikic et al., 2010), with political, family and career as the main factors influencing the decision whether to migrate or to return. Family include work-life balance that is an important consideration, specifically for Generation X. Furthermore, career includes professional advancement. Better pay, forms part of economic reasons, which indicates that employers in the country of origin did not remunerate their skilled employees according to their perceived value. This may be indicative of employers undervaluing talent at their disposal, without realising it or an inability to correct the wastage of talent which is also consistent with the theory (Campbell et al., 2012; Lindorff, 2011). This observation also supports the theory that Generation X is loyal to their skills and not an employer (Ruch, 2000). Factors that would draw the skilled migrants back to their country of origin are shown in table 5 below.

Table 5: Factors that would draw respondents back to their country of origin (rank)

<table>
<thead>
<tr>
<th>FACTORS THAT WOULD DRAW RESPONDENTS BACK</th>
<th>South Africa</th>
<th>UK</th>
<th>Philippines</th>
<th>All other countries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in safety and security</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Improved government</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Family roots</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Good schools/job security</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Future of children in the country</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Climate/weather/natural endowments</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Patriotism</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

The information in table 5 shows that the most important reason for returning to the country of origin differs among respondents, with family as the overall most important reason to return.

In most instances the open responses suggested political factors will influence all of the migrants’ decision to return to the country of origin followed by careers. These responses include “… security is not good and we have some family problem also …”; “each time there is election … there will be misunderstanding and plenty people will lose their life. I lost my dad and mom in the same process. I do not want to lose my life too like my father and mother”; “cancellation of AA/BBBEE”; “removal of corruption”; “if I was offered a better career which benefited my family I would consider going back”; “more jobs”.

The participants’ responses (reasons to migrate as well as factors that will draw them back) show that employers would be able to retain mobile talent, even skilled professionals who self-initiate migration. Remuneration, professional advancement and work-life balance are the most important factors that employers should consider in retaining their talent, especially Generation X, which are all drivers of engagement as set-out by Cheese et al. (2008). These are consistent with the theory and relatively easy to accomplish (Cheese et al., 2008; Deery, 2008; Holtom et al., 2008; March & Simon, 1958; Maertz & Kmita, 2012). Remuneration forms part of recognition, which is important, especially to Generation X. Professional advancement can be achieved via the content of the work. Specifically, challenging work, the sense of achievement that the individual experiences, the meaning of the work, discovery of new things and a sense of satisfaction. Work-life balance can be achieved by flexibility, especially flexible working hours. All of these
actions can be taken to offset politically imposed barriers. Though, employers cannot directly relieve an unfavourable safety and security position.

CONCLUSIONS
The importance of people in the sustainable performance of organisations has been emphasised since the first publication on management. Advances were made in this regard, especially in linking employees’ competence to competitive advantage, the cornerstone of sustainable organisational performance. Sustainable organisational performance is linked to economic results, which are expressed as financial gain. Financial gain is influenced by a number of multi-faceted, interrelated and interacting factors. Of these talent is the most important.

The literature indicates that there is no clarity about talent management or who talent is. These together with globalisation, mobility of talent, changing demographics and skills shortages, aggravate organisations’ talent management efforts. Hence, few organisations seem to succeed with their talent management efforts and potentially jeopardises the organisation’s competitive advantage. The literature also indicates that talent can be retained, and that retention of talent is within leadership’s control. In addressing the needs of especially skilled professional Generation X employees, leadership can facilitate the retention of these employees, contributing to the organisation’s competitive advantage.

This study set out to identify the factors influencing the migration of skilled workers to Australia and to propose retention strategies to employers, based on the literature. The findings of this study indicate the main reasons for the migration of professional Generation X knowledge workers include economic, political, family and career factors. Specifically, better compensation, work-life balance and professional development are important. These factors are congruent with the drivers of engagement. Consequently, one can argue that leadership should be in a position to take proactive action to prevent the migration of skilled workers, especially Generation X, as engagement falls in the scope of leadership activities. In so doing leadership contributes to the retention of talent and the competitive advantage of the organisation.

Leadership ensures organisational performance by effectively converting talent to competitive advantage. This requires a holistic approach to talent management. This commences by determining customer value, then, the requisite talent, in particular competence, to deliver customer value. Hence, every position in the organisation should be carefully crafted to provide customer value. Interactions between and among these positions are important in creating competitive advantage. However, interactions and their outcomes cannot be designed or predicted, contributing to the complexity of converting talent to competitive advantage. Nevertheless, these positions should provide in the needs of talent. Generation X, in particular, values compensation, challenging work, skills development, productivity and work-life balance, all which can be classified as economic, career and family factors, which are consistent with the drivers of engagement as well as the factors influencing turnover, including self-initiated migration and retention. These considerations should rather be used to meet increased competitive pressures, than reducing the workforce to cut operational costs sparking a cycle of further retrenchments to save costs and another set of less than hoped for financial results, which seem to be dysfunctional as workloads increase, without commensurate compensation, decrease in productivity and negative consequences for work-life balance. In this way organisations give effect to their task of providing products and services, employment and wealth creation, suggested by Drucker (1942). Furthermore, the observation of Owen (1813) that employees should be treated different still seems to hold true. However, the different treatment should resound with the values of the contemporary workforce, which would foster competitive advantage, and consequently the performance (profitability) of the organisation.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
The implication of these findings is that organisational performance is at risk as competitive advantage can be short-lived because of talent’s ability to self-migrate to positions that better suit their values. SIM is influenced by a number of multi-faceted, interdependent and interacting factors, which can be addressed, to a greater or lesser degree, by leadership. Management practitioners have the opportunity to apply theory practically to make a difference in practice. Further research, especially the importance of family, is necessary to better understand self-initiated migration.

REFERENCE LIST


SUPPORT INTERVENTIONS FOR SMALL TOURISM BUSINESSES IN THE EDEN DISTRICT MUNICIPALITY: WESTERN CAPE PROVINCE, SOUTH AFRICA.

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ABSTRACT
The significant contribution of small businesses (SBs) to local economic development in the locality of municipalities has been recognised and therefore the prioritization of small business support and development by local government has become a focal point of municipal Local Economic Development programs. The tourism industry has proved to be a good tool for job creation within South Africa. However, many of the opportunities in this sector are not being exploited in a way that includes communities in the tourism value and supply chain. Developing small businesses that can supply goods and services to the industry will significantly enhance job creation opportunities, especially in rural areas. However these small businesses are often subject to a myriad of challenges compared to larger established businesses that fall outside the classifications of small businesses. These challenges thus make it impossible for SBs to compete with established businesses and to actively participate in the first economy. The main aim of this article is to determine whether the programs and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities? Further to this is to establish the areas in which Small Tourism Businesses (STBs) require support, to establish the current level of support received from the Eden District Municipality (EDM), as well as the participation levels of STBs themselves in the development of tourism strategies. In this article, both SBs and STBs have been used interchangeably to refer to Small Tourism Businesses. The target population is the STBs in the EDM area that have been in existence for more than one year. These tourism small businesses were sourced from the EDM database and were verified by the local tourism offices (LTOs) and the B Municipalities that falls under the EDM region. The number of tourism small businesses registered in the EDM database is 175 and out of this number 100 were in operation for more than one year during the time this research was undertaken. Questionnaires were sent to all 100 and only 80 of these questionnaires were received back which represents 80% response rate. The results of the study indicate that the 48.75% are not aware of any support program to small businesses offered by the EDM and those that have received any kind of support, have received it in two areas, namely: access to markets and access to information out of the ten programs that were on offer during the execution of this research.

Key words: Small tourism businesses, SMEs, Local economic development, Eden District Municipality, Western Cape Province, Challenges for small businesses.

INTRODUCTION
The National Small Business Act, No. 102 of 1996 (South Africa 1996b) defines Small Businesses (SBs) as “a separate and distinct business entity, including cooperative enterprises and non-governmental organizations managed by one owner or more individuals which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy which can be classified as a micro, very small, a small or a medium enterprise. Small medium and micro enterprises are defined in terms of their employee criteria. Enterprises with less than five employees are as regarded as micro, enterprises with five to twenty employees as very small, enterprises with twenty to fifty employees as small, and enterprises with fifty to two hundred employees as medium (Department of Provincial and Local Government (DPLG) 2005:21). The definition of Small, Medium and Micro Enterprises (SMMEs) according to the glossary of the Cape Gateway website of the Western Cape Government, as mentioned in Brand (2006:5) is as follows: businesses with less than five employees are classified as a micro business, businesses with five to ten employees as small businesses, and businesses with ten to fifty employees as medium size businesses. These definitions are the ones that have been adopted for this study and both SBs and SMMEs will be used interchangeably.

LITERATURE REVIEW
The tourism sector and small businesses in South Africa
Tourism is identified as one of the key drivers of the South African economy. Its economic benefits are such that it can be a significant catalyst for economic growth and employment, it is a source of foreign exchange earnings, and it provides supplementary income for individuals seeking part-time employment. The tourism sector also increases the demand for other non-tourism businesses, brings expenditure from external
sources into the local market, and encourages the upgrading and re-use of dilapidated land and buildings (Department of Tourism, 2009b:11).

As an industry, tourism has become one of the major contributors to job creation in the South African economy and it is reported that approximately 485 060 individuals benefited from it through direct jobs in 2006 (Trade and Industry Chamber in Nieman, Visser and Van Wyk, 2008:284). It is predicted that this figure would increase to 1.2 million job opportunities by 2014 (Altman in Nieman, Visser and Van Wyk, 2008:284).

In 2012 the Department of Trade and Industry reported that SMMEs contribute between 52% and 57% to the country’s GDP and provide 61% of total employment, (Department of Trade and Industry 2012). Given the potential of small businesses to create jobs, especially within the tourism sector, the South African government invested in various support programs to enhance the ability of these businesses to become self-sustainable and to make a transition from the second to the first economy. Tourism has surpassed gold as the biggest foreign exchange earner and according to the Department of Trade and Industry in Nieman, Visser and Van Wyk (2008:283), the foreign exchange proceeds from the tourism sector in South Africa contributed 7 percent, or R100 billion, to the GDP and exceeded receipts from gold which were 5 percent in 2004.

The economic potential of this sector for the South African economy has made tourism development an imperative of national and provincial government programs over the past few years. The tourism industry holds considerable opportunities for small, medium and micro enterprises (SMMEs) to tap into the supply side of tourism products and services in the tourism value chain. However, within these opportunities available within this lucrative industry lies a challenge for government at all spheres, namely to facilitate access to business and trade opportunities and potential markets for small businesses (SBs). In addition, government is faced with the challenge of providing the required skills development interventions and support programs that facilitate accessibility to the aforementioned, which will potentially contribute to the sustainability of these businesses.

**Economic contribution of small businesses**

Brand (2006:1), describes the distribution of economic development in South Africa as the combination of two economies in one country: the first economy and the second economy. Die Burger in Brand (2006:1) states that the first economy competes on a global level, as opposed to the localised level of the second economy. SMMEs are found to be actively competing in the second economy with limited participation in the first economy.

According to Le Roux in Brand (2006:11), the composition of SMMEs in terms of their contribution to the economy is as follows: The 2 million small businesses represent 98% of South Africa’s total number of firms, employ 55% of the labour force, and contribute 42% of the country’s wage bill. However, 87% of these small businesses are survivalists and operate outside the formal economy. Recent statistics indicate a growth in the number of SMMEs in South Africa with 2.8 million SMMEs which contribute between 52% and 57% of the country’s GDP and provide 61% employment (Department of Trade and Industry 2012). These statistics demonstrate the potential of SMMEs in terms of employment creation and the contribution of SMME’s to the GDP.

Statistics from the Organisation for Economic Co-operation and Development, 1997: United National Conference on Trade and Development (2003), in Ladzani and Netswera (2009: 234), indicate the following contributions of SMMEs to the GDP in other developing countries: in Brazil, 60.8% of GDP and 66.8% of employment; in Mexico, 40% of GDP and 80% of employment.

According to the Organisation of Islamic Cooperation (2011), SMMEs represent a large share of registered businesses that contribute between 35 to 45% to the global GDP, and also represent an estimated 40 to 60% of global employment. This source reports that the contribution of SMMEs to the GDP is as follows: in Malaysia – 56%; Egypt – 33%; and Saudi Arabia – 25%. These statistics substantiate the importance of SBs in the economy, especially in developing countries. However cognisance should be taken of the size of SBs in other countries compared to that of SBs of South Africa. As per the statistics on the contribution of SMMEs to the economy, it can be argued that these businesses make a significant contribution to the job market. The overall contribution of SB to the economy may be regarded as small, but these enterprises make a significant contribution to employment creation as alluded to earlier. With this in mind it becomes important to assess if the policy responses that are put in place through specific interventions and support programmes are aligned to the needs of the beneficiaries of such programmes.
Challenges for small tourism businesses in South Africa

SMMEs have to compete with established large businesses that monopolise the South African economy (Brand 2006:17). These established businesses have effective business operations, established relationships and contracts, and have the business and information technology infrastructures that allow them access to market intelligence and business opportunities. SBs on the other hand do not have the same economies of scale and economic infrastructure, which makes it difficult for them to compete in the first economy and with larger enterprises in the same sector. Through the literature review it therefore becomes imperative to establish what challenges SBs experience which hinders their ability to compete with established businesses.

According to Balkenhol et al. in Brand (2006:17), SBs experience challenges regarding the ability to take advantage of business opportunities, the registration of their businesses, and to penetrate highly competitive markets. These factors often become obstacles that hinder them from engaging in formal business interactions and the consolidation of business. Furthermore, a great amount of entrepreneurial drive is required to ensure the success of the business. A lack of entrepreneurial skills can thus become an obstacle because the success of the SB business depends on the ability of its owner to take the initiative and full responsibility for the growth of its business. Furthermore, according to Rogerson and Ntsika in Elliot and Boshoff (2007:16), SBs in the tourism sector cite the lack of access to markets as an obstacle to their growth; studies conducted in South Africa and internationally on market access identify market access as a "critical factor" for business growth. Hence, market access may therefore also be an inhibiting factor in the growth of local STBs in the Eden District. Literature highlights the following as elements that impede access to markets for SBs: access to finance, marketing and information, a lack of market intelligence, of business skills and infrastructural challenges.

Access to finance: Access to finance is regarded as a critically important factor that determines the growth of SBs. Balkenhol et al. in Brand (2006:14) report that the results from an analysis of SMMEs in South Africa indicate that access to funds is a constraint that hinders them from either establishing or expanding their businesses. Statistics South Africa reports that 60% of non-VAT-registered businesses (approximately 1.4 million of a total of 2.3 million non-VAT registered businesses) requiring additional money to start their businesses, only 15.5% were successful in acquiring loans and of this percentage only 5.1% received loans from banks" (Brand 2006:14). This research also revealed that the SMMEs that did not obtain loans from commercial banks borrowed money from relatives, friends, and community savings arrangements (Brand 2006: 14).

Marketing resources: In 2003, a survey was conducted amongst tourism SMMEs in the Free State that focused on the profile of tourism entrepreneurs as well as issues that the tourism SMMEs were confronted with (Rogerson 2005:632). The findings revealed that marketing was top of the issues identified by established entrepreneurs, with specific reference to the quality and volume of tourism marketing at national and provincial level (Rogerson 2005:643). The concerns of the smaller entrepreneurs related more to the state of official marketing, and the costs involved should they embark on their own marketing, considered to be a very costly exercise. In a survey conducted amongst tour operators in Soweto in 2005, 50% of emerging tour operators identified access to finance sources, access to markets, and marketing support as major constraints to the growth of their enterprises (Nemasetoni and Rogerson 2005:205). Tour operators in Soweto revealed that the marketing of their businesses both individually and collectively as an area of concern (Rogerson 2009:345). According to Rogerson (2009: 345) marketing refers to, amongst other features, knowledge and exposure to new market trends and how the tourism marketing process evolves with particular reference to information technology and the internet.

Access to information: Access to information is one of the factors that contribute to accessing trade and economic opportunities. Research conducted by Rogerson (2005:633) highlights the frustrations of entrepreneurs to access support through national government led programmes, which are often attributed to a lack of access to information. This may be overcome through resources such as the internet, which, according to Bourgoin (2002:197) provides access to a broad spectrum of sources of information, support networks and worldwide marketing channels, providing opportunities to conduct electronic commerce. However, not all STBs have the business acumen and resources to conduct internet marketing as a medium to market their products or services. Elliot and Boshoff (2007:16) suggest that the internet is becoming an effective tool for SBs to overcome their marketing challenges and to access new markets. He further argues that it enables them to compete at the same level as larger firms.

Lack of market intelligence: A lack of market intelligence, market trends and knowledge in terms of the needs and expectations of the market also becomes a constraint to trade and economic opportunities (Forstner, 2004:501). It can be argued that this is a constraint to STBs, irrespective of whether they are situated in a rural or urban area. Kirsten and Rogerson (2002:54) state that emerging entrepreneurs should be provided with support in terms of access to finance, information, and training in the absence of formalised business linkages. These authors further state that the research conducted indicates that the needs of the
emerging entrepreneurs are not completely met by the support structures provided for small enterprise development. Kirsten and Rogerson (2002:54) suggest that opportunities for SBs in the tourism sector are vested in cost reduction and from programmes driven by government intervention. They are of the opinion that in the absence of government intervention we would not see the introduction of programmes that are beneficial to SBs. A success story in this regard is the affirmative procurement programme by Sun International, a resort hotel chain and casino destination in South Africa: it used its contractors to create opportunities for SBs.

**Lack of business skills:** According to Balkenhol et al. in Brand (2006:14) a lack of experience in the management of a business impacts on the ability of a SB and an entrepreneur to manage their businesses successfully. This results in the failure of many emerging SBs, and also becomes a determining factor in their ability to tap into markets. According to Brand (2006:15) business skills that are required include marketing, business management, financial management and personnel management.

**Infrastructural challenges:** The management of a successful service business necessitates that certain infrastructural elements are available to make it operationally functional in order to provide a service to clients and to attract potential clients. Brand (2006:15) identifies these essential or general services as "electricity, telephone, water and sanitation. In the absence of communication media, for example, telephone lines, fax facilities, email and information technology (the internet), SBs will have difficulty in communicating with their suppliers and customers, and vice versa. This often results in ineffective business processes. These services are essential for the existence of a SB and its ability to effectively stay in touch with potential markets. According to statistics provided by Statistics South Africa in 2002 in Brand (2006:16) only 166 000 (7.3%) of non-VAT-registered business owners obtained any license to operate their businesses. Lehohla in Brand (2006:16) contends this is the reason why the majority of small and micro businesses are not registered with authorities, namely, municipalities or regional councils. The lack of adequate communication services is one of the reasons why SBs do not register their businesses and this in turn then becomes an obstacle for them to conduct business in the first economy. Infrastructure is an area of intervention where local government can provide considerable support given the fact that it is responsible for maintaining soft and hard infrastructure in terms of its tourism legislative mandate.

**PROBLEM INVESTIGATED**
The main aim of this article is to determine whether the programs and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities?

**RESEARCH OBJECTIVES**
The research objectives of this research were to establish the areas in which Small Tourism Businesses (STBs) require support, to establish the current level of support received from the Eden District Municipality (EDM), as well as the participation levels of STBs themselves in the development of tourism strategies.

**RESEARCH METHODOLOGY**
According to Altinay & Paraskevas (2008) surveys are a commonly used for collecting data as far as the SMEs are concerned. For purposes of this research, a descriptive survey was conducted. According to Altinay & Paraskevas (2008), descriptive surveys are concerned with particular characteristics of a specific population and are predominantly used to gather information about what people do or think. In terms of this research this strategy proved the most useful to determine how tourism small businesses view the interventions provided for them by the EDM. The target population was the tourism small businesses in the EDM area that have been in existence for more than one year. These tourism small businesses were sourced from the EDM database and were verified by the local tourism offices (LTOs) and the B Municipalities that falls under the EDM region. The number of tourism small businesses registered in the EDM database is 175 and out of this number 100 were in operation for more than one year during the time this research was undertaken. Questionnaires were sent to all 100 and only 80 of these questionnaires were received back which represents 80% response rate. The small tourism businesses were first contacted telephonically and asked if they would be willing to participate in the survey.

**Survey results and discussion**
The research was conducted by using questionnaires for primary data collection. The self-administered questionnaire was distributed amongst tourism small businesses that were registered in the Eden District Municipality database who have been in existence for at least one year and more. A quantitative study method formed the basis of the study by using questionnaires that consisted of closed-ended questions. The database had 100 registered small tourism businesses that have been in operation for at least one year and more and questionnaires were sent to all these small tourism businesses. The response rate was 80% as 80 questionnaires were returned out of the 100 sent out and all of the returned questionnaires were valid as all the information required was completed. The small tourism businesses were first contacted telephonically.
and asked if they would be willing to participate in the survey. The questionnaire was emailed or dropped by
hand to those small tourism businesses that agreed to participate. The rationale for using STBs as the
sample was to obtain the perspective of SMMEs instead of local government practitioners who may hold
different views regarding small business support and interventions.

RESULTS
This section below provides an analysis of how small tourism business owners view the type of programs
offered by the EDM and the views of those have received such support programs.

Table 1: Awareness of support programs offered by EDM

<table>
<thead>
<tr>
<th>Type of program offered</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets</td>
<td>19</td>
<td>23.75</td>
</tr>
<tr>
<td>Access to information</td>
<td>22</td>
<td>27.50</td>
</tr>
<tr>
<td>None</td>
<td>30</td>
<td>48.75</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Table 1 above show the results of the small tourism business owner’s awareness of the various programs
offered by the EDM. The results infer that 27.50% of the owners were aware of the access to information
program, 23.75% were aware of the access to markets whilst 48.75% which is the majority, were not aware
of any support program offered by the EDM. Interestingly, there were ten programs in the questionnaire
which EDM was providing support for during the time of the research and they were: access to markets,
training/skills development, access to funding/finance, access to information, product development, access
to market intelligence, business skills training, access to information, partnership linkages with established
businesses, business incubator, mentorship programmes and export development. This finding may infer
that the communication mediums used to raise awareness to the small tourism business owners may not be
effective. This may imply that EDM needs to find other alternative communication mediums to reach out to
small tourism businesses in order for the businesses to know the support programs on offer.

Table 2: Type of assistance received from EDM

<table>
<thead>
<tr>
<th>Type of assistance received</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets</td>
<td>19</td>
<td>23.75</td>
</tr>
<tr>
<td>Access to information</td>
<td>22</td>
<td>27.50</td>
</tr>
<tr>
<td>None</td>
<td>30</td>
<td>48.75</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Table 2 above indicates those that have received and those that have not received assistance from EDM.
The results infer that 48% of the small tourism business owners have not received any type of support from
the EDM. This number of small tourism business owners are the very same who were not aware of any type
of support program offered by the EDM. Interestingly also is the fact that out of the ten
support programs mentioned in the discussion of table 1, only two programs, namely access to markets and
access to information, have been used by the small tourism business owners. These results may also infer
that more still needs to be done by the EDM if they need more small tourism businesses to benefit from the
support programs they offer.

Table 3: Type of assistance received from the EDM

<table>
<thead>
<tr>
<th>Rating of assistance received</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None received</td>
<td>39</td>
<td>48.75</td>
</tr>
<tr>
<td>Average</td>
<td>16</td>
<td>20.00</td>
</tr>
<tr>
<td>Good</td>
<td>14</td>
<td>17.50</td>
</tr>
<tr>
<td>Very good</td>
<td>11</td>
<td>13.75</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

It was also important to find out from the 51.25% who have received support from the EDM to assess how
they rate the assistance received. Table 3 above indicates that 20% of those who received the assistance
rated it average at 20% which was the highest, followed by 17.50% that rated the assistance good, whilst
13.75% rated the assistance received as very good. These results infer that EDM is doing a good job while
providing assistance as none of those who received the support rated it poor or very poor. However, these
results may not be accurate as many participants (48.75%) nearly half of the participants in the survey have
not received or are aware of these support programs. The picture projected above could have been different
if all the surveyed participants have had some kind of experience with the support provided by the EDM.
These results may also imply that the EDM should continue with the same standards they have adopted for
those who have been assisted as it seem to have worked for them as they continue to create more awareness of the other support programs on offer.

Table 4: Areas where support is still required by small business.

<table>
<thead>
<tr>
<th>Areas where support is still required</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets intelligence</td>
<td>23</td>
<td>28.75</td>
</tr>
<tr>
<td>Access to funding/finance</td>
<td>28</td>
<td>35.00</td>
</tr>
<tr>
<td>Business skills training</td>
<td>29</td>
<td>36.25</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Participants in the survey were also asked about the kind of support their small businesses still requires. Table 4 above show the results in this regard. Out of the ten support programs outlined under table 1, only three of them were selected by the participants. The highest support still required by the small tourism businesses is business skills training ranked at 36.25%, closely followed by access to funding/finance raked at 35% and access to markets ranked at 28.75%. These results may infer that many owners of small tourism business owners see these support programs as critical to the success and sustainability of the businesses as compared to the other support programs, namely: training /skills development, access to information, product development, access to market intelligence, access to information, partnership linkages with established businesses, business incubator, mentorship programmes and export development. These results may also infer that the EDM should focus more on strengthening support around these three support intervention programs as they seem to be the most desired by the small tourism business owners.

Table 5: Attendance to workshops to access programmes in support of small businesses and the development of tourism strategies

<table>
<thead>
<tr>
<th>Attendance to platforms</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41</td>
<td>51.25</td>
</tr>
<tr>
<td>No</td>
<td>39</td>
<td>48.75</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Given the high number of participants who were not aware of the support intervention programs offered by the EDM, it was necessary to establish how many small tourism business owners have attended the workshops where information is provided about these support intervention programs. Table 5 above show that the majority, 51.25% have attended the workshops and given the analysis in the previous sections, these are the business owners who have received some kind of support from the EDM, whilst 48.75% have not attended the workshops and in the same vein, these are the business owners who were not aware of the existing support intervention programs and who have not received any kind of assistance from the municipality.

Table 6: Type of assistance by rate support

<table>
<thead>
<tr>
<th>Type of assistance</th>
<th>Average</th>
<th>Good</th>
<th>Very good</th>
<th>Row totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets</td>
<td>4</td>
<td>9</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Access to information</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Totals</td>
<td>11</td>
<td>17</td>
<td>13</td>
<td>41</td>
</tr>
</tbody>
</table>

It was also important to compare the different variables to see whether there were significant differences in the chosen factors. A test was done to determine whether those that received assistance rated the assistance differently. The results in table 6 yielded a degree of freedom at 2 with the chi square statistic of 0.74 and a p-value of .69130. The p-value of .69130 is above the conventionally accepted significant level (.05), it meant that there were no statistical significant differences on the views of those who were assisted with access to markets and those assisted with access to information. The result of the Chi-square test is not significant and therefore there is no sufficient information to justify that those assisted with access to markets have rated the support received differently from those who received support for access to information.
Table 7: Type of assistance by area of support required

<table>
<thead>
<tr>
<th>Type of assistance</th>
<th>Access to markets</th>
<th>Access to information</th>
<th>Business skills training</th>
<th>Row totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to markets</td>
<td>2</td>
<td>10</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Row %</td>
<td>10.53%</td>
<td>52.63%</td>
<td>36.84%</td>
<td></td>
</tr>
<tr>
<td>Access to information</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Row %</td>
<td>36.36%</td>
<td>22.73%</td>
<td>40.91%</td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>39</td>
</tr>
<tr>
<td>Row %</td>
<td>33.33%</td>
<td>33.33%</td>
<td>33.33%</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>23</td>
<td>28</td>
<td>29</td>
<td>80</td>
</tr>
</tbody>
</table>

Chi-square  5.81  df=4  p=.21350  (Not significant)

It was also important to determine the statistical difference in the type of assistance received by the area where support is still required. The results in table 7 above yielded a degree of freedom at 4 with the Chi-square at 5.81 and the p-value of .21350. The results of the Chi-square test resulted in a no significant statistical difference which means there is no sufficient information to determine that those who were assisted with access to markets will require a different area of further support from those who were assisted with access to information. It therefore means that those assisted with access to markets and those with access to information are equally likely to need further assistance with access to market intelligence, access to funding and business skills training.

CONCLUSIONS

The findings of this research clearly indicate that the EDM has a role to play in creating awareness about the support programs available for small businesses. This is supported by the 48.75% of small business owners in the tourism industry who are not aware of any support program for small business offered by the EDM. If small businesses are to overcome the challenges they faced, that were discussed in the literature review section, and they need to have access to the different support programs available to them. The findings indicated that out of ten programs available for support for small businesses, only two of those were used by the small business owners and these were used by relatively small numbers. The following areas of support were highlighted as the areas where support is still required (access to market intelligence, access to funding/finance and business skills) even by those who have not heard about these support programs offered by the Eden District Municipality.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The findings of the research elicit a negative answer to the research question: Do the programs and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities? It is therefore recommended on the basis of the finding of the study that EDM should raise more awareness about support programs available for small businesses. One way to do this is through road shows in all the local municipalities that falls under their domain. The road shows should be performed at the beginning of each financial year, and can be conducted in conjunction with the local municipalities, LTOs, knowledge partners and role players. Another recommendation is for workshops to be held with SBs per B Municipality to ascertain the areas in which they require support. This will ensure that programme interventions accurately address the specific needs of the SBs. It can also be concluded as part of the tourism strategy review process. Another recommendation that can lead to an increase in awareness of the support interventions offered by the EDM could be public participation in tourism strategies development. The participation and involvement of SBs in tourism strategy development should be enhanced. SBs should form part of the consultation process to ensure that strategies promote SB development and reflect their needs and priorities.

REFERENCE LIST


THE RELATIONSHIP BETWEEN PERSONALITY AND PRIVACY CONCERNS IN FACEBOOK USAGE

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Acknowledgement
The assistance of J. T. Botha and R. F. Jansen van Rensburg is gratefully acknowledged.

ABSTRACT
Facebook has become one of the world's premier social network platforms. With the worldwide increase in popularity of Facebook, many people have raised concerns about the implications that this social networking tool has on user privacy. Little research has been done with regard to the role that an individual's personality has in forming their privacy concerns when they use Facebook. This paper investigates whether there are correlations between personality dimensions and a Facebook user's privacy concerns when using this social network. Additionally, the paper also analyses whether there are any correlations between Facebook users' personality dimensions and their Facebook usage intensity. A survey among students at a South African university was conducted. The survey found only a few correlations between Facebook users' personality dimensions and their level of privacy concerns, as well as their level of Facebook usage intensity. One question that arises is how the relationships with customers on Facebook could be better analysed through the use of personality analysis.

Key words: Facebook, privacy concern, personality, Five Factor Model

INTRODUCTION
Social networking sites (SNSs) is an ever-evolving medium that has revolutionised the way that people around the world communicate. People are able to interact and share information with each other via SNSs in a matter of seconds – from all corners of the world. Facebook, in particular, has become one of the most popular platforms to connect and network with friends, family, acquaintances, strangers, or even organisations (Hanna, Rohm & Crittenden, 2011: 267).

The nature of these interactions between users on Facebook has raised a variety of questions pertinent to the usage of SNSs in general. A primary topic that has gained much attention due to the growth of online social networks – Facebook in particular – is the issue of privacy. Information privacy seems to remain a point of debate for both Facebook users and non-users alike (Acquisti & Gross, 2006:1).

Previous research has addressed various aspects of the influence of privacy in Facebook usage (Brandtzæg, Luders & Skjetne, 2010; Christofides, Muise & Desmarais, 2009; Fogel & Nehmad, 2009). Predominantly, the aspect that features most in this field is the disclosure of personal information, and how this affects the privacy behaviours and the perceptions of Facebook users. Research findings indicate that privacy concerns play an integral part in how Facebook users disclose information about themselves (Joinson, Reips, Buchanan & Paine Schofield, 2010).

Some of the available literature has determined that there are correlations between the personality dimensions and the disclosure of personal information. The findings of these studies indicate that certain types of personality dimensions have stronger correlations with personal information disclosure than do others.

The purpose of this study is to expand the current knowledge available on how personality correlates with the privacy concerns of Facebook users. The study further aims to measure and understand whether or not the Facebook-usage intensity of people correlates with their personalities. An understanding of the relationship between personality and privacy concerns could possibly assist in designing Facebook features that could alleviate privacy concerns. By doing so, a more secure experience could be provided to Facebook users. Additionally, predictions could potentially be made with regard to how different personality dimensions would react to any changes in privacy features and policies.

This paper is structured as follows: Firstly, a general overview of Facebook and its importance as a major player in SNSs is discussed. Next, privacy and its influence on social network use are reviewed, together with the relevance of Facebook-usage intensity. This is followed by a discussion on the importance of the
personality dimensions and the various influences it has on information disclosure and Facebook-usage intensity.

Research objectives are set and hypotheses derived from the different personality traits in Facebook-usage intensity and privacy concerns. The paper then explains the methodology used; whereafter the findings are presented. Finally, the paper concludes with a summary of the findings, and a discussion of the managerial implications, limitations, and recommendations.

LITERATURE REVIEW

Facebook as a social media tool
This study chooses specifically Facebook as the social media tool of interest, because of its popularity amongst students (Ross, Orr, Sisic, Arseneault, Simmering & Orr, 2009:578). Kaplan and Haenlein (2010:59) state that 75% of all internet users are involved in some sort of social media, where Facebook is accountable for 17.9% of the total time spent online. There are over 750 million active users on Facebook, making it the most popular social networking site in the world (Fife, LaCava & Nelson, 2013: 107). Facebook is currently ranked as South Africa’s third largest form of social media, with 9.6 million users (Meier, 2013).

The vast population of Facebook users raises a number of new challenges. There are a lot of different personality profiles amongst these users that need to be considered (Ross et al., 2009:578). Personality might influence the user’s actual Facebook participation, meaning that some users might have more or less postings and Facebook friends, than do others (Christofides et al., 2009:341). Ross et al. (2009:578) argue that Facebook is very different from other social networking sites, as it demonstrates a more offline-to-online movement in usage behaviour. Users are more likely to meet new people offline, and then subsequently add them as a new Facebook friend (Ross et al., 2009:578).

The increased offline-to-online movement possibly hints towards privacy concerns. It appears to be common knowledge that users would be less likely to add strangers as a Facebook friend because of privacy and potential information disclosure issues. Studies done by Christofides et al. (2009:342) indicate that Facebook users are becoming increasingly more concerned about their privacy. Moore and McElroy (2012:268) indicate that Facebook users might be more cautious of their information disclosure, since potential or current employers might gain access to their profiles. Christofides et al. (2009:341) agree with Moore and McElroy’s findings, stating that the students in his study displayed some level of regret towards certain content they had posted on their profiles. In order to understand privacy in the social networking environment, to its full extent, online privacy concerns will be discussed in the next section.

Online privacy
Privacy presents a number of challenges that SNS platforms need to overcome, in order to be successful. SNSs such as Facebook in particular, are based on the concept that users voluntarily disclose information about themselves to others (Joinson, 2008:1027). Buchanan, Paine, Joinson and Reips (2007:161) state that “...privacy concerns are attitudinal rather than behavioural; and reflect general concerns about privacy on the internet.” Privacy concerns have been said to be a possible reason why people implement measures to protect their privacy (Buchanan et al., 2007).

Previous privacy research suggests that the disclosure of private information is a balancing act. This balancing act involves the creation of privacy boundaries, and making decisions about those parties with whom a user wants to share information (Altman in Christofides et al., 2009:341; Petronio, 2002:1). Joinson et al. (2010:18) found strong evidence that privacy concerns influence how prepared a user would be to disclose personal information in an online environment. Information disclosure behaviours include activities where personal information is shared with friends, acquaintances, or even strangers (Christofides et al., 2009:341). However, research in the field of privacy concerns in the Facebook environment has revealed, that although users are aware of privacy concerns, they still disclose a large amount of personal information (Acquisti & Gross, 2006:1).

According to Brandtzæg et al. (2010:1007), information disclosure could possibly create conflict between two fundamental aspects that Facebook users deem important. These two aspects are: a user’s privacy needs, and a user’s needs for socialisation. The conflict created between privacy needs and the needs for socialisation could be defined as the “privacy dilemma”. Protection of privacy needs could cause the need for socialisation to suffer; while the promotion of socialisation needs would see a corresponding deterioration in privacy needs (Brandtzæg et al., 2010:1007).
Through encouraging socialisation on Facebook, users have gained increased social acceptance (Brandtzæg et al., 2010:1007). Users have experienced growth in the amount of social diversity to which they are exposed on Facebook. This has created a situation where users are more readily accessible on Facebook; and it has increased the number of people to whom they are exposed and visible (Brandtzæg et al., 2010:1007). This increased accessibility and exposure could possibly influence the privacy concerns and behaviours of Facebook users.

**Facebook-usage intensity**

Facebook is used for a tremendous number of reasons: whether it is for social or research purposes (Ellison, Steinfield & Lampe, 2007). Moore and McElroy (2007:267) explain that Facebook usage relates to the time spent on Facebook, the use of the information given on Facebook, and the extent to which one provides information on his or her Facebook account. Facebook usage includes features like adding friends to one’s friend list, posting and viewing photos, updating one’s own status, or commenting on someone else’s posts (Nadkarni & Hofmann, 2012:243).

For the purposes of this study, Facebook-usage intensity refers to the degree to which an individual actively uses Facebook. Facebook-usage intensity includes the use of an individual’s active Facebook profile, and all the features thereof. Moore and McElroy (2007:267) explain that personality affects how individuals use these Facebook features.

When individuals create their Facebook account, they are allowed to modify their profiles and choose what information to disclose (Nadkarni & Hofmann, 2012:243). Ross et al. (2009:581) indicate that personality does play a role in the Facebook-usage intensity of an individual’s Facebook profile, even though the correlations were not strong. Amichai-Hamburger and Vinitzky (2010:1291) expanded on the research done by Ross et al. (2009) by using a different questionnaire that focuses more on the actual content of the respondent’s Facebook profile. The results reported by Amichai-Hamburger and Vinitzky (2010) revealed that there is a strong connection between personality and Facebook usage habits.

Nadkarni and Hofmann (2012:243) agree with the findings made by Amichai-Hamburger and Vinitzky (2010); and they state that the use of Facebook is motivated by the need to belong and the need for self-presentation. They explain that demographic and cultural factors contribute towards the need to belong; whilst neuroticism, self-esteem, self-worth, narcissism and shyness contribute towards the need for self-presentation. The next section deals with personality and its importance when studying people’s behaviour on the internet.

**Personality**

Several authors have suggested that there is a connection between personality and the use of internet services (Hamburger & Ben-Artzi, 2000:445; Amichai-Hamburger, 2002:6). Amichai-Hamburger, Kaplan and Dorpatcheoon (2008:1912) argue that the pattern of offline social interaction is likely to be carried over into a social media environment, such as Facebook. This possibly indicates that personality types would affect the privacy concerns of Facebook users.

The Five-Factor Model (FFM) of personality provides a comprehensive framework to analyse personality dimensions. Wehrlí (2008:2) states that the FFM is considered to be the standard measure of personality dimensions in psychometrics. The FFM divides the personality dimensions into five measurable dimensions or factors. These five factors enable researchers to draw concise conclusions about the personalities of the target population (Devaraj, Easley & Crant, 2008: 94). The different dimensions of the FFM include: agreeableness, extraversion, conscientiousness, openness, and emotional stability (also known as neuroticism).

**Neuroticism**

Neuroticism refers to an individual’s display level of distrust, sadness, embarrassment anxiety, and the difficulty to manage stress (Amichai-Hamburger & Vinitzky, 2010:1290; Moore & McElroy, 2012:269; Ross et al., 2009:579). Neuroticism is also referred to as emotional stability, meaning that individuals high in neuroticism would then be said to have low emotional stability (Moore & McElroy, 2012:269). Those who are high in neuroticism tend to think they are unattractive; and these individuals are terrified of rejection. Amichai-Hamburger and Vinitzky (2010:1290) also add that individuals high in this personality dimension are very sensitive to danger. However, despite this personality type’s distrust and sensitivity to danger, they are believed to share more personal information on Facebook (Amichai-Hamburger & Vinitzky, 2010). This may be because they want to avoid the use of personal messages, since they seek to receive social support through Facebook (Amichai-Hamburger & Vinitzky, 2010:1290; Ross et al., 2009:580).
This notion of sharing information does not, however, seem to translate into lower privacy concerns, since the findings from a study by Summer, Byers and Shearing (2012) showed that neuroticism correlates positively with privacy concerns. This study, therefore, expects that the higher an individual scores on neuroticism, the higher their privacy concerns would be, regardless of them showing a willingness to disclose information on their Facebook profiles.

Additionally, neuroticism is positively correlated to the amount of time spent online (McElroy, Hendrickson, Townsend & DeMarie, 2007:818). This offers the explanation that individuals high in neuroticism spend a lot of time on SNSs, trying to increase their level of attractiveness. Generally, the assumption is made that neuroticism associates with negative social relationships (Wehrli, 2008:7). Despite this, high degrees of neuroticism are said to correlate positively with social network usage – in order to create a sense of belonging, and to stay informed (Moore & McElroy, 2012:268). The overall prediction for individuals high in neuroticism is thus to have a higher Facebook usage rate and emotional connection to Facebook.

**Extraversion**

Extraversion is associated with being cheerful, outgoing, highly active, optimistic, and very talkative. Individuals high in the dimensions of extraversion are easily approachable and more willing to engage in social interaction (Moore & McElroy, 2012:268; Wehrli, 2008:5). Wehrli (2008:5) points out that those individuals high in extraversion have larger social networks and reveal higher contact frequencies. Moore and McElroy’s argument for these higher contact frequencies is based on the “rich-get-richer” proposition. The “rich-get-richer” proposition argues that an extraverted person benefits from his/her Facebook usage, since this offers them another platform for social engagement and communication with friends and with other contacts met offline (Moore & McElroy, 2012:268).

Although some research findings report that individuals high in extraversion spend less time on social networks, since they prefer to communicate face-to-face, the majority of research supports the “rich-get-richer” model (Moore & McElroy, 2012:268). Amiel and Sargent (2004:719) explain that extraverted individuals see social networks as a place to share information and opinions, rather than as a replacement for actual face-to-face interaction. Because of an extraverted person’s tendency to be sociable, such individuals would demonstrate a more-frequent use of Facebook, and make greater usage of Facebook features for communication purposes (Amichai-Hamburger & Vinitzky, 2010:1290; Ross et al., 2009:580). They could thus be expected to have a higher level of Facebook-usage intensity.

The “rich-gets-richer” model associated with extraversion also suggests that the more an individual tends to be extraverted, the more s/he would disclose information on his/her Facebook profiles. This is in line with the findings of Summer et al. (2012). These authors reported that extraversion has shown negative correlations with privacy concerns. This suggests that individuals who score low in privacy concerns are more extraverted than individuals who scored high in privacy concerns.

**Agreeableness**

Wehrli (2008:5) states that “…agreeable persons tend to be courteous, kind, flexible, trusting, forgiving, and are inclined to co-operate, but known to avoid conflict.” Agreeableness is expected to favourably influence social interactions and to enhance the quality thereof (Wehrli, 2008:5).

In comparison to extraversion, agreeableness has not received as much attention in Facebook usage studies (Moore & McElroy, 2012:269). Amichai-Hamburger and Vinitzky (2010:1294) found that agreeableness is related to certain features of Facebook usage. Specifically, agreeableness was found to influence the number of pictures a person would upload to their profile when gender factors were being considered. Females with low degrees of agreeableness had less pictures on their profiles in comparison with females that had shown higher degrees of agreeableness. No effect was found among males in this regard (Amichai-Hamburger & Vinitzky, 2010:1292).

Individuals high in agreeableness have been found to create a higher number of wall posts about themselves than people who are less agreeable (Moore & McElroy, 2012:271). The above information suggests that individuals high in agreeableness would have higher Facebook-usage intensity. In addition, agreeable persons are also unlikely to decline an offer of friendship (Wehrli, 2008:5-6). Seeing that agreeable persons seem to be more open to sharing information about themselves, and willing to accept new friendships that would expose their profiles, they might exhibit lower levels of concern on the issue of privacy. This contention has been supported by Summer et al. (2012), who reported that agreeableness shows negative correlations with privacy concerns.
Conscientiousness
Wehrli (2008:5) defines conscientiousness as “... the extent that an individual is dependable, careful, responsible, organised, and has a high will to achieve.” Conscientious individuals are characterised by a high level of motivation towards increasing their job performance (Moore & McElroy, 2012:269).

Because of their dutiful and responsible nature, it could be expected that conscientious individuals would spend less time on distractions, such as Facebook (Wehrli, 2008:9). Support for this contention is not unanimous, however. Other studies have presented results where conscientiousness did not draw any specific relation to frequency of use, or the amount of time spent using Facebook (Moore & McElroy, 2012:271; Ross et al., 2009:582). What is known is that highly conscientious individuals make significantly less wall postings when compared with less conscientious individuals, both about themselves, and other people (Moore & McElroy, 2012:271). Conscientious individuals are also less likely to upload pictures to their Facebook profiles (Amichai-Hamburger & Vinitzky, 2010:1292). From this one could conclude that individuals high in conscientiousness would probably have lower levels of Facebook-usage intensity.

Interestingly enough, individuals with a higher degree of conscientiousness have a greater number of friends than do those who scored lower in conscientiousness (Amichai-Hamburger & Vinitzky, 2010:1294). The reasons for this are thought to be related to the high-target orientation of conscientious individuals, namely to have a high number of friends (Amichai-Hamburger & Vinitzky, 2010:1291).

However, conscientious individuals generally have a lower number of Facebook friends when compared to neurotic individuals (Wehrli, 2008:11). Considering the careful and responsible nature of conscientious individuals, it might be expected that individuals high in conscientiousness would portray a higher level of concern as regards privacy issues.

Openness to experience
Openness to experience refers to the curiosity, willingness to explore new ideas, and open-mindedness of an individual (Moore & McElroy, 2012:269). Ross et al. (2009:579) add that individuals who score high in the dimensions of openness are more willing to consider alternative approaches and to enjoy artistic pursuits. Those individuals who score low in openness are more practical (i.e., as opposed to the imaginative thinking of those high in openness to experience), traditional and down-to-earth (Wehrli, 2008:5). McElroy et al. (2007:815), reported that openness to experience is a high predictor of internet use. They explain that open individuals are more likely to use the internet.

Since openness to experience is a personality dimension that suggests individuals like to try new things, using the social networks to seek new and novel experiences would then be associated with this trait (Butt & Phillips, 2008:348). This argument agrees with that of Wherli (2008:5), who stated that individuals high in openness try and keep up with new social networking technologies. Guadagno, Okdie and Eno (2008:1998) maintain that individuals who score high in openness to experience are more likely to be bloggers.

Although little research has been done on the relationship between openness and Facebook usage, Correa, Hinsley and de Zuniga (2010:249) found that people high in openness use Facebook to engage in online socialisation. Other research conducted by Moore and McElroy (2012:269) also suggests that individuals high in openness are expected to have higher levels of Facebook-usage intensity.

Amichai-Hamburger and Vinitzky (2010:1294) found that more-open individuals tend to reveal more personal information about themselves on Facebook. This would suggest that individuals high in openness would be more likely to keep up-to-date with Facebook, and regularly update their profiles – without certain regrets about their information disclosure (Moore & McElroy, 2012:269). The more prone to openness individuals are, the more they would disclose information on their Facebook profiles. Individuals high in openness could then be expected to have lower levels of privacy concern.

RESEARCH PROBLEM AND HYPOTHESES
Little research has been conducted to establish whether there is a correlation between a person’s personality type, and his/her level of privacy concern – specifically when using Facebook (Summer et al., 2011). Furthermore, of the research conducted, the privacy-concern measures used were limited. This study, therefore, firstly aims to determine whether certain personality dimensions correlate more strongly with privacy concerns than do others. In this case, the privacy concerns of Facebook users are measured by determining an individual’s privacy attitude when using Facebook. For this, the Internet User Information Privacy Concerns (IUIPC) scale, as developed by Malhotra, Kim and Agarwal (2004), will be used. The
second research objective is to determine the correlation between the personality dimensions and the intensity of Facebook usage.

To achieve the above-mentioned objectives, the following hypotheses were developed:

- **H1a**: Facebook users’ degree of neuroticism is positively correlated with their level of privacy concern.
- **H1b**: Facebook users’ degree of neuroticism is positively correlated with their level of Facebook usage intensity.
- **H2a**: Facebook users’ degree of extraversion is negatively correlated with their level of privacy concern.
- **H2b**: Facebook users’ degree of extraversion is positively correlated with their level of Facebook usage intensity.
- **H3a**: Facebook users’ degree of agreeableness is negatively correlated with their level of privacy concern.
- **H3b**: Facebook users’ degree of agreeableness is positively correlated with their level of Facebook usage intensity.
- **H4a**: Facebook users’ degree of conscientiousness is positively correlated with their level of privacy concern.
- **H4b**: Facebook users’ degree of conscientiousness is negatively correlated with their level of Facebook usage intensity.
- **H5a**: Facebook users’ degree of openness is negatively correlated with their level of privacy concern.
- **H5b**: Facebook users’ degree of openness is positively correlated with their level of Facebook usage intensity.

**METHODOLOGY**

**Target population, context and units of analysis**

The target population for the proposed study comprised the students on the main campus of one South African university during 2013. Students were selected as the target population, since Facebook is most popular amongst people between the ages of 18 to 24 years in South Africa (this also being the average age range of a typical South African student), and accounts for 32.9% of the entire South African Facebook population (Socialbakers, 2013).

Students also played an important role in influencing the development of Facebook during its inception. Facebook inventor, Mark Zuckerberg, developed Facebook whilst he was an undergraduate student studying computer science at Harvard University. During the first few years of Facebook’s existence, the site was available exclusively to students only (Bellis, 2012). Thus, Facebook originated from a development process that was inspired by students; and it was originally intended for the exclusive use of students.

**Sampling and data collection**

The data for this study were gathered by means of a non-probability sampling method. More specifically, quota sampling (based on gender representation) was used to ensure that the sample remained demographically diverse, and representative of the gender spread of this particular student population. For the purpose of this study, a sample of 200 students was obtained: 108 females and 92 males. This spread also closely represents the South African Facebook population, which is 50% male and 50% female (Socialbakers, 2013).

The questionnaire was pre-tested, using a convenience sample of 10 students on the main campus of the specified university. The data collection was conducted over a two-week period in October 2013 via campus intercepts. No incentives to encourage participation were given to the respondents; and participation was voluntary. In total, 200 questionnaires were captured during the survey phase. Of the 200 questionnaires collected, 10 were discarded – after careful identification of outlier values.

**Measures**

The different personality dimensions were measured by means of the Mini-International Personality Item Pool (mini-IPIP), as developed by Cooper, Smillie and Corr (2010). The mini-IPIP uses a 20-item, 5-point Likert scale, ranging from 1 = very inaccurate to 5 = very accurate.

Respondents’ privacy concerns were measured by using the Internet User Information Privacy Concerns (IUIPC) scale developed by Malhotra et al. (2004). They explain that the IUIPC is the degree to which an internet user is concerned about online markets, the collection of personal information and how it is used, and the users’ awareness of how the information is collected. The IUIPC uses a 10-item, 7-point Likert scale ranging from 1 = Strongly Disagree to 7 = Strongly Agree.
The third scale in the questionnaire is the Facebook usage-intensity scale developed by Ellison, Steinfield and Lampe (2007). This scale used a 6-item, 7-point Likert scale (ranging from 1 = Strongly disagree to 7 = Strongly agree) to measure the degree to which a respondent is emotionally connected to Facebook, and the extent to which Facebook is integrated into the daily routine (Ellison et al., 2007). The Facebook intensity scale includes two self-reported evaluations of Facebook behaviour. These self-reported measures help to analyse the degree to which respondents are actively engaged in Facebook activities.

RESULTS
Sample statistics and reliability
Of the 190 respondents used in the data analysis, 87 were males (45.8%), whilst 103 (54.2%) were females. The largest ethnic group comprised Africans (41.1%), followed by Caucasians (35.8%), then Indians/Asians (14.7%), and the lowest being Coloureds (2.1%). A total of 52.1% of the respondents were between the ages of 19 and 21 years of age.

Males tend to have less friends on their Facebook profiles \((M = 457.765)\) in comparison with females \((M = 586.140)\). The average number of friends per respondent is around 527 friends. The personality dimensions showed the highest average for openness \((M = 3.935, SD = 0.593)\), with neuroticism having the lowest average score across the sample \((M = 2.631, SD = 0.944)\). The average for privacy concern was \(M = 6.083, SD = 0.615\); and for Facebook-usage intensity, \(M = 4.208, SD = 1.471\).

The Cronbach’s alpha value obtained for the IUIPC scale in this study was 0.752. The Cronbach alpha value for the Facebook usage-intensity scale in this study was 0.87. Acceptable reliability scores for the different personality dimensions were reported in the study by Cooper et al. (2010: 689), with alpha values ranging from 0.68 to 0.72. Unfortunately, the reliability values in this study were lower than those previously reported. After removing an item from both the neuroticism and agreeableness dimensions, the Cronbach alpha values for the different subdimensions were 0.63 (Neuroticism), 0.65 (Extraversion), 0.46 (Conscientiousness), 0.48 (Openness), and 0.72 (Agreeableness). Because of the low reliability of the conscientiousness and openness dimensions, a decision was made to exclude these dimensions from the hypothesis testing. This specifically affects Hypotheses 4 and 5. The hypotheses to be included for further analysis were:

\[ H_{1a}: \text{Facebook users' degree of neuroticism is positively correlated with their level of privacy concern.} \]
\[ H_{1b}: \text{Facebook users' degree of neuroticism is positively correlated with their level of Facebook-usage intensity.} \]
\[ H_{2a}: \text{Facebook users' degree of extraversion is negatively correlated with their level of privacy concern.} \]
\[ H_{2b}: \text{Facebook users' degree of extraversion is positively correlated with their level of Facebook-usage intensity.} \]
\[ H_{3a}: \text{Facebook users' degree of agreeableness is negatively correlated with their level of privacy concern.} \]
\[ H_{3b}: \text{Facebook users' degree of agreeableness is positively correlated with their level of Facebook-usage intensity.} \]

Hypothesis tests
All the hypotheses should be tested by means of Pearson’s product-moment correlation. This test assumes that there is a linear relationship between the two variables being correlated, and the sampling data for each variable must be normally distributed (Field, 2009:177). Since all the assumptions could not be satisfied, the Spearman’s rank-order correlation test was used as a non-parametric alternative (Field, 2009:179). All the hypotheses were one-tailed (directional) hypotheses; and these were tested at a 5% level of significance (i.e., \( \alpha = 0.05 \)). Table 1 below shows the Spearman’s rank-order correlation matrix results for Hypotheses 1 to 3.

<table>
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<th>Table 1: Spearman’s rank-order correlation matrices for H1 to H3</th>
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<td><strong>Personality dimensions</strong></td>
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<td>Privacy concern</td>
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<td>p-value (1-tailed)</td>
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The results in Table 1 indicate that there are no significant correlations between privacy concerns and two of the three personality dimensions, namely: neuroticism \((H_{1a}: r = 0.085, n = 190, p = 0.122)\), and extraversion
(H.<sub>3a</sub>: r = 0.86, n = 190, p = 0.118). This means that the null hypothesis in each case cannot be rejected in favour of the alternative hypotheses.

The one interesting finding with regard to privacy concerns relates to Hypothesis 3a. The results in Table 1 indicate that there is a statistically significant, positive correlation between Facebook users’ degree of agreeableness and their privacy concern, r = 0.124, n = 190, p = 0.045. It is worth noting that, despite the significant correlation, the coefficient of determination, r², indicates that these two variables share only a 1.54% common variance, which indicates a very low strength of association. Also, the results do not correlate with the notion that agreeableness translates into lower levels of privacy concern, despite the notion that agreeable persons seem to be more open to sharing information about themselves (Amichai-Hamburger & Vinitzky, 2010). Thus, there is no support for H.<sub>3a</sub>, even though the correlation was significant.

The results in Table 1 also indicate that there are no significant correlations between Facebook-usage intensity and two of the three personality dimensions, namely: neuroticism (H.<sub>1b</sub>, r = 0.54, n = 190, p = 0.231), and extraversion (H.<sub>2b</sub>; r = -0.022, n = 190, p = 0.381). This means the null hypothesis in each case cannot be rejected in favour of the alternative hypotheses.

Finally, with regard to agreeableness as a personality sub-dimension (H.<sub>3b</sub>), there was a statistically significant, positive correlation with Facebook-usage intensity, r = 0.188, n = 190, p = 0.005. In this case, the coefficient of determination, r², showed a low strength of association between the two variables, sharing only a 3.53% common variance. The correlation is also in the expected direction (positive), confirming that agreeable personality types seem to be more open to sharing information about themselves, and consequently, exhibit lower levels of privacy concern (Summer et al., 2012). There is thus support for H.<sub>3b</sub>.

**DISCUSSION AND MANAGERIAL IMPLICATIONS**

This study firstly considered the relationship between Facebook users’ five personality dimensions and their online privacy concerns. The results of the study indicate that there is little or no correlation between the three personality dimensions and Facebook users’ privacy concerns. At the least, the agreeableness dimension indicated a significant correlation with privacy concerns. However, the direction of the correlation (negative) contradicts the expected direction (positive), as reported in an earlier study (Summer et al., 2012). The results of the personality dimensions were unexpected, since significant correlations were expected between all the personality types and privacy concerns.

To try and explain these findings, it may be worth noting that all personality types (including those two excluded from further analysis) showed positive correlation with privacy concerns, meaning that all levels of privacy concern were high, regardless of the personality type. This was further supported by the average (mean) for the privacy-concern scale in this study, showing high concern levels with small deviations (M = 6.083, SD = 0.615). This supports the much-debated ‘privacy paradox’, which aims to explain why users of social media platforms show concern for their privacy, but still continue to reveal much data about themselves (Acquisti & Gross, 2006). One explanation could be that many SNS users erroneously consider these networks as ‘private places’, although they are in fact public ones (Stutzman & Kramer-Duffield, 2010).

Since we know that consumers often report high levels of privacy concern (although not supported by privacy-protective behaviour), one may deduce that all users should be catered for by Facebook marketers in terms of privacy features and policies – and probably more so for the agreeableness group, which showed a significant correlation in the test result.

Increasing the comfort levels of Facebook users in their interactions with an organisation could lead to users being more willing to disclose personal information. This information could be useful for organisations operating on Facebook; and it could potentially lead to improved marketing activities. The privacy concerns of internet users can influence how users disclose information about themselves in an online environment – including Facebook (Joinson et al., 2010:18).

Businesses that establish and operate pages on Facebook representing their organisations do so with the intention of interacting with their current and potential customers (Moore & McElroy, 2012:273). The key to establishing these relationships would then be how companies can gain information from Facebook users through these online interactions. These interactions could assist in building customer relationships over Facebook. Thus, understanding the privacy concerns that Facebook users have could assist organisations on Facebook to improve the comfort levels of their customer interactions. This should enable the organisation to increase the quality of these online interactions through delivering more secure communication methods that could alleviate the privacy concerns, which their Facebook customers have.
Secondly, the relationship between Facebook users’ personality and their Facebook-usage intensity was examined. The results of this study further indicate that there is little or no correlation between the three personality dimensions and the respondents' Facebook-usage intensity. Only the agreeableness dimension showed a significant correlation, more specifically a positive correlation with Facebook-usage intensity.

Similar to the correlations with privacy concerns, the correlation here was again very weak, implying that the agreeableness dimension has a very small effect on Facebook-usage intensity. It is worth noting that positive correlations were expected for all three personality types (neuroticism, extraversion and agreeableness). However, only two of the personality types (neuroticism and agreeableness) showed any degree of positive correlation. This may be telling an additional story, since those individuals high in extraversion (showing a negative correlation) do not necessarily create online identities, since they would rather focus on their offline identities – a notion corroborated by Amichai-Hamburger, Wainapel and Fox (2002:126). Even though the correlation between extraversion and Facebook-usage intensity was not significant, the negative correlation may signal to Facebook marketers that they could create more value on Facebook for this group, so that they could then have a reason to interact more with their friends on Facebook.

Overall, the research has contributed to the fields of social networking, online privacy concerns, and the usage intensity of Facebook users. Extending the field of knowledge that exists within this field contributes to the understanding the various factors that influence the way people perceive and act on social media platforms, such as Facebook. Amichai-Hamburger and Vinitzky (2010:1294) state that understanding who the lead-users, opinion leaders and innovaters are in the social networks could assist in more strategic marketing. Such individuals could be a primary target market in the social network to spread word-of-mouth.

LIMITATIONS AND RECOMMENDATIONS
The low reliability of four of the five personality dimensions gives cause for concern. The results may have been influenced by the use of the mini-IPIP personality measurement scale (20 items), as opposed to the IPIP-50 scale (50 items). The main reason for using the shorter scale was to cut down the questionnaire length, with the aim of preventing respondent fatigue. It may be worthwhile to repeat this study using the IPIP-50 scale.

The non-probability student sample does not allow the findings to be generalised; and this must be noted as a limitation of the study. The decision for the convenience sample was based mainly on time and budget constraints. The homogeneity of the sample may have impacted the results; and future samples should possibly be heterogeneous, in order to determine whether this has any impact. Also, the student sample could also have impacted on the possible influences of social norms. People function in social groups, which might have certain expectations of Facebook usage and communication (Amichai-Hamburger & Vinitzky, 2010:1294). These expectations could have attributed to forms of survey error, such as social-desirability bias.

Several recommendations can be made, in order enhance the accuracy of future research in this field. Firstly, the research findings indicate that the specific personality measures used in this paper were probably inadequate for the goals of this study. In order to measure the personality dimensions of the FFM reliably in future studies, the viability of the mini-IPIP in the South African context needs to be confirmed before researchers, in the future, decide to use this scale. The findings of this paper indicate that future research should rather consider the use of personality measures that have been shown to have better internal consistency reliability, such as the IPIP-50.

Future studies should consider expanding the population sample size. This could potentially assist in providing more reliable data. Future studies could also expand the sample population to be more diverse, and not only focus exclusively on one homogeneous demographic group, such as students.

If future research indicates that the personality dimensions have little to no influence on privacy concerns or Facebook usage behaviours, then alternative measures could be considered, in conjunction with privacy concerns and Facebook-usage intensity. Instead of using personality as a measurement, the differences could be compared across samples – by comparing other potentially influential factors, such as gender or age.

REFERENCE LIST


DIFFERENCES IN TRANSFERABLE SKILLS EXPECTATIONS OF
EMPLOYERS OF ENGINEERING GRADUATES

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ABSTRACT
This study seeks to examine differences in expectations between engineering management students and employers on the question of desired transferable skills requirements. This examination utilises data gathered from a survey of final-year engineering management students and data obtained from the UK Confederation of British Industry (CBI). Data analysis is conducted utilising multi-layered statistical methods. We find that a difference in expectations exists between students and employers on the question of expected transferable skills requirements. Implication of the findings of this study indicates that University curriculum design should emphasise the development and acquisition of practical skills that should make not only Engineering graduates employable, but also other graduates in other disciplines acquire skills in the Universities that would make them employable.

Key words: Students, Employers, Transferable skills, Requirements

INTRODUCTION
A number of studies (DeShields et al., 2005; Schomburg and Teichler, 2006) and reports in the popular press (Harris, 2012; Vasagar, 2011) have continued to argue that graduates remain underequipped for employment due to lack of appropriate skills, especially as employers desire graduates who are not only highly skilled and also versatile in many areas beneficial to the employer (Schomburg and Teichler, 2006:4). According to the Engineering Council, clear evidence of a decline over time in the competency of students in now on the rise (Engineering Council, 2000:8). Reports from the United Kingdom Office of Qualifications and Examinations Regulation (OFQUAL), indicates that there are a number of reasons for this including reduced demand (OFQUAL, 2011:3 with that examinations now easier to pass (OFQUAL, 2011:4).

A number of reasons have been presented as drivers for lowering of such standards including the impact modularisation [ GCSE has] on teaching, learning and on pupil motivation (OFQUAL, 2011:6).These expectations can be summarised under the notion of ‘transferable skills’ (Ojiako et al., 2013), which are skills that can be used in the workplace. Generally, these skills which are developed through experiential learning include skills such as critical and problem-solving and leadership skills (Hayes, 1986; Kumar and Hsiao, 2007; and Cox et al., 2012). These skills are also known as employability skills (Holmes, 2000: 2).

In the last two decades there has been substantial research on the necessity of engineering students’ transferable skills and competencies (Schexnayder and Anderson, 2011), it remains inconclusive as to whether or not engineering students recognise these skills and what employers expect (McCuen, 1983; Palmer, 2000; Soltani et al., 2013; Watson et al., 2013). Employers are expecting certain mainstream transferable skills while students are expected to attain these while studying for their higher education degrees. However, to what extent these skills have been acquired and differences in perceptions between students and employers need further understanding, especially within the engineering discipline.

There are perhaps two limitations with such studies. The first being that such studies remains inconclusive. For instance, while McCuen (1983) found that engineering students viewed generalised educational requirements as useless and irrelevant to their future careers as engineers, Palmer (2000) found that engineering students valued assessment activities seen to be related to the development of generic skills regarded as important in professional engineering practice. Secondly, scholars such as Schomburg and Teichler (2006:4) have condemned such studies as limited in value due to their dependence on structural information. Bennett et al (2001: 467) on the other hand suggests that the language employed in quantifying skills remained insufficient while the discourse on transferable skills in all its variations remained confused and under-conceptualised. One reason for the confusion, according to Dacko (2006), is the fact that
literature on skill and competency development is inconsistent in how it categorises the components of skills and competencies.

In the UK, the Confederation of British Industry (CBI) conducted the CBI education and skills survey (CBI, 2010), one of the largest student surveys ever conducted. The study examined the views of students in terms of employability, and whether or not graduates believed they had obtained adequate transferable skills while studying at university. Also highlighted was the employer perspective in terms of what they believed students possessed in terms of transferable skills once graduated. The report showed that 82% of employers were more interested in improving students’ employability which should be a key focus for higher education training curriculum.

LITERATURE REVIEW
The competitive job market is increasingly making higher education students more aware of the need to take individual responsibility for the development of skills and competencies which is desired by employers. In order to enhance success, governments are increasingly implementing policies that will support the focus of attention on essential employment (transferable) skills recognition. This view is supported by the CBI (2010), which emphasises how the importance of acquiring employability skills is now greater than ever in the current economic climate. In this regard, Markes (2006), define ‘employability skills’ as those competencies which candidates need in order to not only secure a job but also to be able to retain the job.

The last two decades have seen a growing interest in the question of desirable attributes and competencies of engineering management graduates. This sustained interest appears to be driven by a widespread recognition (Gattie et al., 2011; Torres-Machiet et al., 2013) across the board that engineering management graduates may not be adequately prepared for sustained employment in an increasingly competitive globalised economy because of a lack of desired transferable skills. Therefore, from the literature, academia is quite clear on not only what employers want in terms of skills from engineering management graduates, but also on those factors that may enhance the development of these skills.

From the reviewed literature, a list of qualities believed by many to be desirable attributes have become evident; these are problem solving, communication, leadership, team working, flexibility, initiative, questioning ability, information technology and the adoption of numeracy skills. While this is by no means an exhaustive list, it nevertheless allows for the development of a solid view of generally expected attributes of transferable skills. It is however important to highlight that Nunan (1999) and Barrie (2004) argue that there have been very few attempts to identify similarities between lists of transferable skills. Without such commonalities between the different stakeholders in graduate education, the salience in terms of expectations between students and employers (and also educators) may become increasingly distant and unrelated.

PROBLEM INVESTIGATED
Our study is driven by suggestions by the CBI that there is very little evidence that transferable skills assessment of students occurs at higher institutions. The authors believe that this outline study will provide a new, interesting angle from which to approach current literature regarding engineering management students and transferable skills.

RESEARCH OBJECTIVES
The study therefore seeks to understand the expectations of engineering management students in terms of what they believe employers value most in terms of transferable skills, and investigates if a difference in expectations exists between students and employers regarding transferable skills. Our interest in engineering management students emanates from the fact that although professional institutions such as the South African Institution of Civil Engineers (SAICE, 2012) and the Institution of Civil Engineers (ICE, 2013) are calling for enhancements in the curriculum of engineering courses, scholars such as Parkin (1994) point out to a tension within engineering management pedagogy on how to balance curriculum needs between intuitive skills and analytical skills.

RESEARCH METHODOLOGY
Outline
The study was set in a university based in the South of England (Univ ‘A’). The university, designated ‘research intensive’, is a member of the Russell Group, representing the top twenty research universities in the United Kingdom. The target sample represented a cross section of engineering management students in the final year of their undergraduate studies; estimated to be about 500 students. Data were obtained by administering a questionnaire; this tool was selected due to its ability to enhance flexibility to meet the
objectives of almost any research project (McNabb, 2002: 126) and for ensuring a large sample size (Adrian and Downs, 2004: 106). The utilisation of a questionnaire was also considered appropriate given that the study focus was more on behaviour than in the perceptions of individuals (Kumar, 1999: 106).

**The questionnaire**

The survey questionnaire and specifically its framework was developed from earlier studies conducted by Ojiako et al. (2013). The questionnaire consisted of three sections designed with chronological questions, with respondents being asked to rate their extent of agreement with each question. Question 1 of the questionnaire focused on respondent (student) demographic information, while Questions 2 and 3 aimed to establish the levels of engagement of key values and transferable skills of the respondents. Student responses were measured via a Likert Scale (1932), with a 10-point scale in Question 2 and a 5-point scale throughout Question 3. In Question 2, the response categories were 1-10 (1 being low and 10 being high), while in Question 3, the response categories were ‘1’ = ‘strongly disagree’, ‘2’ = ‘disagree’, ‘3’ = ‘neither’, ‘4’ = ‘agree’, and ‘5’ = ‘strongly agree’. Question 3 was split into multiple sub-items representing the key areas of student experience, in terms of employability skills; the reason for this was due to the fact that there exist a contained continuous scale and a categorised observed response, which is likely to contain measurement error. Allen and Yen (1951) propose a possible solution to reduce this error; to allow for the formation of sub-items from the construct. This would allow for each to measure a separate constituent of the students’ experience related to each construct; hence each transferable skill would be divided into sub-item questions.

**Gathering data**

In terms of sampling, following earlier studies which highlighted engineering students’ emphasis on Virtual Learning Environments (Huczynski and Johnston, 2005), electronic versions of the questionnaire were made available to students utilising the Blackboard electronic learning portal. Prior to that, a pilot test had been undertaken, thus allowing for the development and refining of test measurement tools and procedures (Kumar, 1999: 9). Feedback incorporated from this pilot enabled the decision taken to use a 10-point and a 5-point Likert Scale (1932) for the final questionnaire (giving respondents a greater range of choice). To address the research questions, data were analysed in three stages. In the first stage, Cronbach’s Coefficient Alpha ($\alpha$) was used to conduct a reliability analysis of the Likert-Scaled responses to the questionnaires in order to establish which of the multiple sub-item questions was in fact - if at all - measuring different constructs. The software package, SPSS, was employed in the analysis because it allowed for the generation of descriptive statistical data, and for the exploration of relationships between the responses. A codebook of data is shown in Table 1 (below).

The codebook shows the characteristic or construct measured and the related variable name of each sub-construct. The reasoning for this was that SPSS could only utilise set prefix names, hence renaming individual questions into variables which would be accepted by SPSS’ data analysis. The study utilised variables measuring the student’s experience in terms of transferable skills, which have been split into multiple sub-items. A reliability analysis was then used to discover the level of agreement between the sub-items and whether or not sub-item questions were reliable enough to use for further analysis. From the possible sample of just over 500 students, a total of 126 questionnaire responses were returned. Six questionnaires were discounted due to numerous cases of missing data. This meant that the final number of completed questionnaires utilised in the study was 120, of which 65 were male and 55 were female.
Table 1: Code book

<table>
<thead>
<tr>
<th>Characteristic or construct measured</th>
<th>Variable name of sub-construct</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender: male or female</td>
<td>Gender</td>
<td>O-male, 1-female</td>
</tr>
<tr>
<td>Communication Skills</td>
<td>Communi_with_others</td>
<td>I have developed my ability to communicate effectively with others</td>
</tr>
<tr>
<td></td>
<td>Communi_ideas</td>
<td>In my time at university, I have improved my ability to convey ideas</td>
</tr>
<tr>
<td>Problem Solving</td>
<td>prob_subjeekt</td>
<td>I have improved my ability to use knowledge to solve problems in my field of study</td>
</tr>
<tr>
<td></td>
<td>prob_solve_general</td>
<td>I am able to bring information and different ideas together to solve problems</td>
</tr>
<tr>
<td>Self Managed Learning</td>
<td>self_manage_1</td>
<td>I feel that I can take responsibility for my own learning</td>
</tr>
<tr>
<td></td>
<td>self_manage_2</td>
<td>I have become more confident of my ability to pursue further learning</td>
</tr>
<tr>
<td></td>
<td>self_manage_3</td>
<td>I am able to meet deadlines more effectively</td>
</tr>
<tr>
<td></td>
<td>self_manage_4</td>
<td>I believe university has improved my ability to work under pressure more effectively</td>
</tr>
<tr>
<td>Team working</td>
<td>team_work_1</td>
<td>I have learnt to become an effective team or group member</td>
</tr>
<tr>
<td></td>
<td>team_work_2</td>
<td>I feel confident in dealing with a wide range of people</td>
</tr>
<tr>
<td></td>
<td>team_work_3</td>
<td>I interacted with students</td>
</tr>
<tr>
<td></td>
<td>team_work_4</td>
<td>Working with others helped me understand my ideas from a new perspective</td>
</tr>
<tr>
<td></td>
<td>team_work_5</td>
<td>I frequently work together with others in my classes</td>
</tr>
<tr>
<td>Application of IT</td>
<td>ICT_confidence</td>
<td>I feel confident in using computer applications when necessary</td>
</tr>
<tr>
<td></td>
<td>ICT_info_communi</td>
<td>I have learnt more about using computers for presenting information</td>
</tr>
<tr>
<td>Application of numeracy</td>
<td>App numeracy_imp</td>
<td>My numeracy skills have been improved while at university</td>
</tr>
<tr>
<td></td>
<td>App numeracy_confidence</td>
<td>I am now confident in using statistics in the future work place</td>
</tr>
<tr>
<td></td>
<td>App_numeracy_overall</td>
<td>My overall numeracy will be of benefit to me once leaving university</td>
</tr>
<tr>
<td>Business and Customer awareness</td>
<td>Bus_environ</td>
<td>I have become more aware of the business environment while at university</td>
</tr>
<tr>
<td></td>
<td>Bus_customer_satisfaction</td>
<td>I understand the need for businesses to provide customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>Bus_key_drivers</td>
<td>I am more aware of the key drivers for business success</td>
</tr>
<tr>
<td></td>
<td>Bus_changes</td>
<td>I believe my time at university will have improved my chances of succeeding in the business environment</td>
</tr>
<tr>
<td>Adaptability</td>
<td>Adapt_more</td>
<td>During my time at university, I have learnt how to be more adaptable</td>
</tr>
<tr>
<td></td>
<td>Adapt_views</td>
<td>I have become more willing to change my views and accept new ideas</td>
</tr>
<tr>
<td>Leadership</td>
<td>Leader_effect</td>
<td>My university experience has allowed me to become a more effective leader</td>
</tr>
<tr>
<td></td>
<td>Leader_opp's</td>
<td>University has given me many leadership opportunities</td>
</tr>
</tbody>
</table>

Units of analysis

Reliability Analysis: Cronbach’s (1951) coefficient alpha (α) was used as the reliability test due to its ability to determine the scalability and reliability of multiple items that reduced error. While some theorists see a general rule of thumb that the value of alpha should be 0.8 or above (Bryman and Cramer, 1999:60), the generalist view assumes a value of at least 0.7 in order to show that a level of consistency exists in the sub-items. Thus, when examining data produced within SPSS, the Item-Total Statistics table was explored this included coefficient alpha (α) if ‘Item deleted’ along with ‘Corrected Item-Total Correlation’. These were used to determine whether sub-item questions should be removed from further analysis due to the fact that their presence was actually decreasing reliability. If alpha (α) can be raised by the deletion of items, then this would mean an increased reliability. Combined with the values within the ‘Corrected Item-Total Correlation’, it would be necessary to examine whether different sub-items were in fact measuring different constituents of experience, and those which followed this trend were deleted. We were, however, careful to ensure that no more than 20% of the sub-items were deleted.

Standard Deviation: Standard deviation measures variability by considering distances between each of the scores and the mean. Using this method allowed for the identification of how far away the students’ scores were from the mean. This information would indicate whether the data were closely packed or not in each question, thus clarifying the extent to which students agreed with each question.

T-Test: t-tests were used to analyse whether or not differences exist within the transferable skills of the students due to key individual demographical differences of the respondents. Inferential statistics was employed to determine the feasibility of our t-test hypotheses. From the Independent-samples t-test, the two-tailed p- value associated within the test is found within the Sig. (2-tailed) column. On examining the values from the t-test results, a number of observations were made, the primary observation being that the values were not less than or equal to 0.05, so in effect no differences were observed in the results of the respondents due to individual demographical differences. Our view is that the impact of demographical differences on differences in transferable skills expectations remains inconclusive, thus serving as a basis for further studies on demographical influences on perceptions among students.
RESULTS
Key values as perceived by students
The objective here was to establish from the respondents their perception of key values most important to potential employers. Information from this question would allow for the achievement of the first research objective. In Table 2, we show the results of the SPSS statistical evaluation.

Table 2: SPSS statistical evaluation (Key values as perceived by students)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>University attended</td>
<td>7.19</td>
<td>2.03</td>
</tr>
<tr>
<td>Degree subject</td>
<td>7.30</td>
<td>2.14</td>
</tr>
<tr>
<td>Degree result</td>
<td>7.67</td>
<td>2.10</td>
</tr>
<tr>
<td>Positive attitude</td>
<td>7.75</td>
<td>1.99</td>
</tr>
<tr>
<td>Relevant work experience</td>
<td>7.71</td>
<td>2.10</td>
</tr>
<tr>
<td>Employability skills</td>
<td>7.98</td>
<td>1.90</td>
</tr>
<tr>
<td>Foreign language</td>
<td>5.60</td>
<td>2.10</td>
</tr>
</tbody>
</table>

We observed that the majority of students rated all values as high. The highest mean score considered the value students believed employers most likely to look out for in their graduate employees was ‘employability skills’ with a mean total of 7.98. From Table 2, we can observe that foreign language with a value significantly lower than all the other values was not perceived as necessarily of value to potential employers by the majority of the respondents. The results from this particular survey are extremely disappointing, noting that the globalisation of labour markets may create substantial opportunities for engineering graduates who speak foreign languages, and thus demonstrates an international perspective.

These results offer an interesting observation against the context of the CBI Education and Skills survey which was conducted in November 2008, with results published in April 2009. A total of 581 employers’ collectively employing over 2.5 million people (8% of the UK workforce) had taken part in the studies. From the CBI (2010) survey, it had been noted that the most important factor employers consider when recruiting graduates was ‘employability skills’. The CBI survey results also confirms the understanding that employers value a positive attitude highly as well as ‘relevant work experience’ and ‘degree subject’, both of which score over the mean. ‘Degree result’, ‘university attended’ and, to the greatest extent, ‘language skills’, score significantly lower, suggesting employers do not value these set values highly but are more interested in individuals who show evidence of ‘employability skills’ and a generally positive attitude.

Comparing the outcomes of key values as perceived by students, it is evident from the data that both the students and the employers surveyed (CBI, 2010) highly ranked the need for ‘employability skills’. As a whole, data from the respondents suggest that students share similar values with employers on parameters such as ‘relevant work experience’, ‘degree subject’, ‘degree result’, ‘university attended’ and ‘language skills’. To some extent, these findings are in line with studies by both the CBI (2010) and extant literature (McCuen, 1983; Palmer, 2000; Soltani et al., 2013; Watson et al., 2013), that students were increasingly becoming more aware of skills and competencies that will ensure that they become employable.

To determine the reliability of these scores, coefficient alpha (α) reliability analysis was carried out as shown in Table 3. On examining Table 3, a total coefficient alpha (α) score of .795 has been determined demonstrating consistence in the variables. From Table 4, however, it can be clearly seen that if foreign language (‘language skills’) was omitted from the questionnaire, then the reliability alpha (α) would rise significantly above the value .795 depicted in Table3. It can also be said that the corrected item-total correlation value for this variable is very low compared to the other variables. This shows the fact that it is not measuring the same construct that the rest of the items in the scale are measuring, and thus should be removed from the questionnaire to give a significantly improved reliability statistic. Therefore, once deleted, our reliability figure would rise to 0.837, which would indicate that all of the constructs are reliable as they are above 0.7. However, this can only be theorised as no further analysis was undertaken of these values; in hindsight, though, this shows that this question is a limiting factor upon the questionnaire.
Table 3: Coefficient alpha (α)

<table>
<thead>
<tr>
<th>Coefficient alpha (α)</th>
<th>coefficient alpha (α) Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.795</td>
<td>.798</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 4: Item-Total Statistics

<table>
<thead>
<tr>
<th></th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
<th>Coefficient alpha (α) if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>University_attended</td>
<td>44.0083</td>
<td>69.118</td>
<td>.571</td>
<td>.464</td>
<td>.760</td>
</tr>
<tr>
<td>Degree_subject</td>
<td>43.9000</td>
<td>69.822</td>
<td>.509</td>
<td>.382</td>
<td>.771</td>
</tr>
<tr>
<td>Degree_result</td>
<td>43.5333</td>
<td>66.906</td>
<td>.619</td>
<td>.488</td>
<td>.750</td>
</tr>
<tr>
<td>Positive_attitude</td>
<td>43.4500</td>
<td>68.082</td>
<td>.626</td>
<td>.577</td>
<td>.750</td>
</tr>
<tr>
<td>Relevant_work_experience</td>
<td>43.4917</td>
<td>67.781</td>
<td>.591</td>
<td>.453</td>
<td>.756</td>
</tr>
<tr>
<td>Employability_skills</td>
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<td>67.801</td>
<td>.676</td>
<td>.670</td>
<td>.742</td>
</tr>
<tr>
<td>Foreign_language</td>
<td>45.6000</td>
<td>82.813</td>
<td>.139</td>
<td>.097</td>
<td>.837</td>
</tr>
</tbody>
</table>

Transferable skills attainment

This section focuses on the third section of the questionnaire, which asked students to rate each of the sequential questions and related sub-items found within. There were nine key transferable skills sections, with each section divided into at least two questions to allow for a more accurate analysis of each transferable skill.

Reliability and removal of sub-items within constructs of student experiences: The Item-Total Statistics Tables produced via SPSS for all variables is shown in Table 5, below. Within this table are the Corrected Item-Total Correlation values, as well as the coefficient alpha (α) of an item with deleted values. This sets the scope for our analysis of which sub-items - if any - should be removed for not complying with measuring the same construct. From the results, two items were flagged which showed evidence of sub-items not measuring the same construct. These were within question 3.3 (‘Self Managed Learning’) and question 3.6 (‘Application of Numeracy’). In Table 5, below, we show the Item-Total Statistics Tables produced via SPSS for each transferable skill variable.

Table 5: Item-Total Statistics

<table>
<thead>
<tr>
<th></th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
<th>Coefficient alpha (α) if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communi_with_others</td>
<td>3.8500</td>
<td>.465</td>
<td>.446</td>
<td>.199</td>
<td>.760</td>
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<tr>
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<td>3.8833</td>
<td>.474</td>
<td>.446</td>
<td>.199</td>
<td>.771</td>
</tr>
<tr>
<td>Self_manage_1</td>
<td>11.7750</td>
<td>4.310</td>
<td>.537</td>
<td>.348</td>
<td>.675</td>
</tr>
<tr>
<td>Self_manage_2</td>
<td>12.0167</td>
<td>4.033</td>
<td>.566</td>
<td>.354</td>
<td>.654</td>
</tr>
<tr>
<td>Self_manage_3</td>
<td>12.1083</td>
<td>3.526</td>
<td>.595</td>
<td>.357</td>
<td>.632</td>
</tr>
<tr>
<td>Self_manage_4</td>
<td>12.1250</td>
<td>3.875</td>
<td>.437</td>
<td>.211</td>
<td>.735</td>
</tr>
<tr>
<td>Team_work_1</td>
<td>16.0583</td>
<td>6.307</td>
<td>.509</td>
<td>.297</td>
<td>.685</td>
</tr>
<tr>
<td>Team_work_2</td>
<td>15.6167</td>
<td>6.339</td>
<td>.541</td>
<td>.399</td>
<td>.674</td>
</tr>
<tr>
<td>Team_work_3</td>
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<td>6.717</td>
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<td>.320</td>
<td>.696</td>
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<tr>
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<td>.475</td>
<td>.257</td>
<td>.698</td>
</tr>
<tr>
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<td>.322</td>
<td>.695</td>
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<tr>
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<td>1.263</td>
<td>.324</td>
<td>.105</td>
<td>.837</td>
</tr>
<tr>
<td>ICT_commuini_info</td>
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<td>1.047</td>
<td>.324</td>
<td>.105</td>
<td>.837</td>
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<tr>
<td>Num_skills</td>
<td>7.2333</td>
<td>2.197</td>
<td>.435</td>
<td>.231</td>
<td>.492</td>
</tr>
<tr>
<td>Num_confidence</td>
<td>7.0833</td>
<td>2.648</td>
<td>.343</td>
<td>.126</td>
<td>.620</td>
</tr>
<tr>
<td>Num_leave_uni</td>
<td>6.6833</td>
<td>2.706</td>
<td>.505</td>
<td>.264</td>
<td>.418</td>
</tr>
<tr>
<td>Bus_enviro_1</td>
<td>11.4917</td>
<td>4.807</td>
<td>.501</td>
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<td>.751</td>
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<td>Bus_enviro_2</td>
<td>11.2167</td>
<td>5.079</td>
<td>.534</td>
<td>.309</td>
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<tr>
<td>Bus_enviro_3</td>
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<td>4.161</td>
<td>.650</td>
<td>.477</td>
<td>.668</td>
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<tr>
<td>Bus_enviro_4</td>
<td>11.2250</td>
<td>4.613</td>
<td>.604</td>
<td>.424</td>
<td>.696</td>
</tr>
</tbody>
</table>
Num_confidence', suggests are important skills for
nts indicated that their
, the results show that skills such as
, and subsequently the reliability of the
self_mangage_4,' 'adaptability

literature (Huczynski and Johnston, 2005)
self
s, we have achieved
developed most of the employability skills referred to in this study, but there are
team working': [57x38]
its, that the rest of the sub
business awareness skills'

On examining Table 7, below, there is evidence to suggest that the 'Num confidence' sub-item will also
need to be removed. This is because its Corrected Item-Total Correlation is significantly lower than the other
sub-items; hence it is not measuring the same construct as the rest of the items in the scale are measuring.
Removing this question will again improve coefficient alpha (α), and subsequently the reliability of the
findings.

Table 7: Reliability analysis upon Self-Managed Learning

<table>
<thead>
<tr>
<th></th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
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</tr>
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<td>.675</td>
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<tr>
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<td>4.033</td>
<td>.566</td>
<td>.354</td>
<td>.654</td>
</tr>
<tr>
<td>Self_manage_3</td>
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<td>.632</td>
</tr>
<tr>
<td>Self_manage_4</td>
<td>12.1250</td>
<td>3.875</td>
<td>.437</td>
<td>.211</td>
<td>.735</td>
</tr>
</tbody>
</table>

It can be seen within the Corrected Item-Total Correlation column that 'self_manage_4' has a
proportionately lower correlation than the rest of the sub-items, meaning it has low internal consistency and
therefore is not measuring the same underlying construct that the rest of the sub-items are, hence its
removal from further analysis. Once deletion occurs, the value of alpha will be increased to above the 0.7
threshold leading to the improvement over the reliability of the measuring instrument.

On examining Table 7, below, there is evidence to suggest that the 'Num confidence' sub-item will also
need to be removed. This is because its Corrected Item-Total Correlation is significantly lower than the other
sub-items; hence it is not measuring the same construct as the rest of the items in the scale are measuring.
Removing this question will again improve coefficient alpha (α), and subsequently the reliability of the
findings.

Table 7: Reliability analysis upon application of numeracy

<table>
<thead>
<tr>
<th></th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Squared Multiple Correlation</th>
<th>Coefficient alpha (α) if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Num_skills</td>
<td>7.2333</td>
<td>2.197</td>
<td>.435</td>
<td>.231</td>
<td>.492</td>
</tr>
<tr>
<td>Num_confidence</td>
<td>7.0833</td>
<td>2.648</td>
<td>.343</td>
<td>.126</td>
<td>.620</td>
</tr>
<tr>
<td>Num_leave_uni</td>
<td>6.6833</td>
<td>2.706</td>
<td>.505</td>
<td>.264</td>
<td>.418</td>
</tr>
</tbody>
</table>

Now that a definite list of key transferable skills has been extracted (and in the process, we have achieved
the first objective of the study), with reliable questions associated with each construct, the next stage of
analysis of analysis first highlights the key areas so that our research question can be drawn upon.

Presentation of findings and statistical analysis: It should be noted that the sub-items of
'self_manage_4'; and 'num confidence' have been deleted due to reliability analysis concluding that they
were in fact measuring different constructs of the student experience. Information from this question would
enable the second research objective to be addressed. The survey results showed widespread confidence
amongst students that they were developing employability skills while at university. The majority of the
respondents felt they had developed most of the employability skills referred to in this study, but there are
clear areas where improvement is needed. While the vast majority of students were confident that their time
at university had helped them develop skills such as 'self-management', 'team working', 'adaptability',
'problem solving', 'communication' and 'business awareness skills', the results show that skills such as
'leadership', 'numeracy' and 'application of IT' require greater focus. A significant proportion of students did
not feel they had developed these skills to a great extent, with 25% of the respondents disagreeing to some
extent with the fact they have learnt more about computers for presenting information. This clearly shows a
lack of computer literacy, which literature (Huczynski and Johnston, 2005), suggests are important skills for
engineering management students to acquire. Most notably, 13% of the respondents reported lack of
confidence with the utilisation of information technology, while 55% of the respondents indicated that their
numeracy skills had not improved while at university. From Table 8, we observe that in terms of application
of Information Technology (IT), the highest standard deviation was 1.12, indicating that the data were spread
over a large range of values. From a student's perspective, this indicates while some students strongly
agree, others will have strongly disagreed, thus generating a wide range of data leading to a high variation of
responses.

Table 8: Mean and standard deviations results for questionnaire

<table>
<thead>
<tr>
<th>Transferable Skills</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>120</td>
<td>3.86</td>
<td>0.683742</td>
</tr>
<tr>
<td>Problem Solving</td>
<td>120</td>
<td>4.03</td>
<td>0.742419</td>
</tr>
<tr>
<td>Self-Managed Learning</td>
<td>120</td>
<td>4.04</td>
<td>0.821669</td>
</tr>
<tr>
<td>Team Working</td>
<td>120</td>
<td>3.96</td>
<td>0.895284</td>
</tr>
<tr>
<td>Application of IT</td>
<td>120</td>
<td>3.63</td>
<td>1.11613</td>
</tr>
<tr>
<td>Application of numeracy</td>
<td>120</td>
<td>3.53</td>
<td>0.992826</td>
</tr>
<tr>
<td>Business and Customer awareness</td>
<td>120</td>
<td>3.77</td>
<td>0.907624</td>
</tr>
<tr>
<td>Adaptability</td>
<td>120</td>
<td>3.79</td>
<td>0.689379</td>
</tr>
<tr>
<td>Leadership</td>
<td>120</td>
<td>3.50</td>
<td>0.923872</td>
</tr>
</tbody>
</table>

We observed the second lowest mean score for application of numeracy. For leadership, both in terms of the extent students felt their university experience allowed them to become a more effective leader, and the gaining of leadership opportunities showed a significantly high standard deviation value of 0.92. These values arguably reflect that in terms of students, there has been a high range of responses. The mean value is also respectively low; this, combined with a high standard deviation, would suggest that leadership has been experienced to a limited extent.

The transferable skill of leadership also exhibited significantly low scores, with only 51% agreeing to some extent that university had provided them with appropriate opportunities to develop leadership capabilities. We feel that although the outcome of this finding is disappointing, it does highlight the need for a comprehensive and co-ordinated stakeholder approach towards skills development between students, employers and government. The highest mean scores were those of 'Self-managed learning' and 'Team working' with values of 4.04 and 3.96 respectively. This indicates that the respondents as a whole agreed to the greatest extent that these transferable skills had been attained. However, considering that 'Self-managed learning' had a standard deviation value of 0.82 (two decimal points) compared to 'Team working' which resulted in a value of 0.90 (two decimal points), this suggests the data for 'Self-managed learning' are more significant due to a smaller range of responses.

From wider literature, our findings, which now addresses the second research objective (to explore if a difference in expectations exist, regarding transferable skills between students and employers), appears to reiterate earlier cited studies (McCuen, 1983; Palmer, 2000; Soltani et al., 2013; Watson et al., 2013) that there is a difference of opinion between the prospective engineering graduates and employers on skills requirements. In relation to the level of self-management skills that graduates possess, the CBI (2010) survey suggests that 20% of employers are not satisfied.

**CONCLUSIONS**

Driven by literature, the objectives of this study were to understand the expectations of engineering management students in terms of what they may believe that employers value most in terms of transferable skills, and to explore whether a difference in expectations exists, regarding transferable skills between students and employers. We had found that in relation to the first research objective, students were of the opinion that the following transferable skills, 'leadership', 'numeracy' and 'application of IT', were in great demand among employers and thus call for 'greater focus. In terms of the second research objective, we found that differences in expectations existed in respect to transferable skills between students and employers.

The importance of employability skills is now greater than ever in the current economic climate, particularly where the broadening of access to higher education had become a political imperative. In this climate, the government has had to fashion a new enabling skills development (incorporating teaching and learning) environment that has not necessarily been left to respond solely to market forces. Instead, in order to address major skill shortages in the country, policy (backed up by legislation) has been based on proactive
government intervention in skills development. Our study therefore is in line with wider education literature (Bennett et al., 2001), suggesting a lack of understanding between students and employers in terms of expected transferable skills requirements. The implications of this finding are that it is imperative that a more co-ordinated approach is taken towards the articulation of these skills.

From a much broad education and learning perspective, it therefore appears that there is enough emergent evidence for stakeholders involved in the articulation of skills development to draw up fundamental philosophies in teaching and learning that emphasise a co-ordinated approach to skills development, that not only involves traditional stakeholders such as government, employers and educational establishments, but also most crucially, the students themselves. In most countries, because of earlier concerns about the true quality of secondary education and the resultant perception among some employers that students are unprepared for university study, there is also a need to involve post-primary educational establishments in the articulation of expectations.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Concerns about the true quality of secondary education and the resultant perception among some employers that students are unprepared for university study presents an opportunity for further studies; for example, more research is needed to examine the question of transferable skills needs across different employer segments and different countries. For instance, in the UK, there is substantial evidence to suggest that the promulgation of polytechnics was generally considered successful in developing candidates with reasonable technical skills (emanating from a curriculum fashioned on very minimal provisions of theory awareness). However in some circles, technical education was perceived to severely restrict employment mobility. The reason is simple: students attending post-secondary institutions need to be confident that not only have they been prepared for the rigours of academic engagement at post-secondary level, but also that the skills they are expected to obtain are relevant and modelled to the realities of the twenty-first century organisation. Students - we argue - must become co-producers of not only their experiences of teaching and learning, but also their skills development.

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A FRAMEWORK TO INVESTIGATE DETERMINANTS OF HOUSEHOLD’S ELECTRICITY CONSERVATION

P.B. Issock
University of Johannesburg

H. Duh
University of Johannesburg

M. Mpinganjira
University of Johannesburg

ABSTRACT
Despite the energy-saving measures promoted by Eskom and the government, there are still blackouts and electricity shortage caused by electricity overconsumption. This study therefore proposes a framework to identify factors promoting or hampering electricity conservation in South African households. A critical literature review based on secondary sources from relevant academic journal articles and books guided the hypothesised relationships between variables developed in the proposed model. Researchers tend to associate energy conservation behaviour with psycho-socio variables such as attitude, social norms and personal norms, and exclude the influence of socio-demographical and contextual variables. Therefore, studies revolve around the Theory of Planned Behaviour, which outlines individualistic motives, and the Norm Activation Model, which underpins the altruistic outlook. There was need to integrate these two models for more holistic view on determinants of electricity conservation. The Integrative Model of Behaviour Prediction was found useful in incorporating socio-demographical characteristics and contextual variables as part of influential factors that shape energy-saving behaviour.

Key words: Electricity conservation, Consumer behaviour, Social Marketing, TPB, Norm activation model.

INTRODUCTION
Escalating electricity demands, which surpassed Eskom’s ability to supply adequate electricity since the 2008 energy crisis, caused steep electricity tariffs increases and blackouts all over the country. Electricity demand especially in the peak period outstripped the supply, calling for conservation measures. Households play a crucial role in swelling electricity consumption in South Africa since they consume 20% of electricity and contribute to about 30% of peak demand (Eskom, 2013). Although they represent 5% of the population in Africa, South Africans consume approximately 50% of Africa’s total electricity supply (Winkler, 2007:2).

In response, Eskom is increasing supply capacity, but the continuous and steady increase in electricity usage calls for a radical national programme to change behaviour towards energy efficiency. Consequently, in 2011, the 49Million campaign (49M- Remember your power) was initiated by Eskom and endorsed by the government and business partners. Its aim was to spur 49 million South Africans to embrace energy savings as a national culture, and to join the global journey towards a sustainable future (49Million, 2013). In advocating for better electricity usage, the campaign 49M claims that if all South Africans reduce their energy consumption by just 10% it would be as effective as building a brand new power station (49Million, 2013). Notwithstanding this extensive communication, unrestrained electricity consumption remains a problem.

For actual behavioural change, there is need to employ social marketing techniques. Social marketing borrows marketing concepts and practices to influence and persuade people to adopt desirable behaviours aimed at preserving and promoting societal and general wellbeing. While commercial marketing focuses on selling products and services, social marketing uses commercial marketing processes and techniques to promote desired behaviour that will ultimately benefit individuals and the entire society (Kotler & Lee, 2008:13). In addressing social issues, the tenets that govern social marketing, albeit founded on commercial marketing techniques, sometimes considerably contribute to consumption reduction (see Peattie & Peattie, 2008; Kotler, 2011; Sheau-Ting et al., 2013). This is in contrast of commercial marketing that strives to enhance consumption.

A crucial step in the implementation of social marketing strategies is an extensive consumer research (Kennedy, 2010:1143), which requires an understanding of determinants of behaviour (Andreasen, 1995; Peattie & Peattie, 2008; Brounen, Kok & Quigley, 2013). The aim of this study is to gain a deeper understanding of factors that motivate or deter households from conserving electricity. Studies tend to overemphasise the role of psychological determinants and omit the nexus between energy conservation and contextual and socio-demographical variables. A holistic approach in understanding electricity conservation deterrents and promoters is needed (see Abrahamse & Steg, 2011; Sonnenberg & Eramus, 2013).
This study thus investigates the psycho-social, socio-demographical and contextual determinants of sustainable electricity conservation in households. It reviews theories and models to develop a conceptual model for the study of electricity conservation. The study starts with a literature review on the topic, followed by the statement of the problem to be investigated. After that the conceptual model and its components will be discussed. Finally the contributions of the study and propositions for further research are provided.

PROBLEM INVESTIGATED
Consumption behaviour is determined by multiple factors that drive individuals to consume insatiable quantities of products and services (Tang & Bhamra, 2008:183). With the ease and many possibilities of procuring any product offered by the present modern society, consumers have been indulging and have developed a more individualistic and hedonistic lifestyle (Jackson, 2005:29). Although neoclassical consumerism models suggest that consumers should consume to the point of maximum satisfaction, new trends advocate for consumption behaviour that is mindful of the environment and long term consequences (see Kotler, 2011, Press & Arnould, 2009). Electricity is one of the products, which necessitates mindful consumption because of the increasing demand over supply. Of particular concern, is the unrestrained electricity consumption in South African households, to a point that there are repeated calls for electricity-saving measures.

Research on determinants of energy conservation revolves around the TPB and NAM (e.g. Harland et al., 1999; Bamberg & Moser, 2007; Abrahamse & Steg, 2009 and 2011; Sonnenberg & Eramus, 2013). Scholars tend to overemphasise the role of psychological determinants and omit the nexus between energy conservation and contextual and socio-demographical variables (see Abrahamse & Steg, 2011; Sonnenberg & Eramus, 2013).

Socio-demographic and contextual factors do shape human behaviour, according to some scholars (e.g. Steg & Vlek, 2009; Fishbein & Ajzen, 2010). Sonnenberg and Eramus (2013:74) observe that investigating consumers’ environmental thinking and decision making may be limited when situational (contextual) factors are ignored. In the same vein, Steg (2008:4451) remarks that extant literature on the determinants of efficient energy consumption generally provides an incomplete view, because studies tend to solely focus on limited set of psycho-social variables, and thus fail to integrate the interdisciplinary approach necessary to get the full understanding of the matter.

OBJECTIVE OF THE STUDY
To address these issues, the present study takes a holistic approach in modelling energy conservation in households by combining socio-psychological motives with socio-demographic characteristics, cognitive and contextual factors, which may influence electricity conservation in households.

LITERATURE REVIEW
Determinants of energy conservation in households: a multidisciplinary approach
From the preliminary literature review that has been conducted for this study, two trends emerged from the pro-environmental literature. The first is the individualistic (hedonistic) inclination. The essential tenet of this trend is that human behaviour is motivated by the desire to maximise the expected benefits for personal interests. The individualistic tendency usually relies on theories such as the Theory of Reasoned Action (Fishbein & Ajzen, 1975) or the Theory of Planned Behaviour (Ajzen, 1991), which generally deal with psychological variables including attitude, social norms, perceived behaviour controls and values. The second trend is the collectivist or altruistic tendency. The basic premise is that pro-environmental behaviours result from the concern for other people, future generations and the planet. The altruistic trend mainly applies the Norm Activation Model (Schwartz & Howard, 1981) or deriving models such Value-Belief-Norm (Stern, 2000), as theoretical framework to explain pro-environmental behaviour.

Theory of planned behaviour: a self-interest approach
The Theory of Planned Behaviour (TPB) is a rational choice theory widely applied for explaining behaviour and informing behaviour change intervention. Stemming from the Theory of Reasoned Action (Fishbein & Ajzen, 1975), TPB stipulates that behaviour is premised on a result of a reasoned process of weighing costs and benefits of the behaviour (Abrahamse & Steg, 2009:712). The TPB suggests that behavioural, normative and control beliefs result respectively on the formation of three determinants namely attitude towards the behaviour of interest, subjective norms (social norms) and perceived behaviour control over the behaviour. These three determinants indirectly affect behaviour through behavioural intention.
The TPB assumes that most people’s planned and rational decisions are motivated by self-interest and expected outcomes (Jackson, 2005; Sonnenberg & Eramus, 2013:73). Therefore it is germane in explaining behaviours that implicate high (financial and non-financial) cost or strong constraints such as electricity conservation or reducing car use (e.g. Lindenberg & Steg, 2007). TPB is gird to intrapersonal motives that influence pro-environmental behaviours. Empirical support for the TPB is evident in an array of pro-environmental behaviours (e.g. Harland, Staats, & Wilke, 1999; Armitage & Conner, 2001; Abrahamse & Steg, 2009).

The integrative model of behavioural prediction
The reasoned action approach has been extended by Fishbein & Ajzen (2010) into the Integrative Model of Behavioural Prediction (see figure 1 below). The model recognises the contribution of skills and environmental constraints as moderator of the relationship between intention and behaviour. The model assumes that motivation and intention to perform a particular behaviour is not sufficient. Competences (skills) and means (contextual factors) play a determinant role in the adoption of behaviour. Another significant contribution of this model is the introduction of background variables such as socio-demographic variables. The integrative model however suggests that these background variables indirectly affect behaviour and depend on the context of study (Fishbein & Ajzen, 2010).

Norm activation model: an altruistic approach
The Norm activation model (NAM) emphasises the moral obligation to act pro-socially and views pro-social behaviours as forms of altruistic behaviours (Abrahamse & Steg, 2009:712). The premise of NAM is that pro-social behaviour is directly influenced by personal norms which allude to feelings of strong moral obligation to perform or refrain from specific pro-social behaviour (Schwartz & Howard, 1981:191).

Figure 1: The integrative model of behaviour prediction

The NAM stipulates that pro-social behaviour follows a sequential process. It starts with problem awareness followed by ascription of responsibility, which refers to the extent where people acknowledge the usefulness of their own contribution for the good of the society. Ascription of responsibility in turn forms personal norms which are the immediate determinants of pro-social/ environmental behaviours (Schwartz & Howard, 1981, Steg & De Groot, 2010).

Several studies reported that personal norms contribute to explaining pro-environmental behaviours such as energy conservation (e.g. Black, Stern, Elworth, 1985), using car for short distances to reduce fuel consumption (e.g. Harland, Staats, & Wilke, 2007) and recycling (e.g. Schultz, 1999; Vining & Ebreo, 1992).
In improving the NAM, Steg and De Groot (2010) examines how the variables from NAM are causally related. They propose and test a sequential version of the NAM (See Figure 2). Their findings supports the argument that awareness of the problem influences ascription to responsibility and outcome efficacy, and these three variables influence personal norms which in turn induce pro-social and pro-environmental intention or behaviour.

**Combining the two approaches: Bamberg & Moser’s (2007) model**

The combination of TPB (in terms of self-interest) and NAM (in terms of altruism) in explaining energy conservation is pertinent in the South African context given the cultural diversity of its population. As a matter of fact, Western cultures have a propensity to be more oriented toward individualistic decision making, while, traditional cultures such as those in Africa have a more collectivistic inclination (Sonnenberg & Eramus, 2013:74). Since South Africa embraces both modern and traditional cultures, the combination of NAM and TPB to understand energy conservation behaviour will be necessary. With this consideration, Bramberg and Moser (2007) proposed a new meta-analysis of psycho-social determinants of pro-environmental behaviour, which combines TPB and NAM (see Figure 3) to test the relationship between psycho-social variables driving pro-environmental behaviour. The authors used a meta-analytic structural equation modelling to analyse the data. The study examined 57 studies that applied either the TPB or the NAM or similar theoretical framework. The SEM results showed that while 27% of pro-environmental behaviour was explained by intention, 52% of intention to adopt pro-environmental behaviour was in turn explained by seven psycho-social variables namely problem awareness, internal attribution, feelings of guilt, social norm, moral norm, attitude, and perceived behaviour control.

Bramberg and Moser's theory-driven meta-analysis highlights some theoretical implications. As proposed in the TPB, behavioural intention is directly influenced by perceived behaviour control and attitude. Moral norms (or personal norms) pertaining to the NAM, emerged as the third predictor of intention and subsequently of pro-environmental behaviour. Social norm (or subjective norm), is an indirect determinant of behavioural intention, but directly affect attitude, moral norm and perceived behaviour control. The model also proposes that emotional reactions such as feelings of guilt mediate the effect of internal attribution (or ascription of responsibility) on moral norms.

Bramber and Moser's model does not however take account of the contextual influence and socio-demographic antecedents, even though Steg (2008:4451) maintains that individual and contextual determinants of energy conservation should be studied in combination. The socio-demographic, psycho-social and situational variables will thus be included in this study's conceptual model of the determinants of energy conservation in households.

**RESEARCH METHODOLOGY**

Effective social marketing strategies stem from suitable theories and models (see Donovan, 2011). The conceptualisation of the proposed framework emanates from a critical review of the extant literature. A scrutiny of secondary sources including relevant academic journals and books related to various disciplines such as social marketing, consumer behaviour, environmental and social psychology, provided appropriate theories and models explaining determinants of energy conservation. The process for identifying pertinent sources consisted in using internet search engine including Google Scholar and the databases Ebscohost. Search keywords included terms such as: energy conservation, behaviour change, pro-environmental behaviour, social marketing, energy-efficient consumption, sustainable consumption and green marketing. This multidisciplinary approach was found useful in providing an exploratory completeness needed to ascertain factors influencing electricity conservation behaviour.
The proposed conceptual framework is expected to be empirically tested. A minimum of 600 questionnaires will be distributed to households in the Gauteng Province. The Structural Equation Modelling (SEM) will be the main statistical tool used for evaluating the hypothesised relationships between variables.

**Figure 3: Meta-analytic structural equation model combining TPB and NAM**

![Diagram of the structural equation model combining TPB and NAM](source: Bamberg and Moser (2007:16))

**FINDINGS: PROPOSED CONCEPTUAL MODEL AND HYPOTHESES**

Although studies associating psycho-social variables to energy conservation are predominant in the extant literature, a holistic view is lacking. Evidence shows that adopting energy-saving behaviour is not only motivated by psycho-social variables but also by socio-demographic characteristics and contextual (environmental) variables (see Steg & Vlek, 2009; Fishbein & Ajzen, 2010). The conceptual model presented below is an integrative conceptual framework that encompasses determinants stemming from the TPB, NAM and other variables developed in literature.

**Socio-demographic characteristics**

The integrative model of behaviour prediction (Fishbein & Ajzen, 2010) posits socio-demographical variables as background variables which are assumed to have an effect on behaviour. The existing literature on pro-environmental behaviour uncovers some socio-demographical characteristics that have an impact on energy-saving behaviour including household income, age of householders, population group, family size and level of education.

Household income refers to the total revenues of all persons living in the house. Scholars agree that households with higher income consume more energy (e.g. Brandon & Lewis, 1999; Sardianou, 2007). Yet, because of their higher purchasing power, households with higher income are better able to invest for energy conservation (see Long, 1993; Sardianou, 2007). In addition, richer households tend to replace old appliances with up-to-date appliances, which are obviously more energy efficient (see Sardianou, 2007; Young, 2008). On the other hand, lower income households are likely to be more sensitive to energy saving measures (see Samuelson and Biek, 1991; Sardianou, 2007).

Concerning age of households, empirical studies investigated the predictive power of age on energy conservation in household. Although there is an ongoing debate on whether older or younger householders conserve more or less energy, evidences show that age is a predictor of energy conservation behaviour (see Sardianou, 2007; Brohmann, Heinzle, Rennings, Schleich, & Wüstenhagen, 2009; Brounen et al., 2013). However, Sardianou (2007:8) remarks that, in general, elderly householders are less likely to adopt energy saving measures. This is because they are physically diminished, they lack energy literacy and they usually use old appliances which are less energy efficient.
The level of education of households has an impact on energy saving in the sense that a higher education level is usually associated with higher energy conservation actions (see Scott, 1997). The explanation is that higher education entails an upper lifestyle and a greater level of knowledge about energy problems (Brounen et al., 2013:49).

The number of people residing in the house is positively related to energy conservation behaviour (see Sardianou, 2007; Brohmann et al., 2009, Brounen et al., 2013). The more individuals there are in a household, the more households undertake actions towards energy conservation (see Clark et al., 2003; Sardianou, 2007; Young, 2008). Brohmann et al. (2009:10) maintain that this parsimonious consumption is triggered by the desire of profitability achieved by the control of energy performance of appliances.

Despite the paucity of evidences on the influence of population group on pro-environmental behaviour, this study will nevertheless investigate this relationship. Reasons include the cultural, racial and ethnic mosaic that shapes the South African context. In addition, the marketing discipline acknowledges the influence of population group on the consumer behaviour toward products and services (Solomon, 2011:518).

Cognitive factors

**Feedback on electricity consumption:** Although feedback does not stem from the TPB or the NAM, according to the literature, providing feedbacks on how households use electricity can be instrumental to upholding electricity-saving behaviour. In fact, improved feedbacks may reduce up to 20% of electricity consumption in the residential segment (Darby, 2006:4). Knowing that most individuals have low awareness about their electricity consumption or its impact (Brounen et al., 2013:45), evidences demonstrate that feedback on electricity consumption may increase the awareness of electricity consumption (see Delmas, Fischlein, Asensio, 2013). As Fischer (2008:82) remarks, feedback can also increase the consciousness of the relevance of taking actions (which refers to ascription of responsibility). Likewise, feedback on electricity consumption is also proved to enhance the sense of control over one’s electricity consumption (Perceived behaviour control). Although the literature proposes various types of feedbacks (see Fischer, 2008), this study will use electricity feedback that inform respondents about their actual electricity consumption over a certain period of time which seems more applicable in the South African context.

**Awareness of the problem:** Stemming from the NAM, problem awareness in this study reflects the consciousness about adverse consequences of not saving electricity. The higher problem awareness results in a stronger ascription of responsibility (Steg & De Groot, 2010:731). The proposed model also hypothesises that being aware of the consequences of unrestrained electricity consumption can trigger a positive attitude towards electricity saving. Figure 4, which depicts the conceptual model of the study provides the hypotheses formulated for this study:

Socio-psychological variables

Stemming from the TPB and NAM, five socio-psychological variables are developed in the proposed model including ascription of responsibility, personal norms (NAM), Perceived behaviour control, attitude towards electricity conservation and social norms (TPB).

**Ascription of responsibility:** Relating to the electricity conservation, ascription of responsibility will refer to feelings of personal responsibility for the adverse consequences of not using electricity parsimoniously. As developed in the NAM (Schwartz & Howard, 1981), several studies (e.g. Harland, Staats, & Wilke, 2007; Bramberg & Moser; 2007; Steg & De Groot, 2010:731) showed that ascription of responsibility mediates the effect of problem awareness on personal norm. Bramberg and Moser’s model (2007:16) suggest that ascription to responsibility is also strongly related to social norms and attitude towards electricity conservation.

**Social norms:** Embodied in the TPB, social norms (or subjective norm) in this study delineate the individual perception of social pressures triggered by the endorsement of important others (e.g. family, friends, neighbours, community) to save electricity or not. The fulfilment of social norms is usually induced by the fear of social exclusion (Bramberg and Moser, 2007:16). The model hypothesises the relationship between social norms and intention as proposed in the TPB and the influence of social norms on personal norms as suggested in Bramberg and Moser’s model.
Figure 4: Proposed conceptual model

- **Cognitive Factors**
  - Feedback on electricity consumption
  - Awareness of the electricity problem

- **Socio-Psychological factors**
  - Perceived behavioural control
  - Attitude toward electricity conservation measures
  - Social norms
  - Personal norms

- **Socio-demographical factors**
  - Population groups
  - Family income
  - Level of education of respondent
  - Age of householder
  - Family size

- **Contextual factors**
  - Electricity prices inflation
  - Homeownership
  - Subsidies and incentives

- **Intention to save electricity**
  - Feedback on electricity consumption
  - Awareness of the electricity problem
  - Perceived behavioural control
  - Attitude toward electricity conservation measures
  - Social norms
  - Personal norms

- **Intention to save electricity** influences:
  - H1
  - H2
  - H3
  - H4
  - H5
  - H6
  - H7
  - H8
  - H9

- **H1, a, b, c, d, e**

- **Electricity conservation**
  - H17
  - H18
  - H19
Personal norms: With regards to electricity conservation, personal norms are conceived as feelings of moral obligations to implement electricity saving measures. Bramberg and Moser’s integrative model, (2007:16) proposes that social norms influence moral norms (personal norms). Personal norms are the direct activators of pro-environmental behaviour (Schwartz, 1977; Schwartz & Howard, 1981; Stern et al., 1999). Additionally, studies demonstrate that personal norms are stronger when people are strongly aware of the negative environmental consequences of their behaviour and when they hold a stronger ascription of responsibility (Schwartz & Howard, 1981; Harland et al., 2007; Steg & De Groot, 2010:731).

Attitude towards electricity conservation: This variable measures the sum of perceived positive and negative consequences of saving electricity. Embodied in the TRA and TPB, attitude indirectly determines electricity conservation behaviour through the behavioural intention which acts as mediator. The strong power of attitude in determining behavioural intention to adopt pro-environmental behaviour has been widely recorded in the literature (Armitage & Conner, 2001; Abrahamse & Steg, 2009).

Perceived behaviour control: It reflects individuals’ perceived ease of difficulty to conserve electricity. For instance households may not be disposed to conserve electricity, because they do not feel able to do so (Abramse, Steg; 2011). In their proposed model, Bramberg and Moser, (2007:21) indicated that perceive behaviour control (β=.31) is the best predictor of intention to save energy. This is consistent with the majority of studies related to energy conservation behaviour (see Armitage & Conner, 2001; Abramse, Steg; 2011).

Contextual Factors
Scholars agree that apart from psychological, socio-demographical factors, a wide range of contextual factors or environmental constraints also shape human behaviour (e.g. Steg & Vlek, 2009; Fishbein & Ajzen, 2010). These factors may either facilitate or impede individual motivation triggered by cognitive and psychological variables. The integrative model of behaviour prediction proposed by Fishbein & Ajzen (2010), acknowledges the moderating role of contextual factors on the relationship between behavioural intention and the actual behaviour. Contextual factors can also have an immediate effect on behaviour (Steg & Vlek, 2009:312). Prior research have identified some environmental constraints related to electricity conservation including electricity price inflation, homeownership and subsidises and other incentives (Sardianou, 2007; Brandon & Lewis, 1999; Brohmann et al., 2009; Long, 1993).

Intention to conserve electricity
Behavioural intention appears as the direct determinant of behaviour (see Stern, 2000; Bramber & Moser, 2007; Fishbein & Ajzen, 2010). In the present study, intention refers to the extent to which households are willing to conserve electricity. As proposed in the TPB and Bamberg and Moser’s model, four variables directly determine intention to save energy. They are attitude, perceived behaviour control, social norms and personal norms.

Electricity conservation
The behaviour in question in this study is electricity conservation, which is the extent to which households implement certain electricity-saving measures. Early studies (e.g. Curtis et al., 1984) divided energy-saving measures in two categories. The first category includes low-cost measures which do not engage capital investment but rather energy curtailment. Examples of such measures include switching off lights when not used, take shorter shower or bath with as little hot water as possible. The second type refers to measures that entail capital investment and technical changes in the house. A typical example is installing a solar water heater instead of an electric geyser

CONTRIBUTION OF THE STUDY
Investigating residential electricity conservation has two major contributions. The first contribution of this study is the theoretical implications that can be drawn from this investigation. Knowing that social marketing-related studies are usually based on individual behaviour change theory and model (see Kotler & Lee, 2008; Lindridge et al., 2013), applying a multiple influential levels approach, will be a significant contribution in the literature. Theoretically, this study will also contribute by designing a conceptual model of factors influencing consumers’ decision to wisely use electricity in particular, and to yield to social marketing attempts soliciting desirable behaviour towards resource management in general. Practically, the findings of this study will be useful to public policy makers and governmental agencies striving to promote responsible behaviour towards energy and other resource conservation. It will subsequently pave a way for the enhancement of sustainable behaviour to ensure the protection of the environment, reduce electricity usage and the risk of electricity interruptions.

CONCLUSIONS
This conceptual paper has highlighted a framework that unravels determinants of electricity conservation in the residential segment. In an attempt to encourage parsimonious electricity consumption in South African
households, understanding factors that promote or hinder electricity conservation is an important phase. TPB and NAM are prominent frameworks applied in studies dealing with pro-environmental behaviour in general and the electricity conservation in particular. Researchers overemphasised psychosocial determinants of energy conservation and therefore provided a limited outlook of the problem. According to some scholars, contextual and socio-demographic variables do influence energy-saving behaviour. The proposed model conceptualised in this paper, combines socio-demographic characteristics, cognitive, psycho-social and contextual variables, and therefore provide the holistic approach needed.

From a social marketing standpoint, understanding influential factors that shape behaviours is a crucial step in a behaviour change process (see McKenzie-Mohr, 2000; Kotler & Lee, 2008). This study proposes a framework to understand the influential factors. Further research can be undertaken for the formulation of social marketing strategies to promote electricity conservation behaviour. Before the formulation of the strategies, further research should first empirically test this model and confirm the hypothesized relationships among variables. Structural equation modelling may be of particular value for the model fit and the measurement of the effect of each variable. Based on validated scales developed in the pro-environmental, consumer behaviour and psychosocial literature, questionnaires can be designed.

REFERENCE LIST


DETERMINING THE KEY FACTORS CONTRIBUTING TO THE TICKET PURCHASES OF AFRIKAANS FILM THEATRE ATTENDEES

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North-West University

ABSTRACT
Although the Afrikaans film industry is experiencing a growth in the number of films produced, the profits generated and the quality of these films are being scrutinised. There are also doubts as to whether film producers really understand the needs of their ticket purchasing market. Better understanding the factors that contribute to the ticket purchases of Afrikaans film-theatre attendees will enable film producers, investors and marketers to allocate their resources in such a way that supply meets demand. This will assist in addressing the challenges that currently confronts this industry. An exploratory factor analysis revealed five key factors that contribute to Afrikaans film theatre ticket purchases, namely Proudly Afrikaans; Leisure Experience; Marketing; Quality Facilities; and Production Credentials; all of which the Cronbach Alpha values were valid. Further analyses were conducted by means of ANOVA's and a t-test to determine possible differences between the mean values of specific independent variables. Based on these findings, valuable implications are provided for the Afrikaans film industry.

Key words: Afrikaans film theatre, performing arts demand/attendance, ticket purchase behaviour, marketing.

INTRODUCTION
Most of an individual’s visits can be linked to a cultural activity, attraction or experience (Hughes, 1996:708). Over the past few years an increase in cultural activities is evident (Richards & Wilson, 2006:1209). Examples of cultural activities can include visiting museums, galleries, architecture, historic ruins, heritage sites, festivals, and more specifically artistic performances (Warren McHone & Rungeling, 1999:216). These artistic performances, which provide both a cultural and leisure experience, include live performances (such as music, dance and theatre performances) and more essential to this study, film theatre performances (Hughes, 2000:14; F’erl, 1982:170). Film theatre is more formally defined as moving pictures recorded with sound that tells a story and is shown in a cinema/theatre or outdoor facility (Oxford Dictionary, 2011:531&1494; Marks, 2000:6).

The popularity of films among the masses is evident in the immense number of fans supporting the films, with leisure activities extending beyond film theatres to computer games and theme parks (Cameron, 2011:307). In fact, in the United States the film industry draws more consumers to film cinemas/theatres than all the theme parks or big sport games combined (Motion picture industry, 2013). It is therefore understandable that according to the Motion Picture Association of America, the revenue generated by the American film industry was R57,34 billion in 1995. In 2008 it increased to R196,20 billion and has rapidly grown to R259,07 billion in 2012 (Nash Information Services, 2014).

According to Stebbins (2005:350), leisure can be defined as “activity undertaken during free time where such activity is something people want to do and, at a personally satisfying level using their abilities and resources, they succeed in doing.” Films can therefore not only be considered as a form of cultural activity, but also a form of entertainment/leisure activity (Youell, 1995:4; Hughes, 2000:14).

LITERATURE REVIEW
Background to the South African film industry
The first film in South Africa was shown in the 1890’s in the English language (Maingard, 2007:2; Van Staden & Sevenhuysen, 2009:18). It wasn’t until the 1900’s, that cinemas were well established in South-Africa. Due to the Apartheid restrictions, black and coloured people didn’t have access to these cinema, however by 1936 four cinemas were made available for them to view Afrikaans films (Maingard, 2007:67).

The first film created in Afrikaans, De Voortrekkers, was shown in 1916 (Maingard, 2007:4; Shepperson & Tomaseilli, 2000:237). This film was about the struggles of the Voortrekkers during the “groot trek”. The second film, Sarie Marais, was produced in 1931 followed by Moedertjie (Maingard, 2007:35; Van Staden &
Sevenhuysen, 2009:158). Later in the 1940’s, despite a lack of finances and experience in the film industry, the industry indicated further growth (Van Staden & Sevenhuysen, 2009:159).

CARFO (Christelike Afrikaner Rolprent Organisaie) was founded in 1947 and their films were produced on very small budgets. The first theatre sensation for the Afrikaans film industry was released in 1949, named Kom saam vanaand. It was since this film’s success that the Afrikaans film industry grew financially and became associated with a form of leisure activity (Van Nierop, 2014:36). Hoor my lied (1967) was the first film to make more than R1 million and was also the first high quality musical film production (Van Nierop, 2014:39). By 1976, the television industry became competition for the film industry, slowly stealing the consumers’ attention (Van Nierop, 2014:40). Film industry numbers slightly recovered from 1979 and in 1980 the film industry produced films that were based on television series. These films were considered as cheap imitations, trying to attract the attention of more film theatre attendees (Van Nierop, 2014:43). Paljas (1998) was the first Afrikaans film to be nominated for an Oscar and also won awards at the M-Net All Africa Awards (Shepperson & Tomaselli, 2000:332).

During the first four years of the 21st century the film industry was struggling and only managed to produce a single film (Van Nierop, 2014:44). However, 2005 marked a great milestone for the film industry when South Africa’s first Oscar was won by the film Tsotsi (Maingard, 2007:4; Dovey, 2007:143; Parkinson, 2012:279). Soon after the release of Bakgat in 2008 and Bakgat 2 in 2010, which were films that specifically targeted the youth, the youth also started attending Afrikaans films more (Van Nierop, 2014:44). The industry was also boosted with very successful musical films Liefling and Platteiland (Malan, 2013:10). In addition to this, the South African DSTV Channel KykNET together with Nu Metro Cinemas, initiated the Silwerskerm Film Festival in 2011. This annual film festival acknowledges and annually rewards filmmakers who make the largest contributions to the film industry for that year. The film festival also encourages and empowers new and upcoming filmmakers by promoting their short films (Cloete & Nel, 2012).

However, by 2013, the Afrikaans film industry was failing financially (Van Nierop, 2014:45). According to Malan (2013:10), this can be ascribed to the quality of a film. According to him, the producers are far too rushed to produce new films, that they forget to focus on the quality of the production, which ultimately leads to a film’s failure (Malan, 2013:10).

With regards to previous articles / research studies based on the Afrikaans film industry, it is evident that these are limited. Table 1 highlights some examples where South African films and cinemas are investigated. More importantly to note is that none of these focus specifically on aspects that contribute to attendees’ decision to purchase tickets and attend South African, or more specifically, Afrikaans films.

<table>
<thead>
<tr>
<th>TITLE OF STUDY</th>
<th>SHORT ABSTRACT OF THE STUDY</th>
<th>REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drie vroeë Afrikaanse rolprente (1938-1949) as uitdrukking van die sosiale gewete van die Afrikaner</td>
<td>Three Afrikaans films are discussed and what impact the films made in the industry.</td>
<td>Van Staden &amp; Sevenhuysen (2009)</td>
</tr>
<tr>
<td>Afrikaanse flieks bloem: silwerdoek</td>
<td>An investigation into the sudden development of Afrikaans films and an introduction to some of the Afrikaans films that were made up to the 21st century.</td>
<td>Van Nierop (2014)</td>
</tr>
<tr>
<td>Die goed, die sleg en die flops...</td>
<td>The article shows how much money Afrikaans films in the industry made and discusses reasons for these findings.</td>
<td>Malan (2014)</td>
</tr>
</tbody>
</table>

Purchase behaviour of film theatre attendees

Since consumers’ needs are changing rapidly and the consumer from the past, present and future will not purchase in the same way, it is important to better understand the purchase behaviour of film theatre attendees, or more specifically, the aspects contributing to these ticket purchases (Du Plessis & Rousseau, 2007:3). This will ultimately contribute to a more sustainable and profitable film industry. According to Hawkins, Best and Coney (2004:7) purchase behaviour can be seen as “the study of individuals, groups, or organizations, and the process they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs; and the impacts that these processes have on the consumer and
society”. Figure 1 below is a basic illustration of the steps involved in the decision-making process that a consumer follows as he/she decides to purchase a product. This process can differ slightly depending on the product bought.

**Figure 1: The decision-making process**

![Decision-making process diagram](source: Yakup and Jablonsk (2012:62))

The consumer’s decision-making process (in Figure 1) is further influenced by different characteristics/factors such as cultural, social, personal, psychological, situational and marketing aspects. These factors further consist of sub-aspects and are illustrated in Figure 2 below.

**Figure 2: Factors/aspects influencing consumers’ decision-making process**

![Factors influencing decision-making](source: Yakup and Jablonsk (2012:63); Belk (1974:2); Al-Jeraisy (2008:225))

In the case of purchasing arts goods (such as film theatre tickets), specific aspects that can influence the purchase-decision or demand for an arts/cultural performance include the quality of the product; the price of the ticket; the price of a substitute ticket, the opinions of film critics, word of mouth, the impact of film reviews and the film theatre attendees’ characteristics (such as their income, education, age, social class etcetera) to name just a few (Werck & Heyndels, 2007:27; Urrutiaguer, 2002:185; Reinstein & Snyder, 2005:48; Gemser, Van Oostrum, Leenders, 2007:57; Liu, 2006:87; Debenedetti & Larceneux, 2011:84; Gazley, Clark & Sinha, 2011:860). Table 2 below portrays previously conducted research studies which further highlight some aspects that influence the demand for, selection and attendance of film and regular theatre productions/performances.

**Table 2: Previous research on purchase behaviour of cultural/performing arts goods**

<table>
<thead>
<tr>
<th>TITLE OF THE STUDY</th>
<th>FINDINGS OF THE STUDY</th>
<th>REFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivations for movie attendance</td>
<td>Motives for going to movies were identified and they are as follows: Enjoyable and pleasant activity, for relaxation, excitement/arousal, social activity, and communication resources.</td>
<td>Austin (1985)</td>
</tr>
<tr>
<td>Film critics: Influencers or predictors</td>
<td>Critics from an aggregate-level perspective appear to act more as the leading indicators than as opinion leaders.</td>
<td>Eliashberg and Shugan (1997)</td>
</tr>
<tr>
<td>Uncertainty in the movie industry: Does star power reduce the terror of the box office?</td>
<td>The audience themselves make the movie a hit and no amount of star power or marketing can make a difference. The movie is the hit not the star.</td>
<td>De Vany and Walls (1999)</td>
</tr>
<tr>
<td>Demand for live theatre with market segmentation and seasonality</td>
<td>The viewers’ taste differentiated for different theatres. There was a strong preference for musicals and drama. Also, viewers take into account the opinion of the reviewers and the popularity of the show.</td>
<td>Corning and Levy (2002)</td>
</tr>
<tr>
<td>Quality judgements and demand for French public theatre</td>
<td>The most reliable sign of quality remains in the reputation of the theatrical institution. The reputation of drama reviews and the artistic reputation of “directors-cum-managers” have an opposite effect on the attendance of public theatres.</td>
<td>Urrutiaguer (2002)</td>
</tr>
<tr>
<td>Study Title</td>
<td>Abstract</td>
<td>Reference</td>
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<tr>
<td>An easily implemented framework for forecasting ticket sales to performing arts events</td>
<td>The following factors influence the consumer: the promotion effort on the tickets, the characteristics of the production and the individual performance.</td>
<td>Putler and Lele (2003)</td>
</tr>
<tr>
<td>The influence of expert reviews on consumer demand for experience goods: A case study of movie critics</td>
<td>Positive reviews greatly influence dramas and narrowly released films.</td>
<td>Reinstein and Snyder (2005)</td>
</tr>
<tr>
<td>For Oscar glory or Oscar money?</td>
<td>Nominations for Oscars generate substantial extra revenue, but the winning of an award contributes little to the renting of the film.</td>
<td>Deuchert, Adjamah and Pauly (2005)</td>
</tr>
<tr>
<td>Word of mouth for movies: Its dynamics and impact on box office revenue</td>
<td>Word of mouth is most active in the pre-release phase of a movie and the opening week of its release. The expectations of the audience are usually higher during the pre-release phase, but become more critical in the first week of its release.</td>
<td>Liu (2006)</td>
</tr>
<tr>
<td>Confessions of a movie-fan: Introspection into the experiential consumption of &quot;pride &amp; prejudice&quot;</td>
<td>A number of different factors contribute to the enjoyment of the film, namely consumed movie format; engagement with the movie and its components; individual and social consumption context; atmosphere during the consumption; collection of movie-related memorabilia; and intertextuality between the movie experience and the consumer's personal life experience.</td>
<td>Wohlfeil and Whelan (2006)</td>
</tr>
<tr>
<td>Demand for and productivity analysis of Turkish public theatre</td>
<td>Comedies and musicals have significantly more attendance. In developed cities a known author plays a large role, but less so in non-developed cities.</td>
<td>Akdede and King (2006)</td>
</tr>
<tr>
<td>Exploring repurchase intention in a performing arts context: Who comes and why do they come back?</td>
<td>Functional factors, especially value and service qualities are very important to the consumer when they decide to re-purchase. Emotional attainment and the show experience don't play a large role in the overall intention to re-purchase.</td>
<td>Hume, Mort and Winzar (2007)</td>
</tr>
<tr>
<td>Programmatic choices and the demand for theatre: the case of Flemish theatres</td>
<td>The factors influencing the consumer are income, price of substitutes, production size, language of the playwright and revivals of old productions.</td>
<td>Werck and Heyndels (2007)</td>
</tr>
<tr>
<td>The impact of film reviews on the box office performance of art house versus mainstream motion pictures</td>
<td>The number and the size of the review in the Dutch newspaper have a direct influence on the behaviour of the art-movie-going public in their choice of film. The size and the number of the reviews for the mainstream movies only predict the movie performance.</td>
<td>Gemser, Van Oostrum and Leenders (2007)</td>
</tr>
<tr>
<td>The impact of a change in ticket price on the demand for university live theatre: an illustrative case study of the Young Directors' season at Rhodes University</td>
<td>Students have a more price elastic demand for theatre tickets. Everything stayed consistent for a 2005 and 2006 show. There were no differences in the quality, the length, cost of the production, number of productions, etcetera.</td>
<td>Snowball (2008)</td>
</tr>
<tr>
<td>Exploring art film audiences: A marketing analysis</td>
<td>Art film lovers warrant the marketing attention, because they are more committed to watch the film and they are more tolerant towards movie theatre conditions.</td>
<td>Chuu, Chang and Zaichkowsky (2009)</td>
</tr>
<tr>
<td>Getting lost &quot;into the wild&quot;: Understanding consumers’ movie enjoyment through a narrative transportation approach</td>
<td>Personal engagement with the movie narrative, its character and the philosophy is very important for the enjoyment of the movie.</td>
<td>Wohlfeil and Batat (2009)</td>
</tr>
<tr>
<td>Investigating how the attributes of live theatre productions influence consumption choices using</td>
<td>The type of cast, reputation of the producer/director, the context or setting, production type and ticket price of the show influence the consumption.</td>
<td>Willis and Snowball (2009)</td>
</tr>
</tbody>
</table>
**conjoint analysis: the example of the National Arts Festival, South Africa**

"The taste of others": Divergences in tastes between professional experts and ordinary consumers of movies in France.

Professional experts add no value to a film that ordinary film viewers prefer.

Debenedetti and Larceneux (2011)

**Impact of star and movie buzz on motion picture distribution and box office revenue**

The star buzz is positive even if the film was poorly received and will still generate revenue. Star buzz is an influencing factor.

Karniouchina (2011)

**Understanding preferences for motion pictures**

The following factors significantly impact the consumers' movie choice: genre, true story movies, critical reviews, word-of-mouth, country of origin, pricing strategy and the power of the stars as well as directors.

Gazley, Clark and Sinha (2011)

**The determinants of box office performance in the film industry revisited**

The study shows that the production cost, release by major studios, award nominations and sequels to successful films are the key factors for global box office revenues. The less significant factors are the film genre, the release date around holidays and positive critical reviews.

Pangarker and Smit (2013)

It is thus evident from Table 2 above that there are various aspects influencing the demand for film as well as conventional theatre productions/performances. Most of these studies are internationally based, however there is a lack of research regarding specifically the ticket purchase behaviour of Afrikaans film theatre productions. By better understanding how these aspects contribute to the positive ticket purchase behaviour, the marketing of these films can be more effectively conducted (Scheff-Bernstein, 2007:143). This is crucial, since the Afrikaans film industry is currently undergoing tremendous challenges. Although the Afrikaans film industry is experiencing a growth in the number of films produced, the quality and profits generated by these films are of concern (Malan, 2013:10; Van Nierop, 2014:45).

**PROBLEM STATEMENT**

In the background of the Afrikaans film industry, it was mentioned that the income from and demand for films fluctuate constantly (Van Nierop, 2014:40; Van Staden & Sevenhysen, 2009:159; Malan, 2013:10). Unfortunately, this is still the case and the film industry is struggling to keep the film attendee market interested in Afrikaans films, since film producers do not fully understand the needs of this market (Malan, 2013:10). In recent years the reported profits generated by the Afrikaans film industry is also somewhat concerning (Malan, 2013:10). A breakdown of these profits generated can be seen in Table 3 below.

<table>
<thead>
<tr>
<th>FILM</th>
<th>YEAR</th>
<th>INCOME GENERATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liefling</td>
<td>2010</td>
<td>R 13, 3 Million</td>
</tr>
<tr>
<td>Semi-soet</td>
<td>2012</td>
<td>R 9,6 Million</td>
</tr>
<tr>
<td>Platteland</td>
<td>2011</td>
<td>R 8,2 Million</td>
</tr>
<tr>
<td>Die Wonderwerker</td>
<td>2012</td>
<td>R 5,3 Million</td>
</tr>
<tr>
<td>Klein Karoo</td>
<td>2013</td>
<td>R 5 Million</td>
</tr>
<tr>
<td>Hoofmeisie</td>
<td>2011</td>
<td>R 4,2 Million</td>
</tr>
<tr>
<td>Wolwedans in die skemer</td>
<td>2012</td>
<td>R 4,1 Million</td>
</tr>
<tr>
<td>Hansie</td>
<td>2008</td>
<td>R 4 Million</td>
</tr>
<tr>
<td>Pretville</td>
<td>2012</td>
<td>R 3,7 Million</td>
</tr>
<tr>
<td>Bakgat</td>
<td>2008</td>
<td>R 3,7 Million</td>
</tr>
<tr>
<td>Fanie Fourie’s Labola</td>
<td>2013</td>
<td>R 3,7 Million</td>
</tr>
<tr>
<td>Jakhalsdans</td>
<td>2010</td>
<td>R 3,1 Million</td>
</tr>
</tbody>
</table>

**R 2 999 999 – R 2 Million**

<table>
<thead>
<tr>
<th>FILM</th>
<th>YEAR</th>
<th>INCOME GENERATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verraaiers</td>
<td>2011-2012</td>
<td>R 2,7 Million</td>
</tr>
<tr>
<td>Roepman</td>
<td>2013</td>
<td>R 2,3 Million</td>
</tr>
<tr>
<td>Lien se lankstaanskoene</td>
<td>2013</td>
<td>R 2,3 Million</td>
</tr>
</tbody>
</table>
According to Van Nierop, films that generate a profit of above R3 million, is considered financially successful. In Table 3, it can be seen that only one third of these films produced between 2008 and 2013 accomplished this success (Malan, 2013:10) Thus, the money invested in the majority of these Afrikaans films does not reflect a good return on investment and ultimately threatens financial sustainability (Van Nierop, 2014:45).

Van Nierop (Malan, 2013:10) further states that it should not be assumed that the reason why film theatre attendees support these films is primarily because it is proudly Afrikaans. It is noted that the film theatre attendee of today is rather sophisticated and desires films of a high quality and standard. Richards (1996:262) further emphasises this observation by stating that it is important to know that the consumers of cultural goods (such as film theatre tickets) are highly selective in their consumption. Van Nierop (2014:45) further states that film theatre attendees want to see something unique and do not want to experience a reiteration of the same film. According to Sallas De Jager (Malan, 2013:10), a South African film producer, it is not known what the film theatre attendee wants. This leads to unsatisfactory feedback on already produced films and, as a result, De Jager considers his most recent film, Stuur groete vir Mannetjies Roux (2014), to possibly be his last production.

Thus, it is crucial that the reasons why film theatre attendees purchase tickets for Afrikaans films is better understood; which will enable film producers, investors and marketers to allocate their resources in such a way that supply meets demand. This will ultimately lead to the financial sustainability and well-being of the Afrikaans film industry (Taderera, 2010:6). Adding to the current problem is the fact that there is a lack of research regarding the purchase behaviour of specifically Afrikaans film theatre attendees.

The reason for undertaking this research is therefore to determine the ticket purchase behaviour of Afrikaans film theatre attendees, in order to facilitate this industry in better catering for the needs of its market.

**METHOD OF RESEARCH**

**Development of the questionnaire**

The questionnaire for this study is adapted from Botha’s (2011) measuring instrument which focussed on the aspects contributing to the ticket purchases of theatre productions at arts festivals. This specific questionnaire was originally developed and tested using the Delphi technique (Botha, 2011). The Delphi technique is qualitative research with quantitative elements. It entails a systematic method of collecting opinions from a group of experts. These opinions are collected through a series of questionnaires, where the group gives feedback and then feedback is given to the group with opinions between the three question
rounds. With these rounds, the aspects are sifted and only the most important aspects remain to work with (Topper, 2006:3).

Thus, the questionnaire for this study is adapted to measure the aspects contributing to Afrikaans film theatre tickets by Afrikaans arts supporters, rather than live theatre performances. The questionnaire consists of two sections namely Section A and Section B. Section A consists of thirty six (36) aspects that contribute to the ticket purchases of Afrikaans film theatre productions by means of a five-point Likert scale where one (1) - indicates no contribution; and five (5) - indicates a maximum contribution (Berndt & Petzer, 2011:190). Section B consists of demographic (such as age and province of origin) and behavioural questions (such as the number of Afrikaans films they view monthly and preferred genre).

Research design and method of collecting data
This is a quantitative study (Berndt & Petzer, 2011:47) and the questionnaire used to collect the data was self-administered. The data was collected from 29 April to 6 May 2013 at the Klein Karoo National Arts festival (referred to as the KKNK from hereon). KKNK was selected to target Afrikaans arts supporters in order to determine if supporters of Afrikaans arts are also supporters of Afrikaans films. This is important, since the possibility of incorporating Afrikaans films as an art form into KKNK’s future arts festival programmes can be explored. This will provide much-needed exposure for the Afrikaans film industry. In addition to this, KKNK is the largest and the oldest Afrikaans arts festival visited by attendees from various provinces in South Africa; and currently the KKNK does not make provision for Afrikaans film theatres in its recent art festival programmes. Such research may reveal the need for- and type of Afrikaans film theatre productions to be presented as an art form at the KKNK, as well as other Afrikaans arts festivals who do not currently make provision for film theatre (Slabbert, Myburgh, Viviers, Botha, Saayman, Krugell & Saayman, 2013:35; Kitshoff, 2004:169).

Seven fieldworkers dispersed the questionnaires amongst respondents. All fieldworkers were trained and were informed as to the aim/purpose of the research. Stratified sampling was used to conduct the survey and entails the division of the population into subgroups, also called strata (Tustin, Ligthelm, Martins & Van Wyk, 2005:352). The strata consisted mainly of three areas at the festival, namely outside the venues of paid shows; the general festival grounds (where paid entry was needed to gain access to the arts and crafts market); and outside the venues of free shows and street theatre; thereby ensuring that all areas of the festival was targeted. Within each strata respondents are selected by means of a screening question of whether they purchase Afrikaans film theatre tickets in general.

Sampling
The data for this article was collected at KKNK during 2013. According to Krejcie & Morgan (1970:607), a population of 50 000 requires a sample size of 381. In 2013 approximately 47 542 visitors attended the KKNK (Slabbert et al., 2013:35). Five hundred (500) questionnaires were dispersed and four-hundred and sixty-four (464) usable questionnaires were collected.

Data analysis
The data collected from the survey was captured in Microsoft Excel. SPSS software was used to analyse the data by means of an exploratory factor analysis, ANOVA’s and t-tests. The factor analysis was conducted to determine the factors contributing to the film theatre ticket purchases of Afrikaans arts supporters. ANOVA’s and t-tests were done to explore possible differences in the mean values of these factors based on specific independent variables.

RESULTS
The results below are discussed in three sections. Firstly, a demographic profile of the Afrikaans film theatre ticket purchaser; secondly, the key factors that contribute to the ticket purchasing of film theatre; and thirdly, ANOVA’s and t-tests to identify possible differences between the categories of the independent variables.

Profile of the Afrikaans film theatre ticket purchaser
From Table 4, it is evident that most respondents are female (66%) and between the ages of 46 and 60 (25%), with the average age of 49 years. The respondents can be described as film-lovers since they attend an average of 28 films per year at film theatres (2.31 per month), of which only 3.39 are Afrikaans films. However, it is interesting to note that the DVD’s and/or soundtracks from these Afrikaans films are eagerly purchased, with an average of 3.34 DVD's/soundtracks per respondent. They mostly prefer Comedy (40%) as a film genre, followed by Romance (20%) and Drama (16%). Over the past year, the respondents attended an average of 2-3 live theatre productions, mostly hosted at arts festivals that they visit annually (an average of 1.1 per year). The survey indicated that their most preferred Afrikaans film to date was Semi-soet
(18%), followed by Platteland (11%) and Liefling (9%). It’s also evident that the respondents at the KKNK feel positive towards the idea of hosting existing Afrikaans films, as well as premieres of new Afrikaans films at the KKNK (57% and 59% respectively). Almost half of the respondents (46%) would attend an Afrikaans film festival that gives preference to Afrikaans films. It is evident however, that only 35% of the respondents definitely prefer Afrikaans films to English films; and in addition to this, less than half of the respondents (49%) feel that Afrikaans films are of an internationally competitive standard; which indicates definite potential for improvement in this regard.

Table 4: Profile of the Afrikaans film theatre ticket purchaser

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Percentage (%)</th>
<th>NUMBER OF AFRIKAANS FILMS ATTENDED IN PAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE</td>
<td></td>
<td>NUMBER OF AFRIKAANS FILMS ATTENDED IN PAST YEAR</td>
</tr>
<tr>
<td>&lt;20</td>
<td>17%</td>
<td>0</td>
</tr>
<tr>
<td>20-25</td>
<td>16%</td>
<td>1-2</td>
</tr>
<tr>
<td>26-35</td>
<td>17%</td>
<td>3-5</td>
</tr>
<tr>
<td>36-45</td>
<td>18%</td>
<td>6+</td>
</tr>
<tr>
<td>46-60</td>
<td>25%</td>
<td>Average over past year</td>
</tr>
<tr>
<td>61+</td>
<td>7%</td>
<td>Average over past year</td>
</tr>
<tr>
<td>Average age</td>
<td>41.42</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GENDER</th>
<th></th>
<th>NUMBER OF AFRIKAANS &amp; ENGLISH FILMS ATTENDED PER MONTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>66%</td>
<td>0</td>
</tr>
<tr>
<td>Male</td>
<td>34%</td>
<td>1-2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3+</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average per month</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIVE THEATRE PRODUCTIONS ATTENDED IN PAST YEAR</th>
<th>MOST PREFERRED GENRES FOR AFRIKAANS FILMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Comedy 40%</td>
</tr>
<tr>
<td>1-2</td>
<td>Romance 20%</td>
</tr>
<tr>
<td>3-5</td>
<td>Drama 16%</td>
</tr>
<tr>
<td>6+</td>
<td>Musical 15%</td>
</tr>
<tr>
<td>Average over past year</td>
<td>Thriller 5%</td>
</tr>
<tr>
<td></td>
<td>Action 4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NUMBER OF ARTS FESTIVALS ATTENDED IN PAST 3 YEARS</th>
<th>MOST PREFERRED FILMS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Semi-soet 18%</td>
</tr>
<tr>
<td>1-2</td>
<td>Platteland 11%</td>
</tr>
<tr>
<td>3-5</td>
<td>Liefling 9%</td>
</tr>
<tr>
<td>6+</td>
<td>Klein Karoo 8%</td>
</tr>
<tr>
<td>Average over 3 years</td>
<td>Wolwedans in die skemer 4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DVD AND/OR SOUNDTRACK OF FILMS PURCHASED IN PAST 12 MONTHS</th>
<th>MOST PREFERRED FILMS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Verraaiers 2%</td>
</tr>
<tr>
<td>1-5</td>
<td>Wonderwerker 2%</td>
</tr>
<tr>
<td>6-10</td>
<td>Jakhalsdans 2%</td>
</tr>
<tr>
<td>11-15</td>
<td>Paljas 2%</td>
</tr>
<tr>
<td>16-20</td>
<td>Stilte 2%</td>
</tr>
<tr>
<td>20+</td>
<td></td>
</tr>
<tr>
<td>Average over past year</td>
<td></td>
</tr>
</tbody>
</table>
Factors that contribute to Afrikaans film theatre ticket purchases

This section explores the underlying patterns of the reported aspects that contribute to film ticket purchasing by means of a factor analysis. To determine the appropriateness of principal analysis (data reduction procedure) for the collected data, a Kaiser-Mayer-Olkin measure of sampling adequacy and the Bartlett test of sphericity were examined. The Kaiser-Meyer-Olkin measure of sampling adequacy aims to examine whether the strength of the relationship between variables is large enough to proceed to a factor analysis. The measure obtained was 0.935 which is highly acceptable. The Bartlett test was found to be significant (p > .00001) and therefore the data reduction by principal components would be legitimate. A factor analysis with varimax rotation method was performed on the 36 aspects contributing to film ticket purchases. The varimax rotation method was chosen due to very few correlations between the factors. Factor extraction criterion and loadings of 0.30 were used for item inclusion. This resulted in 36 aspects loading into 5 factors which accounted for 56.78% of the total variance. The factors were labelled according to similar characteristics, namely: Proudly Afrikaans (Factor 1), Production Credentials (Factor 2), Quality Facilities (Factor 3), Marketing (Factor 4), Leisure Experience (Factor 5). Eigenvalues for these factors ranged from 1.21 (the lowest) to 12.25 (the highest).

Cronbach’s coefficients were also examined for each factor to check the reliability of the data, and to serve as a measure of internal consistency among the items. All the Cronbach Alpha values were above 0.7 (Table 5) which is widely acceptable for exploratory research (Tustin, Ligthelm, Martins & Van Wyk, 2005:640; Field, 2000; Nunnally, 1967). The mean values per factor were also calculated, according to ‘n’ point scale (1 - made no contribution, 2 - made a small contribution, 3 - made a contribution, 4 - made a significant contribution, 5 - made a maximum contribution). Table 5 clearly indicates that the factors that contribute to ticket purchases are Proudly Afrikaans (3.78), Leisure Experience (3.55), Marketing (3.52), Quality Facilities (3.50) and Production Credentials (3.47).

Table 5: Factor analysis of aspects contributing to Afrikaans film theatre ticket purchases

<table>
<thead>
<tr>
<th>FACTOR LABEL</th>
<th>Factor 1: Proudly Afrikaans</th>
<th>Factor 2: Production credentials</th>
<th>Factor 3: Quality Facilities</th>
<th>Factor 4: Marketing</th>
<th>Factor 5: Leisure Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viewing the films in own/home language</td>
<td>0.630</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afrikaans films relate to my culture</td>
<td>0.602</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afrikaans films offer good entertainment</td>
<td>0.570</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting the Afrikaans film industry</td>
<td>0.468</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The overall quality of Afrikaans films</td>
<td>0.460</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To enjoy Afrikaans films with family/friends</td>
<td>0.427</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afrikaans films touch me emotionally</td>
<td>0.417</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value for money that I receive for Afrikaans films</td>
<td>0.355</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference for a specific genres in Afrikaans films (example comedy, drama, action)</td>
<td>0.342</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The soundtracks of Afrikaans films</td>
<td>0.309</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity of the storyline of Afrikaans films</td>
<td>0.303</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity &amp; reputation of the directors of the films</td>
<td></td>
<td>0.791</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity &amp; reputation of the producer of films</td>
<td></td>
<td>0.744</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity &amp; reputation of a film’s scriptwrite</td>
<td></td>
<td>0.640</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Popularity &amp; reputation of actors/cast in the films</td>
<td></td>
<td>0.427</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The general accessibility of the film theatres</td>
<td></td>
<td></td>
<td></td>
<td>0.717</td>
<td></td>
</tr>
<tr>
<td>The standard and quality of the film theatres (eg. sound quality, air-conditioning)</td>
<td></td>
<td></td>
<td></td>
<td>0.685</td>
<td></td>
</tr>
<tr>
<td>Accessibility of the ticketing systems/service at</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.581</td>
</tr>
</tbody>
</table>
ANOVA’s and t-test

ANOVA’s and a t-test were done to test for significant differences in the mean values of all 5 key factors, based on certain independent variables. These independent variables include age, gender, the number of Afrikaans films attended in the past year, preference for Afrikaans films above English films, the number of live theatre productions attended in the past year, and preferred Afrikaans film genres. Only the results revealing significant differences (p<0.01) are reported below.

**Age:** Age was divided in 6 categories, namely Category 1: <20 years; Category 2: 20-25 years; Category 3: 26-35 years; Category 4: 36-45 years; Category 5: 46-60 years; and Category 6: 61+ years. The ANOVA revealed that older respondents are generally more influenced by Production Credentials when purchasing film theatre tickets.

Table 6: ANOVA for comparison of the factors by age

<table>
<thead>
<tr>
<th>FACTOR LABEL</th>
<th>Mean values &amp; (Std dev)</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean Value</strong></td>
<td>3.784</td>
<td>3.477</td>
</tr>
<tr>
<td>Cronbach’s Alpha’s</td>
<td>0.874</td>
<td>0.832</td>
</tr>
<tr>
<td><strong>Production Credentials</strong></td>
<td>3.11b</td>
<td>3.26(B)</td>
</tr>
</tbody>
</table>

* 0.05≥p>0.000; ** p=0.000;

a Group differs significantly from where b is indicated
A Group differs significantly from where B indicated

**Number of Afrikaans films attended in the past year:** The number of Afrikaans films attended at film theatres in the past year was divided into four categories. These included Category 1: none; Category 2: 1-2 films; Category 3: 3-5 films; and Category 4: 6+ films. The ANOVA revealed that individuals who attend
Afrikaans films more (3+ per year), are generally more influenced by all factors, as opposed to individuals who only attend Afrikaans films 0-2 times per year.

Table 7: ANOVA for comparison of factors by number of Afrikaans films attended

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mean values &amp; (Std dev)</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 films</td>
<td>1-2 films</td>
</tr>
<tr>
<td>Proudly Afrikaans</td>
<td>3.59 (0.75)</td>
<td>3.59b (0.67)</td>
</tr>
<tr>
<td>Productions Credentials</td>
<td>3.06b (1.03)</td>
<td>3.19b (0.90)</td>
</tr>
<tr>
<td>Quality Facilities</td>
<td>3.12b (0.96)</td>
<td>3.38 (0.80)</td>
</tr>
<tr>
<td>Marketing</td>
<td>3.21b (0.85)</td>
<td>3.28b (0.82)</td>
</tr>
<tr>
<td>Leisure Experience</td>
<td>3.09b (1.06)</td>
<td>3.33b (0.82)</td>
</tr>
</tbody>
</table>

* 0.05≥p>0.000;   ** p=0.000;  
a = higher value with significant difference;  b= lower value with significant difference

Number of live theatre productions attended in the past year: The number of live theatre productions attended at arts festivals in the past year was also divided into four categories. These included Category 1: none; Category 2: 1-2 productions; Category 3: 3-5 productions; and Category 4: 6+ productions. The ANOVA revealed that individuals who eagerly attend live theatre productions (6+ per year), are more influenced by the Production Credentials of films, than individuals who do not attend theatre productions.

Table 8: ANOVA for comparison of factors by number of theatre productions attended

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mean values &amp; (Std dev)</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No theatre productions</td>
<td>1-2 theatre productions</td>
</tr>
<tr>
<td>Productions Credentials</td>
<td>3.24b (0.85)</td>
<td>3.49 (0.90)</td>
</tr>
</tbody>
</table>

* 0.05≥p>0.000;   ** p=0.000;  
a = higher value with significant difference;  b= lower value with significant difference

Preference for Afrikaans films above English films: The extent to which individuals prefer Afrikaans films to English films was divided into 3 categories, namely Category 1: Definitely; Category 2: to an extent; and Category 3: not at all. The ANOVA indicated that the greater the extent to which individuals prefer Afrikaans films, the greater they are influenced by the factors Proudly Afrikaans, Quality Facilities and Leisure Experience. Respondents who definitely prefer Afrikaans films are more influenced by Production Credentials; and respondents who do not prefer Afrikaans to English films are less influenced by Marketing.

Table 9: ANOVA for comparison of factors by preference for Afrikaans films above English films

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mean values &amp; (Std dev)</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Definitely</td>
<td>Tot an extent</td>
</tr>
<tr>
<td>Proudly Afrikaans</td>
<td>4.00a (0.66)</td>
<td>3.79b (0.64)</td>
</tr>
<tr>
<td>Productions Credentials</td>
<td>3.76a (0.88)</td>
<td>3.39 (0.81)</td>
</tr>
<tr>
<td>Quality Facilities</td>
<td>3.68a (0.81)</td>
<td>3.46 (0.76)</td>
</tr>
<tr>
<td>Marketing</td>
<td>3.71a (0.76)</td>
<td>3.53a (0.75)</td>
</tr>
<tr>
<td>Leisure Experience</td>
<td>3.97a (0.69)</td>
<td>3.51b (0.73)</td>
</tr>
</tbody>
</table>

* 0.05≥p>0.000;   ** p=0.000;  
a = higher value with significant difference;  b= lower value with significant difference
Will attend existing Afrikaans films at KKNK: The willingness of individuals to attend existing Afrikaans films at KKNK was also divided into 3 categories, namely Category 1: Definitely; Category 2: to an extent; and Category 3: not at all. The ANOVA indicated that the greater the willingness to attend these films, the more they are influenced by the factors Proudly Afrikaans, Production Credentials, Marketing and Leisure Experience.

Table 10: ANOVA for comparison of factors by willingness to attend Afrikaans films at KKNK

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mean values &amp; (Std dev)</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Definitely</td>
<td>Tot an extent</td>
</tr>
<tr>
<td>Proudly Afrikaans</td>
<td>3.96a (0.64)</td>
<td>3.56b (0.65)</td>
</tr>
<tr>
<td>Productions Credentials</td>
<td>3.68a (0.90)</td>
<td>3.20b (0.78)</td>
</tr>
<tr>
<td>Marketing</td>
<td>3.67a (0.78)</td>
<td>3.29b (0.76)</td>
</tr>
<tr>
<td>Leisure Experience</td>
<td>3.79a (0.82)</td>
<td>3.28b (0.75)</td>
</tr>
</tbody>
</table>

* 0.05>p>0.000; ** p=0.000; a = higher value with significant difference; b= lower value with significant difference

Preferred genres for Afrikaans films: The preferred genres for Afrikaans films were divided into 6 categories, namely Category 1: Drama; Category 2: Comedy; Category 3: Musical; Category 4: Thriller; Category 5: Romance; and Category 6: Action. The ANOVA interestingly showed that individuals who prefer Afrikaans Thrillers, are generally less influenced by the factors Proudly Afrikaans, Production Credentials and Quality Facilities. Respondents who enjoy action are according to their mean values, the most influenced by these 3 factors.

Table 11: ANOVA for comparison of factors by preferred genres for Afrikaans films

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean Values</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Drama</td>
<td>Comedy</td>
</tr>
<tr>
<td>Proudly Afrikaans</td>
<td>3.87a (0.61)</td>
<td>3.73a (0.66)</td>
</tr>
<tr>
<td>Productions Credentials</td>
<td>3.68a (0.70)</td>
<td>3.38 (0.85)</td>
</tr>
<tr>
<td>Quality Facilities</td>
<td>3.58a (0.81)</td>
<td>3.46a (0.75)</td>
</tr>
</tbody>
</table>

* 0.05>p>0.000; ** p=0.000; a = higher value with significant difference; b= lower value with significant difference

FINDINGS AND MANAGERIAL IMPLICATIONS

The purpose of this research was to determine the key factors contributing to the ticket purchases of Afrikaans film theatre attendees. Based on the results, the following findings and implications can be reported:

Firstly, based on the 5 point Likert scale, all five factors were considered to make a contribution to the ticket purchase behaviour of Afrikaans film attendees. Similar factors are evident in studies conducted on ticket purchase behaviour of individuals attending live theatre productions. These factors include Marketing/Media, the Experience, Quality Facilities and Production Credentials; and is supported by Botha, Viviers and Slabbert (2012). Even though certain key factors revealed higher mean values than others, Afrikaans film producers and marketers should therefore not neglect any of the five key factors, as each makes a substantial contribution to ticket purchases.

The most important factor contributing to ticket purchases based on the mean value is Proudly Afrikaans. Although the factor is a large contributor, similar studies in the context of ticket purchase behaviour of productions could not be identified. However, some of the individuals items/aspects that the factor consists of are found in an array of research studies, including Fernández-Blanco & Prieto-Rodríguez (2003); Upright (2004); Werck and Heyndels (2007) and Urrutia-Guer (2002); Throsby (1990); Moe & Fader (2009); Colbert, Beauregard & Vallee (1998); Willis & Snowball (2009); Borgonovi (2004); Scheff (1999); Bordwell & Thompson (2001). Afrikaans film producers and marketers can therefore rest on the fact that the Afrikaans film market prides itself in attending these productions for the major reason that it is Afrikaans, relates to their culture, offers good quality entertainment for family and friends and is worthwhile supporting. This indicates
that the producing of Afrikaans films should be continued, since the current ticket purchasing market indeed wants Afrikaans films to choose from on the South African film circuit.

The second most important factor according to its mean value was Leisure Experience. This factor and the aspects that this factor comprises, are supported by the research of Ateca-Amestoy (2008); Lee, Lee, Lee and Babin (2008); Smith (2007); Werck and Heyndels (2007); Edginton (2006); Seaman (2005); Levy-Garboua and Montmarquette (2003); Putler and Lele (2003); Urrutiaquer (2002); Frey and Vautravers-Busehart (2000); Scheff (1999); Elliott and Hamilton (1991); Holbrook and Hirschman (1982); and Stigler & Becker (1977). South African film theatres and marketers should understand that this ticket purchasing market niches itself as a leisure seeking film-lover who would impulsively decide to attend an Afrikaans film as a last-minute leisure activity, while thoroughly enjoying the atmosphere of such a film. Marketing the latest releases and upcoming Afrikaans films with the emphasis on an enjoyable experience is recommended. A loyalty programme that compensates this avid Afrikaans film supporter is also recommended.

The finding that middle-aged and older attendees (36 years and older) are more influenced by Production Credentials when purchasing tickets is supported to an extent by the finding of Grisolia and Willis (2012). The fact that gender revealed no statistically significant differences contradicts the findings of Smythe, Lusk & Lewis (1953) and Alder (1985); but confirms the findings of Austin (1984), with regards to research based on films attendees. This is an important finding for Afrikaans films producers during the script selection and casting process, since the renowned names of the writers/actors/directors matter to half (50%) of the ticket purchasing market. The fact that the younger attendees are not as much influenced by the 'big names' in Afrikaans films is perhaps an opportunity for upcoming film-makers and actors, who are not quite as well-known yet, to make their mark in films for younger audiences and with more limited budgets.

The results that individuals who attend Afrikaans films more (3+ per year) and who prefer Afrikaans films to English films, are generally more influenced by Proudly Afrikaans (partially supported by the research of Fernnedez-Blanco & Prieto-Rodríguez, 2003); Production Credentials (supported by Vogel, 2007 and De Vany & Walls, 1999); Quality Facilities (partially contradicted by Chuu et al., 2009); Marketing (supported by Chuu et al., 2009 and contradicted by Antrobus & Snowball, 2010) and Leisure Experience (supported by Vahemetsa, 1970). These findings are a definite indication, that the loyal and avid Afrikaans film attendee is more influenced by the 5 key factors. In order to sustain this valuable segment of the market, these key factors should be well-managed and maintained so that Afrikaans films can provide a competitive option amongst English and international films. However, the greater challenge for Afrikaans film producers and marketers would be to further broaden this desired market segment. This could be accomplished by deliberate marketing campaigns which especially emphasises that local Afrikaans stories are told by local Afrikaans storytellers and depicted by local Afrikaans actors to local Afrikaans audiences. However, room for improvement in the quality of these local Afrikaans films is still evident in the fact that only 49% of the respondents perceive that these Afrikaans films are definitely of an international quality. As this young industry still establishes itself, film producers should continue striving towards producing Afrikaans films of international quality, as this will contribute to the growth of this market.

The outcome that individuals who eagerly attend live theatre productions (6+ per year), are more influenced by the Production Credentials of Afrikaans films is reinforced by the studies of Faber, O’Guinn & Hardy (1988), Austin (1985), Adler (1985) and Smythe et al. (1953). This is not surprising, since the actors in live Afrikaans theatre productions, are often the actors in Afrikaans films, and familiar to these audiences. Marketing the latest and upcoming Afrikaans films, along with the renowned names, at Afrikaans arts festivals would be beneficial. This can be done by means of posters at the festivals’ show venues, advertisements in the festival programme and interviews with film producers/actors on radio stations broadcasted from the festival terrain.

Fifty-seven percent (57%) and fifty-nine percent (59%) of the respondents indicated that they would watch existing Afrikaans films and premieres of Afrikaans films at the KKNK respectively. The greater the willingness to attend existing films at an event that arts-lovers associate with (such as KKNK in the case of this study), the more they are influenced by the factors Proudly Afrikaans (partially supported by Fernnedez-Blanco & Prieto-Rodríguez, 2003); Production Credentials (supported by Austin, 1985); Marketing (supported by Chuu et al., 2009 and Antrobus & Snowball, 2010) and Leisure Experience (partially supported by Edginton, 2006). The fact that Quality Facilities is not among these factors is a finding supported by Adler (1958), Austin (1984) as well as Chuu, Chang and Zaichkowsky (2009). Thus, film producers and KKNK’s festival organisers should consider re-introducing Afrikaans films (existing and premiers) into the festival programme. This could typically be done whereby the actors in these films could make live appearances before or after an open-air showcasing of the film under the stars.

Thrillers could possibly be classified as a more commercial type of genre, and if so, the finding that individuals who prefer thrillers as a film genre, are not so much influenced by Quality Facilities, Production Credentials and Proudly Afrikaans (including language preference), is partially supported by Vahemetsa (1970). This could perhaps be an indication that film producers who consider producing Afrikaans thrillers as
a genre, could do so on a tighter budget with less renowned actors, and where quality is not such a great prerequisite.

CONCLUSION
This research provides the filmmakers and marketers of Afrikaans films with valuable insights regarding the purchase behaviour of their market, thus empowering them to better understand and provide for their needs. These insights contributes to sustaining and possibly expanding these existing markets (especially Afrikaans arts supporting markets), and ultimately the success of the broader South African film industry. Future research endeavours should include comparative studies regarding the ticket purchase behaviour of film theatre attendees versus live theatre attendees, thus broadening the research base on the purchase behaviour and attendance of performing arts goods. Studies focussing on factors that inhibit purchase behaviour of Afrikaans film theatre tickets can also be done, thus providing a more in-depth understanding of this market. Furthermore, research focussing on quality comparisons of Afrikaans films versus English / international films should also be conducted.

LIST OF REFERENCES


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QUALITATIVE REFLECTIONS OF THE ADVENTURE TOURIST IN THE NAMIBIAN RICHTERSVELD

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North-West University
G.A. Goldman
University of Johannesburg

ABSTRACT
Desolation, sand dessert, black rock dessert, vast open spaces and treeless landscapes are just some of the descriptive words that come to mind when this part of Southern Africa is being explored. Although these terms are being perceived to have little or no life, the opposite, however is true. The little reference is applicable to the density of people, but with careful exploring, these mentioned landscapes are very alive with a vast number of desert organisms. In order to understand and experience this phenomenon better, two adventure motorcyclists went searching through this desolated area, to determine and explore the adventure tourist experience and expectations from other adventure travellers in the Namibian Richtersveldt area. Parallel to this, the experience of the respondents (adventure motorcyclists) will be subjectively compared. Personal interviews with a questionnaire as guide were conducted with all possible respondents (adventure tourists). The adventure tourists were continually asked to give their qualitative views of the supposed experience (as indicated on the questionnaire). The empirical research was somewhat limited due to time constraints. Beside this mentioned problem, all respondents were very responsive and positive. Another factor that contributed as a limitation was the amount of tourists found on the route travelled. The route covered the South African Kalahari, Namibian Richtersveldt and the South African West coast. An alternative question that arose out of this situation was, for a possible future study, whether adventure tourism of this nature is marketable, and how?

INTRODUCTION
As its semantic origins indicate, the world traveller was derived from an experience of “painful or laborious” effort (Tulloch, 1995: 1651). Historically, travel involved the venturing into the unknown, uncertain of return or the challenges that would be encountered. The “ruling elite” (at the time) published these “Grand Tours” and by 1800, participants in this formulaic travel were of the new genus: the “tourist” (Black, 1986; Hibbert, 1987).

Adventure tourism as an academic focus attracted little attention until the early 1990’s. Boornstin (1961/1964) and MacCannel (1976/1999) seem to have started this whole drive by focussing on the mass tourist and structural meta-themes, be it the experience of a pseudo-event or the search for authenticity in modern life. Since then, there has been a plethora of conceptual models, mostly focused on the “traveller” (adventure tourist who goes beyond the normal tourist behaviour). According to Meyerson (1981), Graburn (1983), Przeclawski (1985), Urry (1990), Selwyn (1996), and Tucker (2003) the adventure tourist explore further to more exotic places with a purpose, pursuing an experience quest for the sacred, the other centre, meaning, values, romantic gaze, pre-commodity whole or serendipity. None of these theorists, however, provided the tourism field with a definition of the adventure tourist or adventure tourism.

Being said, adventure tourism is a much-debated phenomenon, but what exactly is it? Would a canoe trip by a 25 year old guy with an experienced guide on the Zambezi river in Zimbabwe, a 45 year old woman going abroad for the first time or a family from South Africa visiting lake Malawi where they could do some snorkelling and yachting, all be seen as adventure tourism (Prinsloo & van Heerden, 2006)? The answer to this question is a personal one to each potential adventurer.

Players in the tourism industry have enthusiastically adopted the term “adventure tourism”, but it had no readily agreed definition. Most concur that adventure tourism is a niche sector of eco-tourism and activity tourism – which have characteristics that overlap with those of adventure tourism. There are also many related phrases such as “adventure travel”, “adventure recreation” and “hard and soft adventure”, which on one hand can confuse but on the other can also contribute to understanding the potential breadth of adventure tourism (Swarbrooke et al., 2003: 4).

Priest (2001: 112) put it very simplistic…to qualify as adventure…. the outcome must be uncertain. Smith and Jennifer (1999: 45) defined adventure tourism to specifics…”The essential ingredients of an adventure holiday seem to include a remote, under populated region with a traditional culture, where facilities are extremely limited. Muller and Cleaver (2000: 156) gave adventure tourism more dimensions with the following definition: “Adventure tourism is characterised by its ability to provide the tourist with relatively high
levels of sensory stimulation, usually achieved by including physically challenging experiential components with the (typically short) tourist experience.

In contribution to the “out of comfort zone”, mentioned by Grant, feeling created by adventure tourism, is explained as follows: “…. The main factor distinguishing adventure tourism from all other forms of tourism is the planning and preparation involved” (Grant, 2001:167). While something of this characteristic may be present in all forms of travel and tourism, it is essential in the adventure tourism setting. The ‘journey of the mind’ (Prinsloo & van Heerden, 2006) refers not to the administrative planning of all trips but to that part of planning and preparation, which allows for dreaming of the passion, excitement and fear that might be experienced, and the risks that may be encountered, much of this framed by accounts of journeys of past explorers. Essentially each person’s mind journey is unique; importantly, it is a strong enough element to characterise the product. Grant’s “definition” thus, allows for the romanticising of something unexpected and as mentioned, out of the normal comfort zone of the potential adventure tourist, this however, can contribute a increase in the individuals need.

LITERATURE REVIEW

Difference between Leisure- and Adventure tourism

Although tourism is not only about leisure, it is true that leisure is an important part of tourism. According to Ivanovic et al. (2009:9) leisure is the free time someone has when he/she is not working, sleeping or eating, whilst recreation is the activities that someone engages in during his/her leisure time. Figure 1 represents the link between tourism, leisure and recreation.

Before “adventure tourism” can be defined, an understanding of the term adventure is imperative. This term “adventure” is evocative for many people – images and associations flood into the mind at the mention of the word. Thus, imagination and emotion is very much part of any adventure (Swarbrooke et al., 2007:7). Table 1 represents a range of activities and settings typically associated with adventure.

**Figure 1: Relation between Tourism, Leisure and Recreation**

<table>
<thead>
<tr>
<th>Leisure</th>
<th>The time available to an individual when work, sleep and other basic needs have been met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation</td>
<td>Pursuit engaged upon during leisure time</td>
</tr>
<tr>
<td><strong>Home based recreation</strong></td>
<td>Reading, gardening, watching TV, socialising etc.</td>
</tr>
<tr>
<td><strong>Daily Leisure</strong></td>
<td>Visiting theatres or restaurants, sports, socialising, etc.</td>
</tr>
<tr>
<td><strong>Day trips</strong></td>
<td>Visiting attractions, picnicking, etc.</td>
</tr>
<tr>
<td><strong>Tourism</strong></td>
<td>Temporary movement to destinations outside normal home and workplace, the activities and facilities during the stay.</td>
</tr>
</tbody>
</table>

| National | International |

Source: Cooper et al., 2005

Table 1: Activities and settings associated with adventure

<table>
<thead>
<tr>
<th>Activities associated with adventure</th>
<th>Setting associated with adventure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical activity – physical exertion or psychomotor skills</td>
<td>Outdoors, wilderness</td>
</tr>
<tr>
<td>Contact with nature – contact with natural world or specific wildlife</td>
<td>Outdoors, wilderness</td>
</tr>
<tr>
<td>Contact with different cultures – people, faith, lifestyles</td>
<td>Remote, unusual or exotic locations</td>
</tr>
<tr>
<td>Journeys – vehicle or human powered voyages over land, sea or air</td>
<td>Remote, unusual or exotic locations</td>
</tr>
</tbody>
</table>

Source: Swarbrooke et al., 2007: 17
These activities and settings, associated with adventure also form the basis of four different niche tourism sectors, consisting of activity-, nature based-, discovery and cultural-, and expedition-tourism. Swartbrooke even suggest that beside these mentioned tourism niches, adventure tourism might include products that are currently seen as belonging to other, more leisure orientated, tourism niches. In order to get a better understanding of adventure tourism, a representative definition is needed. However, there seem to be alternative views amongst academics in general.

Buckley (2010:4) almost contradicts (restrict) Swartbrook’s view with reference to the niche tourism sector’s by suggesting that adventure tourism is a broad term which encompasses all types of commercial outdoor tourism and recreation with a significant element of excitement. The restriction comes in his reference to (only) “it is closely related to nature-based tourism”. Almost 20 years ago Edgington et al. (1995:23) refer to adventure tourism as a “concept” that combines fitness, environmentalism, multi culture and travel. Priest’s (2001:112) definition...."to qualify as adventure...the outcome must be uncertain" seem to extend Edgington’s definition to encompass most general definitions of adventure tourism.

Almost all other definitions refer to specific semantically aspects within adventure tourism: McArthur (1989:3) focus on uncertainty and unpredictability, Smith and Jennifer (1999:45) refer to under populated areas where the facilities are limited, whilst the Canadian Tourism Board (cited in Loversseed: 1997) limit it to remoteness. Grant (2001:167), although mentioned very specifics like planning and preparation and also refer to “the fight of the mind”. Muller and Cleaver (2000:156) refer to high levels of sensory stimulation.....as well as physically experiential experiences. This tendency of semantics seem to be included in most definitions of adventure tourism. Scott (2001) indicate that there is no real consensus amongst academics regarding a definition, but he did specify that adventure do not need to involve a physical challenge, but can include the “mind and the spirit”.

A synthesised definition, based on existing definitions, should then allow for a wide approach within its simplicity:

Adventure tourism widely consists of fitness, environmentalism, multi culture and travel where the expected outcome is usually uncertain and is driven by the “mind and the spirit.

In order to elaborate on the synthesised definition, the typologies of adventure tourism should be discussed.

**Typologies of adventure tourism**

The adventure seeker as an adventure could describe every adventure activity. Question is: What level of adventure did the adventurer experience? In order to answer this question, the following differentiation in adventure tourism could serve as an indicator.

**Hard adventure:** Hard adventure refers to activities with high levels of risk, requiring intense commitment and advanced skills (Hill, 1995:63). In support to Hill's reference to hard adventure, the School of Business at the George Washington University summarise it as adventure that include trekking, climbing and caving (Schneider, 2010:5). Further, these activities are high in risk and require a high level of specialization skill. Millington et al. (2001) went into greater detail by defining hard adventure as an element of experience within an activity being undertaken, and because it encompasses an element of risk, participants must be physically and mentally fit. He went further, referring to experience with the environment, culture and destinations, weather conditions, and dietary restrictions. Although differently worded, most academics’ analysis seems to be similar in general meaning. A Practical example could be to ride a big adventure motorcycle on the northern East Coast of Mozambique. However, for one adventure tourist it wouldn’t be an adventure whilst it could be a hard adventure for the next. Reasons for hard adventure may be one or a combination of the following:

- Thrill of the unknown.
- Adrenaline of riding the difficult dirt roads with such a big loaded motorcycle.
- Constant risk.
- Challenge of not getting hurt (fall with motorcycle).
- Conquering the difficult off the beaten path roads.
- Excitement and constant fear of something going wrong with the motorcycle.

According to a study by the mentioned Business School at the Washington University, hard adventure represents only a small percentage of the population, but did uncover a sizeable market (Adventure Tourism Market Report, 2010:5).

**Soft adventure:** Soft adventure refers to activities with a perceived risk but low levels of real risk, requiring minimal commitment and beginning skills; most of these activities are led by experienced guides (Hill, 1995:63). In general, soft adventure requires less physical risk, little or no experience, and offers more convenience in terms of sleeping and cuisine. Many activities seem to be similar, but at a lower physical intensity according to Millington et al. (2001). Practical examples could include overland tourist trucks
travelling from Tanzania (Dar Es Salaam) through Malawi next to the shores of the Lake. Reasons could include one or a combination of the following: Malawi has a relative developed infrastructure in comparison to Northern Mozambique for example. Tourist might have done it before, thus familiar territory. Language barrier (common language - english). Commercial tourist destination (safety of other tourists). Comfort and familiarity of fellow travellers on the truck. Perceived safety of the camp sites. Qualified tour guides.

A number of approaches can be taken to categorise adventure tourism. In fact, creating a typology of adventure tourism will always be a frustrating task, as consumers and suppliers do not always confine themselves to one category (Millington, et al., 2001:78). Swarbrooke et al. (2003:32) also refer to different adventure quadrants in order to differentiate adventure, consisting of the following:

**Adventure competition:** An organised event that has certain dangers and requires high levels of skill (e.g. adventure racing events).

**High adventure:** An experience undertaken without the support of external organisers or guides, and which requires high levels of skill and self-sufficiency to overcome inherent dangers (e.g. expeditions in rescue-free locations).

**Leisure:** A laid-on experience that is safe and does not require specialist skills (e.g. adventure theme parks).

**Recreation:** A self-directed activity that is not especially dangerous or requiring of specialist skills (e.g. recreational canoeing in the local dam).

These mentioned categories and quadrants should all be taken in consideration when an attempt is made to differentiate one adventure from the other.

**The adventure tourist**

Due to the varied nature of adventure tourist activities, defining the adventure tourist and what sets him or her apart from other tourists is a tricky endeavour. Notions of taking risks and relishing challenge would seem to have to form an important part of a definition of an adventure tourist but clearly this cannot be where the definition ends. One line of thought, according to Cater (2000), in relation to the growth of this form of tourism, is that modern-day living and work life lack clear meaning. This encourages people to search for meaning and fulfilment through active participation in leisure activities and tourism, seeking out “…. a deep embodied experience unavailable in everyday life” (Cater, 2000:51).

**PURPOSE OF THE STUDY**

From the literature, one can deduce that adventure tourism is an under-documented expanse within the broader academic discipline of Tourism studies. Adventure tourism is not easily institutionalised, and people who are interested in this specific type of tourism prefer to plan their own trips and normally provide their own amenities in the form of accommodation and provisions for their trips. As such, formalisation of this specialised, and often extreme, form of tourism is extremely difficult. At the same time, however, adventure tourists have a definite agenda in mind when planning their trips and thus also have certain needs that can be catered for along their routes. Following from the problem outlined above, the aim of this study is: **To try to understand the lived experiences of adventure tourists.**

By understanding these experiences, a greater awareness for adventure tourists' needs could be fostered which, in turn could result in adventure tourists' needs being catered for by role-players in the tourism industry.

**RESEARCH METHODOLOGY**

In this investigation we sought to explore the lived adventure experience of adventure tourists who travelled the Namibian Richtersveldt and South African West Coast area, by any means of transport available. It stood to reason that we needed to immerse ourselves in the lived experiences of the adventure tourist to understand why people would take great risks, isolate themselves and choose to live in Spartan conditions for a period of time, whilst at the same time being a tourist. For this reason we undertook a three week motorcycle trip through the Namibian Richtersveldt and South African West Coast to gain an insider perspective to the lived experience of an adventure tourist (Babbie & Mouton, 2004). Thus, the research was conducted from an Interpretive paradigm through the application of qualitative research methods. Through the use of the Interpretive paradigm, our own adventure experiences would serve as benchmark for interpreting the lived experiences of research subjects.

Our sample consisted of travellers we came across at overnight stays as well as travellers we met en route. We managed to solicit usable data from 38 travellers (our research subjects) encountered over a three week
period. “Encountered” is meant literally because often these were the only people you meet for days on end, as much of the route travelled was ‘off the beaten path’. Even when we travelled the more ‘leisure tourist’ routes, research subjects would be few and far between. Our sampling was thus extremely haphazard and can best be described as a convenience sample of travellers (constituting our research subjects) we encountered along the way during our travels.

Data were collected by through qualitative, unstructured interviews with all the travellers encountered. Data capturing techniques consisted of recording the interviews as well as taking memos during interviews. On the days when interviews were conducted, we would reflect on the interviews and jot down field-notes in this regard. Although time and circumstances to conduct the interviews in were constraining factors, our 38 research subjects provided us with enough data to reach a point of data saturation at interview number 27. The 11 interviews conducted beyond this point thus serve as added evidence for the claims made.

Gathered data was subjected to a variation of Grounded Theory (GT) (as method of analysis as opposed to design), as it allowed for the reality – or theory – pertaining to the lived experiences of adventure tourists to inductively, and iteratively, emerge from the gathered data. We decided to employ GT to analyse the data, as the notion of theory-forming is, as suggested by Catherall (2006), more appropriate to a context that is not very clearly understood; which is the case with the concept of adventure tourism.

The process of GT analysis proposed by Strauss & Corbin (1990) was used in this study. According to Strauss & Corbin, GT analysis involves assigning the initial data to a few tentative categories and continually adding new data to them, at the same time interrogating whether the new data fits the parameters of the established categories or whether new categories need to be added, a process referred to as constant comparison or comparative analysis (Kendall, 1999). The outcome is thus that categories emerge from the data, rather than imposing a preconceived notion of what the categories should be (Lancaster, 2005; Henning et al, 2004; Neuman, 2003).

DISCUSSION OF FINDINGS

It is interesting to note that, when probed in terms of the route they were following on their trip, 19 of the subjects responded that they were travelling within the borders of one specific country (thus either Namibia or South Africa), 8 travellers were traveling through two countries, 10 research subjects indicated that their route would take them through three or more countries. There was also one research subject that indicated that he had no planned route. This bears testament to the fact that adventure tourism seems to be a highly organised activity.

Of the research subjects interviewed, 60% of the subjects were local (i.e. South African or Namibian), 24% were European citizens and 16% of the research subjects were from North America and Australasia. With four of every ten adventure tourists encountered emanating from abroad, this is a source of much needed foreign revenue entering the economies of African countries. Furthermore, 57% of travellers interviewed were graduate professionals, 16% were students and 27% of research subjects practiced a trade. Professions of travellers ranged from hairdressers, salesmen and PA’s to medical doctors, professors, physiotherapists and management consultants. Adventure tourists thus seem to emanate from all walks of life, but they seem to be financially stable people with high levels of disposable income. Interestingly, 40% of research subjects were female. This dispelled our preconceived notion that adventure tourism was almost exclusively a male dominated domain due to the often high levels of physical exertion and risk involved.

The process of open coding resulted in 94 categories emerging from the data gathered. The processes of axial and selective coding resulted in the emergence of three themes that seemed to permeate through all the interviews. Each of these will now be discussed in turn.

Theme One: A sense of adventure

In a sense, this seems like stating the obvious, but the thrill of adventure and doing something out of the ordinary is exactly why people partake in adventure tourism as a leisure activity. More specifically, ‘adventure’ seems to possess different connotations. In the case of the travellers that participated in this study, ‘adventure’ was associated with:

Activities associated with exploration
Activities associated with “outdoor” sports

**Exploration:** Many of the subjects interviewed commented that the purpose of their ‘adventure’ was to explore and experience new things, cultures, sights and sounds. Amongst others, travellers commented that they wanted to explore Africa, wanted to experience nature, sought hidden spots of natural beauty, wanted
to visit historic spots, meet new people and interact with different cultures. What all these responses had in common was an inquisitive nature and an eagerness to learn and experience new things.

The following quotations bear witness to the points raised above:

<table>
<thead>
<tr>
<th>Quotation</th>
<th>Interview Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Why are we here?...Umm…well, I wanted to see Africa…plus I have a fascination with the desert”</td>
<td>15</td>
</tr>
<tr>
<td>“I wanted to experience culture vastly different to mine…and experience things you only see on TV”</td>
<td>28</td>
</tr>
<tr>
<td>“There are so many historical places to see here. I love history, so it makes it more real to visit these places first-hand”</td>
<td>7</td>
</tr>
<tr>
<td>“I love to meet interesting people when I travel”</td>
<td>30</td>
</tr>
<tr>
<td>“Just look at this place. Its’ beautiful and quiet. This is Africa…”</td>
<td>9</td>
</tr>
</tbody>
</table>

It would seem as though adventure tourists are motivated by the total experience. For them it is not enough to see a documentary on television or read an article in a magazine concerning a particular point of interest, they want to experience it first hand and in totality. This seems to be the only means of satisfying their inquisitiveness.

“Outdoor” sports: Many travellers incorporated “outdoor” sporting activities with their trips, and many mentioned that these sporting activities were the reason behind their trip. Sporting activities mentioned were surfing, body boarding, mountain biking, hiking, rafting, 4x4 trails and skydiving. In many major metropolitan areas, facilities have been created where most of these activities can be pursued. However, it would seem as though the activity itself is not the most important factor. It would seem that the motivation is the pursuit of the activity in the true “outdoor” sense of the word. Thus, it is not just about doing a 4x4 trail, it is about doing a 4x4 trail in a truly natural setting. This would suggest that adventure tourists have an appreciation for the authentic and that instant gratification is something they frown upon.

The following annotations support the claims outlined above:

<table>
<thead>
<tr>
<th>Annotation</th>
<th>Interview Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>„„just wanted to do some great surfing at spots where you have all the waves to yourself”</td>
<td>11</td>
</tr>
<tr>
<td>“It’s great to just be out here and do some cool mountain biking and hiking. There’s no better place for it than Namibia”</td>
<td>16</td>
</tr>
<tr>
<td>“We love nature. We are drawn to this place because of the animals you see here, the quiver trees…and the chance of some lekker rafting rides.”</td>
<td>5</td>
</tr>
<tr>
<td>“You’ve got this whole landscape to yourself. I do 4x4 trails…and out here, the whole place is one huge 4x4 trail. I can do whatever I want.”</td>
<td>20</td>
</tr>
</tbody>
</table>

In terms of seeking adventure, thus, it would seem as though the sense of exploration and the opportunity to partake in “outdoor” sporting activities are not mutually exclusive. In many instances the traveller is actively seeking unexplored, new and exciting places to indulge in their “outdoor” sporting activities. The sense of adventure is satisfied by a holistic experience. It is not just the need to explore, nor is it only the need to partake in “outdoor” sporting activities. To a certain degree it is both.

Theme Two: Escapism

Although we initially viewed this as a third element of the first theme (i.e., a sense of adventure), we placed this as a separate theme after much deliberation. Escapism refers to the need exhibited to literally “get away from it all”. Escapism in this sense refers to a spiritual hiatus, an effort to enter a different realm to the one the adventure tourist normally occupies. In this regard, almost all travellers interviewed touched upon this issue, mentioning, *inter alia*, that the trip they were on was a spiritual journey, that they wanted to get closer to nature to distress and relax, that they needed to get away from the ‘rat-race’ for their own sanity, that they needed the experience to appreciate openness, peace and quiet, and that their trip was an opportunity to re-focus on the important things in life, as is evident from the following quotations:

<table>
<thead>
<tr>
<th>Quotation</th>
<th>Interview Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>“This is the perfect place to forget about everything. Look around you…there’s nothing, man. It’s the perfect place to relax and forget about the stress of your job”</td>
<td>27</td>
</tr>
</tbody>
</table>
“…sometimes I just want to get away… I’m not a city person, I much rather prefer the quiet and open spaces of the bush…this is where…umm…I feel alive here”
Interview subject 3

“I was at a difficult point in my life when I started this trip. This is my spiritual journey to try get answers and to clear my head”
Interview subject 19

“There’s no better way to switch off from everything. There is no time or urgency here. It’s just you, your motorcycle and the veld. You forget about everything else”
Interview subject 31

“You realise just how small and insignificant you are in the bigger picture. I mean…this place is just so…so big. Makes you realise that you aren’t as important as you sometimes think of yourself.”
Interview subject 6

“It re-charges my batteries…getting closer to nature”
Interview subject 8

From the preceding discussion and evidence, it would seem as though the adventure tourist values self-opinion and introspection. From the evidence it seems as though they are not driven by others’ opinion of them, but rather by how they view themselves. Stated differently, finding inner peace and inner happiness seems to be more important to the adventure tourist than the opinions other people have of them. They do not seem interested in the image they portray outwardly to others, their own peace of mind is of primary importance.

**Theme Three: Situational factors**

Without exception, research subjects reflected on their experiences during their trip. The categories that the traveller had no control over are dealt with here, and can be disaggregated into:

Positive factors
Negative factors
Facilities encountered

Each of these factors will now be elaborated on in more detail.

**Positive factors:** Without exception, research subjects tended to comment on some aspect of their trip that stood out for them, almost as an affirmation that the discomfort, risk and challenges faced along the way were all worthwhile. Most notably, travellers mentioned having fun with friends, experiencing scenic natural beauty, meeting interesting and friendly people, good food, and good weather as definite ‘positives’ for them, as the following excerpts bear witness to:

“*The scenery is beautiful and we have met so many interesting and friendly people*”
Interview subject 14

“*It’s a great group of people to travel with. The food was…was very good and the weather is fantastic!*”
Interview subject 2

“I think it fantastic to meet different types of people and to experience different cultures”
Interview subject 20

“The trip was absolutely worthwhile. We had great fun with friends…shared great experiences and saw many beautiful places.”
Interview subject 4

It is interesting to note that very little praise was forthcoming toward infrastructure and facilities. In fact, these factors solicited negative comment, as shall be seen below. However, even the negative comment was fairly minimal. It is almost as though the adventure traveller does not expect the luxuries associated with leisure tourism. In fact, two of the research subjects (a couple from South Africa, commented that this was their first “adventure” holiday, and that it was quite different to the holidays they were used to in that facilities were very basic, but that did not deter from their holiday experience in any way, in fact, it often added to the experience, as the following quotation states:

“For me this is a whole new way to travel. I did not know what to expect, but I really am enjoying it so far. Although…umm…it is a lot different to what I am used to. I mean…small rooms, no aircon…It is very primitive compared to what we are used to.”
Interview subject 21

**Negative factors:** Where the adventure tourists interviewed did comment on negative aspects associated with their respective trips, many times these comments were directed at variables that could not be
controlled by the adventure tourist or other tourism related role-players. Negative sentiment was expressed to the state of roads, long distances that had to be travelled, the performance characteristics of the vehicles used, the weather (excessive heat and wind by day and very cold at night). As mentioned, some negative sentiment was also directed at facilities, especially in terms of types of facilities available at campsites and basic maintenance of these facilities. The following comments from interviews conducted bear witness to this:

<table>
<thead>
<tr>
<th>Comment</th>
<th>Interview Subject</th>
</tr>
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<tbody>
<tr>
<td>&quot;These long distances between towns…that's…it's a bit of a killer&quot;</td>
<td>27</td>
</tr>
<tr>
<td>&quot;The wind between Port Nolloth and Alexander bay was terrible. It was scary.&quot;</td>
<td>31</td>
</tr>
<tr>
<td>&quot;I think the vehicle we hired was not right. We loaded too many people on the truck, so the ride is cramped and not very comfortable&quot;</td>
<td>23</td>
</tr>
<tr>
<td>&quot;Sometimes the roads are a bit suspect&quot;</td>
<td>5</td>
</tr>
<tr>
<td>&quot;I never expected the winter to be this cold at night&quot;</td>
<td>11</td>
</tr>
</tbody>
</table>

It would seem as though these negative issues raised by adventure tourists were, in the majority of instances, factors that merely caused discontent, and only in very rare instances were research subjects interviewed visibly irate to the point where they would not travel their planned route again.

**Facilities encountered:** On the whole, the adventure tourists interviewed were not too critical concerning the facilities encountered along the route. With the overwhelming majority making use of campsites, caravan parks and backpacker's stops, the facilities used by research subjects were very basic. Thus, the amenities used by adventure tourists are not the overriding motivation. The trip is the adventure. The facilities and amenities are viewed more as necessary "must do's", as one must *inter alia* sleep, eat and wash clothes along the way. The "creature comforts" of more traditional, leisure tourism seem to be easily given up in lieu of the experience. Although not critical of facilities in general, travellers did seem to be critical of lack of basic services, dirty facilities, broken and under-stocked amenities, as following quotations attest to:

<table>
<thead>
<tr>
<th>Comment</th>
<th>Interview Subject</th>
</tr>
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<tbody>
<tr>
<td>&quot;…the camps were okay, but here and there the cleaning facilities were dirty&quot;</td>
<td>10</td>
</tr>
<tr>
<td>&quot;The facilities are very basic. I don't like the idea of communal toilets and showers. I would kill for aircon…&quot;</td>
<td>21</td>
</tr>
<tr>
<td>&quot;The campsite facilities varied – but that is the charm of it all. On the whole…better than expected.&quot;</td>
<td>29</td>
</tr>
<tr>
<td>&quot;Along the way we have seen everything, from really good to really bad&quot;</td>
<td>2</td>
</tr>
<tr>
<td>&quot;Good lodgings, but the public stuff, like kitchen stuff is often broken and toilets are sometimes dirty.&quot;</td>
<td>13</td>
</tr>
</tbody>
</table>

**CONCLUSION**

An adventure tourism trip can be viewed in terms of the overall experience. The tourist acts as both consumer and co-producer of the experience and plays an interactive role in shaping the experience. In other words the adventure tourism experience can be perceived as a process containing a series of sequential encounters with the rest of the tourists in their group, entrepreneurs, the local community encountered during the trip and tourism operators. We found that the interview subjects acted as consumer of the experience but also co-produced the experience through their decision-making while on-route. They deviated from their proposed route and made impromptu and impulsive decisions on what to eat when to eat and to a lesser extent on where to stay. This seems to support Williams and Buswell (2003:72) who purport that:

"By definition, tourism occurs over a longer time span than conventional leisure activities; although a holiday is made up of a series of discrete leisure activities, it is also evaluated by the tourist as an overall experience or as one package.

The interview subjects could quickly recall those incidents that created danger and anxiety. They described the experience as fun, enjoying the natural environment, and exploring the unknown. Moving outside of one's normal comfort zone - to intentionally go beyond one's normal known area, seeking out experiences, which are unfamiliar – formed the basis of their entire experience. It can be argued that participating on such a" trip" is done to attain psychological and physical goals. Again the interview subjects mentioned fun, being
in a natural environment, exploring other countries and cultures, and moving outside of their normal comfort zone as important goals. They also added that testing and sharpening their driving (vehicles) or riding (motorbikes/mountain bicycles) skills were important. Another aspect mentioned was to experience freedom.

Definitions of adventure tourism and the supposed motivators for the experience of adventure tourism focus on the concepts of risk, danger and adrenaline. Risk and danger relate to a potential for injury and loss. Tourism on the other hand indicates fun, exciting events and safe experience. Discussions with the interview subjects confirmed that their experiences during their experience could be described in terms of adventure motivators such as experiencing risk, being confronted with dangerous situations, and getting adrenaline rushes. They did also experience some elements of tourism such as having fun. They never felt entirely safe.

An organized tour package provides the opportunity to be, or appear to be, adventurous within the packaged safety of being a guided tourist. Participating in an adventure tourism trip that is not structured, as a tour package, as described in this paper is a signifier of the identity and self-image of the participants. The participants were willing to face risk and personal injury or loss of property to create their own experience in terms of freedom and the ability to handle danger, and physical and psychological obstacles. The participants' main driving force was probably to do what "no-one they know has ever done before".

**IMPLICATIONS**

The implications refer directly to the qualitative findings of this study. However, possible indirect applications might also be considered, based on the findings. The first theme identified, states a sense of adventure which includes aspects like exploration and outdoor sports. Thus, tour operators, travel agencies and independent adventure tour operators (only refer to operators for the remainder of this section) should take note of these emerged themes when developing an adventure tour package. Adventure should focus on something “out of the ordinary”, an experience, activity or exploration that is not being considered by the “average” tourists. Exploration or the experience seekers, allow for adventure packages that include remote sites where cultures like the Himba tribe in Northern Namibia/Southern Angola can be observed and experienced. Thus, this allows for an adventure package that is not people based, as is associated with commercial leisure tourism. Furthermore “Outdoor” sports allow the operator including activities (Mountain biking, adventure biking or 4x4 trails) in its natural environment – without the interference of human development.

The second emerging theme, escapism, creates an open opportunity for the operator. Again, this allow for an experience that is not people based. The term “flight of the mind" applies within this context. The adventure package thus should create the opportunity for the adventure seeker to escape “normality” or anything that he/she is use too in everyday life.

The third theme that emerged – situational factors – does put a damper on the almost carte blanche that operators have with regard to the first two themes. Positive situational factors tend to focus on the scenery, other travellers and cultures. Scenery and cultures are easily controlled by the operators. The difficulty is in the determining of “people" that would function effective together under considerable “difficult" circumstances. Operators could consider placing neutralising catalyst within adventure groups. Negative situational factors (long roads, climate and vehicles) are also very difficult to control by the operator. Travellers should thus be warned and prepared for any extreme uncomfortable situational element. Alternatively the operator motivates these mentioned factors as an integral part of the holistic adventure experience.

**LIMITATIONS OF THE STUDY**

Limitations of this study are limited to the direct environment. A similar study in a tropical or coastal environment might produce different results.

**AREAS FOR FUTURE RESEARCH**

With reference to the limitations of the study, this is also indicative of future similar studies. Coastal areas such as the Skeleton coast in Namibia, southern coastline of Angola and the northern coastline of Mozambique would be perfect areas for similar studies. Semi- and tropical locations could include the shores of Lake Malawi, Niassa province along Lake Niassa on the North eastern border of Mozambique or the Mount Kenya area – north of Nairobi in Kenya.

**REFERENCES**


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HOW PRICE INFORMATION MEDIATES SIGHTED EVALUATIONS OF COFFEE ACROSS USER SEGMENTATIONS

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ABSTRACT  
We report on a blind-versus-sighted coffee tasting experiment conducted to determine the impact of the price-cue across coffee-user categories of gender, age, and relative experience. Seven instant coffees were tasted by 100 subjects producing 700 paired blind and sighted tastings. Aggregating the data, regression models were run to estimate price-effects across bands of gender, self-confessed expertise (novice, intermediate and expert) and age (18-to-29 years versus 30-years or more). Analysis reveals the extent to which price-effects demean a coffee's intrinsic merit during sighted tastings. This is especially so with male coffee drinkers who are older and more experienced. These findings validate the view that the price cue remains a critical tool in the marketing of coffee; most notably because of its potential cost-free contribution to the ramping of experienced pleasure without any augmentation of quality. Further implications are explored.

Keywords: Associative learning, Coffee, Price, Heuristic.

INTRODUCTION
There are aspects of marketing’s literature trained on the enabling role of extrinsic cues in the process of purchase and consumption. Of these the price cue is particularly important since it can increase the level of experienced pleasantness without actual product augmentation (see Plassmann, O'Doherty, Shiv and Rangel, 2008). In this respect, a strong line of research dating back to Leavitt (1954) has examined the manner in which shoppers employ price as a proxy for quality. Collectively they demonstrate the extent to which consumers rely on such cues, especially when direct sampling of a product’s intrinsic merit is not possible, as is the case of coffee (Stafford and Enis, 1969, Erikson and Johansson, 1985; Chao and Schor, 1988; Zeithaml, 1988, and Lichtenstein and Burton, 1989).

This body of research notwithstanding (see most especially the special 2005 edition of the Journal of Marketing Research), few studies have focused on the questions of how (1) consumers actually acquire the price-quality heuristic, (2) at what rate this acquisition might occur and (3) within which demographic segmentations the heuristic is most prevalent. One such study by Priilaid, Sevenoaks, Aitken and Chisholm, (2013) used a wine tasting experiment to examine how the sighted tastings of certain user profiles were influenced by the presence of price information. No other published research, either generic or specifically focussed on coffee (regular or instant), appears to exist on this topic.

Important questions emerge from this gap in the literature. For example, are older coffee drinkers are more affected by price information than those who are younger? If so which age profiles are more affected by the price cue and what might the implications be? Similarly, what of the effects of product-category experience? Does a self-declared sense of expertise imply a greater level of intrinsic discernment or can novices better detect the true merit of a coffee when in the presence of (potentially misleading) cues such as price? Answers to questions of this type have important implications for producers and marketers of coffee, on this continent and elsewhere, and it these questions that set the rationale for this study.

We proceed to note that coffee evaluations may be conducted either sighted or blind. By definition, blind tastings carry no extrinsic cues and are hence void of external bias. Coupled with the controllable effect of blind ratings, in subsequent sighted coffee assessments, the mediating effect of any extrinsic cue such as price may be captured and quantified. It is important to note here that pricing effects as they may exist here constitute non-medical versions of the placebo effect (Plassmann, Ramsey and Milosavljevic, 2012, Shiv, Carmon & Ariely, 2005).

In this study we report on a tasting room experiment where 100 subjects assessed seven coffees first blind (round one) and then sighted (round two). As with a 2009 tasting experiment that focussed on the expert rating cue (see Priilaid, Feinberg, Carter & Ross, 2009) a different line-up sequence was employed in each of the blind and sighted rounds, with the price point of each of the seven instant coffees being the only cue information available in the second “sighted” round of tasting. Across the seven coffee sample, prices points

LITERATURE REVIEW

When consumers have a greater knowledge about product classes they tend to make generalizations about the product as well as about the quality associated with that product class (Pecotich and Ward, 2010). This is especially so in purchase situations where customers are faced with an assortment of products, each with their own unique set of quality-connoting attributes. To the would-be customer, this provides the cognitively daunting challenge of knowing what product information to process and what to disregard (Rao, 2005). In information-rich shelf-front environments, there is evidence that consumers activate certain heuristic short-cuts that may save time evaluating new information (Cunha and Shulman, 2010). One of the most common short-cuts is the perceived price-quality heuristic, a construct well entrenched within the literature (see, inter alia, Olsen (1977), Dodds and Monroe (1985), Gerstner (1985), Rao and Monroe (1988), Rao and Sieben (1992)).

Further studies have shown too that an over-reliance on the price-quality heuristic may lead to an obscuration a product’s true merit. Tellis and Wernerfelt (1987) found a variety of positive correlations between objective quality and price, and cautioned consumers against an over-reliance on this relationship. A similar study by Priilai (2006) showed how the marginal correspondence between sighted and blind wine assessments could be explained by the detrimental influence of the price cue on sighted scores, an influence akin to a Pavlovian conditioning effect. Classical or Pavlovian conditioning occurs when two stimuli are paired such that affect is transferred from one stimulus to another. Such conditioning has been recognized as a significant mechanism in the genesis of hedonic preferences and hence ultimately the modification of behaviour (De Houwer, Thomas and Baeyens, 2001). This conditioning apparatus is entrenched within a dual system of mental processing; on the one hand is a conscious rational system based on verbal reasoning specific to humans; on the other is a non-conscious experience-driven system of associative learning common to both humans and animals (Evans, 2008; Epstein, 2010). Operating at what Simon (1992) calls a “symbolic” or abstract level of information processing, each of the dual systems run in conjunction to the other, acting out of often conflicting imperatives, such as the need for speed versus accuracy, depending on circumstances. Through the acquisition of experience, the intuitive fast acting thought system becomes primed to solicit heuristic-type cues aimed to enable efficient and rapid decision making and maximum reward utility (Berridge and Aldridge, 2008). This associative-experiential system is hedonically motivated and affect driven, tasked to achieve positive ends and avoid negative ones. It is believed to have been adopted over millennia by most animal forms including humans as an evolutionary strategy for rapid extrication from life threatening situations (Montague, 2006; Taleb, 2007). Observe here that unless the conditioned stimulus can be employed to predict the unconditioned one, an organism acquires no ecological benefit in learning an association between the two (Abrahamson, 1994).

Within this dual thought system the more rapid, older and reactive thought process has been described as “associative” (Smith and DeCoster, 2000), “tacit” (Hogarth, 2001), “implicit” (Strack and Deutch, 2004), and “peripheral” (Petty and Wegener, 1999); terms which are all character appropriate. Stanovich and West (2000), Kahneman (2003; 2012) and Morewedge and Kahneman (2010) have termed it “System 1”; labelling the slower, more deliberate and analytic thought-twin “System 2”. Presenting a defining framework of this dual-system and calling it Cognitive-Experiential Self Theory, or CEST, Epstein (2010) places the role of experience centrally within it, stating that the CEST is an “an experiential system because its primary function is to learn from experience” (Epstein, 2010: 298).

Experiential learning of this sort has been shown to be susceptible to systemic errors of judgement (Kahneman, Slovic and Tversky, 1982; Myers, 2002; Nisbett and Ross, 1980; and Shermer, 1997), errors that in the medical and marketing literature have been interpreted as placebo-effects (Amanzio and Benedetti, 1999; and Shiv et al, 2005, respectively). Employing the dual thought process framework, Morewedge and Kahneman (2010) ascribe such errors to both System 1 detection failures, and an inability of the logical System 2 to sense and remediate as appropriate. Hence, under conditions of enduring levels of cue exposure, System 1 appears to develop superficial cue associations that over time become
repeatedly endorsed by System 2. Through continual reinforcement, this dual reasoning process matures, in time becoming a behavioural generator of associatively driven protocols and general rules of thumb.

The System 1 and 2 learning styles appear somewhat different, with the deliberately rational thought process learning through a slower pattern of deductive reasoning, sifting through the correlates of sensation and reward as it goes. By contrast, the sight-based system learns through a combination of observational learning and operant and classical conditioning, these forms combining as an adaptive means to negotiate one’s surroundings. In a corroborating study employing a blind-to-sighted sampling of colas, McClure, Li, Tomlin, Cypert, Montague and Montaque (2004) reported neural responses correlating with brand choice. Tasted blind, Pepsi was generally preferred; tasted sighted, the majority preferred Coke; arguably because of its dominant market share. Here, critically, the two styles of tasting revealed differing levels of activity in different parts of the brain: the ventral putamen region being activated in blind tastes; the ventromedial prefrontal cortex in the sighted. These two regions serve different purposes. The former region is known to process hedonic sensation and reward, the latter serves as the locus of recall and judgement. Findings from the study implied a neurological idiosyncrasy: that when tasting sighted, instead of processing a judgement of intrinsic merit as it would under blind tasting conditions, the brain rather prefers the ease of employing familiar heuristic-type cues. Here the degree of experience and extent cue familiarity is critical, System 1’s adaptive-style of learning believed to correlate with the intensity of formative cue-priming experiences (see Dollard and Miller (1950) and Hull (1943) as cited in Epstein (2010, 298). With sight-based System 1’s stress on speedy (as opposed to meticulous) decision making, some heuristic judgement errors become inevitable. The occurrence of these cue-driven errors is now well documented within the literature on experimental psychology (Kahneman, 2012), the brain sciences (Plassmann, et al. 2008) and even wine (Almenberg and Dreber, 2011). Within the literature on such placebo-type cognitive errors, four extrinsic cues are currently identified as mediators of a product’s intrinsic merit; namely area-of-origin (Priilaid, 2007), expert ratings (see inter-alia Siegrist & Cousin, 2009), brand (Priilaid & van Rensburg, 2010), and price (see inter-alia: Plassmann, et al. 2008). While price presents as the most significant of these four cue-effects (see Rao and Monroe, 1989), little is understood of how these price-driven judgement errors actually accrue, especially with respect to bands of gender, relative experience and age. Within the context of coffee consumption, it is this gap in our knowledge that forms the central focus of this paper.

PROBLEM INVESTIGATED
Accordingly, within the domain of coffee consumption, four focus areas emerge, namely: (1) the general manifestation of a price-quality heuristic and, further, the dynamic of this heuristic across bands of (2) gender, (3) expertise, and (4) age.

Price-quality Heuristic
At an unstratified level, in studies reported, inter-alia, by Shiv, et al. (2005), Plassmann et al. (2008), and Priilaid et al. (2013) price information has been observed to modify the reported quality of certain hedonic products – either increasing or reducing the subjective assessment of actual intrinsic quality as per the associated price cue. A similar result is anticipated here.

Gender
In their sighted wine tasting study, Almenberg and Dreber (2011) reported that gender plays an important part role on how we respond to price information, with women considerably more influenced by price than men, Priilaid et al. (2013) reported a similar result, with price effects 24 percent stronger across female strata, relative to males. The implicit inference therefore is that gender should play a determining role in sighted assessments of quality, with men less influenced than women.

Expertise
In the recent study by Priilaid, et al. (2013), wine novices, when sampling sighted, appeared less affected by price information than wine-experts. Running similar tests on blind-based scores, Goldstein, Almenberg, Dreber, Emerson, Herschkowitz and Katz (2008) also found that, while, novices preferred less expensive wines, experts remained price-neutral. In line with both these pieces, price-effects should strengthen across strata of increasing relative expertise.

Age
There is little in the literature on whether and how price cues may escalate or diminish experienced utility as people grow older. The only research on the presence of price errors over time is by Priilaid et al. (2013). Their wine tasting study found that those less than 30 are less responsive to price information than who are older; a likely result in this study too.
RESEARCH OBJECTIVES
The preceding review suggests four hypotheses regarding the manifestation of heuristic-driven price-cue errors.

Controlling for intrinsic (blind-based) merit, such price-errors will:
H<sub>1</sub>: manifest within the fitted meta-model of sighted coffee assessments,
H<sub>2</sub>: manifest more strongly within female segmentations,
H<sub>3</sub>: increase positively across bands of increasing expertise,
H<sub>4</sub>: increase positively across bands of increasing age.

DATA DESCRIPTION AND RESEARCH METHODOLOGY

Data description
In this analysis 100 subjects (55 males; 45 females) were invited to a two-stage blind-to-sighted coffee tasting. No payment was offered. The experiment followed a causal two-stage pre-experimental design format (see Malhotra, 2010, 158), wherein the aim was to examine a potential cause-and-effect relationship between the price-cue and experienced sighted pleasantness. In the first stage eight instant coffees were sampled blind with the only information offered to participants being the nature of the product: i.e.: instant coffee. To dissuade subjects from guessing the line-up of the second sighted round, one of the eight coffees tasted blind was removed, and the order of the remaining seven coffees to be sampled sighted was shuffled. This left seven coffees each sampled blind and sighted.

The testing process took place across five different groupings comprising twenty subjects in each (5x20=100). Critically, as per the tasting protocol of Lee, Frederick and Ariely (2006), each coffee was sampled sighted after the price cue had been revealed. Care was taken to ensure that key variables remained constant across each tasting session. Hence, along with the time of day, throughout the experimental process each coffee preparation remained the same: 500 ml of hot (though not boiling) water, 3 teaspoons of coffee, one teaspoon of sugar, and 125 ml (half a cup) of full cream milk.

By order of price-per 200g, the seven instant coffee products sampled sighted were R18.0, R20.00, R22.00, R54.00, R57.00, R60.00, R70.00 and R90.00. Before the start of round one, respondents were requested to provide details regarding (a) their gender, (b) whether they considered themselves novices, intermediates or experts, and (c) their age.

Each round of tasting was scored using a self-reporting eleven point Likert scale equivalent to the “five star” quality metric, with half-star calibrations, ranging between zero (“worst possible”) and five (“best possible”). A five star score would indicate that the respondent rated the coffee as a world class product of exceptional distinction. Conversely, a zero would indicate that their experienced pleasantness was very low and that under normal conditions they would not choose to sample the coffee.

Aggregating demographic information from 100 self-administered questionnaires and the seven coffees scored blind and sighted by each participant, a dataset of 700 (7 x 100) coffee assessments was compiled.

Details regarding these and other descriptive statistics pertinent to the study are presented in Table I. Accordingly, the following explanatory variables are dummy-coded and presented as non-linear categorical variables: “gender”, “age”, “years of drinking coffee”, “drinks per week” and “knowledge of the coffee industry”. Age is decomposed into two strata: “18-29” (n=62), and “30 plus” (n=38). Similarly the variable “years of drinking coffee” is coded into three time bands: “0 to 10 years”, “11-25 years” and “26 years or more”. Three categorical variables cover “drinks per week”: “1 to 5”, “6 to 14” and “15 or more”. Additionally the “knowledge of the coffee industry” variable is split into three categories: “novice” (n=29), “intermediate” (n=54), and “expert” (n=17).
Table I: Descriptive statistics.

<table>
<thead>
<tr>
<th></th>
<th>Blind tasting</th>
<th>Sighted tasting</th>
<th>Price of coffee per 200 g.</th>
<th>Age</th>
<th>Coffee tastings per week</th>
<th>Years of Drinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.64</td>
<td>2.48</td>
<td>54.29</td>
<td>31.49</td>
<td>8.64</td>
<td>15.31</td>
</tr>
<tr>
<td>Median</td>
<td>2.5</td>
<td>2.50</td>
<td>57.00</td>
<td>24</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Mode</td>
<td>3</td>
<td>2.50</td>
<td>n/a</td>
<td>23</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.10</td>
<td>1.08</td>
<td>24.76</td>
<td>13.70</td>
<td>5.81</td>
<td>12.47</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.34</td>
<td>2.29</td>
<td>1.84</td>
<td>2.57</td>
<td>3.40</td>
<td>3.29</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.11</td>
<td>-0.15</td>
<td>-0.19</td>
<td>1.03</td>
<td>1.04</td>
<td>1.21</td>
</tr>
<tr>
<td>Range</td>
<td>5</td>
<td>5</td>
<td>72</td>
<td>45</td>
<td>27</td>
<td>48.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
<td>0</td>
<td>18.00</td>
<td>18</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Maximum</td>
<td>5</td>
<td>5</td>
<td>90.00</td>
<td>63</td>
<td>28</td>
<td>50</td>
</tr>
<tr>
<td>Count</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
</tr>
</tbody>
</table>


So specified, a suite of step-wise regressions is computed to explain sighted tastings across a span of experiential segmentations. Sighted models are presented at (1) a general meta-level (n=7x100=700), as well as from a number of sub-segmented experiential perspectives, namely: gender ((2) male versus (3) female), relative experience ((4) self-confessed “novice” (n=29x7=203), (5) “intermediate” (n=54x7=378), (6) “expert” (n=17x7=119), and age ((7) younger than 30 years (n=62x7=434) versus (8) 30 years or older (n=38x7=266)).

Hoppert, Mai, Zahn, Hoffmann and Rohm, (2012), citing numerous similar food sensory tests, observe that contradictory results may occur if contending intrinsic and extrinsic cues are incorrectly specified and managed. In this study appropriate care was exacted by omitting sighted cues relating to issues of brand, area-of-origin, and designated retailer. With first round blind tastes already accounted for and hence controllable in the second, no further second round procedural controls were deemed necessary.

Preliminary analysis
Analysing the (Spearman) correlation matrix of the entire dataset’s described variables (see Table II), a strong positive correlation is observed (0.36) (p=0.00) between the blind and sighted ratings.

Table II: A correlation matrix depicting variables across the entire dataset (n=700).

<table>
<thead>
<tr>
<th></th>
<th>Sighted (Round 2)</th>
<th>Blind (Round 1)</th>
<th>Price</th>
<th>Years of Drinking</th>
<th>Tastings per week</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sighted (Round 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blind (Round 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>0.36**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>0.14**</td>
<td>0.13**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of Drinking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>0.03</td>
<td>-0.02</td>
<td>0.00</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.42</td>
<td>0.45</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tastings per week</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>0.08*</td>
<td>-0.00</td>
<td>0.00</td>
<td>0.14**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.03</td>
<td>0.94</td>
<td>1.00</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ears of coffee drinking

5 years, and 26 or more

The marginal contribution of four blind stars would be a full sighted star.

The all-important price-to-sighted correlation is positive and medium-to-weak: 0.14 (p=0.00), suggesting, without controls, that price might perhaps play an intervening role in sighted assessments. The remaining correlations against the sighted variable are all weak and, but for the sighted correlation against tastings per week (0.08, p=0.03), also all insignificant. Additionally, it should be noted that the correlation between blind scores and price (0.13, p=0.00) is also medium-to-weak. From this we can infer the possibility for these two variables to contribute explanatory power to sighted scores without the possibility of multi-colinearity.

Proceeding from the descriptive statistics presented above, a suite of appropriately specified step-wise linear regressions is developed to explain sighted tastings across a span of experiential segmentations. With seven blind and sighted (hence non-independent) samplings drawn from each of the 100 respondents, the potential for individual sampling-bias is controlled for with the specification of subject-level dummy controls. The full specification for these eight sighted models reads thus:

\[
\text{Sighted score}_i = \alpha + b_1 \text{Price}_i + b_2 \text{Blind}_i + b_3 D_{6-14 \text{ units}} + b_4 D_{15 \text{ plus units}} + b_5 D_{11-25 \text{ yrs}} \\
+ b_6 D_{26 \text{ plus yrs}} + \left( \sum_{s=1}^7 b_s D_s \right) + \varepsilon_i \quad \ldots (1)
\]

Where:
- \(\alpha\) = the estimated intercept term for each sighted regression.
- \(D_s\) = Dummy variable(s) used to control for levels of tasting bias across individuals, coded, 1 or 0 for each taster in the sample.
- \(S\) = number of such significant subjects.
- \(b_1, b_2, \text{ and } b_{3,6}\) = the perceived marginal effects of price, blind scores and individual subject bias, respectively.
- \(D_{6-14 \text{ units}} = 1\) if subject consumes 6 to 14 units per week, 0 if otherwise.
- \(D_{15 \text{ plus units}} = 1\) if subject consumes 15 or more units per week, 0 if otherwise.
- \(b_3\) and \(D_4\) = the perceived marginal effects on sighted scores of those respectively consuming 6 to 14 units, and 14 or more units per week.
- \(b_5\) and \(D_6\) = the perceived marginal effects on sighted scores of those with 11 to 25 years, and 26 or more years of coffee drinking experience, respectively.
- \(D_{11-25 \text{ yrs}} = 1\) if subject has been drinking coffee for 11 to 25 years, 0 if otherwise.
- \(D_{26 \text{ plus yrs}} = 1\) if subject has been drinking coffee for 26 years or more, 0 if otherwise.
- \(\varepsilon\) = a residual error term that obeys the classical assumptions.

In terms of the above therefore, the base-case as proxied by the intercept term (\(\alpha\)), represents subjects not included in \(S\) above consuming less than 6 units of coffee per week with ten or less years of coffee drinking experience. The results of the eight models developed are depicted in Table III that follows.

**RESULTS**

Sighted meta-model

The meta-model computed for sighted scores is featured below with a residual error term (\(\varepsilon\)) and underpinning t statistics.

\[
\text{Sighted score}_i = 1.66 + 0.24 \text{ Blind rating}_i + 0.0034 \text{ Price}_i + 18 \text{ subject controls} + \varepsilon_i \\
t \text{score:} \quad (14.24) \quad (7.58) \quad (2.32)
\]

From the equation above observe that the model’s constant is 1.66, indicating that with all independent variables held at zero, the sighted score is likely to be a fraction over one-and-a-half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars. The intrinsic blind rating next enters the meta-model. For each “blind” star the sighted is shown to increase by a quarter of a half stars.
Table III: Segment-by-segment estimated step-wise regressions explaining sighted coffee assessments.

1. **Meta-model**: Dependent variable: Sighted rating: $R^2$: 19.87%, $F$: 9.67 ($p=0.0000$), $n=100 \times 7 = 700$.

   - Blind rating: 0.24 (7.58).
   - Price-effect: 0.0034 (2.32).
   - Subject control (x 18): Sb.90: -1.21, (-3.31), Sb.30: 1.11, (3.01), Sb.27: 1.07, (2.91), Sb.15: 0.96, (2.61), Sb.95: 0.94, (2.56), Sb.79: 0.90, (2.45), Sb.97: -0.89, (-2.44), Sb.57: -0.88, (-2.41), Sb.88: -0.85, (-2.32), Sb.23: -0.79, (-2.14), Sb.12: -0.79, (-2.14), Sb.9: 0.79, (2.13), Sb.20: 0.77, (2.10), Sb.14: -0.76, (-2.06), Sb.52: -0.75, (-2.04), Sb.68: 0.74, (2.03), Sb.58: -0.74, (-2.03), Sb.38: 0.72, (1.98).

2. **Male model**: Dependent variable: Sighted rating: $R^2$: 16.39%, $F$: 9.36 ($p=0.0000$), $n=55 \times 7 = 385$.

   - Constant: 1.76 (11.85).
   - Blind rating: 0.19 (4.88).
   - Price-effect: 0.0057 (2.96).
   - Behavioral control: Years drinking: 26 or more years: -0.52 (-3.14)
   - Subject control (x 6): Subj. 15: 0.88 (2.48), Subj. 95: 0.87 (2.44), Subj. 52: -0.85 (-2.40), Subj. 40: -0.79 (-2.24), Subj. 79: 0.79 (2.23), Subj. 96: -0.75 (-2.12).

3. **Female model**: Dependent variable: Sighted rating: $R^2$: 25.10%, $F$: 8.01 ($p=0.0000$), $n=45 \times 7 = 315$.

   - Constant: 1.59 (8.16).
   - Blind rating: 0.26 (5.16).
   - Price-effect: 0.0009 (0.41). Note: not significant so does not officially enter the model
   - Subject control (x 8): Subj. 30: 1.22 (3.10), Subj. 27: 1.19 (3.06), Subj. 20: 1.11 (2.88), Subj. 9: 1.09 (2.78), Subj. 90: -0.87 (-2.25), Subj. 75: 0.85 (2.20), Subj. 22: 0.81 (2.11), Subj. 28: 0.81 (2.09).

4. **Coffee Novice model**: Dependent variable: Sighted rating: $R^2$: 12.14%, $F$: 5.65 ($p=0.0000$), $n=29 \times 7 = 203$.

   - Constant: 2.04 (9.91).
   - Blind rating: 0.12 (2.47).
   - Price-effect: 0.0004 (0.14). Note: not significant so does not officially enter the model
   - Subject control (x 4): Subj. 27: 1.27 (3.43), Subj. 23: -0.75 (-2.04), Subj. 88: -0.75 (-2.04), Subj. 57: -0.74 (-1.99).

5. **Coffee Intermediate model**: Dependent variable: Sighted rating: $R^2$: 23.80%, $F$: 10.06 ($p=0.0000$), $n=54 \times 7 = 378$.

   - Constant: 1.36 (8.20).
   - Blind rating: 0.34 (7.27).
   - Price-effect: 0.0026 (1.32). Note: significant only at the 81% confidence level.
   - Behavioral control: Years drinking: 11 to 25 years: 0.31 (2.32), Cups per week: 6 to 14: 0.24 (2.21)
   - Subject control (x 5): Subj. 20: 1.02 (2.60), Subj. 15: 0.98 (2.69), Subj. 12: -0.92 (-2.39), Subj. 90: -0.97 (-2.44),
6. **Coffee Expert model**: Dependent variable: Sighted rating; $\text{Adj R}^2$: 26.63%, $F$: 92.57 ($p=0.0000$), $n=17 \times 7 = 118$.

- Constant: 0.86 (2.66).
- Blind rating: 0.30 (3.69).
- Price-effect: 0.0104 (2.79).
- Behavioral control: Cups per week: 14 plus: 0.61 (3.09).
- Subject control (x 1): Subj. 68: 0.97 (2.37).

7. **Age “less than 30 years” model**: Dependent variable: Sighted rating; $\text{Adj R}^2$: 14.28%, $F$: 9.01 ($p=0.0000$), $n=62 \times 7 = 434$.

- Constant: 1.66 (10.62).
- Blind rating: 0.24 (5.98).
- Price-effect: 0.0024 (1.20). Note: significant only at the 77% confidence level.
- Subject control (x 7): Subj. 15: 1.00 (2.59), Subj. 95: 0.99 (2.55), Subj. 97: -0.84 (-2.17), Subj. 57: -0.83 (-2.15), Subj. 88: -0.80 (-2.07), Subj. 68: 0.79 (2.04), Subj. 38: 0.77 (1.99).

8. **Age “30 plus” model**: Dependent variable: Sighted rating; $\text{Adj R}^2$: 29.44%, $F$: 9.50 ($p=0.0000$), $n=38 \times 7 = 266$.

- Constant: 1.50 (8.69).
- Blind rating: 0.24 (4.59).
- Price-effect: 0.0051 (2.36).
- Subject control (x 10): Sb.90: -1.15 (-3.41), Sb.30: 1.17 (3.35), Sb.27: 1.13 (3.29), Sb.79: 0.96 (2.85), Sb.20: 0.83 (2.47), Sb.9: 0.84 (2.44), Sb.75: 0.77 (2.26), Sb.28: 0.73 (2.16), Sb.22: 0.73 (2.15), Sb.12: -0.72 (-2.12).

Model one is a meta-model spanning the entire dataset. Thereafter follow seven sub-segmented models. Model variables appear in the sequence: constant, blind rating, price, behavioural control, subject control. Unless indicated all variables are statistically significant at the 5% level; their coefficients presented by order of the absolute value of their associated $t$-statistic which appears in parenthesis.
Sighted gender models
Sighted models are developed for male and female strata and reported in Table III. In the male model, the price cue is found to be significant, in the female model, not. By virtue of the price coefficient assigned to each equation, (0.0057 for males \((t = 2.96)\), and 0.0009 for women \((t = 0.41)\), a difference of 0.0048, it seems therefore that within the category of instant coffee women almost entirely unaffected by price information, unlike men who are significantly affected. A R75 increment in price will yield 0.42 of a star for men, 0.07 of a star for women. The male-subject model also features the “blind” intrinsic merit variable with a coefficient of 0.19 \((t = 4.48)\). This coefficient represents less than three quarters of the weighting assigned to women: \((0.26, t = 5.16)\). This is perhaps understandable given the extent to which men appear to prefer price as an interpretive heuristic to gauge merit. In the presence of the price cue, women in this study appear to be more affected by the intrinsic merit of a coffee. Relative to others in the subset, the male model finds that those with 26 or more years of drinking \((n = 7)\) tend to underscore their coffees by half a star \((t = -3.14)\). Observe too that the ratings of six male and eight female subjects were treated for statistically significant levels of bias.

Sighted models of relative expertise
As per Table III the study used sighted assessments to interrogate how segmentations of relative expertise (novice, intermediate and expert) respond to price information. Analysed in tandem, the price coefficients across these three strata convey a useful perspective on how heuristic errors aggregate with increasing degrees of expertise. Across all three versions explaining sighted preference, blind-based merit presents as the most significant factor, with the intrinsic coefficient ranging between 0.12 \((t=2.47)\) for novices, to 0.34 \((t=7.27)\) for intermediates, and 0.30 \((t=3.69)\) for experts.

Price is the second significant variable; presenting also across all three of these sub-segmentations. Invoking the weak and insignificant “novice” price coefficient of 0.0004 \((t=0.14)\) as a base comparator, the “intermediate” coefficient increases to 0.0026 \((t=1.32)\) (again insignificant), and then subsequently to 0.0104 for “experts” \((t=2.79)\). For a novice the 0.0004 coefficient implies that each additional R75 increment in price will yield a 0.03 of a star. For an intermediate (with a 0.0026 price coefficient) this implies a contribution of 0.19 stars; and for an expert with a 0.0104 price coefficient this equates to 0.78 of a star increase. Therefore, between self-confessed novices and experts, ratings increase by three-quarters of a star for every R75 increment. Within the intermediate model, we observe that those with between 11 and 25 years of coffee experience \((n= 10/54)\) and drinking between 6 to 14 cups per week \((n=25/54)\), will tend to be more generous in their sighted judgements coffee quality, respectively adding 0.31 \((t = 2.32)\) and 0.24 \((t = 2.21)\) stars. Experts drinking two or more cups daily \((n=8/17)\) are similarly inclined, adding 0.61 stars, ceteris paribus \((t = 3.08)\). From Table III observe that individual instances of subjective bias are also notified: 4 cases in the novice model, 5 in the intermediate, and 1 in the expert.

Sighted models of age
Seeking to model the effect of price against age, two sub-segments were set up for scrutiny: those less than 30 years old, and those 30 or older. \(t\) is shown in Table III for details). Once more, intrinsic merit presents as the most significant factor throughout: with blind rating coefficients observed at 0.24 for both strata (less than 30: 0.75 star; 30 or older: 0.59). These coefficients equate to roughly half a sighted star per blind star increment.

Again, price is the second significant variable; showing a marked inflection between young and old. In the “less than 30 years” age band, the price coefficient of 0.0024 \((t=1.20)\) is significant at the 77% level of confidence. In the “30 plus” model, the coefficient shifts to 0.0051 \((t =2.36)\). Converting the coefficients to stars, across these two age models, a R75 price increase will yield star increments of 0.18 stars for ages less than 30 years, and 0.38 stars for those 30 or more. Between the two age models, the change in coefficients from 0.0024 to 0.0051 represents a difference of 0.2 stars, significantly smaller than the 0.75 star difference observed between the novice and expert models, and the 0.36 stars between men and women, in the preceding sections.

Price aside, in the two age sub-models under examination again we observe certain levels of subjective bias: with 7 instances in the less than 30 model and 10 in the “30 plus” model. Thus out of four potential hypotheses, three were proven to be true \((H_1, H_3, H_4)\), and one \((H_2)\) was not. The relevance and implications of these findings follows below.

DISCUSSION AND CONCLUSION
With respect to the models herewith discussed, as well as the summation table of sighted price-cue-coefficients presented in Table IV, a number of observations are appropriate.
Three factors are identified explaining sighted scores: (1) intrinsic merit (referring to the blind scores cited in all eight of the models), (2) price-effects (statistically significant in four of the eight models), and (3) subject bias. Additionally, certain behavioural effects present across three of the eight models, namely years of drinking (male and intermediate model), and rate of weekly consumption (intermediate and expert models). Across all eight models, blind-based assessments proved to be the statistically strongest variable explaining sighted merit. These findings suggest that consumers do account for intrinsic merit when assessing the experienced pleasantness of a coffee.

Table IV: Price-effects across the sighted meta and experiential sub-models developed in this study.

<table>
<thead>
<tr>
<th>Sighted model type:</th>
<th>Gender</th>
<th>Relative Experience</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Meta model</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sighted price coefficient</td>
<td>0.0034</td>
<td>0.0099</td>
<td>0.0057</td>
</tr>
<tr>
<td>Absolute difference</td>
<td>base</td>
<td>48</td>
<td>base</td>
</tr>
<tr>
<td>Price coefficient % increase relative to base</td>
<td>-</td>
<td>533%</td>
<td>-</td>
</tr>
<tr>
<td>t-stat</td>
<td>2.32</td>
<td>0.41</td>
<td>2.96</td>
</tr>
<tr>
<td>Standard error</td>
<td>0.0015</td>
<td>0.0023</td>
<td>0.0019</td>
</tr>
</tbody>
</table>

Panel 2: Mean sighted scores with subject controls.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Relative Experience</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean sighted score</td>
<td>2.41</td>
<td>2.21</td>
</tr>
<tr>
<td>Absolute difference</td>
<td>base</td>
<td>0.19</td>
</tr>
<tr>
<td>Sighted score % increase relative to base</td>
<td>base</td>
<td>9%</td>
</tr>
<tr>
<td>t-stat</td>
<td>58.18</td>
<td>32.70</td>
</tr>
<tr>
<td>Standard error</td>
<td>0.0415</td>
<td>0.0678</td>
</tr>
</tbody>
</table>

Estimated with appropriate controls, in Panel 1, observe how sighted price-cue-effects are increased with males, and across bands of increasing relative experience and age. Panel 2 presents the mean sighted score of each model estimated with subject controls; with the strongly significant t-statistics below. Observe the similarity in sighted scores across all models by comparison to the markedly divergent price-effects in Panel 1.

The above notwithstanding, these results also demonstrate the extent to which pricing-effects present variously both within the meta-model (H1) and also across certain user-profiles, offering detail to how their effect is strengthened within in (1) male, (2) more experienced, and (3) older consumers. With respect to gender, the results of this experiment suggest that male subjects are significantly affected by price information, while females are not. The H2 conjecture is thus proven false; the female price coefficient (0.0009) being one of the weakest across the eight models, and statistically insignificant (t=0.41), unlike males (coefficient 0.0057, t=2.96). This finding runs contrary to earlier studies by Almenberg and Dreber (2011), and Priilaid et al. (2013), suggesting that gender effects are likely to vary depending on the product class, and possibly price range. In the model developed for young adults under the age of 30, the reported price coefficient is 0.0024 (t=1.20)\(^{17}\), compared to the 0.0051 coefficient (t=2.36) applied to those 30 years or older. For those in the older segmentation, this implies a 112% increase in the efficacy of the price cue (H3). Likewise, in the case of relative expertise, degrees of pricing affect appear to correlate with degrees of experience, with cue-coefficients increasing more than six-fold from the novice model figure of 0.0004 to the intermediate figure of 0.0026; and by twenty-six-fold in the instance of the expert model figure of 0.0104 (H3). Such findings on coffee confirm the wine-based view of by Priilaid et al. (2013), that older, self-confessed tasting experts are biased in their sighted assessments, and in the presence of such cues such as price, cannot objectively discern the true quality of product. Priilaid et al. (2013) proposed that these forms of judgment could be better done by younger non-experts, and our findings support this view. It is likely that

\(^{17}\) Note that the t-statistic is insignificant, and could well be read as zero.
the association between price-effects and degrees of experience applies across a wider variety of hedonic products (Ariely and Norton (2009)).

A further empirical detail should be noted. In Table IV observe that a divergent spread of concealed price-coefficients (as per the Panel 1 output) is overlaid by a largely similar spread of mean sighted scores (as per the Panel 2 output). There is no apparent and plausible explanation for this pattern of affect convergence and price-effect divergence, though it should be clear that we are wired differently to achieve similar ends – in this case judging a coffee’s merit in the presence of price information. The dual system logic that drives the wiring, though, is prone to error, hence the price effects observed through a process of cue conditioning.

In summary this study explores the issue of how, with increasing levels of age and experience, System 1-type cognitive judgements become progressively influenced by price information. A degree of price receptivity appears to be built into these sight-based systems of judgment revealing increasing levels of systemic error, or bias. This seems especially so within male coffee drinkers. This composite of findings, as it applies to the coffee category in particular, constitutes a unique contribution to the literature.

**MANAGERIAL IMPLICATIONS**

This work extends our understanding of how coffee consumers respond to price information and suggests that marketers of coffee and related products aim their extrinsic cues towards older more experienced coffee drinkers, particularly males. The implied narrowing of the marketing focus (as opposed to a “one size fits all” approach) would in turn propose a more specified and cost-effective approach to price-strategy actions, in particular the development of more strategic budgets as they relate to advertising and promotional actions.

Price, as it is shown, has a particular hedonic message, with the message changing in intensity depending on levels of experience and gender. The tone, style and manner of advertorials should be adjusted accordingly. The implications of cue-based segmentation fits within the context of work by Venkatraman, Clithero, Fitzsimons and Huettel (2012) which identifies segmentation as one of the central aims for marketers. Effective segmentation, they point out, is the division of a product’s consumers into unique and relevant subsets, hitherto typically incorporating data related to demographics, geographic position, and purchase habits. More recently though “research into cognitive and affective processes underlying consumption decisions shows that these variables can improve the matching of consumers with products beyond traditional demographic and benefit approaches” Venkatraman, et al. (2012, 143). Using the pricing of coffee by way of example, we posit that neuro-marketing investigations of this type offer a cheap and effective means to better articulate the way consumers think about products to more conventional sources of market data.

Price cues notwithstanding, our results also suggest that intrinsic merit remains a significant component in the enjoyment of coffee. Further investigation into what intrinsic qualities are especially appreciated by coffee drinkers will be necessary in order for brands to enhance or adapt to user preference. This will prove an important source of future differentiation.

**Limitations and future research direction**

This research is subject to certain limitations due to the intangible nature of the error-constructs under study, the method of data collection and method of analysis. Because of the developing nature of research into price error manifestation, there is limited experimentally driven theory and little consensus as to the normative human response to this cue. The paucity of literature imposes limitations on the accuracy and even acceptance of the price-error construct and its measurement. In time, a better developed understanding of price-errors will allow for the development of more accurate measurement scales, and this ultimately will generate more consistent results and definitive conclusions.

A further limitation is due to the numerous ways in which coffee can be consumed. By comparison to wine, as a product, coffee has more additive substances that may be added to it so as to change its intrinsic quality. For example one may add milk, sugar or change the temperature of the water. In future coffee-related research it is recommended that the experimenter include questions on how respondents generally enjoy their coffee, including specifics as to the levels of milk and sugar they typically prefer. Such factors may be employed as controls with respect to those, who, for example, prefer their coffee black with no sugar.

With respect to the user-transsects under analysis, further research is also required to classify and quantify the degree to which gender, age and expertise bands interact with price information across other product classes and across other cue-types. In particular it certainly seems that gender effects will vary depending on product class, and possibly price range. We know little of how people respond to hedonic-type products
like ice-cream, chocolate and cheese for example, and little of how cues like brands, retailer and area-of-origin are differentially processed with respect to price. As with buying a painting from a Sotheby’s auction in London, as opposed to a lesser branded retailer in, say, Johannesburg, touch-points within the entire purchase experience are likely to have a particular potency within the mind of the consumer (Thompson, 2012).

While the price errors noted here are applicable to a suite of low priced coffees, research should be aimed at higher priced products too. More so comparative analyses should be also conducted between products and services as well as between private, business and state-sponsored forms of consumption. Such research would certainly expand our understanding of the price-errors show-cased here.

REFERENCE LIST


UNDERSTANDING THE QUESTION: WHO ARE THE VISITORS THAT BUY MORE WINE DUE TO A WINE FESTIVAL?

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ABSTRACT
The purpose of this research is to understand the visitors that purchase more wine due to a wine festival, such as the Wacky Wine Festival in Robertson, Western Cape, South Africa. The reasons being that the Wacky Wine Festival is the largest wine festival in South Africa. During the festival, 48 wine farms in the Robertson region participated and spent significant amounts of money in order to host the event. The Wacky Wine Festival not only aims to sell wine during the event, but also to increase sales after the event took place. In order to achieve the goal, a survey was conducted during the festival (4-6 June 2010), where 440 questionnaires were distributed at various wine farms. A factor analysis and T-tests were applied to determine the profile as well as significant differences between wine purchasers and non-purchasers. Results from this study can assist wine farms and event organisers in adapting the programme, if required, in order to attract more visitors who purchase more wine and as a result increase wine sales.

INTRODUCTION
Wine tourism can be defined as the development and marketing of wineries as places to visit, and of destinations based on the appeal of wine (Getz & Brown, 2006:79; O’Neill & Palmer, 2004:272). With its wide range of benefits, including foreign-exchange earnings, the creation of both full- and part-time jobs, and the generation of secondary economic activity, wine tourism is emerging as a lucrative industry sector with the ability to generate substantial long-term wealth and sustain tourism growth for wine regions (O’Neill & Palmer, 2004:269). According to Getz (2000) wine tourism must be considered from three perspectives: the consumer (a form of travel and leisure behaviour), the winery or wine farm (a distribution or sales mechanism) and the regions which plan and develop tourism linked to the appeal of wine. Tourism is therefore important for many wineries in terms of the ability to sell wine directly to visitors through cellar sales (Hall & Johnson, 1997:1; Alant & Bruwer, 2004:28). For this reason, many wineries recognise the potential of tourism as a cost-effective alternative to wholesale-retail distribution, a means of creating brand awareness and loyalty and providing cash flow (Dodd, 1995; Fuller, 1997; Wargenau & Che, 2006:46). Williams and Dossa (2003:28) add that wine festivals can draw consumers to wine destinations at off-peak periods of the wine production and tourism seasons, and heighten awareness of regional attractions and services and can also create market-positioning benefits for wine producers and tourism businesses. Williams and Dossa (2003:28) furthermore point out that one of the most important reasons for staging a wine festival is to raise awareness (a state of knowledge possessed by the consumer) of a destination for future visitation and wine sales. In support of the latter, Yuan and Jang (2008:279) explain that after a good time at a wine festival, visitors leave with a positive image of the wine or the wine tourism region, or both. This image may lead to future purchase of the product and re-visititation. There is thus a need to understand the attributes influencing wine tourists’ selection of which wineries to visit and wines to purchase, as well as whether customers will repeat their retail and cellar-door purchasing (King & Morris, 1997b). Yet little empirical evidence has been presented on how wine festivals, can help in promoting wine products and the wineries, and as a result, affect long-term visitation on the region (Yuan & Jang, 2008:279). In this regard, one of South Africa’s biggest regional wine festivals is the Wacky Wine Festival that attracted over 16 000 visitors in 2009. From an economic point of view the festival contributed over R21 million to the local economy of Robertson (Saayman, Kruger, Slabbert, Saayman & Rootenberg, 2009:26). This festival started in 2003 and is unique in the sense that it takes place along the Robertson Wine Route that consists of 48 wine farms that offers its own entertainment programme including wine tasting at the respective wine farms (Marais & Saayman, 2011). Taking this into consideration, this research therefore attempts to provide answers to the following questions: Who are the visitors that buy more wine due to the festival? And do significant differences exist between purchasers and non-purchasers at the festival?

LITERATURE REVIEW
According to Yuan and Jang (2008:285), Getz (2000), Hoffman, Beverland and Rasmussen (2001), Wargenau and Che (2006:56) and Houghton (2008) wine tourism and festivals can simultaneously be viewed as a destination-marketing strategy involving vineyard attractions and imagery; wine tourists travelling to a wine producing destination; a means of increasing consumers awareness of wine products;
showcasing award winning wines and a channel for selling wine products to consumers at a value-added premium. Examples of value-added activities for wine festivals include: producing wine in styles suited to visitor preferences; packaging wine products with tourism attractions and services; and providing vineyard venues for tourism experiences (for example accommodation opportunities, “cellar door” wine tasting, and wine making tours) (Martin & Williams, 2003:317). Additional activities offered by the different wine farms at the Wacky Wine Festival include food tasting, stalls selling arts and crafts, children’s activities, musical performances, bottling of the tourists’ own wine, and even adventure activities such as sky diving and boat rides (Saaaman & Krugell, 2009). The latter can lead to the various stakeholders involved in a wine festival benefiting financially from the event (Anderson, 2000:21). One of the most important stakeholders in a wine festival such as the Wacky Wine Festival is the participating wineries or wine farms since the wine farms also act as sponsors for the event and are thus interested in achieving maximum consumer reach through the media exposure they might gain from their endorsement of the festival (Hede, 2008:89). O’Neill and Charters (2000:115) point out that a wine festival thus especially presents an opportunity for wineries to develop long-term relationships with customers if planned and managed correctly.

Visitation figures of wine tourists to wine route estates are high and therefore present an excellent opportunity for individual wine estates to market their wines and build brand loyalty among visitors (Bruwer, 2003:434; Michaud, Segarra & Dodd, 1996:14). However visitors to cellar doors, better known as wine tourists, can be as diverse as someone travelling through the wine region and just stopping to buy wine, to someone who is a general tourist having travelled to see the wine region and the place where a favourite wine is being produced (Alant & Bruwer, 2004:27). Another important issue to take into consideration is that of visitor perceptions of the service quality experienced at the cellar door and its impact upon consumer satisfaction, future purchase intention and brand loyalty (O’Neill & Charters, 2000:112; Marais, 2009). The profile and motivations of wine tourists are thus considered as an important aspect in the overall understanding of wine regions and wineries/cellar doors of the needs and expectations of their customers (Hall, Sharples, Cambourne & Macionis, 2000; Bruwer, 2002; Charters & Ali-Knight, 2002:318). King and Morris (1997a,b) add that a better understanding of the cellar door visitors would enable wineries and owners of other tourism related enterprises to develop specialised products tailored to this market segment and better marketing programmes.

Wine festivals allow cellar door managers to meet consumer requirements more effectively by reassessing their drive for quality and targeting service improvement efforts where needed at the cellar door (O’Neill & Charters, 2000:112). The development of salesperson-customer relationships by means of the festival is furthermore the key to better sales, brand and retail premises loyalty and consumer commitment (Fuller, 1996:142). Understanding what the wine tourist demands is thus vital for those who wish to succeed not only in the wine tourism industry but also at wine festivals since it allows winery proprietors and owners of other tourism related enterprises to develop better marketing programmes and specialised tourism products tailored for this market segment (King & Morris, 1997a,b; Bruwer, 2003:424). Research has furthermore suggested that those wine operators and retailers who concentrate on developing better customer relationships and evaluating their clients will not only increase wine consumption but also seize market share from other retailers (O’Neill & Charters, 2000:115).

With the latter in mind, fortunately, a number of wine makers recognise the benefits of promotion and the provision of wine-tasting facilities, restaurants, tickets, education to name but a few. Many also recognise that if they provide the facilities and the welcome, cellar door sales will follow (Beames, 2003:212). Beames (2003:212) furthermore explains that if the winery provides a good experience and image during a wine festival, visitors returning home from their holidays will then seek to buy that wine and this will ultimately lead to an increase in wine sales. Research done by Yuan and Jang (2008), O’Neill and Charters (2000) as well as Yuan, Cai, Morrison and Linton (2005) also show that wine festivals and wine tourism have a positive influence on wine sales. Wineries, especially small scale businesses with limited marketing budgets, should therefore become more involved in wine-related festivals such as the Wacky Wine Festival and similar high quality events where they can seize sizable marketing benefits (Yuan & Jang, 2008:286). The latter will not only introduce and promote wine products to visitors but also encourage the development of relationship-marketing strategies. In addition, this can lead to repeat visitation as well as benefit the winery when visitors seek out the wine back home and give word-of-mouth referrals to friends (O’Neill & Palmer, 2004:273).

**METHOD OF RESEARCH**

A structured questionnaire was used to collect the data. This section describes the questionnaire, the sampling method and survey, profile of the respondents and the statistical analysis.
The questionnaire
The questionnaire used to survey visitors to the Wacky Wine Festival in 2010 was divided into three sections. Section A captured demographic details (gender, home language, age, occupation, home province, home town and preferred accommodation) as well as spending behaviour (number of persons paid for, length of stay and expenditure) while sections B and C focused on the motivational factors, wine consumption behaviour, other festivals attended and media usage. Twenty motivational items were measured on a 5-point Likert scale where 1 = not important at all; 2 = less important; 3 = important; 4 = very important and 5 = extremely important. The following steps, as proposed by Field (2003) as well as Tustin, Ligthelm, Martins and Van Wyk (2005) were followed to design and validate the questionnaire:

• Content validity: An in-depth literature analysis was done to identify profile and motives of typical wine tourists and wine festival visitors. The questionnaire was based on Mitchell (2006) and Marais (2009) as well as the studies listed in the literature review and the statements were adapted for this particular wine festival.

• Face validity: Statistical consultation services advised on the formulation of the statements as well as the measuring scales used.

• Construct validity: Factor analyses were performed on both the motivational and key success factors in order to determine the degree to which the statements measures what it claims, or purports, to be measuring.

• Reliability: To test the reliability of the identified factors, reliability coefficients (Cronbach’s alpha) and inter-item correlations were calculated.

Sampling method and survey
Self-administered questionnaires were distributed among visitors during the Wacky Wine Festival in the Robertson Valley located in the Western Cape Province, South Africa. As it is impossible to survey all 48 wine farms during a period of two days, the questionnaires were distributed at various wine farms as recommended by the organisers namely Graham Beck, Bon Courage, Cloverfield and Van Loveren wine farms as these wine farms are some of the larger and more popular farms with a large selection of wines of offer that attracts a substantial number of visitors during the festival. A stratified sampling method was therefore used and, in order to limit bias, a simple random sampling method was used within the stratified method: trained fieldworkers followed specific guidelines as questionnaires were handed out to different non-homogeneous age and gender groups. Fieldworkers were instructed to distribute questionnaires to every 2nd visitor as well as only one questionnaire per family or travelling group. Field workers were trained to ensure that they understood the aim of the study as well as the questionnaire. Respondents were further briefed about the purpose of the research beforehand to ensure that they participated willingly. In total, 450 administered questionnaires were administered over a period of two days (4-5 June 2010) and 440 completed questionnaires were included in the analysis. According to Krechie and Morgan (1970), from a population of 20 000 (N), 377 respondents (n) are seen as representative. Since approximately 19 273 wine passports (equivalent to a ‘festival ticket’ that allows you to travel to the different wine farms during the two days of the festival) were sold in 2010 (Saayman, Saayman & Joubert, 2012) the number of completed questionnaires is greater than the required number of questionnaires.

Profile of respondents
The profile presented here are of the total sample of respondents surveyed. In an analysis of previous studies, it is suggested that a wine visitor is usually 30-50 years of age, in the moderate to high income bracket and comes from within or in close proximity to the wine region (Mitchell & Hall, 2004). Mirroring these results, respondents to the 2010 Wacky Wine Festival have an average age of 35 years, are in a medium to high income bracket and travel mainly from nearby towns in the Western Cape Province (84%). More respondents were female (56%) and predominantly Afrikaans-speaking (72%). Respondents furthermore travel to the festival in larger groups (average of 5 persons) but are financially responsible for an average of only two persons. Their average spending per group during the festival is R2 322.19. Respondents have visited the Wacky Wine Festival an average of two times and a large percentage of respondents are not members of a wine club (78%) and claim an intermediate knowledge of wine (49%). Sauvignon Blanc (53%), Merlot (46%) and Cabernet Sauvignon (46%) are wines that were consumed regularly by respondents and they consume wine at least once a week (39%) which they purchased either from the local liquor store (48%) or directly from the wine cellars (47%). Respondents also indicated that they would definitely attend the festival again (91%).

Statistical analysis
Microsoft Excel was used to capture the data and SPSS (SPSS Inc, 2009) to analyse it. Independent t-tests were used to compare the mean scores between visitors who indicated that they purchased more wine in the Robertson region because of the Wacky Wine and those who do not. Two-way frequency tables and Chi-
square tests were also used to determine whether there are statistically significant differences between these two visitor groups in terms of demographical variables as well as behavioural variables. Phi-values were used to further identify any significant differences between the two groups. Cohen (1988) gives the following criteria to interpret phi-values: 0.1 for a small effect, 0.3 for a medium effect and 0.5 for a large effect. The results of the statistical analysis are discussed in the next section.

**DISCUSSION OF RESULTS**

In order to determine whether the Wacky Wine Festival leads to an increase in wine sales, visitors who indicated that they purchase more wine as a result of the festival were distinguished from those who do not. As indicated in Table 1, the majority of visitors to the festival indicated that they purchase more wine after the festival (79%) while only 21% indicated that they do not purchase more wine as a result of the festival.

<table>
<thead>
<tr>
<th>Purchase of more wine due to Festival?</th>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>349</td>
<td>79%</td>
</tr>
<tr>
<td>No</td>
<td>91</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: Authors own compilation based on the statistical analysis

Independent t-tests were done to determine whether there are significant differences between the two types of wine consumers. As indicated in Table 2, independent t-tests were done to compare the demographic and behavioural characteristics of visitors who purchase more wine and those who do not. There were only statistical significant differences between the visitors for average group size. Visitors who purchase more wine as a result of the festival travel in smaller groups (M = 6.61, SD = 4.97) compared to visitors who do not (M = 8.31, SD = 5.95; t = (402) = 2.71, p = 0.01 (two-tailed). There were no statistical significant differences between the visitors based on other socio-demographic and behavioural characteristics. However, based on the mean scores, the wine purchasers seem to be older, stay more nights in Robertson and have more wine for drinking purposes during the year.

<table>
<thead>
<tr>
<th>Variables</th>
<th>YES</th>
<th>NO</th>
<th>t-value</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age</td>
<td>35.60</td>
<td>32.48</td>
<td>2.01</td>
<td>0.602</td>
</tr>
<tr>
<td>Average group size</td>
<td>6.61</td>
<td>8.31</td>
<td>-2.71</td>
<td>0.015*</td>
</tr>
<tr>
<td>Average number of people paying for</td>
<td>1.95</td>
<td>1.99</td>
<td>-0.17</td>
<td>0.192</td>
</tr>
<tr>
<td>Average number of days spent at festival</td>
<td>2.44</td>
<td>2.08</td>
<td>3.17</td>
<td>0.097</td>
</tr>
<tr>
<td>Average number of nights in Robertson</td>
<td>1.63</td>
<td>1.31</td>
<td>2.22</td>
<td>0.263</td>
</tr>
<tr>
<td>Average number of years previously attended</td>
<td>2.21</td>
<td>2.10</td>
<td>0.60</td>
<td>0.932</td>
</tr>
<tr>
<td>Average number of wine bottles for drinking purposes per year</td>
<td>30.85</td>
<td>28.12</td>
<td>0.19</td>
<td>0.888</td>
</tr>
</tbody>
</table>

Source: Authors’ own compilation based on the statistical analysis

With regard to wine purchasing behaviour, Table 3 shows that there are statistically significant differences (all with small phi-values) between purchasers and non-purchasers based on Chardonnay (p = 0.046) and Cabaret Sauvignon (p = 0.011) as their favourite wines, place of wine purchase (supermarkets, p = 0.001 and directly from wine cellars, p = 0.026), frequency of purchase (monthly, p = 0.001 and annually, p = 0.048) and willingness to pay more for the wine passport to ensure that the festival implements more environmentally friendly practices (p = 0.001). These differences are discussed below.

**Favourite wine:** Wine purchasers have a higher preference for Chardonnay and Cabernet Sauvignon compared to non-purchasers. There are no statistically significant differences between the two visitor groups based on the other wines and the results show that both groups share their likes and dislikes concerning the other wines.

**Place of wine purchase:** More wine purchasers buy their wine from local supermarkets and local liquor stores compared to non-purchasers who prefer to buy their wine directly from wine cellars.
Frequency of wine purchase: Wine purchasers will buy wine monthly while non-purchasers will rather buy wine on an annual basis.

Willingness to pay more for wine passport: Significantly more wine purchasers are willing to pay more for the wine passport to ensure that the festival implements environmentally friendly practices compared to non-purchasers who would not.

There are furthermore no statistically significant differences based on the other wine purchasing behaviour. However, the results show that more non-purchasers are members of a wine club and have intermediate knowledge of wine than wine purchasers. Both visitor groups also drink wine at least once a week.

Table 3: Chi-square test results of wine purchasing behaviour between wine purchasers and non-purchasers

<table>
<thead>
<tr>
<th>PURCHASING BEHAVIOUR</th>
<th>YES N = 349</th>
<th>NO N = 91</th>
<th>CHI SQUARE VALUE</th>
<th>DF</th>
<th>SIG. LEVEL</th>
<th>PHI-VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourite wine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Riesling</td>
<td>Yes=7%;No=93%</td>
<td>Yes=7%;No=93%</td>
<td>0.304</td>
<td>2</td>
<td>0.859</td>
<td>0.027</td>
</tr>
<tr>
<td>Chenin Blanc</td>
<td>Yes=31%;No=69%</td>
<td>Yes=27%;No=73%</td>
<td>0.382</td>
<td>1</td>
<td>0.536</td>
<td>0.030</td>
</tr>
<tr>
<td>Chardonnay</td>
<td>Yes=30%;No=70%</td>
<td>Yes=19%;No=81%</td>
<td>3.987</td>
<td>1</td>
<td>0.046*</td>
<td>0.098</td>
</tr>
<tr>
<td>Rose</td>
<td>Yes=33%;No=67%</td>
<td>Yes=31%;No=69%</td>
<td>0.145</td>
<td>1</td>
<td>0.703</td>
<td>0.019</td>
</tr>
<tr>
<td>Shiraz</td>
<td>Yes=40%;No=60%</td>
<td>Yes=35%;No=65%</td>
<td>0.551</td>
<td>1</td>
<td>0.458</td>
<td>0.036</td>
</tr>
<tr>
<td>Pinotage</td>
<td>Yes=37%;No=63%</td>
<td>Yes=36%;No=64%</td>
<td>0.017</td>
<td>1</td>
<td>0.879</td>
<td>0.006</td>
</tr>
<tr>
<td>Sauvignon Blanc</td>
<td>Yes=53%;No=47%</td>
<td>Yes=50%;No=50%</td>
<td>0.508</td>
<td>2</td>
<td>0.776</td>
<td>0.035</td>
</tr>
<tr>
<td>Merlot</td>
<td>Yes=47%;No=53%</td>
<td>Yes=39%;No=61%</td>
<td>1.788</td>
<td>1</td>
<td>0.181</td>
<td>0.066</td>
</tr>
<tr>
<td>Cabaret Sauvignon</td>
<td>Yes=48%;No=52%</td>
<td>Yes=33%;No=67%</td>
<td>6.475</td>
<td>1</td>
<td>0.011*</td>
<td>0.125**</td>
</tr>
<tr>
<td>Port</td>
<td>Yes=31%;No=69%</td>
<td>Yes=23%;No=77%</td>
<td>2.282</td>
<td>1</td>
<td>0.131</td>
<td>0.074</td>
</tr>
<tr>
<td>Place of wine purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarkets</td>
<td>Yes=44%;No=56%</td>
<td>Yes=24%;No=76%</td>
<td>11.260</td>
<td>1</td>
<td>0.001*</td>
<td>0.165**</td>
</tr>
<tr>
<td>Local liquor stores</td>
<td>Yes=49%;No=51%</td>
<td>Yes=39%;No=61%</td>
<td>3.214</td>
<td>1</td>
<td>0.073</td>
<td>0.088</td>
</tr>
<tr>
<td>Directly from wine cellars</td>
<td>Yes=42%;No=58%</td>
<td>Yes=56%;No=44%</td>
<td>4.987</td>
<td>1</td>
<td>0.026*</td>
<td>0.110**</td>
</tr>
<tr>
<td>Frequency of purchases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly</td>
<td>Yes=14%;No=86%</td>
<td>Yes=11%;No=89%</td>
<td>0.278</td>
<td>1</td>
<td>0.598</td>
<td>0.026</td>
</tr>
<tr>
<td>Monthly</td>
<td>Yes=35%;No=65%</td>
<td>Yes=13%;No=87%</td>
<td>16.223</td>
<td>1</td>
<td>0.001*</td>
<td>0.198**</td>
</tr>
<tr>
<td>Quarterly</td>
<td>Yes=25%;No=75%</td>
<td>Yes=25%;No=75%</td>
<td>3.721</td>
<td>1</td>
<td>0.156</td>
<td>0.095</td>
</tr>
<tr>
<td>Annually</td>
<td>Yes=25%;No=75%</td>
<td>Yes=35%;No=65%</td>
<td>7.902</td>
<td>3</td>
<td>0.048*</td>
<td>0.138**</td>
</tr>
<tr>
<td>Frequency of consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Every day</td>
<td>Yes=30%;No=70%</td>
<td>Yes=30%;No=70%</td>
<td>0.004</td>
<td>1</td>
<td>0.952</td>
<td>0.003</td>
</tr>
<tr>
<td>At least once a week</td>
<td>Yes=42%;No=58%</td>
<td>Yes=33%;No=67%</td>
<td>1.933</td>
<td>1</td>
<td>0.164</td>
<td>0.069</td>
</tr>
<tr>
<td>Few times a week</td>
<td>Yes=20%;No=80%</td>
<td>Yes=17%;No=83%</td>
<td>0.409</td>
<td>1</td>
<td>0.523</td>
<td>0.032</td>
</tr>
<tr>
<td>Only at events and functions</td>
<td>Yes=15%;No=85%</td>
<td>Yes=18%;No=82%</td>
<td>0.593</td>
<td>1</td>
<td>0.441</td>
<td>0.038</td>
</tr>
<tr>
<td>Member of a wine club?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>16%</td>
<td>20%</td>
<td>1.185</td>
<td>2</td>
<td>0.553</td>
<td>0.054</td>
</tr>
<tr>
<td>No</td>
<td>80%</td>
<td>75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considering</td>
<td>4%</td>
<td>5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge of wine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>Yes=40%;No=60%</td>
<td>Yes=32%;No=68%</td>
<td>1.907</td>
<td>1</td>
<td>0.167</td>
<td>0.068</td>
</tr>
<tr>
<td>Intermediate</td>
<td>Yes=48%;No=52%</td>
<td>Yes=50%;No=50%</td>
<td>0.167</td>
<td>1</td>
<td>0.683</td>
<td>0.020</td>
</tr>
<tr>
<td>Advanced</td>
<td>Yes=11%;No=89%</td>
<td>Yes=16%;No=84%</td>
<td>1.777</td>
<td>1</td>
<td>0.183</td>
<td>0.066</td>
</tr>
<tr>
<td>Willing to pay more for wine passport to ensure festival implements environmentally friendly practices?</td>
<td></td>
<td></td>
<td>25.393</td>
<td>2</td>
<td>0.001*</td>
<td>0.250**</td>
</tr>
<tr>
<td>Yes</td>
<td>60%</td>
<td>40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>22%</td>
<td>49%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perhaps</td>
<td>18%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* indicates significance at a 5% level

Phi-coefficient sizes: ** small effect: d=0.2; *** medium effect: d=0.5 and **** large effect: d=0.8

Source: Authors’ own compilation based on the statistical analysis
FINDINGS AND IMPLICATIONS

This research attempted to provide possible answers to the questions proposed earlier in the article. Corresponding with King and Morris (1997a,b), Yuan and Jang (2008), Dodd (1995) and Bruwer (2003), the results showed firstly that visitors indeed purchase more wine after attending the Wacky Wine Festival. Secondly the research also found significant differences between purchasers and non-purchasers at the festival based on socio-demographic characteristics and travel motives as well as wine purchasing behaviour thereby confirming the notion by Craggs and Schofield (2009) that a variety of socio-demographic, behavioural and motivational variables influence travel and buying behaviour. Socio-demographic variables that influence greater purchasing of wine include that visitors buy more wine that travel in smaller groups.

With regard to behavioural and wine purchasing variables the results revealed very interesting findings namely that wine purchasers prefer Chardonnay and Cabernet Sauvignon. This confirms Bruwer’s (2003) study on wine sales in South Africa. These are wines for the more advanced wine lover and these wines are considered the “heavier” white and red wines and confirm a strong relationship between wine purchasers and these wines. A reason why the non-purchasers do not necessarily prefer these wines could be these visitors have greater access to wine farms on a more regular basis; therefore they can experiment with various wines and also have easier access to purchase wine directly from wine cellars. The behaviour of purchasers indicates that the latter buy their wine at supermarkets and liquor stores, they consume wine regularly, and they are willing to pay more for an environmentally friendly festival. Aspects pertaining to the type of wine as well as hosting an environmentally friendly festival has also not been found previously in similar research. These findings have the following implications:

Wine farms and regions could successfully use festivals of this nature in order to brand and grow their wine sales in a particular wine region. The latter will imply greater co-operation between wine farmers and event organisers. Marketing of the region should also take the importance of the type of wines into consideration. In order to increase wine sales, wine farms in the region have to ensure good quality Chardonnay and Cabernet Sauvignon wines. Other types of wine can be promoted in order to groom potential wine lovers that will eventually transfer into greater wine sales. The profile of wine purchasers, as indicated by this research, can be used in the marketing campaign by the festival organisers in order to increase wine sales. This will ensure that the festival successfully contributes to more wine being sold. It therefore would make sense to follow a two-pronged approach that captures both markets. Wine farms should also ensure that wine from this region is sold in supermarkets and liquor stores and wine farms should negotiate with major retailers to have their wine distributed to other provinces such as the Gauteng province. Another untapped market the festival markets can consider targeting is wine clubs and selling wine directly to these clubs. By selling wine directly to clubs, will shorten the distribution chain since intermediaries (shops that take a cut from the cellars/farms) are eliminated. Since the majority of wine purchasers and non-purchasers are not members of a wine club, this could also encourage more visitors to become members of wine clubs. The festival should also give visitors to opportunity to join clubs during the festival by promoting the benefits of being a member. Newly joined members can perhaps receive a discount on the following years’ wine passport or on selected wines. Hosting an environmentally friendly festival is important especially to the wine purchasers. Therefore this requires attention by wine farmers and event organisers and include aspects such as the placement of more rubbish bins that make provision for recycling and brochures and wine passports should be printed on recycled paper to name but a few.

CONCLUSIONS

The purpose of this article was to profile and understand the visitors that buy more wine after attending the Wacky Wine Festival. Secondly it was also important to distinguish between wine purchasers and those that do not buy more wine due to the festival. Results clearly showed that more visitors are inclined to buy more wine due to the festival and that one can clearly distinguish between those that buy wine from those who do not. This article therefore makes several contributions which include adding to the knowledge base of events tourism and specifically wine tourism events. It was also the first time that research on a wine tourism event distinguishes between those visitors who buy wine and those who do not buy wine after attending the festival. In a South African context this research also contributed by confirming that hosting a festival contributes to increased wine sales. Another important finding and contribution was that visitors to a wine festival are willing to pay 10% more to having an environmentally friendly festival. Lastly the research positively contributes to the discourse on the importance of hosting a wine festival. Similar research should also be conducted at other wine festivals in order to confirm or contradict these findings.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

This research has the following limitations that should be taken into consideration by both practitioners and academics to improve future data collection and analyses. Due to the expanse of the festival (48 wine farms
forming part of the event), it is impossible to survey visitors at each wine farm. Based on recommendations by the festival organisers, only certain wine farms were included in the survey. The results from this research should therefore be interpreted with caution and cannot be generalised to the whole festival and all the participating wine farms. This research did however provide valuable insights into the nature of wine buyers and the important role that wine festivals play in wine appreciation and consumption. It is recommended that a database of festival visitors (either from the festival organisers or the ticket purchasing outlet) be obtained and that an electronic questionnaire link be emailed to the list. This should be done after the festival in order to more accurately determine whether visitors’ wine purchases increase at various wine cellars and outlets as a result of the festival. Specific reasons for this increase can in this way also more accurately be obtained.

REFERENCE LIST


UNDERSTANDING GENERATION Y SOUTH AFRICANS’ MONEY ATTITUDES USING THE HUMAN CAPITAL LIFE-COURSE THEORETICAL PERSPECTIVE

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University of Johannesburg

ABSTRACT
The life-course approach is an interdisciplinary and a multi-theoretical framework, currently being used to study how childhood family experiences affect later-life attitudes and consumer behaviour. One childhood family experience believed to be strongly driving later-life attitudes and values, and studied under the human capital life-course theoretical perspective is family resources received during childhood. This study uses the human capital life-course theoretical perspective to study how family resources received during childhood affect later-life money attitudes. Money attitudes influence varied consumer behaviour, so it was important to understand the money attitudes of a large and lucrative market segment like Generation Y South Africans. Survey results from 826 subjects showed that they scored high in the security and budget money attitudes. Family resources received during childhood negatively impacted on the symbolic (status, achievement and worry) money attitudes and had a strong positive impact on the conservative (budget and security) money attitudes.

Key words: Life-course, Money attitudes; family resources; Generation Y; South Africa

INTRODUCTION
Organizational behaviour specialists, economic psychologists, sociologists and behavioural finance specialists are studying and categorizing people according to their money attitudes. For example, organizational behaviour specialists profile employees’ money attitudes to design and implement compensation systems and to understand job attitudes and action (Lim, 2003). Behavioural finance specialists investigate people’s money attitudes to assess the propensity to save (Medina, Saegert & Gresham, 1996), to predict loan default tendencies (Sunhil & Kaushik, 2010) and stock investment interests (Keller & Siegrist, 2006).

Research on money attitudes in the marketing discipline is limited (Durvasula & Lysonski, 2010), even though consumers’ money attitudes can potentially influence a wide variety of consumer behavior (Rose & Orr, 2007). Bonsu (2008) and Burgess (2007) suspect that outcomes of consumer behaviour like credit card abuse, compulsive buying behaviour, rising records of consumer debt and bankruptcy may emanate from high scorers of certain money attitude dimensions. Bonsu (2008) for example predicts that, high scorers of power-pretige money attitude may develop materialistic tendencies because of their belief that money can grant them access to power, status and success.

Changing money attitudes, from conservative to symbolic attitudes, according to Roberts and Jones (2001) are important catalysts behind the spread of consumer culture (a culture whereby consumers avidly desire, pursue, consume, and display possessions, as being important to their lives – Roberts & Jones, 2001). The consequences of changing money attitudes can be more serious among Generation Y consumers, who have been raised with more access to credit, credit cards, many shopping channels, cable/digital TV, mobile phones and e-commerce (Bakewell & Mitchell, 2003). Paul (2001) envisages that the biggest distinction between Generation Y and other Generations will be their attitude toward money. Since Gurney (1988) suggest that money attitudes begins in childhood, remains in adulthood, and influence later behaviours related to money, it will be important to use the life-course approach to investigate Generation Y’s money attitudes.

The life-course approach provides an interdisciplinary and a multi-theoretical framework through which the effect of childhood experiences on later-life attitudes and consumer behaviour can be studied (Moschis, 2007). One type of childhood experiences believed to be driving later-life attitudes and values, and studied under the human capital life-course theory is family resources received during childhood. Hill, Yeung and Duncan, (2001) view the provision of inadequate family resources as one of the most influential childhood process that affects the development of attitudes, values and behavioural tendencies. According to Rindfleisch Burroughs and Dentton (1997), family resources (economic and emotional) received during childhood or before eighteenth birthday are part of the main factors that distinguish children raised in a well-off intact (two-parent) family structure from those raised in a poorer disrupted (single-parent) family structure.
Since family resources received during childhood are potential strong drivers of attitudes, values and behaviours, this study uses the human capital life-course theoretical perspective (in terms of family resources received during childhood or before eighteenth birthday) to understand Generation Y South Africans money attitudes. Understanding Generation Y money attitudes is important because Generation Y is a large (about 37% of South Africans fall within the 18-35 age group of Generation Y in 2012 - StatsSA, 2011) and lucrative market segment, commonly reported to be born between 1977 and 1994 (Noble, Haytko & Phillips, 2009). Generation Y South Africans form majority (64%) of the emerging middle class - known as ‘Black Diamonds’. They contribute 40% of the R600 billion of Black Diamond spending power, and constitute a lucrative market for property, fashion accessories, entertainment products, cars, vacations, computers, electronics and mobile phones (Kotler & Armstrong, 2010).

In addition to the lucrative market potential of Generation Y South Africans, Denis (2006) reports that considerable number of the children born in the 1980s (birth years of Generation Y) were into disruptive single-parent family structures. It is therefore useful to not only examine the money attitudes of a large and lucrative market segment like Generation Y South Africans, but to also understand how childhood family structures and resultant family resources received affect their money attitudes. Retailers, bankers and consumer interest groups will be interested to know Generation Y South Africans’ money attitudes as these can determine how easily they buy and bargain for products, save or invest money and how easily they can borrow and reliably make repayment of their debts (Keller & Siegrist, 2006; Medina et al., 1996; Sunhil & Kaushik, 2010).

LITERATURE REVIEW
Definition and dimensions of money attitudes
Even though there have been a number of studies on money attitudes, no clear definition of money attitudes has been found. According to Oleson (2004), it is difficult to provide a singular meaning of money attitudes because people’s attitude toward money is diverse. Burgess (2007: 682) however defines money attitudes as “interpersonal, attitudinal [affective, behavioral, cognitive] beliefs that express [individual, collective, mixed] values concerned with money [independence….quality] and are evaluated in importance [very important to very unimportant] in order to guide behaviour within the context of money and money situations”. For the purpose of this study, money attitudes will be simply defined as “the meanings, values and beliefs people attach to money”.

With the diverse meanings, values and beliefs people attach to money, clinical psychologists such as Yamauchi and Templer (1982) and Furnham (1984) have developed psychometricised questionnaires to measure the various dimensions of money attitudes. Yamauchi and Templer’s (1982) money attitude scale (MAS) measures five dimensions (i.e., power/prestige, retention/time, quality, distrust and anxiety) while Furnham’s (1984) money beliefs and behaviour (MBBS) scale measures six money attitude dimensions namely obsession, power/spending, retention, security/conservative, inadequate and effort/ability.

The most popularly used scale to measure money attitudes is Yamauchi and Templer’s (1982) MAS because its cross-cultural testing produces higher and acceptable Cronbach internal reliability alphas (Burgess, 2007). Despite these merits, Rose and Orr (2007) noted that MAS was constructed using psychological approaches rather than a marketing-related design. Rose and Orr (2007) therefore developed a marketing-related scale, which they named as the money-motivation scale (MMS). It comprises the following five dimensions: Status – The tendency to perceive money as a sign of prestige. Money is used to impress people. Achievement – The tendency to perceive money as a symbol of one’s accomplishments. Money is valued as a sign of success. Worry – The tendency to worry excessively about money. Money or the perceived lack thereof, is a source of anxiety. Security – The tendency to save and value money for its ability to provide a sense of safety or wellbeing. Money is important because it provides means for the future. Budget – The tendency to spend money wisely and cautiously. Considering that MMS is more applicable to the field of marketing and consumer behaviour (Rose & Orr, 2007), it will be used in this study to measure money attitudes.

Factors reportedly accounting for consumers’ money attitudes
Much research efforts have been devoted to understand the various dimensions of money attitudes, with which to categorize people. However, the investigation into the factors that shape or cause these differences has not received adequate attention. Most studies report that demographic, cultural and ethnic characteristics account for the differences in money attitudes. The impact of age on money attitudes was of
particular interest. Young people were consistently found to score low in retention-time and security, and high in the power-prestige dimensions of money attitudes (Furnham, 1984; Baker & Hagedorn, 2008; Bonsu, 2008). Gorniak (1999) asserts that inter-generational differences in values, life-styles and the stages in the life-cycle account for the age differences in money attitudes.

The younger people are usually better educated and open to various economic and social life. While older people hold greater fear about the future and a tendency to avoid additional risk factors like debts, younger people are more optimistic because they have better professional chances. They thus have a greater tendency to borrow and spend money to improve their standard of living rather than to save it for the future (Gorniak, 1999). In terms of gender, Falahati and Paim (2011) surveyed 2340 Malaysian university students in six public and five private universities. They found that males scored higher in the power-prestige and anxiety money attitude dimensions and females scored high in the conservative money retention dimensions. Contrarily and with bicultural Hispanic American university students, Chi and Banerjee (2013) found that females were more anxious and worrisome about money and their financial security than males.

Apart from the explanatory abilities of demographic characteristics, Furnham (1984) and Roberts Cesar and Sepulveda (1999) speculate that primary (parental financial practices and money habits) and secondary socializations (mass media) can also explain money attitudes. Past financial hardship (Lim & Teo, 1997), perceived economic risk and social adjustment (Engelberg & Sjoberg, 2007) are also reported as attributing to money attitudes variation. People who do not feel safe and are pessimistic about their economic future would have a lower propensity to save and a higher propensity to spend their money for power and to protect against anxiety (Gorniak, 1999).

Other researchers see personality factors like introverts/extraverts (McClure, 1984), self-esteem (Hanley & Wilhelm, 1992), needs (Oleson, 2004) and self-concept (low self-esteem, status seeking and jealousy – Prince, 1993) as the driving force behind varied money attitudes. Hanley and Wilhelm’s (1992) findings show that compulsive spenders have beliefs about money which reflect their symbolic (achievement, status, recognition, respect, freedom and power) ability to enhance self-esteem. McClure (1984) found that extraverts have the tendency to be more extravagant and less stingy than introvert with money.

At the macro level, environmental factors such as societal norms (Zelizer, 1994), political and religious beliefs (Furnham & Okamura, 1999) and cultural backgrounds (Gurney, 1988; Tang, 1993) affect the symbolic meanings people attach to money. Jain and Joy (1997) for example, report that Indians’ cultural roots cause them to hold a long-term view (saving) of money. Indians need for saving, Jain and Joy (1997:647) state, “determines their consumption, and not the other way around”. On the contrary, Mexican Americans were found to be less future-oriented as they scored lower on the retention-time money dimension (Medina et al., 1996).

Mitchell and Mickel (1999) raise the issue of which money attitude dimensions are stable dispositions and which are more unstable attitudes. They suggest that money attitudes that are determined by personality factors and childhood experiences are more likely to be dispositional. Gurney (1988) and Tang and Gilbert (1995) support this viewpoint by suggesting that money attitudes established during childhood may remain fairly consistent throughout one’s life.

**PROBLEM INVESTIGATED**

Childhood or past family and financial experiences may affect money attitudes, which may remain fairly consistent throughout one’s life (Gurney, 1988; Lim & Teo, 1997; Tang & Gilbert, 1995). However, research is yet to be conducted on the mechanisms that link childhood family experiences to later-life money attitudes. Moschis (2007) suggest the use of three (stress, human capital, normative) life-course theoretical perspectives to study the impact of childhood family experiences on later-life consumer behaviour. Out of these three theoretical perspectives, Hill et al. (2001) view the human capital life-course theoretical perspective, in terms of family resources received during childhood as the most influential factor driving attitudes and behaviour, especially among young adults.

Young Adults, such as Generation Y, have been raised in an era of rapid political, technological innovations, economic and socio-cultural events and changes. One of the events whose effects are drawing the attention of consumer researchers, is the structural changes (e.g., double-digit increases in divorce rates, single-parent families and cohabitation) the family is undergoing. Unlike the previous generations that were raised mostly in an intact two-parent families, one in four Generation Y children are being raised in single-parent/income homes (Noble et al., 2009), where they receive inadequate family resources, experience stress and economic hardship (Hill et al., 2001).
Generation Y also faces challenges of contributing to family income too early in life, and has lived through the trauma of corporate downsizing, limited financial aid, and a weak job market (Wolburg & Pokrywczynski, 2001). From these developments the Marketing Science Institute did not only make the study of Generation Y a research priority (Noble et al., 2009), but consumer researchers are questioning how changes in family structure and other family experiences are influencing this generation's attitudes and consumption values.

**RESEARCH OBJECTIVES**

Considering the family structural changes Generation Y have experienced, the objectives of this study are the following:

To examine the money attitudes Generation Y South Africans have developed

To use the human capital life-course theoretical perspective to understand the impact of childhood family structure and family resources received on Generation Y South Africans' money attitudes.

**The Human Capital Life-course Theoretical Perspective on Money Attitudes and Hypotheses Development**

Moschis (2007:295) defines the life-course paradigm as an innovative and a multi-theoretical framework that integrates several approaches used in different disciplines (e.g., sociology, history, developmental psychology and economics) to study consumer behaviour over the course of people's lives. Life-course theorists view adult behaviours as a function of experiences (e.g., in socialisation, historical and generational times) at earlier stages of life. The life-course paradigm enriches previous efforts to study consumer behaviour through the use of the variables and relationships that are relevant to the main theoretical orientations of life-course research (Moschis, 2007).

Previous studies have developed hypotheses from the human capital, normative and stress life-course theoretical perspectives, which suggest the socio-psychological factors linking family structure to materialistic values and compulsive buying behaviour (see for example, Benmoyal-Bouzaglo & Moschis, 2009 and 2010; Moschis et al., 2013; Duh et al., 2014). This study will examine how the human capital life-course theoretical perspective can be used to explain money attitudes.

The accumulation of human capital such as qualifications, skills, knowledge and other human and financial resources is seen as a life-course process that begins from early childhood. Life-course researchers are therefore investigating salient life events and settings, which act as sources of human capital growth or decline and are likely to bring about changes in patterns of thought and action (Frytak, Harley, & Finch, 2003; Moschis, 2007). The family according to Frytak, et al. (2003) is a source of human capital. A reduction in financial resources due to family disruption (e.g., parental divorce or separation) adversely affects children's ability to accumulate human capital, such as the educational attainment necessary for achieving higher occupational status and wealth. This, Moschis (2007) suggest, may later affect self-esteem, which Hanley and Wilhelm (1992) found may be enhanced through the belief of money's ability to provide power and security.

Conceptualizing the human capital perspective in terms of economic hardship theory, Hill et al. (2001) point out that, single-parent families tend to have lower incomes than two-parent families. Inequalities in family resources Rindfleisch et al. (1997) report, place children from non-intact single-parent family structure at an inherent disadvantage position compared to children raised in intact two-parent family structure. This, they continue, may affect their life chances (for instance educational attainment) and self-esteem.

Gorniak’s (1999) study on attitudes towards money and saving show that those who had lower education and income frequently accepted the statement: “people who save money don’t know how to enjoy life” (Gorniak, 1999:635). Apart from the fact that lower educated and income people turn to have less money, they may have less know-how and more anxiety about using money. They may thus not know how to budget the use of their money, less cautiously spend money (Gorniak, 1999), or develop symbolic money attitudes, such as power, achievement, success and status later in adulthood (Hanley & Wilhelm, 1992). From these, the following hypotheses, as presented in Figure 1, can be formulated:
**Figure 1: The conceptual model of the study**

**Source:** Researchers’ model developed from Moschis’ (2007:297) life-course model of consumer behaviour

H₁ There would be a significant difference in family resources received during childhood among Generation Y South Africans raised in non-intact and intact family structures.

H₂ There would be a significant difference in money attitude dimensions among Generation Y South Africans raised in non-intact and intact family structures.

H₃ There is a positive relationship between family resources received during childhood and later-life conservative (security and budget) money attitudes; and (b) negative relationship between family resources received during childhood and later-life symbolic (status, achievement, worry) money attitudes of Generation Y South Africans.

**RESEARCH METHODOLOGY**

**Data collection method**

Considering this study’s objectives and the nature of the research problems, quantitative research methods were used to collect data, using a questionnaire. A descriptive research design, which allows a researcher to test the relationship between variables and to understand the “why”, “what”, “how” and the “who” of a behaviour (Berndt & Petzer, 2011:32) was used. Scales developed and tested for validity and reliability by previous researchers (e.g., Rindfleisch et al., 1997, Rose & Orr, 2007) were used to measure the main variables (i.e., childhood family structures, family resources received during childhood and money attitudes) of this study. Considering that students’ email addresses were accessible, an online survey was used to collect data. Online surveys guarantee the respondents’ anonymity, and they could honestly answer the questions at their most convenient time and day.

**Samples**

The data was collected from university-aged (18-25 years) Generation Y South Africans, who were business undergraduate students from Nelson Mandela Metropolitan University (NMMU) and the University of the Western Cape (UWC). Business students were surveyed because Martin and Turley (2004) find them suitable to respond to consumer behaviour surveys. Obtaining email addresses from class registers, students were sent e-mails to participate in the online survey. UWC is situated in Cape Town of South Africa, where a considerable number of young South Africans from diverse socio-economic and ethnic backgrounds are found. NMMU is in the Eastern Cape of South Africa where according to Siqwana-Ndulo (1998), there are a high percentage of single-parent households.

The students from both universities e-mailed to participate in the study were 1276, of which 826 fully completed responses were received. The response rate was therefore 64.7%. There were 52.1% and 47.9% female and male respondents respectively. Compared to 52.2% subjects who grew up in a two-parent family structure, up to 48.8% were raised in single-parent families. Respondents who grew up in financially well-off households 58.4%, as opposed to 41.4% who lived in households that were not financially well-off before
their 18\textsuperscript{th} birthday. More mother-only (26.9\%) provided household income than father-only (17.7\%) homes. Family experiences before 18th birthday are considered, because Chase-Lansdale \textit{et al.} (1995) report that family events experienced when subjects are adolescence (12 – 18 years) are more impactful on later behaviours, especially as self-worth and identities are being formed at this stage of life.

\textbf{Measures}

Even though the scales used for this study had been previously used and proven valid and reliable, their reliability was tested again with Generation Y South Africans. The results showed that all the scales produced good Cronbach’s alpha coefficients. In line with Rindfleisch \textit{et al.} (1997) childhood family structure was viewed in terms whether it was “intact” and “non-intact”, and measured in terms of whether respondents did or did not live with both their biological parents before their 18\textsuperscript{th} birthday respectively. Respondents had to answer this question with a ‘yes’ or ‘no’.

Equally using Rindfleish \textit{et al.}, (1997) measurement scale, family resources received during childhood were measured in terms of respondents’ ratings on how economic resources (food, clothing, pocket money) and emotional resources (practical help, love, emotional support, role modeling and guidance) received before 18\textsuperscript{th} birthday were perceived to be exceptional or inadequate. Five-point Likert scale with 1 = inadequate support, and 5 = exceptional support was used to measure the eight-item scale.

Money attitudes were measured in terms of how subjects agreed or disagreed to Rose and Orr’s (2008) twenty four-item money-attitude scale. Five-point Likert scale was used with 1 = strongly disagree, and 5 = strongly agree.

The Cronbach’s alpha coefficients obtained for the family resources and money attitudes scales are presented in Table 1.

\textbf{Data analyses methods}

Wilcoxon Rank Sum Test, a non-parametric statistics was used to test if there were a significant differences in family resources received during childhood and money attitudes among subjects raised in non-intact (NI) and intact (I) family structures. Non-parametric statistics was appropriate because an examination of plots of the scores showed that in many cases, the distribution was skewed as opposed to them being a normal distribution. Since there were a number of explanatory variables in terms of the five dimensions of money attitudes, a multiple linear regression analysis method was used to examine the impact of childhood family resources received on money attitudes at young adulthood.

\textbf{RESULTS}

\textbf{Descriptive statistics}

The descriptive statistics of the main variables and their dimensions are presented in Table 1.

<table>
<thead>
<tr>
<th>Variables &amp; dimensions</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Cronbach’s alpha Coefficient of this study</th>
<th>Authors’ of scale Cronbach’s alpha coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family resources received during childhood</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible</td>
<td>3.4</td>
<td>0.9</td>
<td>0.90</td>
<td>Rindfleisch \textit{et al.’s} (1997) results 0.90</td>
</tr>
<tr>
<td>Intangible</td>
<td>4.0</td>
<td>0.9</td>
<td>0.90</td>
<td>0.92</td>
</tr>
<tr>
<td>Money attitudes</td>
<td></td>
<td></td>
<td></td>
<td>Rose and Orr’s (2007) results</td>
</tr>
<tr>
<td>Status</td>
<td>1.9</td>
<td>0.9</td>
<td>0.96</td>
<td>Not provided 0.93</td>
</tr>
<tr>
<td>Achievement</td>
<td>3.1</td>
<td>1.1</td>
<td>0.91</td>
<td>0.86</td>
</tr>
<tr>
<td>Security</td>
<td>4.3</td>
<td>0.8</td>
<td>0.96</td>
<td>0.85</td>
</tr>
<tr>
<td>Worry</td>
<td>3.4</td>
<td>1.0</td>
<td>0.85</td>
<td>0.88</td>
</tr>
<tr>
<td>Budget</td>
<td>3.5</td>
<td>0.9</td>
<td>0.89</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Table 1 shows that, all the scales and their dimensions possessed adequate and above threshold (0.70) reliability. The mean scores of the variables indicate that overall, Generation Y South Africans surveyed viewed family resources received from parents during childhood as moderately ($M = 3.7$) adequate. Specifically, emotional resources (e.g., love, guidance and emotional support) received from parents during childhood were perceived to be higher ($M = 4.0$) than the economic resources (food, clothing and pocket money) ($M = 3.4$). In terms of money attitudes, the mean rating for security ($M = 4.3$) was the highest, budget
(\(M =3.5\)) was second highest, and worry (\(M =3.4\)) was the third highest. Another important descriptive statistics conducted for this study is a confirmatory factor analysis (CFA) to confirm among Generation Y South Africans, the Rose and Orr’s (2007) five-factor solution obtained in America. The results are found in Table 2.

Table 2: Money attitude dimensions obtained from Rose and Orr’s (2007) scale

<table>
<thead>
<tr>
<th>Money attitudes dimensions and items</th>
<th>CFA factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor 1 Budget (items 19-23)</strong></td>
<td></td>
</tr>
<tr>
<td>I budget my money very well.</td>
<td>0.92</td>
</tr>
<tr>
<td>I spend my money wisely.</td>
<td>0.92</td>
</tr>
<tr>
<td>I spend my money very carefully.</td>
<td>0.87</td>
</tr>
<tr>
<td>I am proud of my ability to save money.</td>
<td>0.80</td>
</tr>
<tr>
<td>I believe in being careful on how I spend my money.</td>
<td>0.67</td>
</tr>
<tr>
<td><strong>Factor 2 Security (items 10-14)</strong></td>
<td></td>
</tr>
<tr>
<td>Saving money gives me a sense of security.</td>
<td>0.91</td>
</tr>
<tr>
<td>It is very important for me to save money for the future.</td>
<td>0.91</td>
</tr>
<tr>
<td>Doing financial planning for the future provides me a sense of security.</td>
<td>0.77</td>
</tr>
<tr>
<td>I prefer to save money because I am never sure when things will collapse and I might need the cash.</td>
<td>0.77</td>
</tr>
<tr>
<td>It is very important for me to save enough to provide well for my family in the future.</td>
<td>0.73</td>
</tr>
<tr>
<td><strong>Factor 3 Achievement (items 5-9)</strong></td>
<td></td>
</tr>
<tr>
<td>Money is a symbol of success.</td>
<td>0.83</td>
</tr>
<tr>
<td>I value money very highly as a sign of success.</td>
<td>0.81</td>
</tr>
<tr>
<td>A high income is an indicator of competence.</td>
<td>0.80</td>
</tr>
<tr>
<td>Money represents one’s achievement.</td>
<td>0.79</td>
</tr>
<tr>
<td>I believe that the amount of money that a person earns is closely related to his/her ability.</td>
<td>0.66</td>
</tr>
<tr>
<td><strong>Factor 4 Status (items 1-4)</strong></td>
<td></td>
</tr>
<tr>
<td>I must admit that I purchase things because I know they will impress others.</td>
<td>0.87</td>
</tr>
<tr>
<td>I sometimes buy things that I do not need or want in order to impress people.</td>
<td>0.85</td>
</tr>
<tr>
<td>I own nice things in order to impress others.</td>
<td>0.85</td>
</tr>
<tr>
<td>I sometimes ‘buy’ friendship by being very generous with those I want to like me.</td>
<td>0.55</td>
</tr>
<tr>
<td><strong>Factor 5 Worry (items 15-18)</strong></td>
<td></td>
</tr>
<tr>
<td>I worry a lot about money.</td>
<td>0.82</td>
</tr>
<tr>
<td>I worry about not being able to make ends meet.</td>
<td>0.82</td>
</tr>
<tr>
<td>I worry about losing all my savings.</td>
<td>0.78</td>
</tr>
<tr>
<td>The amount of money I save is never quite enough.</td>
<td>0.69</td>
</tr>
<tr>
<td><strong>Total variance explained</strong></td>
<td>68%</td>
</tr>
</tbody>
</table>

*Item 24 loading (.20) was less than .40 and was thus deleted from factor 1.

Rose and Orr’s (2007) five-factor solution for money attitudes were confirmed in this study with a 68% of total variance explained.

**Inferential statistical results**

Hypothesis 1 (H1) posited that there would be a significant difference in family resources received during childhood among Generation Y South Africans raised in non-intact and intact family structures. Table 3 provides the result of H1.

Table 3: Differences in family resources between non-intact/intact families

<table>
<thead>
<tr>
<th>Family structure</th>
<th>Observation</th>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std Deviation</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NI</td>
<td>345</td>
<td>economic</td>
<td>343</td>
<td>3.2</td>
<td>3.0</td>
<td>0.94</td>
<td>&gt;0.01</td>
</tr>
<tr>
<td>I</td>
<td>481</td>
<td>economic</td>
<td>479</td>
<td>3.6</td>
<td>3.7</td>
<td>0.88</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>NI</td>
<td></td>
<td>emotional</td>
<td>343</td>
<td>3.8</td>
<td>4.0</td>
<td>0.93</td>
<td>&gt;0.01</td>
</tr>
<tr>
<td>I</td>
<td></td>
<td>emotional</td>
<td>479</td>
<td>4.1</td>
<td>4.2</td>
<td>0.79</td>
<td>&lt;0.01</td>
</tr>
</tbody>
</table>

** = statistically significant at 99% confidence level

According to the mean levels outlined in Table 3 of family resources received during childhood, subjects who grew up in non-intact homes reported lower levels of economic (non-intact \(M = 3.2\), intact \(M = 3.6\)) as well as emotional (non-intact \(M = 3.8\), intact \(M = 4.1\)) resources. The differences were significant (p<0.0001) at 99%
confident level. This result supports H1 and is in line with Rindfleisch et al.’s (1997) finding that revealed that young adult Americans who were raised in non-intact families received significantly lower levels of family resources (non-intact $M = 3.24$, intact $M = 3.97$) than those raised in intact families.

For Hypothesis 2 ($H_2$) it was expected that there would be a significant difference in the various money attitude dimensions among Generation Y South Africans raised in non-intact and intact family structures.

### Table 4: Differences in money attitudes between non-intact/intact families

<table>
<thead>
<tr>
<th>Family structure</th>
<th>Observation</th>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>Std Deviation</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>NI</td>
<td>345</td>
<td>Status</td>
<td>340</td>
<td>1.9</td>
<td>1.5</td>
<td>0.92</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>340</td>
<td>3.0</td>
<td>3.0</td>
<td>1.11</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Security</td>
<td>340</td>
<td>4.2</td>
<td>4.6</td>
<td>0.90</td>
<td>0.42</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Worry</td>
<td>337</td>
<td>3.5</td>
<td>3.6</td>
<td>1.00</td>
<td>0.03*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget</td>
<td>340</td>
<td>3.4</td>
<td>3.5</td>
<td>0.90</td>
<td>0.22</td>
</tr>
<tr>
<td>I</td>
<td>481</td>
<td>Status</td>
<td>479</td>
<td>1.9</td>
<td>1.8</td>
<td>0.89</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>479</td>
<td>3.0</td>
<td>3.0</td>
<td>1.02</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Security</td>
<td>479</td>
<td>4.3</td>
<td>4.6</td>
<td>0.78</td>
<td>0.42</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Worry</td>
<td>479</td>
<td>3.3</td>
<td>3.3</td>
<td>1.02</td>
<td>0.03*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget</td>
<td>477</td>
<td>3.5</td>
<td>3.5</td>
<td>0.87</td>
<td>0.22</td>
</tr>
</tbody>
</table>

* = statistically significant at 95% confidence level

Table 4 shows that the only significant difference (even though marginal) in money attitude dimensions between subjects raised in non-intact and intact family structures is in the worry money attitude dimensions (non-intact $M = 3.6$, intact $M = 3.3$). This means that subjects raised in non-intact family structure are obviously more anxious about their finances and ability to make ends meet (Rose et al., 2007).

Hypothesis 3 ($H_3$) suggested that there would be positive relationship between family resources received during childhood and later-life conservative (security and budget) money attitudes; and a negative relationship between family resources received during childhood and later-life symbolic (status, achievement, worry) money attitudes. Table 5 presents the regression results for $H_3$.

### Table 5: Regression analyses results

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variables</th>
<th>Beta coefficients</th>
<th>P-values</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family resources received during childhood</td>
<td>Money attitudes</td>
<td>Status</td>
<td>-0.09</td>
<td>0.02*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achievement</td>
<td>-0.08</td>
<td>0.04*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Worry</td>
<td>-0.15</td>
<td>0.01**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Security</td>
<td>0.15</td>
<td>0.01**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget</td>
<td>0.10</td>
<td>0.01**</td>
</tr>
</tbody>
</table>

* = statistically significant at 95% confidence level
** = statistically significant at 99% confidence level

From the results in Table 5, $H_3$ (a) and $H_3$ (b) were all supported. This depicts that a decrease in family resources received during childhood will increase the development of symbolic (status, achievement, worry) money attitudes during young adulthood; and an increase in family resources received during childhood will increase the likelihood of adopting conservative (security and budget) money attitudes at young adulthood.

**CONCLUSIONS**

In addition to examining the money attitudes of Generation Y South Africans, this study used Generation Y South Africans to understand how the human capital life-course theoretical perspective can explain money attitudes. This was done by looking at the impact of childhood family structure and family resources received during childhood on later-life money attitudes.

In terms of the money attitudes Generation Y South Africans have adopted (objective 1 of this study), the security ($M = 4.3$) and budget ($M = 3.5$) money attitudes were the most dominant dimensions. Yamauchi and Templar (1982) see the security and budget money attitudes as a retention-time money attitude. Interestingly, Rousseau and Venter (1999), Burgess (2005) and Burgess et al. (2005) had used Yamauchi and Templar’s (1982) MAS to survey older South Africans and they successively found that the subjects scored higher in the retentive money attitude. People with this attitude believe that money should be saved for the future through purposeful planning. They would thus carefully spend money to get a sense of security.
If South Africans have security and budget money attitudes, a question arises why savings rates in South Africa are low and debt levels are very high (De Waal, 2013).

The main findings from the hypothesized relationships (objective 2 of this study) portray that there is a significant difference in family resources received during childhood between subjects raised in non-intact and intact family structures. Family resources received during childhood impact positively on conservative (security and budget) money attitudes and negatively on symbolic (status, achievement, worry) money attitudes at young adulthood. The results imply that if Generation Y South Africans received less family resources from parents when growing up, they will more likely worry about money matters and view money as symbols of status and achievement. Conversely, if they received more family resources from parents when growing up, they would more likely adopt security (money should be saved for the future) and budget (money should be spent cautiously) attitudes toward money.

**MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

In addition to the empirical uncovering of how childhood family structure and family resources received during childhood affect later-life money attitudes, the prominence of the conservative (security and budget) money attitudes among this study's sample is remarkable. Kimberly (2010:29) also found that Generation Y Americans have security and budget money attitudes to the point that, they would “research their purchase decisions, and are more interested in saving money” because they have so much access to the Internet and other sources of information on products and various price offerings. Even with a qualitative study, Noble et al. (2009) found that majority of Generation Y Americans interviewed search the Internet for the lowest price or value-for-money. When they find it, they feel a sense of accomplishment.

Kimberly (2010) in America and Simpson (2011) in South Africa are interpreting this cautious attitude towards spending (i.e., budget money attitude) from the recent recession. Noble et al. (2009) suspect that, this attitude is the result of most Generation Y experiences in single-parent and single-income families. According to Wolburg and Pokrywczynski (2001), Generation Y does not only have to contribute to family finances at a very early age, they also have to cope in a weak job market. Irrespective of the forces behind Generation Y’s conservative money attitudes, Kimberly (2010) and Simpson (2011) predict that the culture of thrift among Generation Y may become a permanent phenomenon. Recently, Chi and Banerjee (2013) found that even bicultural border Hispanic American Generation Y scored high in the conservative money attitude (i.e., budget and security) dimensions and are more inclined to budget, keep track of their finances, save and financially plan for their future.

Consumer interest authorities, retailers and banks will be interested in these findings. While banks would want to harness Generation Y tendency to save for the future, and consumer interest authorities would want to promote their desire to cautiously spend money, these would have serious implications for retailers and other companies who would have to provide value for money to capture and retain this large and lucrative consumer segment. To take advantage of the size of Generation Y consumers and their love for shopping however, marketers would have to find innovative ways of cutting cost and staying efficient.

On finding that inadequate family resources received during childhood (especially intangible or emotional resources of love, role modelling and attention) do affect US young adults’ materialistic tendencies negatively, Rindfleisch et al. (1997) recommended that public policy measures should be put into place to guarantee that children get adequate family resources when growing up. French civil code, for example, puts an obligation on parents to provide not only for the financial and educational development of their children (including those adopted and those born out of wedlock), but also moral support (Xanthaki, 2000).

Family resources received during childhood as seen in Table 4 strongly and positively affected conservative money attitudes of security and budget. This means that when children grow up feeling they were loved and provided adequate economic and emotional support, they would tend to save money for the future (security money attitude) and spend their money cautiously (budget money attitude) as opposed to developing affective money attitudes. This result suggests that in addition to the National Credit Act’s efforts to curb consumers’ huge and rising debt in South Africa, there should be public policy measures that put some obligations on parents to provide their children adequate economic and emotional family resources.

Rindfleisch et al. (1997) contend that intangible resources such love, attention, and affection are important prerequisite for happiness, and according to Guven (2012), happier people tend to save more for the future and plan their spending better because they expect longer life.
REFERENCE LIST


THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND THE PERCEIVED FUTURE CONTINUITY OF SMALL AND MEDIUM-SIZED FAMILY BUSINESSES

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North-West University

ABSTRACT
The objective of this study was to investigate the influence of an entrepreneurial orientation on the perceived future continuity of small and medium-sized family businesses in South Africa. Structured questionnaires were administered to all the active family members in 75 family businesses, and 231 usable questionnaires were returned. Construct validity of the measuring instrument was assessed by means of a principal component exploratory factor analysis and by calculating Cronbach alpha coefficients. Thereafter, the relationships between the dimensions of entrepreneurial orientation and the dependent variable, perceived business success, were investigated by means of multiple linear regression analysis. The results show that the owner-managers in the participating family businesses perceived that the entrepreneurial orientation factors Autonomy and the Utilisation of opportunities have a positive influence on the changes that the family business will be successfully continue into the future.

Keywords: Family business, Entrepreneurial orientation, Perceived business success, Small and medium-sized businesses

INTRODUCTION
Family-owned businesses play an important role in economic development and the creation of wealth of the new global economy (Farrington, 2009:64; Ibrahim, McGuire & Soufani, 2009:1; Venter & Boshoff, 2005:283). Furthermore, as critical drivers for economic growth and development, family businesses provide the foundation for growth and competitiveness in the world (Zahra, Hayton, Neubaum, Dibell & Craig, 2008:1050). Despite their importance to national economies, the survival rate of family businesses beyond the founder’s generation is extremely low (Nicholson, 2008:104). The downfall of these family businesses not only destroys entire families, but leads to unemployment and has a significant negative impact on the national economies of countries (Ibrahim et al., 2009:2). It is therefore important that family businesses are successful to ensure sustainability and longevity.

Generally, success is viewed in terms of both financial and non-financial outcomes. However, it appears that a preference for non-financial outcomes exists among family-owned businesses (Cater & Justis, 2009:111; Short, Payne, Brigham, Lumpkin & Broberg, 2009:12). For the purpose of this study, the success of the participating business will be measured using one variable, namely the Perceived future continuity of the participating businesses.

As a result of fast-changing technologies, ever-increasing changes in customer demand and the growing levels of intense global competition (Ireland & Webb, 2009:1), today’s business environment is marked by continuous change. Within this new competitive situation, Drejer (2006:143) is of the opinion that the key competitive success factor will be the ability of a business to continuously develop new products, processes or services, providing consumers with increased functionality and performance. Consequently, businesses that are not continually innovative may be making the unintentional strategic decision to be out of business within a few years (Ramachandran, Devaranjana & Ray, 2006:86). It is, therefore, critical that businesses foster entrepreneurial behaviour in their respected businesses.

An entrepreneurial orientation represents the processes, practices and decision-making activities that lead to the development and delivery of new innovative products, services and processes (Chang, Lin, Chang & Chen, 2007:999) and is consistently suggested in the literature as a key for success to higher performance (Yamada & Eshima, 2009:1; Li, Gou, Liu & Li, 2008; Avlonitis & Salavou, 2007:566).

Although various scholars investigated entrepreneurial orientation in small and medium-sized businesses (Anderson & Eshima, 2013; Soininen, Martikainen, Puimalainen, Kylaheiko, 2012; Huang & Wang, 2011; Li, Guo, Liu & Li, 2008; Avlonitis & Salavou, 2007), there is limited research on the influence of entrepreneurial orientation on family business success. This study, therefore, attempts to enhance the entrepreneurial orientation literature by investigating whether entrepreneurial orientation influences the success of small and medium-sized family businesses. Because family businesses place much emphasis on survival (Distelberg & Sorensen, 2009:70; Short et al., 2009:12), will the success of family businesses in this study be assessed by
the perception of family members whether the business will be transferred to the next generation family members to ensure the future continuity of the business in the family.

Three dimensions of entrepreneurial orientation, namely Innovativeness, Pro-activeness and Risk-taking have been identified and used consistently in the literature (Rauch, Wiklund, Lumpkin & Frese, 2009:763) based on the earlier research of Miller (1983). For the purpose of this study, two additional dimensions of entrepreneurial orientation, namely Autonomy and Competitive aggressiveness have been included, as viewed by Lumpkin and Dess (1986) to be critical to the entrepreneurial orientation concept.

Small and medium-sized family businesses in South Africa will be the focus of this study for two reasons: firstly, the increasingly important role of the small business sector in creating jobs and distributing wealth, and secondly, the fact that most family businesses are found in this sector. The South African National Small Business Act (1996) and National Small Business Amendment Act (2004:2) classify micro-, very small, small and medium-sized businesses as businesses that employ less than 200 full-time equivalent of paid employees. For the purpose of this study a small and medium-sized family business is a business where a single family owns at least 51% of the equity of the business; where a single family is able to exercise considerable influence in the business; where at least two family members are concerned with the senior management of the business; and where the business employs less than 200 full-time employees (Ibrahim & Ellis, 2004).

PROBLEM STATEMENT AND OBJECTIVES
Family businesses are often more concerned with the long-term continuity of the business than non-family businesses are (Short et al., 2009:21; Miller, Le Breton-Miller & Scholnick, 2008). They place much emphasis on survival (Distelberg & Sorenson, 2009:70; Short et al., 2009:12), because they view the business as a long-term resource base to be used by the family and potentially by multiple generations (Distelberg & Sorenson 2009:75; Castillo & Wakefield, 2007). The successful transfer of the family business from the senior generation family members to the next generation family members, is critical to ensure the longevity of the family business, and is an important indicator of the success of the business. The continuity of the family business is reliant on many critical factors, which explains why the mortality rates of such businesses are extremely high. Wang, Watkins, Harris and Spicer (2004:59) confirm that there are alarmingly deteriorating survival rates of family businesses being handed over from the first generation to the second.

Empirical studies support the proposition that there is a positive relationship between entrepreneurial orientation and business performance, meaning in practice that businesses that adopt a more entrepreneurial orientation perform better (Madsen, 2007:188). Although the body of knowledge concerning the relationship between a business’ entrepreneurial orientation and its performance is growing, it is still an under-explored topic (Covin, Green & Slevin, 2006:58) with most research being conducted within the United States of America (Frank, Kessler & Fink, 2010:175). Within the South African context, limited research of this nature has been conducted among family businesses. Limited research, furthermore, has been conducted to measure business performance in terms of the continuity or longevity of family businesses. Against this background, the primary objectives of this study are: firstly, to identify the potential influence of the dimensions of an entrepreneurial orientation on the perceived future continuity of small and medium-sized family businesses, and secondly, to make practical recommendations on actions that those businesses can take to foster entrepreneurial behaviour in the business to ultimately ensure the longevity of these businesses.

LITERATURE REVIEW
The success of family businesses, according to Zellweger and Nason (2009:205), has broadly been categorised as financial and non-financial success. Various authors suggest that non-economic goals may even take precedence over goals such as growth and profitability (Cater & Justis, 2009:111; Short et al., 2009:12). An important non-economic goal to family businesses is to preserve the business so that it can be passed on to the next generation family members, thereby ensuring transgenerational sustainability (Chrisman, Kellermanns, Chan & Liano, 2010:14; Cater & Justis, 2009:120; Short et al., 2009:21). For the purpose of this study, will the successful transferring of the business from the senior to the younger generation family members be measured by the dependent variable, the perceived future continuity of the family business. As mentioned above, is transgenerational sustainability one of the corner stones of a successful family business.

The continuity of the family business is reliant on many critical factors, which explains why the mortality rates of such businesses are extremely high. Wang et al. (2004:59) confirm that there are alarmingly deteriorating
survival rates of family businesses being handed over from the first generation to the second. Future continuity as a goal is, however, subjective and difficult to measure. How does one establish whether future continuity has been achieved or not, if the future has not yet taken place (Farrington, Venter & Van der Merwe, 2011:52)? According to Distelberg and Sorenson (2009:69), family systems theorists propose that an individual’s perception of whether or not a goal has been achieved is informed by a belief system and by the individual assessment of the availability and use of resources needed to achieve that goal. As such, a belief system exists behind every tangible or objective indicator of success; therefore, the objective measure of success and the belief system work together to create perceptions of whether those goals have been achieved or not (Farrington et al., 2011:52; Distelberg & Sorenson, 2009:69).

Perceived future continuity of the family business refers to the family business providing future generations with employment, wealth, involvement and a legacy (Miller & Le Breton-Miller, 2005:38) and thereby ensuring transgenerational sustainability (Chrisman et al., 2010:14; Cater & Justis, 2009:120; Short et al., 2009:21). To obtain the goal of the successful continuity of the family business, the family should be entrepreneurial in their approach to ensure the continuity of the business.

Based on Miller’s (1983:770; 2011:873) conceptualisation that an entrepreneurial business is one that engages in product market innovation, undertakes somewhat risky ventures and is first to come up with proactive innovations, three dimensions of entrepreneurial orientation were identified, namely Innovativeness, Risk taking and Pro-activeness. Covin and Slevin (1989:76) further refined Miller’s definition by stating that the entrepreneurial orientation of a business is demonstrated by the extent to which the top managers are inclined to take business-related risks (risk-taking dimension), to favour change and innovation in order to obtain a competitive advantage for their business (innovative dimension), and to compete aggressively with other businesses (pro-active dimension). While a number of authors have adopted similar definitions, for example Zahra, Jennings and Kuratko (1999:50), and Morris, Kuratko and Covin (2008:54), many others have made subtle changes that altered the meaning of the construct (George & Marino, 2011:992). For example, Dess and Lumpkin (2005:147) define entrepreneurial orientation as the strategy-making practices that businesses use to identify and launch corporate ventures. This definition is clearly limited to decisions related to the launch of new ventures. Therefore, a business may have a high entrepreneurial orientation based on the Covin and Slevin (1989) definition, but not necessarily on the Dess and Lumpkin (2005) definition.

Furthermore, authors have defined the domain of entrepreneurial orientation as containing fewer or more dimensions (George & Marino, 2011:992). Two other dimensions were added by Lumpkin and Dess (1996:139-140), namely Competitive aggressiveness and Autonomy. These authors argue that entrepreneurial orientation includes a propensity to act autonomously and a tendency to be aggressive towards competitors. Wang (2008:637), on the other hand, adopted four dimensions, namely pro-activeness, competitive aggressiveness, risk-taking and innovativeness. For the purpose of this study, refers entrepreneurial orientation to a business’ strategic orientation (Rauch et al., 2009:763), one which captures the specific entrepreneurial aspects of decision-making styles, methods and practices, consisting of five independent dimensions, namely autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness.

In Figure 1 (the hypothesised model), the dimensions of entrepreneurial orientation hypothesised as influencing the dependent variable, Perceived future continuity of the family business, are depicted, namely Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness. The model proposes that the dimensions of entrepreneurial orientation investigated in this study positively influence the Perceived future continuity of the small and medium-sized family business.
Dependent variable: Perceived future continuity

Transgenerational sustainability (Chrisman et al., 2010; Cater & Justis, 2009; Short et al., 2009:21), long-term continuity (Short et al., 2009; Miller et al., 2008) and survival (Distelberg & Sorenson, 2009; Short et al., 2009), among others, are important non-financial goals of family businesses. Together, these goals reflect a desire for the family business to continue into the future (Farrington et al., 2011:52).

According to Distelberg and Sorenson (2009:69), family systems theorists propose that an individual’s perception of whether or not a goal has been achieved is informed by a belief system and by the individual assessment of the availability and use of resources needed to achieve that goal. As such, a belief system exists behind every tangible or objective indicator of success; therefore, the objective measure of success, in this case ensuring the longevity of the family business, and the belief system work together to create perceptions of whether those goals have been achieved or not (Farrington et al., 2011:52; Distelberg & Sorenson, 2009:69).

Taking the above discussion into account, **Perceived future continuity** serves as the dependent variable in this study, and refers to the family business as a means of creating wealth, sustaining harmonious relationships, and providing opportunities as well as employment for future generations as it continues into the future. Refer to Table 1 for an outlay of the items used to measure the dependent variable.

Independent variables: Entrepreneurial orientation

Among the different conceptualisations of entrepreneurial orientation, three dimensions of entrepreneurial orientation – **Innovativeness**, **Risk-taking** and **Pro-activeness** – have been suggested, adopted and extensively used in other studies (Covin & Slevin, 1989; Wiklund & Shepherd, 2005; Morris et al., 2008; Gürbüz & Aykol, 2009; Richard, Wu & Chadwick, 2009; Frank et al., 2010). Two other dimensions, namely **Autonomy** and **Competitive aggressiveness**, have also been considered important in measuring entrepreneurial orientation (Lumpkin & Dess, 1996; Dess & Lumpkin, 2005; Covin et al., 2006). A 27-item questionnaire measuring the above-mentioned five dimensions of entrepreneurial orientation was validated in several studies in the South African corporate business environment (Lotz, 2009; Malan, 2011; Lotz & Van der Merwe, 2013). The researchers, therefore, have the opinion that the instrument is suitable to measure entrepreneurial orientation in small and medium-sized family businesses.

For the purpose of this study, these five dimensions will be considered as independent variables influencing the dependent variable, **Perceived future continuity** of the family business and will be discussed in this section.

**Autonomy**: **Autonomy** refers to the independent actions of an individual or a team in bringing forth an idea or a vision and carrying it through to completion (Lumpkin & Dess, 1996:140; Lee & Sukoco, 2007:551).
Autonomy affords organisational members the freedom and flexibility to develop and enact entrepreneurial initiatives (Lumpkin, Cogliser & Schneider, 2009:47). Autonomy, furthermore, denotes that individuals value their own decision making processes and do not like receiving orders, and it helps them to succeed because critical, independent decision making is a very important aspect of small business owners or entrepreneurs. Moreover, highly autonomy-oriented business owners are so highly motivated into realising their own ideas and visions (Krauss, Frese, Friedrich & Unger, et al., 2005:320). Although Lumpkin and Dess proposed the inclusion of Autonomy as a dimension of entrepreneurial orientation in 1996, very few studies have investigated autonomy as an element of entrepreneurial orientation (Lumpkin et al., 2009:48). Consequently, the relationship between autonomy and business success has not been debated (Lotz, 2009). Autonomy, however, constitutes one of the bases for innovative and entrepreneurial behaviour (Casillas & Morena, 2010:270) and businesses that rely on an entrepreneurial orientation to create new value and growth must encourage entrepreneurial behaviour by allowing employees to act and think more independently (Görbüz & Aykol, 2009:324). Autonomy is therefore essential to the process of leveraging a business’ existing strengths, identifying opportunities and encouraging the development of new ventures and/or improved business practices (Lassen, Gertsen & Riis, 2006:361) that could ultimately lead to sustainability of the business. Prior research (Rauch et al., 2009) also supports the view that autonomy encourages innovation, promotes the launching of new ventures and increases the competitiveness and effectiveness of businesses. It is therefore hypothesised that:

$H_1$: There is a significant relationship between Autonomy in the business environment and the Perceived future continuity of the participating family businesses.

**Innovativeness:** Innovativeness reflects a tendency for an enterprise to engage in and support new ideas, novelty, technological leadership, research and development, experimentation, and creative processes that may result in new products, services, or technological processes (McFadzean, O'Loughlin & Shaw, 2005:353; Lumpkin & Dess, 2001:431; 1996:142). Consistent to this view, Lassen et al. (2006:361) describe innovation as an organisation’s propensity to become involved in the support of new ideas, renewal, experimentation and creative processes that may lead to new products, services or technological processes. Krauss et al. (2005:320) added that an innovative orientation implies that one has a positive mind-set towards new ideas with regard to products, services, administration, or technological processes. Innovativeness is, therefore, viewed as essential to maintain the organisation’s viability, because it is a key source of new ideas that lead to product introduction, service improvements, and managerial practices that advances and sustain a thriving organisation (Lumpkin, Brigham & Moss, 2010:247). The relationship between Innovativeness and firm performance presents the greatest degree of consensus (Casillas & Moreno, 2010:269) with most studies finding a positive relationship. For example, Rauch et al. (2009); Morena and Casillas (2008) and Subramanian and Nilakanta (1996) all found a positive relationship between Innovativeness and Business performance and growth. As a result, there is a growing recognition that innovation has become the only sustainable source of growth, competitive advantage and new wealth (Drejer, 2006:143). According to Wiklund and Shepherd (2003:1309), innovative businesses can generate extraordinary performance and have been described as the engines of economic growth. Based on this, the following relationship is hypothesised:

$H_2$: There is a significant relationship between the implementation of Innovativeness in the business environment and the Perceived future continuity of the participating family businesses.

**Risk-taking:** The concept of risk-taking has long been associated with entrepreneurship (Kreiser, Marino & Weaver, 2002:74). Risk-taking refers to a willingness to venture into the unknown without certain knowledge of probable outcomes (Covin & Slevin, 1991:7). Risk-taking is often used to describe the uncertainty that follows from behaving entrepreneurially, and the behaviour involves investing a significant proportion of resources to a project prone to failure (Krauss, Riegter, Hughes & Hosman, 2011:166). Palich and Bagby (1995) found that entrepreneurs tend to categorise business situations as possessing less risk than non-entrepreneurs. In other words entrepreneurs may not think of themselves as being any more likely to take risks than non-entrepreneurs, but they are nonetheless predisposed to cognitively categorise business situations more positively (Palich & Bagby, 1995:426). Risk is inherent in the operations of any business and almost every decision taken by managers involves risk (Von Stamm, 2008:387). Often, businesses that have an entrepreneurial orientation are typified by risk-taking behaviour, such as incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by exploiting opportunities in the marketplace (Bhardwaj, Agrawal & Momaya, 2007:134). However, this risk does not refer to extreme or uncontrollable risk, but rather to moderate and calculated risk (Morris et al., 2008:62). Another aspect of risk-taking is the assumption, which is often made, that innovativeness and risk-taking are directly correlated, that is, doing more innovative things means taking higher risks. According to Morris et al. (2008:62), this relationship is far more complex. Risk is also high when business ignores new product/service opportunities and engages in little or no innovation. In this regard, Burns (2008:291) notes that while not innovating presents a minimal risk in the short term, it does create a high risk in the long term. In essence, businesses
that do not innovate are faced with a higher risk of not perceiving market and technology shifts that are capitalised on by competitors. The opposite is also true. Businesses that attempt to come up with breakthrough innovations that create new markets and redefine industries also face high risk (Morris et al., 2008:63). To be successful in future, businesses will need to exploit an entrepreneurial orientation with the ability to rapidly sense, act and mobilise under highly risky conditions (McGrath & MacMillan, 2000:xiv), given factors such as globalisation, deregulation, technological and social change as well as information technology that are forcing businesses to cope with rapid and unexpected change, which has long been central to the theory of entrepreneurship (Shane, Locke & Collins, 2003:264). The relationship between risk-taking and the success of a firm is not so clear (Rauch et al., 2009) and Wiklund and Shepherd (2005:75) argue that there is research that suggests that while tried-and-true strategies may lead to high performance, risky strategies may lead to performance variation since some projects fail while others succeed. Against this background, the following hypothesis is subjected to further testing:

\[ H^3: \] There is a significant relationship between the practice of Risk-taking in the business environment and the Perceived future continuity of the participating family businesses.

**Pro-activeness:** Pro-activeness is related to initiative and first-mover advantages and to taking initiative by anticipating and pursuing new opportunities (Lumpkin & Dess, 1996:146). As first movers, businesses can control access to markets by dominating distribution channels, charge high prices and "skim" the market ahead of competitors (Wiklund & Shepherd, 2005:75); secure access to rare resources, gain new knowledge of key factors and issues, carve out market share and be in a position that is easy to defend and costly for rivals to overtake (David, 2007:200). First movers are, however, not always successful. The introduction of novel products or breakthrough technologies is not always accepted by the market. Therefore, careful analysis of the environment and feasibility research are needed for a pro-active strategy to lead to a competitive advantage (Dess & Lumpkin, 2005:151). According to Lumpkin et al. (2010:248), reflects pro-activeness the kind of vision and future orientation that is associated with a long-range perspective. The authors added that businesses that engage in such practices are making an investment in the future; when opportunities appear, they have the ability to take fast action with minimal planning. Whereas innovativeness refers to a company's efforts to discover potential opportunities, pro-activeness refers to a company's effort to recognise and seize those opportunities (Lumpkin et al., 2010:248). Pro-activeness is associated with leadership, and not following, as a pro-active enterprise has the will and foresight to seize new opportunities, even if it is not always the first to do so (Lumpkin & Dess, 1996:147). Pro-activeness, according to Lumpkin and Dess (1996:147), is furthermore considered to differ from competitive aggressiveness. **Pro-activeness** relates to market opportunity in entrepreneurship by seizing initiative and acting opportunistically in order to shape the environment, that is, to influence trends and, perhaps, even to create demand” (Lumpkin & Dess, 1996:147). Competitive aggressiveness, however, relates to market opportunity is entrepreneurship related to competitors (Callaghan, 2009:70). In terms of this, Pro-activeness and Competitive aggressiveness are only related in that both relate to the market yet pro-activeness is regarded as related to meeting demand, whereas competitive aggressiveness is regarded as relating to competing for demand (Callaghan, 2009:70). Lumpkin and Dess (1996:146), however, argue that although the idea of acting in anticipation of future demand is an important component of entrepreneurship, the idea of being first to the market is somewhat narrowly construed. A business can be novel, forward thinking and fast without always being first. Subsequently, Lumpkin and Dess (1996:146) suggest that Pro-activeness refers to processes aimed at anticipating and acting on future needs by seeking new opportunities that may or may not be related to the present line of operations and the introduction of new products and brands ahead of competition. Some of the activities that are therefore associated with pro-activeness include new opportunity identification and evaluation, identification and monitoring of market trends and new venture team formation (Kropp, Lindsay & Shoham, 2008:104). A pro-active business is therefore a leader rather than a follower, since it has the will and the foresight to seize new opportunities, even if it is not always the first to do so (Gürbüz & Aykol, 2009:323). Apart from Innovativeness, Rauch et al. (2009) found that Pro-activeness is the other integrating dimension of entrepreneurial orientation that offers a more intense positive relationship with business performance. Casillas and Moreno (2010) also found that pro-active businesses reveal greater performance and growth. Against this background, the following relationship is hypothesised:

\[ H^4: \] There is a significant relationship between the existence of Pro-activeness in the business environment and the Perceived future continuity of the participating family businesses.

**Competitive aggressiveness:** Competitive aggressiveness refers to a business’ propensity to directly and intensely challenge its competitors (Lumpkin & Dess, 1996:148) in an attempt to improve position in the market place (Chang et al., 2007:1000). It is important to note that within the context of entrepreneurial orientation, Competitive aggressiveness is a reaction to competitive trends and demands that already exist in the marketplace (Lumpkin & Dess, 2001:434). It therefore translates to a response to threats from competitors. Businesses that are competitively aggressive are characterised by responsiveness, which may take the form of head-to-head confrontation, for example when a business enters a market that another
Competitor has identified (Lee & Sukoco, 2007:550). Responsiveness may also take the form of a business being reactive, for example when a business lowers prices in response to a competitive challenge. Furthermore, Competitive aggressiveness also reflects a willingness to be unconventional rather than relying on traditional methods of competing. This includes, among others, adopting unconventional tactics to challenge industry leaders, analysing and targeting a competitor’s weakness and focussing on high value-added products (Lumpkin & Dess, 2001:434). In contrast to Pro-activeness, which relates to market opportunities, Competitive aggressiveness (Callaghan, 2009:74) refers to how enterprise relate to competitors and responds to trends and demand that already exist in the marketplace with regard to competitors. Competitive aggressiveness has generally been investigated less frequently (Lumpkin & Dess, 2001:431), we believe for two reasons. Firstly, similar to Autonomy, Competitive aggressiveness has not been part of the “original” dimensions of entrepreneurial orientation and secondly, prior theory and research have often treated Pro-activeness and Competitive aggressiveness as if they were interchangeable (Lumpkin & Dess, 2001:431). Competitive aggressive behaviour is, however, less related to a strategy oriented to growth, since Casillas and Moreno (2010:284) argue that it is a reactive behaviour to competitors or behaviour in defence of a market position. Consistent with their view, they found no relationship between competitive aggressiveness and growth. The following relationship is hypothesised:

$H_0$: There is a significant relationship between the Competitive aggressiveness of the business and the Perceived future continuity of the participating family businesses.

RESEARCH METHODOLOGY

The research method will be discussed in the following sections, namely the measuring instrument utilised in the study, the study population and sample, data collection and statistical analysis.

Measuring instrument

The items measuring the dependent variable, the Perceived future continuity of family businesses, were validated by several studies (Van der Merwe, 2012; Van der Merwe, Venter & Farrington, 2012; Venter, Van der Merwe & Farrington, 2012). The five dimensions of entrepreneurial orientation investigated in this study, namely Innovativeness, Autonomy, Risk-taking, Pro-activeness and Competitive aggressiveness were identified in the literature (Morris et al., 2008:54; Covin & Slevin, 1989:76; Lumpkin & Dess, 1996:139-140; Zahra et al., 1999:50). The items measuring the dimensions were compiled based on a study conducted by Lotz (Lotz, 2009; Lotz & Van der Merwe, 2013). The wording of the items was slightly adapted to be applicable to small and medium-sized family businesses. Respondents were requested to indicate their extent of agreement with each statement (item) by means of a five-point Likert scale (where 1 indicates they strongly disagree and 5 that they strongly agree with the statement).

Study population and sample

The target population of this study was small and medium-sized family businesses in South Africa. There is, however, no database of family businesses in South Africa available. Therefore it was decided to use a convenience sample, by means of the snowball sampling technique, to identify the family businesses that participated in this study. A list of 120 family businesses willing to participate in the study was compiled as a result of these efforts. The sampling technique and methodology are consistent with those of other family business researchers who have been constrained by the lack of a national database on family businesses (Adendorff, 2004; Eybers, 2010; Farrington, 2009; Sonfield & Lussier, 2004; Van der Merwe & Ellis, 2007; Venter, 2003).

Data collection

Family businesses listed on the database were contacted to identify the individual family members in the particular family. A distinction was made between active and inactive family members. For the purpose of this study, are active family members defined as those family members that are employed or actively involved in the management or day-to-day operations of the business. Inactive family members are those members part of the family (for instance spouses, sons, daughters or in-laws) that are not actively involved in the management or operations of the business. Because entrepreneurial behaviour focuses on the management or operations of the business, were only active family members involved in the study. The questionnaires were hand delivered to these family businesses. A covering letter was included in each questionnaire that guaranteed the confidentiality of the responses, as well as an envelope that they have to sealed, in order to ensure the confidentiality of the responses. A total of 231 fully completed and usable questionnaires were returned from 75 family businesses.

Statistical analysis

The data was firstly subjected to an exploratory factor analysis to assess the construct validity of the measuring instrument. This was followed by calculating the Cronbach alpha coefficients to assess the
reliability of the measuring instrument. Finally, the relationships between the independent and dependent variables were examined by means of multiple linear regression analysis. The above analyses were done making use of Statistica (Statsoft, 2013) and PASW Statistics (PASW, 2013).

RESULTS AND DISCUSSION

Demographic information

The majority of the 231 participating active family members were under the age of 40 years (46.76%), 13.19% between the ages of 40 and 49, with 40.05% over the age of 50 years. Furthermore, two thirds of the respondents were male (64.27%) and one third females (35.73%). All the businesses that participated in this study (n = 75) can be categorised as small and medium-sized family businesses (fewer than 200 employees).

Construct validity of the measuring instrument

Before conducting a multiple regression analysis to determine the relationships between the variables, the number of factors and the items loading onto each factor must be known (Hair, Black, Babin, Anderson & Tatham, 2006). For this reason, an exploratory factor analysis was conducted on the dependent and independent variables to identify the unique factors present in the data before implementing multiple regression analysis. The variables were furthermore divided into two models. With regard to the first model investigating the dependent variable, the Perceived future continuity of the business, an exploratory factor analysis with principle axis factoring was performed. A Kaiser-Meyer-Olkin value of 0.880 indicates that patterns of correlations are compact and that factor analysis should yield reliable factors (Field, 2009:647). One factor, explaining 62.15% of the variance in the data was extracted. All six items originally intended to measure the latent variable Perceived future continuity loaded onto the single factor as expected. The factor matrix is presented in Table 1.

Table 1: Factor matrix of the dependent variable

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor: Perceived future continuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>I see our family business as a legacy to be handed over to future generations.</td>
<td>0.866</td>
</tr>
<tr>
<td>I see our family business as a means to create wealth for future generations.</td>
<td>0.825</td>
</tr>
<tr>
<td>Continuing the business into the future will give future generations the opportunity to be involved in the family business.</td>
<td>0.824</td>
</tr>
<tr>
<td>Continuing the business into the future will provide employment opportunities for future generations.</td>
<td>0.792</td>
</tr>
<tr>
<td>I see our family business as a means to sustain harmonious family relationships for future generations.</td>
<td>0.730</td>
</tr>
<tr>
<td>I see our family business as continuing into the future.</td>
<td>0.678</td>
</tr>
</tbody>
</table>

A Cronbach alpha coefficient of 0.905 was calculated for the construct.

The dependent variable, Perceived future continuity, refers to the family business as a means of creating wealth, sustaining harmonious relationships, and providing opportunities as well as employment for future generations as it continues into the future.

In relation to the independent variables measuring an entrepreneurial orientation, based on a Principal Axis Factoring extraction method, an Oblimin oblique rotation was performed. To determine the number of factors to be extracted, Kaiser's criterion was used, namely to retain factors with eigen-values greater than one (Field, 2009:647). A total of 24 items demonstrated sufficient discriminant validity by loading to a sufficient extent. The loadings of three items (Auto5, Pro-act4 and Comp4) were not significant (below the value of 0.35) and were therefore deleted. The factor matrix of the remaining 24 items is provided in Table 2.

Applying the factor extraction criterion that the eigen-values must be greater than one (Davis, 2005:446), five factors were extracted in the exploratory factor analysis explaining 52.52% of the variance before rotation. After rotation, these factors could be identified as the theoretical dimensions of Innovativeness, Autonomy, Competitive aggressiveness, Risk-taking and Utilisation of opportunities.

Factor one, labelled Innovativeness consisted of nine items. Six items (Inno1, Inno2, Inno3, Inno4, Inno5, Inno6) that were originally used to measure the latent variable Innovativeness loaded onto factor one. Three items (Pro-act1, Pro-act2, Pro-act3) relating to the latent variable Pro-activeness, were also included in factor one. The item Pro-act2 loaded onto both the factors Innovativeness and Competitive aggressiveness. Rather
than deleting the item, it was decided to classify it under the factor that obtained the highest factor loading, namely Innovativeness. For the purpose of this study, Innovativeness refers to the regular introduction of new products/services/processes, the increase in the number of service/product offerings during the past two years and the extent to which these new products/services/processes have been dramatic within the past few years.

Table 2: Oblimin rotated factor matrix: Independent variables

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1: Innovativeness</th>
<th>Factor 2: Autonomy</th>
<th>Factor 3: Competitive aggressiveness</th>
<th>Factor 4: Risk-taking</th>
<th>Factor 5: Utilisation of opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inno3</td>
<td>0.829</td>
<td>-0.055</td>
<td>0.026</td>
<td>0.026</td>
<td>0.039</td>
</tr>
<tr>
<td>Inno2</td>
<td>0.783</td>
<td>-0.006</td>
<td>0.039</td>
<td>-0.049</td>
<td>-0.002</td>
</tr>
<tr>
<td>Inno1</td>
<td>0.707</td>
<td>0.027</td>
<td>-0.025</td>
<td>0.033</td>
<td>0.029</td>
</tr>
<tr>
<td>Pro-act3</td>
<td>0.670</td>
<td>0.110</td>
<td>-0.142</td>
<td>0.016</td>
<td>0.002</td>
</tr>
<tr>
<td>Inno4</td>
<td>0.568</td>
<td>0.086</td>
<td>0.134</td>
<td>-0.031</td>
<td>-0.330</td>
</tr>
<tr>
<td>Pro-act1</td>
<td>0.568</td>
<td>0.098</td>
<td>-0.248</td>
<td>0.089</td>
<td>0.054</td>
</tr>
<tr>
<td>Inno5</td>
<td>0.541</td>
<td>-0.121</td>
<td>0.030</td>
<td>0.170</td>
<td>-0.146</td>
</tr>
<tr>
<td>Pro-act2</td>
<td>0.490</td>
<td>0.080</td>
<td>-0.396</td>
<td>0.007</td>
<td>0.084</td>
</tr>
<tr>
<td>Inno6</td>
<td>0.467</td>
<td>-0.102</td>
<td>-0.100</td>
<td>0.050</td>
<td>-0.336</td>
</tr>
<tr>
<td>Auto4</td>
<td>0.029</td>
<td>0.616</td>
<td>-0.049</td>
<td>0.106</td>
<td>0.074</td>
</tr>
<tr>
<td>Auto1</td>
<td>-0.069</td>
<td>0.605</td>
<td>-0.038</td>
<td>-0.083</td>
<td>-0.138</td>
</tr>
<tr>
<td>Auto2</td>
<td>0.080</td>
<td>0.545</td>
<td>0.031</td>
<td>0.003</td>
<td>-0.152</td>
</tr>
<tr>
<td>Auto3</td>
<td>-0.018</td>
<td>0.528</td>
<td>0.002</td>
<td>0.214</td>
<td>0.065</td>
</tr>
<tr>
<td>Comp3</td>
<td>0.017</td>
<td>0.046</td>
<td>-0.779</td>
<td>-0.019</td>
<td>-0.051</td>
</tr>
<tr>
<td>Comp2</td>
<td>0.024</td>
<td>0.095</td>
<td>-0.764</td>
<td>-0.087</td>
<td>-0.005</td>
</tr>
<tr>
<td>Comp1</td>
<td>0.018</td>
<td>-0.122</td>
<td>-0.612</td>
<td>0.093</td>
<td>-0.108</td>
</tr>
<tr>
<td>Risk5</td>
<td>0.086</td>
<td>0.073</td>
<td>0.016</td>
<td>0.916</td>
<td>0.020</td>
</tr>
<tr>
<td>Risk4</td>
<td>0.034</td>
<td>0.189</td>
<td>0.027</td>
<td>0.629</td>
<td>-0.034</td>
</tr>
<tr>
<td>Inno9</td>
<td>0.141</td>
<td>0.231</td>
<td>0.011</td>
<td>-0.033</td>
<td>-0.634</td>
</tr>
<tr>
<td>Risk3</td>
<td>-0.143</td>
<td>-0.025</td>
<td>-0.250</td>
<td>0.217</td>
<td>-0.612</td>
</tr>
<tr>
<td>Inno8</td>
<td>0.228</td>
<td>0.145</td>
<td>0.005</td>
<td>-0.100</td>
<td>-0.605</td>
</tr>
<tr>
<td>Risk1</td>
<td>0.004</td>
<td>0.088</td>
<td>-0.167</td>
<td>0.039</td>
<td>-0.560</td>
</tr>
<tr>
<td>Inno7</td>
<td>0.299</td>
<td>0.134</td>
<td>-0.045</td>
<td>-0.139</td>
<td>-0.417</td>
</tr>
<tr>
<td>Risk2</td>
<td>0.088</td>
<td>-0.145</td>
<td>-0.144</td>
<td>0.282</td>
<td>-0.366</td>
</tr>
<tr>
<td>Cronbach alpha</td>
<td>0.894</td>
<td>0.700</td>
<td>0.801</td>
<td>0.827</td>
<td>0.824</td>
</tr>
</tbody>
</table>

(1) Loadings greater than 0.35 were considered significant  
(2) The items included in the factor analysis are provided in Appendix 1

The second factor, labelled Autonomy, comprised four items. Four of the five items that were originally intended to measure the latent variable Autonomy (Auto4, Auto1, Auto2, Auto3) loaded onto the factor Autonomy, as expected. One item intended to measure the latent variable Autonomy (Auto5) did not load significantly (values greater than 0.35) onto any factor and was, therefore, deleted. Autonomy refers to employees being encouraged to manage their own work without continual supervision and being allowed flexibility to be creative and try different methods to do their jobs.

Factor three, labelled Competitive aggressiveness, consisted of three items. Three items (Comp3, Comp2, Comp1) that were used to measure the latent variable Competitive aggressiveness loaded onto factor three. The item Comp4 did not load significantly onto any factor and was deleted. Competitive aggressiveness refers to when an aggressive posture is assumed not only against competitors, but also any industry trends that may compromise survival or competitive position.

The forth factor, which comprised only two items, was labelled Risk-taking. Two items (Risk5, Risk4) that were originally used to measure the latent variable Risk-taking, loaded onto this factor as expected. In this study, Risk-taking refers to the business having a strong inclination towards high risk projects and when
confronted with uncertainty, the business typically adopts a bold posture to maximise the probability of exploiting opportunities. Furthermore, the term ‘risk-taker’ is considered a positive attribute for employees and consequently employees are encouraged to take calculated risks concerning new ideas without going through elaborate justification and approval procedures.

Factor five consisted of three items originally intended to measure Innovativeness (Inno9, Inno8, Inno7) and three factors intended to measure Risk-taking (Risk3, Risk1, Risk2). For the purpose of this study, the factor was labelled Utilisation of opportunities meaning in practice that businesses continuously monitoring market trends and future needs of customers and pursuing opportunities created by these trends and needs.

The results of the exploratory factor analysis indicated that the items measuring the latent variable Pro-activeness did not load as expected but rather loaded onto factor one that was labelled Innovativeness. The wording of the statements (items) originally measuring the five latent variables is provided in Appendix 1. The exploratory factor analysis, together with the interpretability of the factors, provides some evidence of construct validity.

Reliability of the measuring instrument
To assess the internal consistency of the items measuring the various factors under investigation, Cronbach alpha coefficients were calculated (Bryman & Bell, 2007:164). Coefficient alpha measures internal consistency by computing the average of all split-half reliabilities for a multiple-item scale (Zikmund & Babin, 2007:322). The coefficient varies between 0 for no reliability, and 1 for maximum reliability (Kent, 2007:142). Nunnally and Bernstein (1994:265) suggest that, for acceptable reliability, the Cronbach alpha coefficient should be greater than 0.7. The results in Table 1 and Table 2 suggest that the proposed instruments utilised to measure the dependent and independent variables are reliable with no scores below the cut-off value of 0.7.

Modified hypotheses
As a result of the exploratory factor analysis, it was deemed necessary to reformulate the original hypotheses depicted in the hypothesised model (Figure 1). These relationships are summarised below:

\[ H_1: \text{There is a significant relationship between the implementation of Innovativeness in the business environment and the Perceived future continuity of the participating family businesses.} \]

\[ H_2: \text{There is a significant relationship between Autonomy in the business environment and the Perceived future continuity of the participating family businesses.} \]

\[ H_3: \text{There is a significant relationship between the Competitive aggressiveness of the business and the Perceived future continuity of the participating family businesses.} \]

\[ H_4: \text{There is a significant relationship between the practice of Risk-taking in the business environment and the Perceived future continuity of the participating family businesses.} \]

\[ H_5: \text{There is a significant relationship between the Utilisation of opportunities in the business environment and the Perceived future continuity of the participating family businesses.} \]

Multiple regression analyses results
In order to determine whether the independent variables – Innovativeness, Autonomy, Competitive aggressiveness, Risk-taking and Utilisation of opportunities – have an influence on the dependent variables Perceived future continuity, a multiple regression analysis was performed. Factor scores for each participant were computed as the average of all items contributing to the relevant factor, automatically replacing missing values by means of substitution. The results of the multiple regression analysis for the influence of the independent variables on the dependent variable are presented in Table 3.

Table 3: Multiple regression results: Impact of the independent variables on the dependent variable Perceived future continuity

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardised coefficients</th>
<th>Standardised coefficients</th>
<th>t-value</th>
<th>p-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.433</td>
<td>0.279</td>
<td>8.711</td>
<td>0.000</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.086</td>
<td>0.071</td>
<td>0.097</td>
<td>1.212</td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.210</td>
<td>0.063</td>
<td>0.222</td>
<td>3.350</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>0.064</td>
<td>0.054</td>
<td>0.084</td>
<td>1.185</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>-0.040</td>
<td>0.044</td>
<td>-0.061</td>
<td>-0.925</td>
</tr>
<tr>
<td>Utilisation of opportunities</td>
<td>0.190</td>
<td>0.082</td>
<td>0.194</td>
<td>2.322</td>
</tr>
</tbody>
</table>

\[ R^2 = 0.18 (** p<0.05) \]
Table 3 indicates that, in practice, a significant percentage (18.0%) of the variation in the Perceived future continuity of the participating small and medium-sized family businesses is explained by the five entrepreneurial orientation variables, i.e. Innovativeness, Autonomy, Competitive aggressiveness, Risk-taking and Utilisation of opportunities.

The multiple regression analysis indicates significant positive relationships between the independent variables Autonomy (p = 0.001) and Utilisation of opportunities (p = 0.021), and the dependent variable Perceived future continuity, respectively. No significant relationship could be found between the independent variables Innovativeness, Risk-taking and Competitive aggressiveness and Perceived future continuity.

The hypotheses that there are positive relationships between the variables Autonomy (H2) and the Utilisation of opportunities (H3) and Perceived future continuity respectively were therefore accepted. The hypotheses that there are positive relationships between the independent variables Innovativeness (H1), Competitive aggressiveness (H4) and Risk-taking (H5) and Perceived future continuity were, however, not accepted.

CONCLUSIONS
The objective of this study was to investigate the relationship between the entrepreneurial orientation of small and medium-sized family businesses in South Africa and their perceived future continuity that could ultimately lead to the future success or longevity of the family business. The results show that owner-managers in the participating family businesses perceived the following entrepreneurial orientation factors as influencing the Perceived future continuity, i.e. Autonomy and Utilisation of opportunities. Put differently, family businesses that encourage family member employees to manage their own work without continual supervision and being allowed flexibility to be creative and try different methods to do their jobs, as well as family businesses that are continuously monitoring market trends and future needs of customers and pursuing opportunities created by these trends and needs; are more likely to be successfully transferred over to future generations of the family.

No significant positive relationships were however found between the combined factor including items measuring Pro-activeness and Innovativeness (labelled as Innovativeness in this study) and the perceived future continuity of the participating family businesses. This is in contradiction with the findings of Lumpkin et al. (2010) that found positive relationships between Pro-active and Innovativeness and Business success respectively. There was, furthermore, no significant relationship found between the entrepreneurial orientation dimension Risk-taking and the dependent variable, Perceived future continuity of the participating family businesses.

Competitive aggressiveness, consistent with the findings from Lumpkin and Dess (2001) and Lumpkin et al. (2010), showed no relationship with the perceived success of the business. In this regard, Lumpkin and Dess (2011:446) perhaps present an explanation and argue that Competitive aggressiveness may enhance a business’ efforts to maintain a strong position relative to competitors (reactive behaviour), but this behaviour may not necessarily lead to higher performance.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS
To enhance the entrepreneurial orientation in small and medium-sized family businesses, a number of recommendations are put forward. Firstly, because an entrepreneurial orientation has its roots in the strategy-making process, it is recommended that entrepreneurship becomes the strategic way of thinking (dominant logic) within these businesses. This can be done by specifically including the word “entrepreneurship” in the vision statement of the business, setting goals and developing strategies for entrepreneurship. The focus of the business then becomes opportunity identification, discovery of new sources of value, and product and process innovation that could lead to greater success.

Being pro-active or the posture of anticipating and acting on future wants and needs in the marketplace is vital to the entrepreneurial orientation in businesses. Family businesses must therefore constantly monitor the external environment and, importantly, disseminate this information among all family members and non-family member employees with the view of seeking new opportunities and ideas.

It is the task of management to create an environment in which workplace autonomy can be fostered. Furthermore, autonomy must actually be granted to family members and non-family employees to enable them to exploit new opportunities and ideas. In this regard, task objectives should be framed in such a way that they are clear but defined in broad terms to allow them the freedom to pursue a number of different approaches to perform their tasks.
New opportunities and ideas need to culminate into new products/services/processes. Goals and objectives need to be set for innovation. This must include the type of innovation as well as the number of innovative products/services/processes required. An integrative approach to the type of innovation is recommended and goals and objectives must be developed for both incremental innovations as well as radical innovations.

The adversity to risk-taking in family businesses must be addressed. Risk-taking behaviour needs to be encouraged in family businesses by articulating to family members as well as non-family employees that risk-taking behaviour is acceptable. The senior generation owner-manager should take the lead in this regard. Naturally, employees will be sceptical and it may be necessary to set boundaries for risk-taking behaviour by explaining the types of risk-taking behaviour that will be acceptable. Family businesses must, therefore, develop rules and procedures regarding risk-taking behaviour and identify areas where risk-taking would be acceptable as well as the level of risk that would be tolerated.

Finally, in today's dynamic and uncertain competitive environment, successful small and medium-sized family businesses will be those in which entrepreneurial behaviour will be used to explore opportunities to build a foundation for future success. The senior generation should, therefore, foster a culture of actively searching for new opportunities in the business environment and also set ground rules for pursuing opportunities. The utilisation of opportunities within the ground rules could ensure the longevity of these businesses.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This study has attempted to make a contribution to the body of knowledge on the relationship between entrepreneurial orientation and the perceived future continuity of South African small and medium-sized family businesses. Although there is general consensus in the literature on the dimensions measuring entrepreneurial orientation, there is little consensus on the underlying dimensions of the continuity of family businesses and more research is still needed to clarify the underlying dimensions of ensuring the future continuity of family businesses. Another limitation is that, when measuring the perceived future continuity of the participating family businesses, this study relied entirely on the perceptions of the respondents. To close the gap between perception and reality, future research could be designed to collect longitudinal data.

Using only one aspect, in this case the future continuity of the family business, to measure the success of the family business, is also a limitation of this study. There are other success factors, such as harmonious family relationships, among other, that also play an important role in the success of the family business. Transgenerational sustainability is, however, regarded as an important indicator of the success of a family business. The relationships found between the entrepreneurial orientation dimensions and the future continuity of the participating family businesses, should therefore been interpreted with care.

Because no data base exists of family businesses in South Africa, the researchers had to use snowball sampling to identify family businesses. The findings can therefore not be considered to be representative of all small and medium-sized family businesses in South Africa. Care should therefore be exercised in the interpretation and utilisation of the results, and the findings of the study cannot be generalised to all small and medium-sized family businesses in South Africa. In other words, the typical small and medium-sized family business could be underrepresented in the sample.

The instrument measuring entrepreneurial orientation is developed to measure the entrepreneurial behaviour in corporate organisations. Limited research is, however, been done on the entrepreneurial orientation of small businesses. Although the exploratory factor analysis of the measuring instrument assessing the entrepreneurial orientation and the perceived future continuity of small and medium-sized family businesses provides some evidence of construct validity and reliability, further research is, however, needed before the measuring instrument can be utilised to diagnose these issues in small and medium-sized family businesses.

REFERENCES


National Small Business Act see South Africa.

National Small Business Amendment Act see South Africa.


## Appendix 1: Items measuring the independent variables

<table>
<thead>
<tr>
<th>Item</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INNOVATIVENESS</strong></td>
<td></td>
</tr>
<tr>
<td>Inno3</td>
<td>Our business has increased the number of services/products offered during the past two years.</td>
</tr>
<tr>
<td>Inno2</td>
<td>Our business places a strong emphasis on new and innovative products/services/processes.</td>
</tr>
<tr>
<td>Inno1</td>
<td>Our business regularly introduces new services/products/processes.</td>
</tr>
<tr>
<td>Pro-act3</td>
<td>Our business continuously seeks out new products/processes/services.</td>
</tr>
<tr>
<td>Inno4</td>
<td>Our business is continually pursuing new opportunities.</td>
</tr>
<tr>
<td>Pro-act1</td>
<td>Our business is very often the first to introduce new products/services/processes.</td>
</tr>
<tr>
<td>Inno5</td>
<td>Over the past few years, changes in our processes, services and product lines have been quite dramatic.</td>
</tr>
<tr>
<td>Pro-act2</td>
<td>Our business typically initiates actions that competitors respond to.</td>
</tr>
<tr>
<td>Inno6</td>
<td>In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.</td>
</tr>
<tr>
<td><strong>AUTONOMY</strong></td>
<td></td>
</tr>
<tr>
<td>Auto4</td>
<td>Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.</td>
</tr>
<tr>
<td>Auto1</td>
<td>I have enough autonomy in my job without continual supervision to do my work.</td>
</tr>
<tr>
<td>Auto2</td>
<td>Our business allows me to be creative and try different methods to do my job.</td>
</tr>
<tr>
<td>Auto3</td>
<td>Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.</td>
</tr>
<tr>
<td><strong>COMPETITIVE AGGRESSIVENESS</strong></td>
<td></td>
</tr>
<tr>
<td>Comp3</td>
<td>Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.</td>
</tr>
<tr>
<td>Comp2</td>
<td>Our business is very aggressive and intensely competitive.</td>
</tr>
<tr>
<td>Comp1</td>
<td>In dealing with competitors our business typically adopts a very competitive “undo-the-competitor” posture.</td>
</tr>
<tr>
<td><strong>RISK-TAKING</strong></td>
<td></td>
</tr>
<tr>
<td>Risk5</td>
<td>The term ‘risk-taker’ is considered a positive attribute for employees in our business.</td>
</tr>
<tr>
<td>Risk4</td>
<td>Employees are often encouraged to take calculated risks concerning new ideas.</td>
</tr>
<tr>
<td><strong>UTILISATION OF OPPORTUNITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Inno9</td>
<td>Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.</td>
</tr>
<tr>
<td>Risk3</td>
<td>Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business’ objectives.</td>
</tr>
<tr>
<td>Inno8</td>
<td>Our business has a widely held belief that innovation is an absolute necessity for the business’ future.</td>
</tr>
<tr>
<td>Risk1</td>
<td>When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.</td>
</tr>
<tr>
<td>Inno7</td>
<td>Our business places a strong emphasis on continuous improvement in products/service delivery/processes.</td>
</tr>
<tr>
<td>Risk2</td>
<td>In general, our business has a strong inclination towards high-risk projects.</td>
</tr>
</tbody>
</table>
A RELIGIOUS CONVERSATION ON ETHICS AND COMPETITIVE BEHAVIOUR IN THE SOUTH AFRICAN CONSTRUCTION INDUSTRY

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ABSTRACT
The construction industry continues to attract the attention of scholars and commentators all over the world. A substantial amount of such interest has related to accusations of unethical practices such as illegal competitive behaviour. In July 2013, in South Africa, the Competitive Commission issued major penalties to eighteen construction companies accused of being involved in bid-rigging and cover pricing. Most notable is that the list includes the top six construction firms in the country. In this short commentary, the authors utilise a series of thematic elements drawn around ‘ethical sociology’ to provide a religious perspective on ethical behaviour in the South African construction industry.

Key words: Construction; Ethics; Religion; South Africa

INTRODUCTION
This article examines ethical practice within the construction industry. To facilitate this objective, the study is framed within the notion of ‘ethical sociology’. The construction industry of any country plays a critical part in national development, especially by providing the infrastructure necessary for production. Construction projects involve various processes, stages and stakeholders. In some instances, the construction process can span years. All these characteristics makes the construction industry unique and the question of ethical practice inevitable as unethical behaviour or practice can have a drastic impact on the effectiveness and efficiency of the industry, resulting in waste, inflated cost and uncertainty.

LITERATURE REVIEW
Religion and ethics
A number of scholars (Weaver and Agle 2002; Giacalone and Jurkiewicz 2003; Conroy and Emerson 2004) have examined not only how religion impacts upon ethics, but also ethics within the civil engineering and construction industry (Vee and Skitmore 2003; Abdul-Rahman et al. 2011; Bowen et al. 2007a, 2007b, 2012). The question is extremely pertinent in today’s South Africa’s construction industry for three reasons. The first is historical, the second deals with current social norms in South Africa, while the third has more to do with the general trend in ethics research.

In the first place, historically, the construction profession has its roots in the masons and guilds of medieval Europe. These were groups of highly skilled craftsmen and artisans, precursors of today’s professional bodies (Diekmann 2007). One attribute of the medieval masons and guilds was their focus on ethical workmanship (see Louw 2003). It can therefore be argued that recent reports of unethical behaviour within the construction industry mark a departure from this historical precedent.

As relates to social norms, the post-apartheid in South Africa’s constitution provides well laid-out guarantees to religious freedom (Republic of South Africa 2009). In effect, South Africa is a secular democracy. Although this is the case, the beginning sections of the country’s constitution makes reference to ‘God’, however in a form van der Ven (2003), refers to as simply ‘rhetorical’. The reality however is as scholars such as Deneulin and Rakodi (2011) highlight, due to changes in the global political and social context, the phenomenon of religion can no longer be ignored by scholars, especially those who had emphasised the need for secularism as a means of achieving social harmony and rational economic development.

In order to gain an understanding of the role religion has to play in society, we draw upon the notion of ‘ethical sociology’. Proponents of this philosophy had suggested that the influence of a ‘legalistic’ religion on behaviour as exist within Christianity, Judaism and Islam on behaviour was not only diminishing, but also gradually playing a lesser role in modern society (Hayes, 1918). A different perspective of ‘ethical sociology’ was put forward by Casanova (2001, 2009). For example, he found that by asserting the notion of a higher omnipotent authority, religion had continued to be successful in emphasising an agenda of self-sacrifice. For
this reason, religion played an important role in the social dynamics of the modern society (Casanova 2001) in that it defined the values systems of a society. Later work by Casanova (2009), suggested that ‘ethical sociology’ could be framed around the relationship between the state, the political society and the civil society. For example, businesses were able influence public policy through the funding of political parties (through donations), or more formally, engaging the services of lobbyist. Businesses also played a role in being part of civil society, and therefore could as a matter of choice demand adherence to a reasonable standard of behaviour which emphasised acceptable norms and a common good as against a behaviour driven by purely Friedmanian self-interest and rationality.

On the question of the focus of ethics research in construction, we observe that a majority of commentary appears to focus on either the consequences of breaching professional responsibilities and obligations (Vee and Skitmore 2003; Bowen et al. 2007a) or on ethical behaviour related to leadership and management styles (Christabel and Vincent 2003; Fan et al. 2001; Vee and Skitmore 2003). To date, we are not aware of studies that have focused on exploring a religious dimension to ethical behaviour within the construction industry. The primary objective of this paper is to initiate research into this field.

**Situational ethics**

Ethics is a branch of philosophy which focuses on how moral values may influence human behaviour (Taeusch 1932; Wienpahl 1948). The notion of ethics has roots in early Jewish-Christian religious thought (Abelson and Nielsen 1967). Its focus is primarily to examine value standards of the society and explore the reasonableness of these standards. Core to the question of whether a particular behaviour is ethical is the question of ‘common good’ (Donahue and Moser 1996).

Business ethics as an academic discipline is relatively new. The Stanford Encyclopaedia of Philosophy dates the development of business ethics as a discrete, self-conscious academic discipline back to studies first published in the 1960s. The Encyclopaedia describes the discipline as ‘the applied ethics discipline that addresses the moral features of commercial activity’. In practice, however, a dizzying array of projects is pursued under its rubric. Programs of legal compliance, empirical studies into the moral beliefs and attitudes of business people, a panoply of best-practices claims (in the name of their moral merit or their contribution to business success), arguments for (or against) mandatory worker participation in management, and attempts at applying traditional ethical theories, theories of justice, or theories of the state to firms or to the functional areas of business are all advanced as contributions to business ethics-even and especially in its academic literature.

The same article also notes that ‘construed broadly as moral reflection on commerce, business ethics is probably as old as trade itself.’ One of the examples the author cites is the law code instituted by a King of Babylon, a man called Hammurabi, who lived almost four thousand years ago. The Code sets out prices and tariffs and establishes rules of commerce which the author of the article characterizes as ‘evidence of some of civilization’s earlier attempts to establish the moral contours of commercial activity’ (Davies 2003; Wright 2009). Nearly half of the Code deals with matters of contract. Other provisions include setting the terms of a transaction; establishing the liability of a builder for a house that collapses; and liability for property damaged while left in the care of another person.

There are two dimensions to business ethics. The first focusing on articulating acceptable standards of behaviour and the second which seeks to explore the practicality of applying such standards within business context. Tensions that arise in ethics may arise because of the existence of a tension between these two dimensions; one effectively theoretical and the other effectively practical. This tension is particularly noted as a reason for differences in ethical standards not only between industry sectors (for example between the construction industry and the medical/health industry), but between organisations and professions within a specific industry. May et al. (2001) for example found evidence to suggest the existence of differences in ethical value perceptions between contractors and sub-contractors. In effect, the tension between ethical theory and ethical practice suggest that ethics is not about codifying behavioural values. Ethical consideration is not simply about what is appropriate or inappropriate behaviour. Ethical considerations are highly complex judgments that depend on context. In effect, one can posit that ethics is situational (see Somers, 2001). However, although situation, can we suggest that reports on wide-scale unethical behaviour within the construction industry is simply a reflection of the wider society and not necessary the construction industry? The evidence so far disputes this. Recent studies by Webb (2010) and a recent report on corruption and governance challenges by the South African Public Protector, suggest major ethical challenges in public sector procurement within South Africa (see Madonsela 2010).

More specific to the South African construction industry, reports of considerable unethical behaviour continue to attract substantial interest among scholars such as Bowen (see Bowen et al. 2007a, 2007b, 2012). Albeit,
such practice is not peculiar to South Africa even with recent reports that in July 2013, the Competitive Commission of South Africa issued a total of R1.5 billion in penalties to eighteen construction companies accused of being involved in bid-rigging and cover pricing. A report published in May 2013 by the UK’s Competition Commission found that three of the country’s major producers of cement, Cemex, Lafarge Tarmac and Hanson were purposely failing to compete on price by coordinating their market behaviour. Earlier in September 2009, the United Kingdom’s Office for Fair Trading (OFT), fined one hundred and three construction companies a total sum equivalent to R1.926 billion for collusion (this was however in 2011 reduced to R612 million on appeal by the UK Competition Appeal Tribunal who found that the fines were excessive).

The question which then arises is whether within the construction industry, a religious dominant ‘ethical sociology’ would enhance ethical behaviour. The signs are not positive; this would be an immense task. For one, the construction industry is regarded as one of the most corrupt business sectors in the world (de Jong et al. 2009). The construction industry is characterised as fragmented and characterised by an adversarial culture and in South Africa, a substantial amount of its workforce is engaged on an informal basis. All these factors make the South African construction industry extremely susceptible to unethical behaviour.

At present, a possible response to the question of whether a religious dominant ‘ethical sociology’ will enhance ethical behaviour within the South African construction industry may simply depend on the manner in which religion is incorporated within the ethical agenda. In March 2013, Justin Welby, a former oil industry executive who had written extensively on business ethics, including the book ‘Can Companies Sin?’ published in 1992, was enthroned as Archbishop of Canterbury and leader of the world-wide Anglican Church. He has been invited by the UK government to join the parliamentary commission on banking standards, which is looking into the Libor rate-fixing scandal.

Our thesis is therefore that high standards of ethical conduct in business are a policy which can be justified in terms of ‘the bottom line’, in effect, Friedmanian self-interest and rationality. We will present propositions mainly drawn from Jewish religious and Protestant ethical thought which shows that concern for moral conduct in business has a long history, and argue that the evidence points to an inescapable conclusion; that ethical business practice brings financial success.

CONCERNS FOR MORAL CONDUCT

To establish that concern for moral conduct in business has a long history in Jewish religious thought, we may turn to Biblical and Talmudic Writings. Both are traditional Jewish writings, dating back roughly fifteen hundred to twenty five hundred years, which touch upon the kind of issues which might be encountered in present-day business ethics. We will give examples of these shortly. First, it would be helpful to illustrate the general attitude of the religious leadership of Judaism in the early centuries of the present era towards wealth. This is directly relevant to our interest since the purpose of business according to Friedman (1969, 2002) is to create wealth, add value and generate profit.

An often-quoted passage in the central text of Judaism, the Talmud, in Pirke Avot 4:1 (Kravitz and Olitzky 1993: 56), states that the rich among us are those who are ‘sameach b’helko’, in effect, those ‘happy with their portion’. Pirke Avot can be translated from Hebrew to English as either ‘Sayings of the Fathers’ or ‘Ethics of the Fathers’. The notion of ‘sameach b’helko’ implies that whatever one has, whatever one's portion is, that should suffice. Indeed, in such circumstances, one should consider oneself to be ‘rich’. The acceptance of one's portion, which entails the abandonment of the restless striving to increase it, leads to happiness. There is also the suggestion here that beyond a certain limit, the quest for wealth is harmful. Being content with a modest and adequate status quo should be enough. This assessment of wealth fits in well with other rabbinic opinion expressed elsewhere in traditional literature.

Though the Rabbis of old did not condemn wealth, neither did they accept the pursuit of great wealth as being a worthwhile end in itself. Wealth has value only insofar as one can put it toward holy purposes, e.g. in the service of communal welfare. But the compulsive acquisition of wealth divorced from such proper ends has never been viewed positively. A great first-century Jewish leader, Hillel, taught ‘the more possessions, the more worry’ (see Kravitz and Olitzky 1993:22; in reference to Pirke Avot 2:7). Hillel is not saying that possessions per se are bad, but that the unlimited pursuit of such goods is ultimately not good for anyone.

The way the rabbis conceived the notion of ‘Shabbat’ (the Sabbath), as a day without economic activity of any form, illustrates their religious conception that there should be recognized limits to economic activity. The pattern of the ideal work day included prayer, as well as the requirement to set aside regular time for religious study, without the excuse of being too busy with commercial affairs. Work, the pursuit of wealth and material goods, was to be limited in a manner which subordinated economic activity to concerns of a higher,
more humane and more spiritual order. Such views are strikingly out of accord with the conventional wisdom of our contemporary capitalist and consumerist society. To use a modern idiom, these ideas don't seem very 'business-friendly'.

But while much of their writing reflects ideals and their concern for religious values, the Rabbis also lived in a practical world of work and commerce. Traditional Jewish thought, as expressed in rabbinic literature, tried both to validate legitimate economic activity and to constrain what they saw as its bad effects. They devoted plenty of their energy to issues of what we might today term 'business ethics'. A few examples will suffice to make the point.

In the Jewish Bible (The Tanakh), among the best known passages is the Ten Commandments contained in the Book of Exodus (JPS 1985). There we read: 'You shall not steal. You shall not bear false witness. You shall not covet anything which belongs to your neighbour'. These are part of ancient Jewish society's basic social rules. In Leviticus 19:11 (JPS 1985) we also read 'You shall not steal; you shall not deal deceitfully or falsely with one another. ... You shall not defraud your fellow. You shall not commit robbery. The wages of a labourer shall not remain with you until morning'. This last point is reiterated in the book of Deuteronomy 24:14, 15 (JPS 1985) where we read: 'You shall not abuse a needy and destitute labourer... You must pay him his wages on the same day, before the sun sets, for he is needy and urgently depends on it; else he will cry to the Lord against you and you will incur guilt'. A parallel issue in today's construction industry might be the failure of both the public sector and large construction companies to pay small sub-contractors and suppliers in reasonable time, thereby contributing to, or directly causing them to go out of business. For an industry with a very prevalent sub-contracting base, where an estimated 70% of building and 30% of civil construction work is subcontracted out (see CIDB 2013), we can draw upon Bishop Welby's book to ask the question 'can construction companies sin? We think the Christian answer to that question is clearly 'yes'. It is certainly the case in Jewish thought. In the Hebrew Bible which contains Jewish written law, the Book of Leviticus, in Chapter 19, verses 35 and 36 (JPS 1985) also contains the commands 'You shall not falsify measures of length, weight or capacity. You shall have an honest balance, honest weights, an honest ephah [a dry measure] and an honest hin [a liquid measure].

Jewish religion considers that matters of employer-employee relations and of trade are also religious issues and judges certain types of unethical conduct to fall into the category of sin, wrong against God as well as wrong against people. Rabbinic writings constantly stress a demand for social justice, an issue of great importance in South Africa. After the time of the Bible, the Talmud, a great compendium of law and tradition which became the main focus of Jewish intellectual effort for fifteen hundred years, continued to stress the importance of this theme. Laws are found there which regulate the world of work both from the perspective of the worker and the employer.

Thus, for example, workers are obligated to work the full hours contracted and to give their full attention and energies to working for the employer. Even religiously respected practices, such as fasting, which might reduce a worker's ability to do a proper amount of work, are forbidden. In such rulings, the employer's rights are upheld.

Obligations upon an employer towards employees included paying wages on time (which from the CIDB report, the construction industry continues to fail on) and in full. Wages should be paid in cash, unless workers agree to other forms of payment. An employer may not require anyone to work outside lawful working hours, which are set by local custom. A worker may be dismissed for, among other causes, failing to carry out duties in a proper manner, or improper conduct, even outside employment. A worker may not be dismissed because there is a cheaper worker available or if a better worker becomes available. One therefore argues that commerce and trade are similarly regulated by Jewish law in a comprehensive manner.

Until about two hundred years ago, most of Jewish society was self-governing. From around 1800, civil law was gradually extended to Jews who then became citizens of the countries they lived in, rather than foreign residents. But prior to the modern period, the self-regulation of Jewish society, and widespread obedience by Jews to their community's laws and morality had a clear effect: success in business. Jews were regarded by those who had business dealings with them as reliable and honest. Jewish communities guarded their good reputation carefully. Many Jewish merchants and financiers became immensely wealthy and acted as agents even for governments. The integrity and honest dealing demanded of Jews by their own laws, springing from their religious culture, led to the unintended consequence that the community became wealthy. This pattern, whereby a religious group establishes a reputation for honesty and integrity arising from the moral codes of their religion and culture, and as a consequence, becomes materially prosperous is found throughout history.

ISBN: 978-0-86970-784-5 916
THE INTEREST OF THE CLASSICAL SOCIOLOGIST

The question of the relationship between religion and economy was a matter of interest to classical sociologists. One such scholar was Max Weber (1864-1920), an intellectual giant, regarded as belonging to the so-called ‘founding fathers’ of the academic discipline of sociology. His ideas have greatly influenced our understanding of many aspects of modern society. The impact of Weber’s work The Protestant Ethic and the Spirit of Capitalism, published in the early years of the twentieth century, was immense. Few publications have called forth the flood of responses which this work generated. Many of these responses were critical of aspects of Weber’s thesis, but these criticisms themselves were often misplaced. Weber intended his work to be seen as a preliminary account of his research findings, not a definitive statement of a thesis. Weber made clear that there were limits to the argument presented and that more work was needed.

We should bear in mind that Weber was working at a time in which the economic theories of Karl Marx were widely studied. In particular Weber dissented from Marx’s view that fundamental to any explanation of economics were underlying material facts and only these material factors mattered. In contrast Weber argued that beliefs and attitudes of groups such as religious sects could profoundly influence the economic behaviour of the group members.

In his now classic work The Sociological Tradition Robert A. Nisbet (1966;257) makes the important point that ‘The Protestant Ethic does not—and this point cannot be overemphasized—declare capitalism to be the result of either Protestantism generally or Calvinism specifically. Weber was too sophisticated a methodologist to have made such a claim for any element, material or immaterial.’ In the pages following Nisbet cites passages from Weber which put Nisbet’s assessment beyond any doubt. Fulcher and Scott (2007; 411) succinctly sum up Weber’s interest:

[His] particular concern in his sociology of religion was to look at the relationship between religious values and economic action. He carried out comparative studies of the religions of China, India, and ancient Israel, but his most important study was set out in a book on The Protestant Ethic and the Spirit of Capitalism (Max Weber 1904–1905). The problem that he set himself to examine was why modern capitalism developed first in Western Europe, and he found the answer in its particular religious pattern.

Weber described what he identified as the key characteristic of modern capitalism as its ‘spirit’, meaning its particular cultural attitude towards commercial activity. So, for Weber, the ‘spirit of capitalism’ is a system of beliefs which encourages the accumulation of income and assets through productive activity (Fulcher and Scott 2007; 411). Sociologist Alan Swingewood (2000; 97) describes the features which contribute to this Protestant ‘spirit’:

…the spirit of capitalism is expressed in a rationalising attitude to life, in such maxims of conduct as to be prudent, diligent, _punctilious_ in repayment of debts and loans, avoid idleness since time is money, be frugal in consumption and so on. The spirit of capitalism is a social ethic, a structure of attitudes and behaviour closely identified with ascetic Protestantism and its associated religious sects such as the Puritans and Calvinists.

This social ethic was seen by Weber to be embodied in the sober, hard working middle class of business men (though this class of persons did include some women, most were men) which had emerged in northern Europe, particularly in England and in Holland from the seventeenth century. These capitalists led a disciplined life, not unlike the religious asceticism found in the monastic life of the Middle Ages. The mindset of these wealthy capitalists had an essentially ascetic element (Hamilton 200;155). Often members of Protestant sects, these businessmen thrived in large part ‘thanks to their “worldly asceticism”... Their behaviour was always exemplary; their belief that “honesty is the best policy” made them ideal trading partners.’ (Hamilton 200;158).

We have drawn upon Jewish religious and Protestant ethical thought to support the thesis that a high standard of ethical conduct in personal life and in community life as reflected in honesty and integrity can be justified in terms of ‘the bottom line’. We could have added, from the contemporary world the examples also of the Old Order Amish in the United States. Their agricultural colonies have expanded greatly in the past hundred years, despite their rejection of many aspects of modern life. Their strictly disciplined, ascetic communities, who work co-operatively for the common good, e.g. in pooling financial resources to acquire new farming land, have adopted some modern technologies useful for production, while rejecting technologies of consumption, especially communications. For the Amish, personal consumption is vanity and a sin. But as a community they are prospering (Kaufmann 2010). Are Amish ethics and their success linked? Another strict religious group which has shown immense gains in numbers, again in the United States, is the
Mormon Church, of which the former Republican Party Presidential candidate, Mitt Romney is a member. Their values are conservative and communitarian. The average Mormon is wealthier and better educated than the average American (Kaufmann 2010). Are Mormon ethics and their success linked?

RESEARCH METHODOLOGY
The paper takes the form of a narrative.

CONCLUSIONS
There is, about everything we have articulated in this short commentary, an unspoken issue. Very appropriately, in the context of the South African construction industry, we refer to it as the 'the elephant in the room'. It means an important and obvious topic, which everyone present is aware of, but which isn't discussed, as such discussion is considered to be uncomfortable. The issue is corruption and similar dishonest behaviour across most facets of the construction industry.

We have used the examples of Jewish religious and Protestant ethics to support our thesis that a high standard of ethical conduct can be justified in terms of increase profit (and wealth creation). Admittedly, there are scriptural sources from the same religious texts which seem to challenge our thesis. The unknown author of the book of Ecclesiastes (Fox, 2004) asked, no doubt based upon personal observation and possibly unfortunate experience: ‘why do the wicked prosper’? We have all seen crooks and charlatans, criminals and fraudsters getting away with their crimes. In South Africa, this is a much discussed topic in the popular press which is awash with sensational stories of tenders and tenderpreneurs. 'Tenderpreneurship' appropriately ‘defined’ as the practice of one using “their proximity to power to corruptly secure government work and crowd out new and innovative business enterprises” (Creamer 2012), is a form of elite 'rent seeking' which in economics represents an attempt to obtain wealth by manipulating the social or political environment in which economic activities occur, rather than by creating new wealth. The net effect of rent-seeking is to reduce total social wealth. It is important to distinguish rent-seeking from profit-seeking. Profit-seeking is the creation of wealth, while rent-seeking is the use of social institutions such as the power of government to redistribute wealth among elite groups without creating new wealth.

By 'rent-seeking', corrupt politicians and businessmen corruptly drain the country of its wealth, holding back productive enterprise for personal enrichment. Not surprisingly, drawing upon literature (Bowen et al. 2007a, 2007b, 2012), we identify this as a problem endemic within the South African construction industry. However, though it is of little comfort, the problem is also found in countries such as the United Kingdom and Australia, which has grown economically despite corruption within its construction sector (see CIOB 2006, 2009; Hartley 2009).

It is true enough that unethical practice occurs within the South African construction industry. But it is also true that often proponent of unethical practice in the industry do not necessarily get away with it. In October 2012, the Office of the South African Public Protector, mandated by Parliament to investigate and redress improper and prejudicial conduct and maladministration, found that contracts awarded to On-Point Engineers, a firm partly owned by a former youth leader of South Africa’s ruling party were done so without due process and guidelines (Public Protector, 2012). Interestingly enough, of three firms fined by the South African Competitive Commission in July 2013 who are yet to acknowledge its alleged violations of the Competition Act, one is Power Construction, a member of the ‘Unashamedly Ethical’ forum which proclaims on its website that ‘God gave the vision for Unashamedly Ethical through a clear early morning dream in October 2006’.

In spite of the fact that some people who are unethical in their business practice do prosper, we believe that our thesis has substance. Construction companies that operate ethically, have nothing to fear from the law, though sometimes justice does miscarry. Overall, a business which is honest, fair and law abiding will not be brought down by the law and suffer the type of penalties and loss of reputation which some construction companies in South Africa have recently undergone. Such firms also are unlikely to be subjective to any reputational damage and are likely to increase their profits through a reduction in transaction costs associated with excessive monitoring and documentation. Should the government be concerned?

In conclusion, as literature does demonstrate, there is a relationship between ethics and religion. In particular religions seeks to embody values on the basis of articulated morality, in effect, what is seen in society to be either ‘right’ or ‘wrong’. In particular, Parboteeah et al. (2008) points out that the essence of religion is to articulate prescriptive values, norms and beliefs of acceptable behaviour. Codification of such behaviour is contained within text such as the Bible, the Talmud and in Islam, the Quran.
MANAGERIAL IMPLICATIONS
Ethical values are formed based on behavioural expectations which emerge following constant societal interaction. This explains why ethical behaviour will generally mirror the dominant religion in a particular society. This does not mean that institutions that are not religious are less ethical. If earlier this year, China's all-powerful Communist Party which is officially atheist (Potter, 2013), and which runs the second biggest economy in the world, was prepared to announce publicly that its number one priority is to fight corruption, it must have good reason to believe that benefits will come from doing so. In 2012, academics Daron Acemoglu and James Robinson published a book entitled ‘Why Nations Fail’ which asked why some countries enjoy economic success while others fail. In answer to this key question, they argue from many historical examples that sound institutions must become established which have an ethical basis. Surveying the competing arguments of from scholars ranging from Max Weber to Daron Acemoglu we begin to see the emergence of a persuasive relationship between ethical behaviour and the ability to realise profits.

REFERENCE LIST
THE RELATIONSHIP BETWEEN INDIVIDUAL KNOWLEDGE TRANSFER AND BEHAVIOUR IN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT
The purpose of this paper is to investigate the relationship between individual knowledge transfer and behaviour patterns in small and medium enterprises (SMEs). The knowledge transfer methods under study were self-study and experience and the behaviour factors observed were facilitation, conduct and ability. A questionnaire was administered to 200 employees from a sample of SMEs in Durban. The findings show that there is a significant correlation between transfer method self study and behaviours, facilitation, conduct and ability, but insignificant correlation between transfer method experience and behaviours, facilitation, conduct and ability. This study recommends managers and owners to instil and encourage employees to cultivate a knowledge sharing teamwork and culture to ensure sustainability in SMEs. Sustainability is enhanced improving internal communication, identifying and resolving dysfunctional conflicts and through maintaining fairness and trust among employees.

Key words: Individual knowledge transfer, behaviour, small and medium enterprises (SMEs), development.

INTRODUCTION
Individual knowledge has proven to be the source of innovations and competitive advantage in many organisations. In the capacity building of SMEs, individuals play a critical role in the knowledge transfer process. The foundation of knowledge flows is based on individual members of the business organisation who depict different behaviour reacting to the process of establishing a transfer platform (Liebowitz 2004) and (Gottschalk 2010:213-214). In the same context, MacDuffie (1995) in Schuler and Jackson (2007:80-81) refer to explaining the concept of discretionary behaviour, where the sender and receiver of knowledge are mostly influenced by individual behaviour patterns that can be either a barrier or a bridge in the transfer process. Since tacit knowledge resides in individuals within organisations; this situation places pressure on small and big firms to retain individuals who are either retiring or leaving the organisation (Fernandez & Sabherwal 2010:31-33). However due to interactions of members, the same authors confirmed that tacit knowledge is instead, likely to reside within the organisation as knowledge in artefacts is embedded in procedures, rules, norms, systems, books, and documents resulting from people's innovative initiatives and practices. Unfortunately there is a tendency to overlook the insights of members' behaviours in establishing a learning culture of the enterprise. This is problematic since the success of the transfer process itself depends on the behaviour of both the transferor and the recipient (Robbins, Odendaal & Roodt 2004:179).

The situation becomes more sensitive in small businesses which are more individual centred in contrast to larger businesses (Desouza & Awazu 2006:8). Scarborough, Wilson and Zimmerman, (2009:19-20) note that the new structure of the economy which is knowledge economy favours small firms due to their low cost of managing and transmitting knowledge and information. However as pointed out by Nieman (2006:22-24) the situation remains complicated for small businesses because of the dichotomy of unsophisticated processes and limitation of resources to capture and share knowledge in their development.

PROBLEM INVESTIGATED
The problem which arises in the SME is that the entrepreneur is not necessarily the only source of knowledge within the organisation. As pointed out by Lewis (2011:2) and Taruwinga (2011:68) though entrepreneurs are born with natural intelligence and creativity, they need to be shaped in accumulating relevant skills and know how to be successful. As a result the complexity and necessity of tacit knowledge transfer is likely to result in conflict of interest within the business organisation's structure as knowledge and behaviour encompass when individual members interact (Cope, Kempster & Parry 2011:276-277). Negative behaviour which inhibits knowledge transfer is likely to result from the conflict, and on the other hand the individual may behave in a manner that promotes knowledge transfer. In contrast, positive behaviour constitutes a channel of knowledge transfer. The question therefore becomes, is there a relationship between behaviour and the resultant knowledge transfer?
RESEARCH OBJECTIVE AND HYPOTHESES

The aim of this study is to establish the extent of the relationship between knowledge transfer from talented employees to co-workers and a select set of expected behaviour in the knowledge transfer process. The study assumes that the success of knowledge transfer would depend on a particular behaviour of the knowledge transferor. For example an employee who is strong in “self-study” would be expected to be better in “ability/ task performance” behaviour than one who is weaker in self-study or a senior or “experienced” employee is likely to possess high “facilitation/organisational citizenship” behaviour than a new employee. Due to the nature of the small enterprise, where contact between individuals is very close we expect positive behaviour (conduct) to be in relationship with both of the knowledge transfer methods. The study proposes the following hypotheses;

Hypothesis 1: Relationship between knowledge transfer method “experience” and behaviour patterns
There is a statistically significant correlation between work experience and each of the following behaviour patterns of employees: Ho1.1 Facilitation, Ho1.2 Ability and Ho1.3 Conduct

Hypothesis 2: Relationship between knowledge transfer method “self-study” and behaviour patterns
There is a statistically significant correlation between self-study and each of the following behaviour patterns of employees: Ho2.1 Facilitation, Ho2.2 Ability and Ho2.3 Conduct

This study is structured as follows: the next section reviews the literature on individual knowledge transfer and behaviour factors. This is followed by the research methodology, then findings and the study’s managerial applications and recommendations. The research conclusion is provided last.

LITERATURE REVIEW

Nonaka (1994), Little, Quintas and Ray (2002), and Desouza and Paquette (2011: 336) have defined and explained tacit or individual knowledge as rooted in action, commitment and involvement in a specified environment: it is unarticulated and consequently less permissible to transfer and has both cognitive and technical elements that cannot be shared in an explicit form. The individual knowledge transfer in small and medium enterprises will be reviewed first then the behaviours of individuals within the same organisation. It is these behaviours which result in the success or failure to transfer knowledge. If knowledge transfer does not take place, the sustainability of SMEs is compromised.

Individual knowledge transfer in small and medium enterprises (SMEs)

Fu, Li and Johnson (2011:386) stated that the acquisition and use of individual knowledge depend on (1) strong self-study measured by formal qualification or education of employees, (2) learning-by-doing which is linked to the work experience of an employee and inter-personal interactions.

The same authors confirmed that strong self-study characterised the individual effort and ability to obtain individual knowledge over a period of time. They also stated that learning by doing is a very important source of individual knowledge. This individual knowledge cannot be codified or articulated as it is acquired through practicing or doing over and over again during a long period of time. This transfer of individual knowledge is what is normally termed ‘work experience’ of employees in the business.

As asserted by Desouza and Paquette (2011: 336) and Tuan (2011:128-130) individual knowledge has both cognitive and technical elements that cannot be separated from the knowledge source. This implies that the technical element stems from self study and the cognitive is likely to develop through practice or experience. According to Peters and Brijlal (2011:268) education is related to knowledge, skills, problem solving and self confidence that increase the possibilities of success in SMEs. The same authors confirmed for example that with higher levels of education and experience, the entrepreneurs are likely to be efficient and successful in SMEs. As noted by Singley and Anderson (1989) in Argote and Igram (2000:151) how knowledge is transferred and acquired from education or experience applies or fails to apply through employees’ behaviours. The next section will discuss the individual behaviours in SMEs.

Workplace individual behaviours in small and medium enterprises (SMEs)

Many previous works indicated that company size is considered one of the fundamental variables in explaining firms’ behaviours and outcomes in SME networks (Alvarez & Barney, 2001; Chen & Hambrick, 1995; Redondo & Fierro, 2007; Wincent, 2005) in Paik (2011:13). According to McShane and Glinow (2014:27) there are five types of individual behaviours (IB) mostly discussed in organisational behaviour (OB) such as task performance behaviours (TPB), organisational citizenship behaviours (OCB), productive or counter-productive, work attendance behaviours (WAB) and joining and staying behaviours (JSB). Based on the definition of Moorhead and Griffin (2010:80), workplace behaviour (WB) is a model of action that


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incarnates members of the business and which directly or indirectly influences organisational effectiveness. This model did not consider the size of businesses, but just acknowledged the existence of individuals' interaction in the organisation. These types of individual behaviours at the workplace applied to small and big business organisations and can be depicted in figure 1

**Figure 1: Types of work-related behaviour**

Source: McShane and Glonow (2014:27)

These behaviours can be constructive or can be dysfunctional. Obviously these behaviours would most likely promote knowledge transfer. The positive behaviours, we will focus on are ability, facilitation and conduct. The conduct is likely positive or negative to promote or inhibit knowledge transfer within the organisation. The different behaviours are briefly discussed next.

**Task performance behaviours as ability**
According to McShane and Glinow (2014:27), task performance behaviour described an individual behaviour that supports organisational objectives. This type of behaviour is goal-directed and involves different dimensions of business. In the same context Moorhead and Griffin (2010:80) stated that the task performance behaviours are the sum of work related behaviours that the business expects the employees to display in performing their tasks. This requires the application of knowledge from previous self-learning, experience gains through learning-by-doing and interpersonal interactions learning cultivated through better communication. According to Robbins, et al., (2004:47), ability describes an individual's capacity to perform various tasks in a job which is made up of intellectual and physical abilities. The former is the type of ability which carries out mental activities and the latter (physical) is relevant to less skilled, standardised jobs with demanding information-processing requirements. This type of behaviour would be considered constructive since it supports organisational goals.

**Organisational citizenship behaviours as facilitation**
According to McShane and Glinow (2014:27), the organisational citizenship behaviours refer to the behaviours of employees that prove their commitment to go beyond their normal job duties. This type of behaviours describe the disposition of employees to help others without selfish intent, getting involved in organisational activities, avoiding unnecessary conflicts and perform tasks beyond the call of duty. In the same context, Moorhead and Griffin (2010:81) confirmed that organisational citizenship (facilitation behaviour) is the extent to which an employee’s personal behaviour makes a positive overall contribution to the organisation. This will also be viewed as a favourable behaviour.

**Functional or Dysfunctional behaviours as conduct**
These behaviours constituted conduct that can progress or harm the sustainability of SMEs and have been stated under three factors which include productive or counterproductive, joining and staying (loyalty) and good or poor work attendance behaviours. McShane and Glinow (2012:28) and Nelson and Quick (2008:111) stated that counterproductive work behaviours (negative conduct) constitute voluntary behaviours that have the potential to harm the business by reducing the effectiveness of its employees or property or functioning. These behaviours include the acts of commission and omission. The former behaviours constitute deliberate acts that harm the business and its employees and the latter depict behaviours that lead to ignoring and avoiding actions that could benefit the business and its employees. The same authors confirmed that productive or counterproductive behaviours were associated with personality traits such as Machiavellianism, value systems, locus of control and cognitive moral development. According to Goetsch and Davis (2010:75-77) and Longenecker, Moore, Petty and Palich (2008:32-33) the benefits of avoiding harm and affirmative benefits were likely to maintain positive conduct and benefit the small firms in the
knowledge transfer process. In the same context, Nelson and Quick (2008:111) differentiated instrumental and terminal values. The former represents the acceptable behaviours in achieving an end state such as honesty, self-sufficiency, ambition and terminal values represent the goals to be achieved such as self-respect, freedom and love.

Some of these counterproductive behaviours may be a response to organisation environment. The behaviours may manifest themselves through absenteeism, lack of cooperation or outright hostility to work colleagues (Appelbaum, Laconi & Matousek 2007:588). According to Moorhead and Griffin (2010:80), absenteeism occurs when the individual employee is not present at work regardless of whether there is legitimate reason or not. The same authors discovered that different factors affect employees' absenteeism, but the fact remains that the output of the business suffers. The next section presents the methodology which was used to test these hypotheses.

**RESEARCH METHODOLOGY**

The sample was drawn from the Durban Chamber of Commerce and Industry (DCCI) membership directory of SMEs. This data source was found to be more reliable and inclusive because it includes information from a spectrum of data sources. The database also included SMEs with at least 5 employees and operating from the Durban Metropolitan area, a criterion of this study. The database contains a population of 1620 businesses which include small and medium enterprises in different business sectors. The primary data was collected from a total of 50 SMEs which were selected randomly allowing equal opportunity for each element of the population to be included. All sectors were represented in the targeted population and based on the above procedure the sample error was reduced. From the 50 organisations (SMEs) in the selected sample, four most senior people were selected to answer the questions about their behaviour during the knowledge transfer process. The four most senior employees included owners and owner / managers. The selection of four individuals from fifty organisations resulted in a total number of 200 respondents which included both owners-managers and employees.

The questionnaire which comprised of twenty five questions was then administered to the 200 members of SMEs, delivered face-to-face then collected immediately. The researcher had to verify with the managers that the business met the requirements of this study which were that (1) it should have at least 5 employees (not a micro enterprise, Small Business Amendment Act 102 of 1996) and (2) that it had been operational for at least two years, to ensure that knowledge transfer had taken place since the organisation would have existed for a relatively reasonable period of time.

The response rate was 100%. The reason for the high return rate was that the questionnaires were delivered face-to-face and collected personally by the researcher. As noted by Welman et al., (2007:154) a satisfactory response rate may be obtained from the target population if the questionnaire is delivered and collected personally. The questionnaire had two sections comprising demographical information of participants and twenty-five questions on employee behaviour during knowledge transfer. The sections were subdivided as follows:

**Section 1** provided demographical information of the participants: age, experience, race, sector, occupation, gender and education.

**Section 2** covered the twenty-five questions relevant to individual knowledge and behaviour factors.

**Statement 1** focused on four questions of employees’ abilities in performing different tasks in SMEs. This section covers the questions relating to ability of employees to execute tasks in SMEs which are measured on the Likert 5 interval scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. It includes aspects such as business awareness of individual knowledge and its transfer, decisions on maintaining talented employees, ones view on business priority between knowledge and ethical behaviour.

**Statement 2** built its questions around productive or counterproductive behaviours of employees in SMEs. The statements under this section highlighted questions of conduct of employees in relation to individual knowledge transfer and are measured on a 5 point Likert scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. The six questions covered the following aspects: ethical behaviour in transferring individual knowledge, one’s view on the regulation of individual knowledge transfer, business priority of ethical behaviour, and ethicality in the transfer of individual knowledge.

**Statement 3** included eleven questions relevant to facilitation behaviour of employees in SMEs and these measured on the Likert 5 interval scale of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5 strongly agree. The eleven questions covered aspects such as, the sharing of knowledge, ones view on the importance of sharing knowledge, employee interaction within the business, processes followed in knowledge sharing and how management share and transfer knowledge to employees.
The sources of individual knowledge include self-study, experience (learn-by-doing and interaction). Self-study refers to educational qualification of respondents as well as of employees’ individual knowledge about the particular business.

Secondly, the work experience of respondents allowed employees to acquire individual knowledge through learning-by-doing and interpersonal interactions in SMEs. The knowledge questions were asked to establish the knowledge capacity of the respondents. Knowledge acquisition and transfer takes place through a formal educational qualification as well as through experience/interaction. Only the educational qualification and the years’ work experience results are stated in the findings.

The pre-testing was done to ensure that the research instrument measures exactly what was intended to measure. Five people, three employees and two small business owners who were not part of the sample were asked to answer the questions in order to ensure the clarity of the questionnaire. This pre-testing allowed for the rectification of ambiguous questions resulting in the refinement of the research instrument. The next section will present and discuss the result of this paper.

RESULTS
This section will analyse and interpret the findings based on the statistical analysis done using SPSS package. The analysis was done in order to generate descriptive and inferential tools such as frequencies, percentages, mean scores, standard deviation and correlation.

Descriptive statistical analysis
Based on the sample of 200 respondents, 109 (54.5%) were male respondents and 91 (45.5%) female. It confirms that male participants surpass females in small business sector in the Durban area as far as gender is concerned. This slight difference of (9%) between (54.5%) and (45.5%) in gender participation reiterates that male still dominates the SME's sector and for the purpose of this study the sample is representative. The education distribution was as follows, 3.5% post graduate degree, 13.5% degree, 29% diploma, 21% post-matric (but not Diploma / Degree), 27% matric, 3.5% pre-matric and only 2.5% unspecified. In terms of respondents’ work experience, this ranged from 21% from 6months to 1 year, 39.50% from 2 to 5 years, 19% from 6 to 10 years, 14.50% from 11 to 15 years, 4% from 16 to 20 years, and 2% from 21% to 25%. It can be noticed that 69.5% of respondents are qualified higher than matric whereas 79% of respondents have worked more than two years in SMEs. This proves that the respondents were knowledgeable as shown by their high educational qualifications and periods of work experience.

Reliability test
According to Bryman and Bell (2011:41-43), the validity of the study is concerned with the integrity of the conclusions that are generated from the study whereas reliability focuses on the question of whether the results of a study are replicable. The study's reliability was tested using Cronbach's Alpha. According to Welman et al., (2007:147), Cronbach's Alpha determines the degree to which the items of a research instrument or questionnaire measure the same attributes and the coefficient of 0.60 and higher is considered acceptable for reliability purposes as the closer the coefficient to 1 the higher the consistency reliability. As shown in table 1, the Cronbach’s Alpha test of reliability coefficient shows an alpha coefficient of 0.701 which is higher than the acceptable 0.60. The study's data structure is therefore reliable.

![Table 1. Reliability Statistics](image)

<table>
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<th>Cronbach’s Alpha</th>
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<td>.701</td>
<td>25</td>
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Source: Data analysis in SPSS

Hypotheses test
The study’s hypotheses were tested using Pearson correlation measure. The results are presented and analysed.

Hypothesis 1 tests Relationship between knowledge transfer method “experience” and behaviour patterns
Hypothesis 1 stated that there was a statistically significant correlation between work experience and each of the following behaviour patterns of employees Ho1:1 Facilitation, Ho1.2 Ability and Ho1.3 Conduct

Hypothesis 2 tests Relationship between knowledge transfer method “self study” and behaviour patterns
Hypothesis 2 stated that there was a statistically significant correlation between self study and each of the following behaviour patterns of employees Ho1.1 Facilitation, Ho1.2 Ability and Ho1.3 Conduct

Table 2. Pearson Correlation Coefficients

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*, Correlation is significant at the 0.05 level (2-tailed).
**, Correlation is significant at the 0.01 level (2-tailed).

It is important to indicate that the analysis will be based on the 0.01 significance (a statistically higher level test) only and so limited comment will be made on the 0.05 level

There is a statistically significant correlation between work experience and facilitation behaviour of employees in SMEs (Ho1.1)

It is found that there is a positive but insignificant relationship between work experience and facilitation’s behaviour of employees in SMEs. As shown by a coefficient $r = 0.115$ at p value $0.106 > 0.01$. It can be argued that there is not enough evidence to confirm that the long or short length of services in SMEs will facilitate the transfer of individual knowledge in a significant way. It was stated in literature that the work experience of employees was the source of individual knowledge in SMEs and it was assumed that the more the experience the worker has, the more likely he or she will facilitate individual knowledge transfer. It can also be argued that positive weak correlation between work experience and facilitation behaviour proves that senior employees of SMEs do transfer knowledge though not in a significant way. The research proposition above is rejected as no significant correlation is found between work-experience and facilitation behaviour of employees. The literature found that experienced employees are likely to know better the functioning of the business through accumulated business skills. But this study confirms that there is no evidence to prove above reasonable doubt that work experience significantly enhances the facilitation behaviour of employees in SMEs. This insignificant relationship between experience and facilitation behaviour should raise concern for SMEs because workers who gain knowledge through experience do not use their skills to significantly facilitate transfer of skills. Ho1.1 is therefore rejected.

There is a statistically significant correlation between work experience and conduct of employees in SMEs (Ho1.2)

Results show that there is negative and insignificant relationship between work experience and conduct as shown by a coefficient $r = -0.113$ at a p value $0.112 > 0.01$. The result means that the length of services of employees in SMEs negatively correlates with conduct behaviour though not in a significant way. It implies that the work experience of employees in SMEs cannot justify the conduct in sharing of skills to achieve business objectives and goals. There is evidence though to confirm that work experience can decrease ethical conduct in transferring individual knowledge in SMEs, but in an insignificant way. Robbins, Odendaal and Roodt (2004:270) and McShane and Glinow (2002:43) stated that an expert power acquired through experience improved the effectiveness of employees in the functioning of a business organisation. But
according to Goetsch and Davis (2010:323-324) the territorial behaviour and dependency created by expert power is likely to harm the transfer of individual knowledge in the development of SMEs. This observation is not in line with the study’s finding and pre study expectation of a significant correlation between work experience and conduct. The findings of this study show that there is no statistically significant correlation between work experience and conduct of employees in SMEs, therefore the hypothesis is rejected. Although the relationship is insignificant, the negative correlation should be a concern to SMEs because it implies that senior employees may take advantage of their seniority to break rules and regulations, deliberate refusal to integrate new employees; or misuse power, to the detriment of the organisation. Ho1.2 is therefore rejected.

There is a statistically significant correlation between work experience and ability of employees to perform different tasks in SMEs (Ho1.3)
Another positive and weak correlation is observed between work experience and ability as indicated by a correlation coefficient of \( r = 0.154 \) at a p value 0.03<0.01 insignificant at 99% level of confidence but this relationship is significant at the 95% significance level. Ho1.3 is therefore rejected. It shows positive and insignificant relationship between work experience and ability. The implication of this result could be that the long length of services in the SMEs may only allow employees to do the routine operational activities in the business without taking business to another level. The findings may justify the lack of adapting business strategies to changes in business environment by many SMEs. There is evidence though to confirm that seniority may vary with employees’ abilities to perform complex tasks in SMEs but in an insignificant way. It can also be interpreted that individual knowledge has to be shaped and adapted to business context and environment in order to be useful in SMEs. The nature of the SME (simplicity) may not require or demand a variety of skills from the experienced worker. It can also be summarised that new development in a business environment may justify inability of experienced employees to perform certain tasks. Certain technical knowledge such as strategic planning may require more than routine business activities in SMEs. The nature of activities may force experienced employees to update their business knowledge in order to share it and initiate innovations in SMEs.

There is a statistically significant correlation between self-study and facilitation behaviour of employees in SMEs (Ho2.1)
Table 1 reveals that there is a positive correlation between self-study and facilitation at coefficient \( r = 0.184 \) at p value of 0.010<0.01. Ho2.1 is therefore accepted. It can be argued that the high qualification and special skills of employees enhance their facilitation behaviour in SMEs in a significant way. Levy, Loebbecke and Powell (2000:4) confirmed that SMEs could benefit from synergy and leverage of individual knowledge through co-operation. The findings of this study confirmed that SMEs have the potential to reach synergy and leverage through knowledge transfer. Furthermore, this significant relationship can also be interpreted in terms of what Gottschalk (2010:213) indicated as the sufficient willingness and commitment from both the transferor (skilled employees) and receiver (co-workers) to share and learn business technical knowledge to support business development. It can be summarised that the skilled employees do contribute significantly to the capacity building of SMEs. In this context, the uncontrollability of individual knowledge transfer may be difficult to deal with in SMEs and requires employees to willingly facilitate and share knowledge with co-workers. It can be concluded that skilled employees are proven to be good facilitators of knowledge transfer in SMEs.

There is a statistically significant correlation between self-study and conduct of employees in SMEs (Ho2.2)
Table 1 depicts a positive and significant correlation between self-study and conduct of employees as shown by a p value of 0.000 and correlation coefficient \( r = 0.296 \). It can be interpreted that the positive significant correlation proves that individual knowledge acquired through self-study is likely to improve the conduct of employees to share knowledge and support though in a significant way. The research proposition is therefore accepted. McShane and von Glinow (2014:28) found that qualified employees were likely to leave the business for other opportunities elsewhere. This study finds that individual knowledge transfer is not regulated in SMEs. But it argues that counterproductive behaviour such as voluntary refusal to share individual knowledge, conflict of interests, higher turnover in business are unlikely to happen because of the skills or qualifications of employees. The literature also stated that skilled employees may decide to stay in the business because it is the right thing to do their attachment to the personality of owner and due to the unifying culture of SMEs. The literature review also confirmed that Machiavellianism behaviour, values and locus of control can be linked to talent or high qualification of employees in a positive way. This study confirms that SMEs are likely to benefit from individual knowledge of employees because of the significance of the relationship between self-study and conduct of employees. It also confirms that the locus of control is likely to benefit SMEs if qualified employees make a positive impact through their ethical conduct on co-workers in transferring their knowledge. The significant relationship between the two variables confirms that
the ethical conduct is likely to play a critical role when employees with high Machs interact face-to-face with co-workers because there is lack of rules and regulations regarding the transfer of individual knowledge in SMEs. The finding supports the literature view that the qualified or skilled employees with high Machs in position of power are likely to avoid selfishness behaviour and dysfunctional organisational politics in a significant way for the advancement of the business. The proposition P2.2 is accepted. It can be summarised that highly qualified employees are likely to depict significantly ethical conduct in sharing their individual knowledge or skills in SMEs. This result shows that while experience tends to have a negative effect (though weak) on conduct education has a positive and significant effect on conduct. Education might therefore be a more desirable or effective way than experience. Experience is not significantly positive in facilitation and ability and becomes negative when it comes to conduct.

**There is a statistically significant correlation between self-study and ability of employees to perform different tasks in SMEs (Ho2.3)**

Table 2 shows weak, positive but significant correlation between self-study and ability at correlation coefficient r=0.345 and p value of 0.000<0.01. This leads the researcher to accept the research proposition that there is a statistically significant correlation between self-study and ability of employees to perform different tasks in SMEs. The literature review found that talented and qualified employees show strong task performance behaviour. This study reveals a significant relationship between the variables. However, the unsophisticated processes as stated in literature may prove that the knowledge worker is likely used in general or routine tasks leading to slow innovation in SMEs. Desouze and Awazu (2006:33) and Wong and Aspinwal (2004:46) also confirmed that SMEs were sources of innovations, but in the context of this study, it can be argued that the relationship between what the employees know and the type of tasks they perform in SMEs is critical for innovation leading to business development. The other argument is that complicated tasks may be attempted by unskilled employees resulting in poor performance, consequently hampering innovative initiatives and business development. The level of education of employees in SMEs is improving as 69.5% are above matric, but the challenge is the effectiveness and efficiency use of business technical knowledge of employees. The failure of SMEs could no more be attributed to a shortage of business skills, but the uniqueness of knowledge capabilities and its application or use in SMEs. It can be summarised that the positive and significant relationship between self-study and ability proves that the skilled employees are likely to diffuse or use their knowledge to perform complex tasks in SMEs and drive innovations.

**MANAGERIAL APPLICATIONS AND RECOMMENDATIONS**

The KwaZulu Natal Department of economic development and tourism (KZN-DEDT) (2010:17) acknowledged that, despite the contribution of small enterprises in giving the marginalised individuals access to the mainstream of the economy, the sector still faces tremendous challenges such as capacity building. The significant correlation between self study and behaviour factors constitutes an opportunity for SMEs to capitalise on their limited resources, but the insignificant correlation between experience and behaviour factors should raise concern in the capacity building of SMEs. Based on the above conclusion, the recommendations of this study are as follows:

It is recommended to managers of SMEs to identify the behaviours of employees in order to monitor their performance and commitment in business development. Beyond multitasking roles of employees, managers are recommended to use knowledge workers in their areas of expertise in order to fully utilise knowledge resources.

It is also recommended to owners and managers in partnership with all stakeholders to establish internal mentorship programmes where senior employees use success cases from all over the world to convey certain business skills to new employees in SMEs and to continue improving senior employees’ business skills through seminars, workshops, on the job training, business incubations, etc regardless of the seniority and educational qualifications of employees.

The researcher recommends to management of SMEs to continuously analyse the internal organisation to ensure that knowledge resources are effective and to establish mechanisms to identify talented employees or who can improve business competitiveness regardless of their gender, educational qualifications and positions in SMEs. It is also recommended to management of SMEs to initiate and identify knowledge projects and protect the intellectual capital of the business for long term competitiveness, employees and managers should be equipped to adapt their skills and respond to changes effectively within environmental complexities of SMEs.

Members of small firms to optimal use individual knowledge through understanding of productive behaviours and building a learning environment of knowledge in order to efficiently and effectively utilise the scarce resources. SMEs should initiate tasks that allow improved communication thereby allowing employees to share their individual knowledge with co-workers willingly without persuasion and constraints through. This is to emphasise the necessity to fully use individual knowledge for innovations in SMEs through talent
management and ethical business practices. Managers and owners should instil and encourage employees to cultivate a knowledge sharing culture and teamwork to ensure smooth succession and sustainability in SMEs. SMEs should therefore be learning organisations that source and apply knowledge in order to enhance their competitiveness in today’s dynamic business environment. Not harnessing the skills and knowledge of both new and senior employees is a risk that SMEs can hardly afford.

CONCLUSIONS
The study of knowledge transfer process and productive behaviours in SMEs’ sector confirms that self study positively correlates significantly with facilitation, conduct and ability. This study also shows that there is positive, but correlation between work experience with behaviour factors, facilitation, and ability. However there is a negative but insignificant correlation with conduct. Self study seems to be a more effective way of knowledge transfer compared experience. This study’s limitation is that it is based on small and medium enterprises located within the Durban metropolitan area in South Africa. The geographical areas, for example rural areas or other locations that do not share the same business culture may reach different conclusion. This study suggests that further research is crucial to establish how the relationship between individual knowledge and behaviour could affect the recruitment process in SMEs. At last, the focus on one particular sector may provide more insight on the topic.

REFERENCES
EMPIRICAL EVIDENCE OF THE PERCEPTIONS AND BEHAVIOURS BY INTERNATIONAL TERTIARY STUDENTS TOWARDS THE FUTURE ENVIRONMENT IN NEW ZEALAND

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ABSTRACT
The purpose of this research was to determine the perceptions of international students at an international tertiary institution, UUNZ, in Auckland New Zealand. A quantitative method was applied; 92 questionnaires were distributed amongst undergraduate- and post graduate international business students who were the target population. The research aims to establish what international students’ attitudes towards sustainability and the environment are in a foreign country. Some findings are: country of origin and age affect an individual’s thinking; thinking between nationalities and age groups is not significant; demographic factors affect an individual’s thinking patterns; different religions have similar perceptions regarding protection of natural resources. Similarities are discussed and differences of opinion identified; Positive and long term impacts of sustainable development were revealed; social and cultural impacts are found to be positive. Similarities are discussed and differences of opinion identified. Trends and then recommendations for tertiary institutions that are applicable globally form the last section before the conclusions.

INTRODUCTION
International education has the potential for economic growth in New Zealand but it could be to the benefit of the country if this growth is also successfully enhancing sustainability. Projections for international student enrolments to 2025 for the public tertiary education institutions (universities and polytechnics) are 7% from 2013 to 2025 and for annual student growth in 34 schools are 2% to 2025, and 5% for private English language schools (The Economic Impact, 2008; Ministry of Education New Zealand, 2011). This information validates the study that was done among international tertiary students towards the end of 2011 at UUNZ Institute of Business, Auckland. Are the international students prepared to accept the fact that New Zealand has a clean green image? The question could well be asked whether the international students will stay in New Zealand after they have completed their studies and what value will they add towards the clean green image of New Zealand.

In 2002, more than 80,000 international (foreign) students studied in New Zealand. The education sector is the fourth largest export earner for New Zealand (Ministry of Education New Zealand, 2011). The country earned about $1.7 billion with nearly 86% of all foreign fee paying students from Asia and Confucian Heritage Culture (CFC). Projections prepared by the British Council, Universities UK, and IDP Australia, assumed 6% annual growth to 2020 in international tertiary enrolments, in the main English speaking destination countries of the USA, the United Kingdom, Australia, Canada and New Zealand (Brida, Ostl, & Faccioli, 2011).

Du Plessis, Chen and Toh (2012) describe sustainable development as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. The word sustainability has become the buzzword in recent years and is often used interchangeably with concepts such as environmentalism or being ‘green’. Therefore, sustainability is about the relationship between people and our planet; referring to the fact that we are inextricably part of this planet, and that our societies and economies depend upon healthy biological and physical systems. Du Plessis et al (2012) are of the opinion that sustainability refers to the quality of a state or process that allows it to be maintained indefinitely. At present, there are indications that the way we are living is not sustainable. In their definition Emanuel & Adams (2011) refer to sustainability as an “economic, social, and ecological concept” (p.81) that was derived from the term sustainable development and includes conservation of natural resources through recycling, waste and water management, using renewable energy resources and developing environmental friendly land and property assets. Ni, Sun, Li, Huang, & Borthwick, (2010) are of the opinion that the luxurious human lifestyles have led to severe environmental conditions such as soil erosion, desertification, and water and air pollution and global warming.
A survey was executed to explore and understand the students' perceptions and attitudes towards environmental sustainability and other issues related to the subject. The first study was executed at Unitec New Zealand in March 2007 in the then Unitec Business School and repeated in 2010. With permission from the researchers the questionnaire was adopted and revised to its current form to suit UUNZ. Although this is the first study of this nature at UUNZ, New Zealand it can be regarded as longitudinal as it follows up on the Unitec study in the same city using similar respondents. The objective is therefore identifying trends in student approaches to sustainability issues.

Since the area of student perception is under-researched, it is an important step towards changing their behaviours to intentional sustainable actions (Treanor, 2010). This study has revealed recognition by the respondents of the positive and long term impacts of the sustainable development. This research intends to identify the differences or similarities between different groups of people in terms of their perceptions, attitudes and self-reported behaviours if any because it is not clear how people make decisions about environmentally 'friendly' behaviour.

This research sheds light on people’s perceptions and attitudes towards sustainability and the environment, how they approach environmentalism, water conservation, energy conservation, recycling, reducing waste (e.g. composting) and using green energy sources (e.g. solar and wind power). It is also not clear whether or not there are any voluntary modifications in their behaviour at all in relation to environmental issues.

The next section of this paper discusses a literature review followed by the problem statement, aim of the study and the methodology sections. A discussion follows on the comparative analysis of the data collected and correlations identified. The following section presents the authors’ recommendations from the study and finally the paper provides a summary and conclusion followed by references.

**LITERATURE REVIEW**

All countries market themselves as the best place for tourists to visit. New Zealand is doing the same by the emphasis on a ‘clean green’ country. The decline of ecology on a global level puts the emphasis on the importance of a clean environment and protection of the natural assets. It suggests that the ever increasing population and the free trade policies result in exploitation of resources and increase effluence stresses (Keys, Thomsen, & Smith, 2010). What has changed though, are the focus areas, and the increased complexity of the employees as well as the business environment.

With a renewed focus on the importance of sustainable organisations, audacious decision making and effective communication, businesses should be on the right track. The recent global economic downturn, the uncertainty of the financial future, the war on terrorism, the war for talent, the progress in e-business and e-media and others all add to the tough times that people are experiencing in the every-day environment. Employers have the opportunity to engage employees and get them committed to the organisation so that they can add value in business recovery and sustainability after the recent recession.

Global warming is an international environmental phenomenon that has caused widespread controversy especially in those industries that contribute the most to climate change or global warming as it is now known, such as the oil, transportation, and electricity generating companies. With the introduction of regulations and public pressure, the climate change strategies of many companies are beginning to move in a similar direction that supports regulations, especially those of the Kyoto Protocol (Kolk & Levy, 2001 as cited in Lockyer, Du Plessis & Maritz, 2007).

There are schools of thought saying that this is only a cycle that the earth is going through and they refer to the “ice-age”. Sustainability refers to utilising the earth’s natural resources wisely to meet the necessities; also to save the resources for future generations. The ever increasing world population and free trade policies have resulted in the exploitation of resources and has increased effluence stresses as well (Du Plessis et al, 2012).

A country such as New Zealand is dependent on tourism which is a huge revenue earner. Valuable chemistries of animal and plant life could be destroyed without ever learning about their genetic potential benefits to society. Employees in the workplace could be affected by carbon dioxide concentrations resulting in illness and a higher rate of off-sick days by employees and absenteeism could rise due to the effects that global warming could have on them or the environment. This could become a serious problem in the future for New Zealand citizens and tourists.

Recently the UK and USA experienced the coldest winter in a hundred years during and this has drastic effects on people across the world (Nel, Werner, Poisat, Sono, Du Plessis & Ngalo, 2011). They postulate
further that the precariousness of the environment is now evident to even the most casual observer. The global environment is changing rapidly and more dramatically than ever expected. Population growth, increased industrialisation, and improper utilisation of resources have negatively impacted the ecosystem which resulted in a disrupted natural cycle of global resources and have destabilised environmental sustainability. This is significant because our health and the quality of life are greatly influenced by the veracity of the environment.

The New Zealand conventional system of tertiary education (excluding specific papers and programmes in sustainability) does not provide any training to the students that may help in developing solutions to the sustainability issues and deal with the ecosystem problems on a global level. The environmental issues have several aspects and cannot be addressed by the traditional and conventional theories. It needs professional guidance from experts on the subject and a positive approach towards environmentalism (Sibbel, 2009).

Although, the current literature discusses the importance of student’s learning about sustainability. However much less is known about what they actually know about the subject as vast library database search using all the key words on the subject obtained only a few articles. It is assumed that people who are sociable and friendly have positive interactions with others and make positive contributions to the neighbourhood making it more affable and organised.

Positive community relationships have a major role to play when dealing with the environmental crises. People in a community get influenced by other’s actions, so when one person or a small group of people change their ways to eco-friendly, others tend to learn by their examples and start following. Therefore this research project was undertaken at UUNZ New Zealand as students are from different backgrounds, cultures, ethnicities and communities (Nel et al, 2011). In the past, managers concentrated primarily on transactional and traditional activities. These activities are still necessary, but high-level competencies and management skills to support management and goal achievement to be sustainable but still competitive are essential to be effective in future (Du Plessis, Sumphonphakdy, Oldfield, Botha, 2013).

Organisations and communities are looking up to strong leaders to take charge during these rapid environmental changes to ease out the negative impact it could have on businesses. Furthermore managers and leaders should also take a strategic lead in combining their capabilities and competencies to enhance global management, culture change and intellectual capital in organisations. The additional contemporary competencies and capabilities of leaders and managers such as taking on high level line management responsibility, adding value, proving direct support via strategic inputs and so on should also not lost sight of either (Kouzes & Posner 2009; Brewster et al 2008). Although the competencies of leaders and managers are often reviewed and researched at the international level, multi-nationals and global organisations still need to observe the regional context to accommodate local culture and customs of employees who are employed in those organisations.

Education for sustainable development has become the focus of environmental education. Tertiary institutions, organisations and communities are looking up to strong leaders to take charge during these rapid environmental changes to ease out the negative impact it could have on businesses (Nel et al, 2012) therefore the leaders of tomorrow (international students), perceive sustainability differently, as confirmed in Table 1 below. Tertiary institutions could assist in the effort to control the increasing atmospheric temperatures by creating awareness and outlining policies regarding the issue at a global level in their programmes they present to students.

The main objective in this research study is to summarise the key points of environmental sustainability and get feedback from respondents on their views on environmental sustainability. Some of these key points are driven from the literature. Due to limitations to the length of the paper it is not possible to use more and wider literature and to discuss all the questions in the analysis section. As an indication of how these questionnaires were driven the key points have been summarised: Clean green image, saving natural resources, global warming, sustainability, and energy-efficient appliances.

PROBLEM STATEMENT
International tertiary students who get permanent residency or citizenship in New Zealand could be some of the future leaders of New Zealand. It is important for a tertiary institution to determine what their perceptions, attitudes and behaviours are towards sustainability. Sustainable development programmes have the objective of changing individual attitudes and approaches towards sustainability and conservation of natural resources. A study such as this one could shed some light on their perceptions and behaviours so that curricula could be altered or upgraded to include sustainability papers. The curricula of a tertiary institution
could include sustainable development programmes with the objective of changing individual attitudes and approaches towards sustainability and conservation of natural resources.

**AIM OF THE STUDY**
The aim of this study is to determine the perceptions of international tertiary students. This paper focuses on a comparative analysis of an international tertiary student survey executed towards the end of 2011 at UUNZ Institute of Business, Auckland, New Zealand to understand student approaches and current trends towards environmental sustainability. Which factors affect their ‘green’ behaviour, and how perceptions and behaviours are formed, with specific consideration to the demographic factors. This paper also discusses any similarities and differences of opinion identified, between the groups. The research is based on the assumption that positive attitudes lead to positive behaviours and aims to establish what people’s attitudes towards environmental sustainability are. The value comes from the comparisons resulting from the 2011 data to identify trends in student approaches to sustainability issues. It will also enable international comparisons of similar studies.

**METHODOLOGY**

**Research Design**
The quantity and high standard of the responses collected in the form of questionnaires warranted a quantitative research. A quantitative study helped in keeping the results unbiased and irrelevant to the circumstances under which the research was carried out. The comparative analysis of the respondent’s perceptions and attitudes confirmed the existence of different groups where members had similarities and variation in the thinking patterns. The target population were international tertiary students of UUNZ Institute of Business, Auckland. The questionnaire was distributed and 92 usable questionnaires returned resulting in 87.6% response rate. The 105 questionnaires were distributed to undergraduate and post graduate students studying business at the institute. The choice of business students is deliberate because the researchers believed they’ll get a cohort of respondents with similar plans for the future, almost similar background, and within a certain age group in addition to materialistic aspirations. In future some of these students may perhaps become senior managers who could have a deciding standpoint on these issues. The revelation of the identity of respondents was not required and the respect for rights and confidentiality and preservation of anonymity is present throughout the questionnaire. There is no harm, cultural or social sensitivity nor deception in the questionnaire or study. There was no conflict of interest and the intellectual and cultural property ownership was respected.

**Questionnaire Design**
A questionnaire was designed with 52 questions (using a Likert scale from 1 very strongly disagree to 7 very strongly agree ) regarding some important characteristics about the views of people towards environments, culture, self feelings towards life regarding money and health, human and their interaction with natural resources. Including in this amount were four groups of six questions each asked about some information of the participants in the survey.

**Data Collection**
Questionnaires were distributed amongst the international tertiary students at UUNZ classes by the lecturers. Students completed the surveys anonymously and returned it to a box in their respective classes without the lecturer being present. Participation of all business students in the study was voluntary and through informed consent. Questionnaires are locked in the primary researcher’s cabinet for a period of five (5) years and will be destroyed thereafter.

**ANALYSIS**
The data was entered into Excel and then transferred into SPSS to get some descriptive statistics and also to apply some statistical tests. Results are analysed using the SPSS package. The researchers compare for groups of closely related questions each with six questions in regards to age, background (origin) and religion compared with their perceptions. A total of twenty two questions are discussed in this paper. (Q11 and Q39 are in two groups due to their relation with the group).

The four groups are:
- **Group 1**: questions 3, 5, 9, 13, 16, and 18.
- **Group 2**: questions 11, 23, 36, 39, 43, and 45
- **Group 3**: questions 2, 4, 7, 10, 11, and 12
- **Group 4**: questions 14, 15, 17, 31, 37, and 39

The data was analysed, and will be discussed referring to the groups.
Group 1:
Q 3: Humans destroy nature
Q 5: Industrial growth – economic development
Q 9: Mankind is abusing environment
Q 13: Pollution does not affect me
Q 16: I have to save energy where possible
Q 18: I must save resources for the future

In Figure 1 below, it is evident that the age group under 20 years have two problems in their life already and that is that they strongly disagree (85%) that they belong to mankind abusing the environment, as only 15 percent of them strongly agreed. Their second problem is that they are of the opinion that they are immune against pollution. Only 15 percent strongly agreed that pollution does not affect them. Similar results were identified for the Chinese respondents and it could be deduced that they are in the same age group of under 20 years old.

Correlation between the age and country of origin (Table 1 below)

In selecting questions regarding country of origin or nationality and questions regarding age, the correlation coefficients matrix to determine the strength of the relationship between these two factors, it was found that there is a significant relation between Q9 and Q15 and Q50 (age of respondents). Questions 3, 5 16 and 18 have no relationship with Q50 in regards to abusing the environment and the effect of pollution. Table 1 below depicts the age of the respondents compared to their origin. It can therefore be deduced that international students (people) from different nationalities and ages in New Zealand only to study, were linking their attitude to saving energy and resources with their attitude to enhance their economic development.

Table 1: Comparison of age and origin

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</tr>
</thead>
<tbody>
<tr>
<td>Question #</td>
<td>Q3</td>
<td>Q5</td>
<td>Q9</td>
<td>Q13</td>
<td>Q16</td>
<td>Q18</td>
<td>Q3</td>
<td>Q5</td>
<td>Q9</td>
<td>Q13</td>
</tr>
<tr>
<td>Under 20</td>
<td>54%</td>
<td>36%</td>
<td>15%</td>
<td>15%</td>
<td>62%</td>
<td>62%</td>
<td>54%</td>
<td>36%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>21-39</td>
<td>46%</td>
<td>39%</td>
<td>22%</td>
<td>20%</td>
<td>65%</td>
<td>70%</td>
<td>46%</td>
<td>39%</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Indian</td>
<td>50%</td>
<td>67%</td>
<td>42%</td>
<td>25%</td>
<td>75%</td>
<td>75%</td>
<td>50%</td>
<td>67%</td>
<td>42%</td>
<td>25%</td>
</tr>
<tr>
<td>Chinese</td>
<td>29%</td>
<td>35%</td>
<td>15%</td>
<td>19%</td>
<td>75%</td>
<td>69%</td>
<td>29%</td>
<td>35%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Russian</td>
<td>50%</td>
<td>29%</td>
<td>25%</td>
<td>14%</td>
<td>63%</td>
<td>75%</td>
<td>50%</td>
<td>29%</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>50%</td>
<td>30%</td>
<td>22%</td>
<td>22%</td>
<td>35%</td>
<td>57%</td>
<td>50%</td>
<td>30%</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>
In Table 2 below, it is evident that there is a significant difference between the two age groups. The under 20 years of age group has no intention to protect natural resources (20%) or to be concerned about the future (11%) and even less concerned that humans destroy natural resources (10%). What is a huge concern is that they are not even interested in their own health (Q43, 18% and Q 45, 18 %).

Table 2: Comparison of age

<table>
<thead>
<tr>
<th></th>
<th>Q11</th>
<th>Q23</th>
<th>Q36</th>
<th>Q40</th>
<th>Q43</th>
<th>Q45</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We must protect our natural resources</td>
<td>I don’t have to worry about what happens in the future</td>
<td>Humans cause natural disasters by depleting natural resources</td>
<td>I do not save energy because people will think that I am poor</td>
<td>I want to be physically healthy</td>
<td>I want to keep myself healthy and well</td>
</tr>
<tr>
<td>Under 20</td>
<td>20%</td>
<td>11%</td>
<td>10%</td>
<td>29%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>21-39</td>
<td>78%</td>
<td>89%</td>
<td>90%</td>
<td>64%</td>
<td>79%</td>
<td>78%</td>
</tr>
</tbody>
</table>

It can be deduced that the 18 percent who are concerned are the international students who participate in sport or attend a gym in New Zealand. In a case such as this, students have to be made aware of how important physical health is for their future otherwise we will just have more people who depend on government funding for their health problems if they become citizens later on. The age group 21-39 has a total and complete different outlook on all six questions and they are much more positive towards environmental sustainability. It could be deduced that the fact that they are older, they are more concerned about their future. It is also possible that they have seen or experienced how others are abusing natural resources.

In Table 3, below, the perceptions of the different age groups were compared with their nationality (country of origin). For Q 11, it seems that the Chinese students are well aware of protecting their resources and they have to be in the 21-39 age group (see Table 2 above). In contrast to this the Indian and Russian respondents do not care as they are on 20 and 26% respectively for the same question. Therefore it could be deduced that they also fall in the under 20 group.

Table 3: Comparison by age and nationality (origin)

<table>
<thead>
<tr>
<th></th>
<th>Q11</th>
<th>Q23</th>
<th>Q36</th>
<th>Q40</th>
<th>Q43</th>
<th>Q45</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We must protect our natural resources</td>
<td>I don’t have to worry about what happens in the future</td>
<td>Humans cause natural disasters by depleting natural resources</td>
<td>I do not save energy because people will think that I am poor</td>
<td>I want to be physically healthy</td>
<td>I want to keep myself healthy and well</td>
</tr>
<tr>
<td>Under 20</td>
<td>11</td>
<td>20</td>
<td>10</td>
<td>29</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>21-39</td>
<td>88</td>
<td>78</td>
<td>90</td>
<td>64</td>
<td>79</td>
<td>78</td>
</tr>
<tr>
<td>Chinese</td>
<td>78</td>
<td>53</td>
<td>67</td>
<td>89</td>
<td>97</td>
<td>94</td>
</tr>
<tr>
<td>Indian</td>
<td>20</td>
<td>50</td>
<td>43</td>
<td>63</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Russian</td>
<td>26</td>
<td>0</td>
<td>24</td>
<td>14</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>20</td>
<td>57</td>
<td>17</td>
<td>25</td>
<td>33</td>
</tr>
</tbody>
</table>

A significant difference is in Q43 where almost all Chinese respondents (97%) differ totally from the Indian (30%) and even more from the Russian (11%) respondents on the question if they want to be physically healthy. Again it is assumed that this low percentage respondents are in the under 20 years old age group. An alarming figure is for Russian respondents in Q23 where they are of the opinion that they don’t have to worry about the future. It is assumed that they are also in the under 20 age group as in Table 3, above, only 11 percent in this age group responded positively to his question. The best response for Indian respondents is in Q40 (63%) as they don’t feel that people would regard them as poor because they want to save energy. It is totally in contrast with their other responses and one could assume that they had monetary value in mind when they answered this question because all the others are negative and low percentages towards environmental sustainability.
In Table 4, below, an alarming figure is in Q23 for the Buddhist religion (0%) as they don’t seem to worry about the future and it could be deduced that it is directly because their religious belief is that it will be provided for them and they don’t have to contribute anything for the future environmental sustainability. For the other categories they have very low percentages as well. For the same question (Q23) the Christians are also not really concerned about what happens in the future.

In Q11 the Christians regard protection of natural resources important (58%) and believe that humans are responsible for depleting natural resources (55%). This is consistent with Q11 and close to Q43 (50%) and they want to keep themselves healthy (45%). From the table below (Table 4) it is evident that the “other” includes non-religious respondents and their percentages for the different questions are unexpectedly high with Q43 and Q45 at 80 percent and 85 percent respectively. They are definitely taking their health as a serious issue. Comparing the Hindu religion with the Buddhist religion in Q45 it is interesting that they are so close in their responses regarding keeping themselves healthy and well. They are also very close in percentages for Q11, Q36 and Q40. There is a 33 percent difference between them for Q23 and the reason for it is unknown.

Table 4: Comparison by religion

<table>
<thead>
<tr>
<th>Group</th>
<th>Q11</th>
<th>Q23</th>
<th>Q36</th>
<th>Q40</th>
<th>Q43</th>
<th>Q45</th>
</tr>
</thead>
<tbody>
<tr>
<td>We must protect our natural resources</td>
<td>I don’t have to worry about what happens in the future</td>
<td>Humans cause natural disasters by depleting natural resources</td>
<td>I do not save energy because people will think that I am poor</td>
<td>I want to be physically healthy</td>
<td>I want to keep myself healthy and well</td>
<td></td>
</tr>
<tr>
<td>Buddhist</td>
<td>17</td>
<td>0</td>
<td>30</td>
<td>21</td>
<td>38</td>
<td>23</td>
</tr>
<tr>
<td>Christian</td>
<td>58</td>
<td>11</td>
<td>55</td>
<td>24</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td>Hindu</td>
<td>17</td>
<td>33</td>
<td>32</td>
<td>28</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>60</td>
<td>50</td>
<td>70</td>
<td>70</td>
<td>80</td>
<td>85</td>
</tr>
</tbody>
</table>

Group 3

Q 2: Humans destroy nature
Q 4: Industrial growth – economic development
Q 7: Mankind is abusing environment
Q 10: Pollution does not affect me
Q 11: I have to save energy where possible
Q 12: I must save resources for the future

In Table 5 below, it is evident that there is some similarity in the respondents’ responses. The responses for the age group 21 to 39 (12%) and the Christians (6%) and interestingly the non-religious group with 17 percent are very close for Q2. One could expect from Christians to respond that mankind does not control the nature, but God does, but then on the other hand why would non-religious respondents have basically the same view? Who is then in control of nature according to them? One could understand that other religions such as Buddhist (14%) and Hindu with 25 percent also agree that mankind does not control nature because of their religious beliefs. What needs to be pointed out is the age group 21 to 39 with a very high percentage (82%) agreeing that we must protect our natural resources. On the same note the under 20 group’s responses are just as high with 92 percent. The Buddhist- Christian- Hindu religions are between 88 and 100 percent. It can be deduced that all religions, and even the non-religious respondents (83%) realise that we are responsible for the resources (nature) and we have to protect our natural resources for future generations.

Table 5: Comparison between the age and religion of the respondents

<table>
<thead>
<tr>
<th>Question #</th>
<th>Mankind controls nature</th>
<th>Plants &amp; animals for use by humans</th>
<th>Earth is space ship limited resources</th>
<th>Pollution is not a crucial issue</th>
<th>We must protect natural resources</th>
<th>Concerned – pollution caused by power stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>31</td>
<td>54</td>
<td>15</td>
<td>92</td>
<td>Q11</td>
<td>Q12</td>
</tr>
<tr>
<td>21-39</td>
<td>12</td>
<td>48</td>
<td>13</td>
<td>82</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Buddhist</td>
<td>14</td>
<td>14</td>
<td>57</td>
<td>100</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Christian</td>
<td>6</td>
<td>38</td>
<td>25</td>
<td>88</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Hindu</td>
<td>25</td>
<td>38</td>
<td>50</td>
<td>88</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Muslim</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
An interesting question that was answered consistently “strongly agree” by the respondents, is Q4. Both groups (age and religious) rated this question between 14 and 38 percent which is unexpectedly low. On the question whether the earth is like a space ship with limited resources (Q7), again all the respondents were consistent that we have limited resources with responses between 48 percent and 57 percent.

It can be deduced that the respondents are all of the opinion that we need to protect our resources for the future but is not consistent with Q11’s high percentages of between 83 percent and 100 percent. The Hindu respondents are more concerned about pollution created by power stations (50%) than Christians (25%) and Buddhists with 29 percent. Consistent to this low figure is both age groups (under 20 and 21 to 39 years of age) with 38 and 37 percent respectively. It is deduced that it is a trend globally to protect natural resources as the respondents are mainly from three different countries China, India and Russia.

There were no Muslim respondents, but only 14 percent of non-religious respondents strongly agree that plants and animals are for use by humans (Q4). Overall all respondent’s responses are low for Q4 (strongly agree) and it can be deduced that religion does not have any influence on a person’s perception that animals and plants are on earth not just for use by humans, but that people have to protect and save it for the future.

**Group 4**

Q 14: We should have respect for traditions, cultures and ways of life of other nations

Q 15: I would like to know more about other cultures and customs

Q 17: I do what I can to conserve natural resources

Q 31: I am concerned about the amount of clean drinking water available in the world

Q 37: Destroying nature in one region can cause problems globally

Q 39: I do not save energy because people will think that I am poor

An important factor is that half of the Russian respondents strongly agree that they have to respect other cultures and customs (50%) and that they are concerned about destroying nature in one region that might have an effect globally (78%). It can be deduced that this high awareness of destroying the nature by other nations could be because Russia has signed the Kyoto Protocol in 2004 already and most Russians are aware of it. In their responses the Indian students (62%) agree that they respect other cultures and customs and only 15% care about people thinking they are poor because they save energy. Similar results were noted for Chinese respondents (see Table 6 below). There were no Muslim participants in this study, as mentioned before.

It is interesting, in Table 6 below, that in the age group under 20 years, 80 percent strongly agree that they respect traditions, cultures and ways of life of other people, but only two thirds (60%) of the same group want to know more about other cultures and customs and they care about what other people think (that they might be poor) that is the reason why they save energy (13%). On the other hand more than two thirds (66%) agree that they care about clean drinking water in the world. Two thirds are concerned about destroying nature in one region would have an effect globally (66%).

<table>
<thead>
<tr>
<th>Question #</th>
<th>Q14 Respect traditions, cultures and ways of life</th>
<th>Q15 Know more about other cultures and customs</th>
<th>Q17 I do what I can to conserve natural resources</th>
<th>Q31 Clean drinking water available in the world</th>
<th>Q37 Destroying nature in one region can cause problems globally</th>
<th>Q39 I don’t save energy because people will think I am poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>80%</td>
<td>60%</td>
<td>53%</td>
<td>66%</td>
<td>66%</td>
<td>13%</td>
</tr>
<tr>
<td>20-39</td>
<td>76%</td>
<td>73%</td>
<td>6%</td>
<td>66%</td>
<td>54%</td>
<td>10%</td>
</tr>
<tr>
<td>Indian</td>
<td>80%</td>
<td>62%</td>
<td>68%</td>
<td>80%</td>
<td>71%</td>
<td>15%</td>
</tr>
<tr>
<td>Chinese</td>
<td>47%</td>
<td>42%</td>
<td>70%</td>
<td>74%</td>
<td>76%</td>
<td>12%</td>
</tr>
<tr>
<td>Russian</td>
<td>50%</td>
<td>29%</td>
<td>60%</td>
<td>76%</td>
<td>78%</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>50%</td>
<td>32%</td>
<td>12%</td>
<td>46%</td>
<td>28%</td>
<td>14%</td>
</tr>
</tbody>
</table>

In Table 7 below, the researchers combined age, background and religion in one table to compare and make it easier for the reader to follow the different perceptions and behaviours of the respondents. Please note that the main stream respondents are from China, Russia and India and the category “other” include...
respondents mainly from Korea but also Chile, other states that were previously part of the Russian Federation, and Cambodia and so on. In the age group 21-39 years old (Table 7 below) a large percentage (76%) strongly agrees that they respect traditions and other cultures but it is interesting to note that also 100% who respect traditions are Buddhists and 76% are Christians.

Table 7: Comparison of age, background and religion

<table>
<thead>
<tr>
<th></th>
<th>Q14 Respect traditions, cultures and ways of life</th>
<th>Q15 Know more about other cultures and customs</th>
<th>Q17 I do what I can to conserve natural resources</th>
<th>Q31 Clean drinking water available in the world</th>
<th>Q37 Destroying nature in one region can cause problems globally</th>
<th>Q39 I don’t save energy because people will think I am poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>80%</td>
<td>60%</td>
<td>53%</td>
<td>66%</td>
<td>66%</td>
<td>13%</td>
</tr>
<tr>
<td>21-39 years</td>
<td>76%</td>
<td>73%</td>
<td>66%</td>
<td>66%</td>
<td>66%</td>
<td>10%</td>
</tr>
<tr>
<td>Buddhist</td>
<td>100%</td>
<td>55%</td>
<td>77%</td>
<td>77%</td>
<td>66%</td>
<td>11%</td>
</tr>
<tr>
<td>Christian</td>
<td>76%</td>
<td>76%</td>
<td>52%</td>
<td>70%</td>
<td>58%</td>
<td>0%</td>
</tr>
<tr>
<td>Hindu</td>
<td>90%</td>
<td>90%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Muslim</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Non-religious</td>
<td>100%</td>
<td>67%</td>
<td>75%</td>
<td>50%</td>
<td>51%</td>
<td>4%</td>
</tr>
<tr>
<td>Chinese</td>
<td>47%</td>
<td>42%</td>
<td>70%</td>
<td>74%</td>
<td>76%</td>
<td>12%</td>
</tr>
<tr>
<td>Indian</td>
<td>80%</td>
<td>62%</td>
<td>68%</td>
<td>80%</td>
<td>71%</td>
<td>15%</td>
</tr>
<tr>
<td>Russian</td>
<td>50%</td>
<td>29%</td>
<td>60%</td>
<td>76%</td>
<td>78%</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>50%</td>
<td>32%</td>
<td>12%</td>
<td>46%</td>
<td>28%</td>
<td>14%</td>
</tr>
</tbody>
</table>

In contrast to this only 10% in the same age group (21-39 years old) don’t save energy because people will think they are poor (Q39) of which 11% Buddhists and 0% are Christians with 16% from Russia, 15% Indians and 12% Chinese. A lower percentage under 20’s than 21-39 years old respondents want to know more about other cultures and customs of whom 76% are Christians, 90% Hindus and 55% Buddhists. In the same category (Q15) there are 62% Indians, 42% Chinese and 29 Russians.

Another interesting fact is that the 21-39 year age group (Q17) is more convinced to do what they can to reserve natural resources for the future and of the same category the non-religious group is the highest with 75%. It is evident that the Buddhist group have no problems in respecting other cultures and traditions and most probably the way Kiwis are protecting their clean green image is very acceptable to them and they will support this. Christians are almost at 80% with Hindus above 80% and the researchers don’t foresee a problem with them either.

Table 7, above, depicts that Hindus and “other” religious groups are more interested in learning more about other cultures and customs. Again the Christian group is almost at 80% and very consistent with their responses. What is interesting in this category is that Buddhists are not even on 60% to know more about cultures and customs in contrast to the previous question (Q14) where 100% responded that they respect other cultures. The question could well be asked how they could respect other cultures if not all of them want to know more about other cultures. The table above also gives a picture of how different religions responded to Q17. It is alarming to see that non-religious respondents have a higher responsibility to conserve natural resources for the future than Christians. Buddhists are once again in the lead with almost 80%. Maybe the non-religious students don’t feel that strong about other cultures and traditions especially religious traditions. It can be deduced that it does not matter what age group or origin and even religion international students belong to, they know that they are responsible for saving natural resources and that it is their responsibility to know more about other cultures and norms in New Zealand. Q37 is confirming this assumption as all the percentages are high in these categories.

**TRENDS IN INTERNATIONAL TERTIARY STUDENTS’ PERCEPTIONS AND BEHAVIOUR**

As the environment has become more uncertain, engaged employees want more than to know about other cultures and customs. Those organisations that have been in sheer survival mode will have a tougher time in sustainability and reducing carbon monoxide emissions and therefore restoring / maintaining trust in their organisations that they are committed to saving resources for future generations and how they will comply with it in their strategic direction.
Ryan, Tilbury, Corcoran, Abe and Nomura (2010) refer to higher education students becoming the managers and leaders of the future; therefore it is vital to “educate” them on sustainability, more so for international students. Considerable personal strength is required in the future to conserve our resources, and the notion that we now require audacious leaders to take advantage of opportunities does seem to become a reality. A positive trend is that the majority of respondents are aware and even concerned about the choices that they make now and its influence it will have on the future.

Another positive trend towards sustainability is evident in this research project in that respondents are very concerned about certain issues such as clean drinking water and knowledge about other cultures and traditions.

RECOMMENDATIONS
This research project revealed important information and a few recommendations are:

- UUNZ Institute of Business as well as other tertiary institutions should take cognisance of this study and “re-develop” their curricula to include at least one session in every paper presented in their programmes about sustainability. This session could only cover the basics of conserving our most important resources for future generations.
- For international tertiary students, special attention should be paid to New Zealand’s “clean green image” so that it could be valued and looked after by internationals visiting or even planning to stay in New Zealand.
- International tertiary students might get permanent residency in New Zealand or become citizens and then they would have a good background to New Zealand’s clean green image.
- Globally, tertiary institutions should engage employees to develop curricula and to implement strategies in their institutions to develop future leaders’ capabilities, to develop a greater sense for sustainability among international students and to add value through their institutions by developing the trend that these students are showing to be more positive towards sustainability.
- Top management, governments and leaders should be committed to develop both human capital and social capital, and this will lead to greater synergy across the business, and more sustainable outcomes saving resources for future generations.

CONCLUSION
The research revealed that religion does not play a role in perceptions of international tertiary students in regards to pollution whether it is crucial because the “strongly agree” responses could group them all into one category that pollution is not a crucial issue. Despite the differences there were many similarities that appeared constantly across the survey such as for Q2 that mankind does not control nature. Interesting factors came to the fore in this research project. It was found that we must protect our natural resources, all religions, and even the non-religious respondents (83%) strongly agree that mankind is responsible for the resources (nature) and they have to protect our natural resources for future generations.

It was also found in the research that international tertiary students with different cultures, backgrounds (origin) and religion have different perceptions towards environmental sustainability; to some extent they feel differently about the environment and behave differently when it comes to ‘green’ behaviours and have similar perceptions with others such as respecting of different cultures. Despite the differences there were many similarities that appeared constantly across the survey. It is evident that all the respondents strongly associate the concept sustainability with their environment and it emphasises the need to link the sustainable development with the economic, social, and cultural factors for the students to understand the complications and the challenges about the topic. Education for sustainable development has become the focus of environmental education. Employers, organisations and managers have the opportunity to allow employee input into decisions, share information, and to treat employees with respect that will definitely enhance commitment to sustainability.

This research determined and exemplified the current trends and attitudes of international tertiary students within UUNZ across all courses. Furthermore, in order to explore several determinants sustainability behaviours and perceptions were identified as well as trends to environmental sustainability issues. The study puts together some recommendations that could be used to develop and formulate future strategies (in curricula) to encourage sustainable consumptions for tertiary institutions in New Zealand and globally.

REFERENCE LIST


AN ASSESSMENT OF THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON THE PERCEIVED SUCCESS OF PHARMACIES IN GAUTENG

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ABSTRACT
A need exists for research on the influence of entrepreneurial orientation on the success of pharmacies. Through an investigation of the influence of entrepreneurial orientation on the perceived success of selected retail pharmacies in selected areas in South Africa, this study attempts to address this need. In this study, the influence of the five independent entrepreneurial orientation dimensions, Innovativeness, Autonomy, Risk-taking, Opportunity utilisation and Competitive aggressiveness, was measured by means of two dependent variables, namely Business development and improvement and Business growth. The respondents were identified by means of a convenience sampling technique, and the survey yielded 108 useable questionnaires from retail pharmacies in Gauteng province. To assess the reliability of the measuring instrument, Cronbach alpha coefficients were calculated. The hypothesised relationships were assessed by means of a multiple regression analysis. The results show that Autonomy and Innovativeness exert a positive influence on the dependent variable Business development and improvement. Pro-activeness, furthermore, exerts a positive influence on Business growth. There were no significant relationships between Risk-taking and any of the perceived success variables.

Key words: Pharmacy; retail; entrepreneurship; entrepreneurial orientation; perceived success

INTRODUCTION
In South Africa, the face of pharmacy underwent dramatic changes during the past decade alone (Perepelkin & Findlay, 2009:1). The Pharmacy Act of 1974 was amended in 2003 and thereafter made provision for non-pharmacists to own pharmacies. This opened the door for large chain stores to change their business model by opening dispensaries. Since 2004, the Department of Health has been regulating the prices of medication and the pharmacist has no control over dispensary medication prices. Medicine and scheduled substances prices are referred to as Single Exit Pricing (SEP), which indicates the maximum price of a scheduled medicine.

In the community pharmacy sector, the pharmacist is also involved in retailing. The dispensary is a department within the pharmacy. The pharmacist does not only dispense medication, but also has to manage the front shop departments, which include health and beauty, supplements, vitamins, nutrition, gifts, sweets and so forth (De Nobrega, 2012).

According to Hindle and Cutting (2002:162), the pharmacy is a dual market industry – a pharmacist must combine retailing services with professional services. On one end of the continuum, the pharmacist has to compete with non-pharmacy retailers, with numerous manufacturers selling their goods through non-pharmacy outlets. On the other side of the continuum, government regulates margins on prescription medication.

The above scenarios indicate the growing forces that challenge the community pharmacists to rethink the way they do business. The question posed is how good is the retail pharmacist faring in terms of these entrepreneurial activities that form part and parcel of the business they are in? Are they entrepreneurial? An entrepreneurial orientation, for the purpose of this study, refers to the processes, practices and decision-making activities that the pharmacy industry should do to be successful in the fast changing business environment. It involves, therefore, the intentions and actions of key players functioning in the industry to ensure a successful, and ultimately, a sustainable business. The key dimensions that characterise entrepreneurial orientation include a propensity to act autonomously, the willingness to innovate and take risks, a tendency to be aggressive toward competitors and to be pro-active relative to the marketplace opportunities (Lumpkin & Dess, 1996:136).
The entrepreneurial orientation of pharmacists operating in retail will be evaluated. Once a result is obtained, it could be evaluated against the perceived success of retail pharmacies in both independent and corporate pharmacy settings.

The focus of this study will be aimed at pharmacists working in the retail environment, because the retail pharmacist is also responsible for store management. The pharmacist can therefore not only rely on compounding, dispensing and medication expertise, but also has to be able to create a business environment that operates successfully and profitably. This will constitute the pharmacy's perceived success.

PROBLEM STATEMENT AND OBJECTIVES

The community pharmacy industry is an increasingly competitive sector and the market in which the independent pharmacist competes has changed dramatically. Legislation allows for a non-pharmacist individual to be an owner of a store. This includes large retail groups that changed the competitive landscape where independent pharmacies now must compete with national and multi-national chains for market share (Perepelkin & Di Zhang, 2011:175). The growth of retail chains has contributed to a number of independent pharmacies closing. Retail pharmacies therefore operate in highly competitive markets and their livelihood is dependent on the same person that dispenses the medication and provides the professional service, whom also needs to be a retailer and innovative business person. Pharmacists should, however, become more entrepreneurial to compete in the changing industry. This study aims at investigating the entrepreneurial orientation of retail pharmacists operating in communities and the impact of an entrepreneurial orientation on the perceived success of these pharmacies.

If the community pharmacy becomes extinct, it will leave a great vacuum in the services they have traditionally offered, as well as the possible opportunities that a career as retail pharmacist has to offer. A pharmacist is not only trained to dispense medication, but is also able to provide valuable advice to their customers, as well as other services, including health screenings, chronic conditions monitoring with referral to blood pressure, blood sugar levels, cholesterol and family planning.

Although the body of knowledge concerning the relationship between a business’ entrepreneurial orientation and its performance is growing, it is still an under-explored topic (Covin, Green & Slevin, 2006:58; Lotz & Van der Merwe, 2013) with most research being conducted within the United States of America (Frank, Kessler & Fink, 2010:175). Studies of community pharmacists, specifically pharmacists in the retail environment, focus on their roles as healthcare professionals. Entrepreneurial energy and innovation in exploiting changes as opportunities are less studied (De Nobrega, 2012).

It is therefore clear that, within the South African context, limited research of this nature has been conducted and specifically none among pharmacists. Against this background, the objective of this research is to investigate the relationship between the entrepreneurial orientation of pharmacies in South Africa and their perceived success.

LITERATURE REVIEW

Empirical studies support the proposition that there is a positive relationship between entrepreneurial orientation and business performance, meaning in practice that businesses that adopt a more entrepreneurial orientation perform better (Madsen, 2007:188). Rauch, Wiklund, Lumpkin and Frese (2009:6) define entrepreneurial orientation as the entrepreneurial strategy-making processes that key decision-makers use to enact the business's organisational purpose, to sustain its vision and to create competitive advantages. Based on Miller's conceptualisation (Rauch et al., 2009:6), three dimensions of entrepreneurial orientation have been identified and are consistently used in the literature, namely innovativeness, risk-taking and pro-activeness (Rauch et al., 2009:6). Lumpkin and Dess (1996) suggest that there are two additional salient dimensions to entrepreneurial orientation. Concluding from Miller's definition (1983), Lumpkin and Dess (1996:139) identified autonomy and competitive aggressiveness as additional components of the entrepreneurial construct. For the purpose of this study, these five dimensions, i.e. Innovativeness, Risk-taking, Pro-activeness, Autonomy and Competitive aggressiveness, will be considered as independent variables influencing the dependent variable, Perceived business success.

According to Rauch et al. (2009), the conceptual arguments suggest that entrepreneurial orientation results in stronger performance. Business performance is a multi-dimensional concept and the relationship between entrepreneurial orientation and performance may depend on the indicators used to measure performance (Lumpkin & Dess, 1996).

There is general agreement in the literature that performance is a multi-dimensional concept (Lumpkin & Dess, 1996:137; Madsen, 2007:195; Rauch et al., 2009:765) and that multiple performance measures must
be used rather than a single dimension. Unfortunately, there is no consensus on the appropriate measures of performance (Wiklund, 1999:39) and the literature supports a high variety of performance measures (Madsen, 2007:195). Performance may therefore depend upon the indicators used to assess performance.

A common distinction is often made between financial and non-financial performance measures (Rauch et al., 2009:765), where non-financial measures include goals, satisfaction and business ratings made by owners and managers; and financial measures include sales growth and return on investment. Entrepreneurial orientation influences strategic decision; the dimensions explain why the owners or managers take a certain strategic stance.

In an empirical study by Lotz and Van der Merwe (2013), they investigated the construct Perceived business success and found that the construct is uni-dimensional and split into two constructs. They labelled the two constructs Business development and improvement and Business growth. For the purpose of this study, Perceived business success was, therefore, measured through two dependent variables, namely Business development and improvement and Business growth.

In Figure 1 (the hypothesised model), the dimensions of entrepreneurial orientation hypothesised as influencing the dependent variable, Perceived success of the pharmacy are depicted, namely Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness. The model proposes that the dimensions of entrepreneurial orientation investigated in this study positively influence the Perceived success of the organisation.

**Figure 1: The hypothesised model**

![Diagram](image)

**Dependent variables: Perceived business success**

As mentioned above, in this study, the dependent variable, Perceived business success, will be measured by two dependent variables, Business development and improvement and Business growth. These variables will be discussed further in the next section.

**Business development and improvement:** Having an entrepreneurial orientation implies, among others, that a commitment to innovation must be at the heart of the strategic management process (Kuratko & Audretsch, 2009:3). In this regard, Collis and Montgomery (2005:33) argue that a consistent flow of expenditure needs to be directed to innovation in order to ensure acceptable long-term levels of strategic intellectual stock that can ensure a sustainable competitive advantage to a successful business. Terminating innovation efforts during bad times (Christensen, Johnson & Rigby, 2002:22) may have the consequences that promising initiatives are cut off and probably worst of all is that it creates a scepticism about and resistance to any future innovation initiatives (Wolpert, 2002:78). A measure of business success is often related to the effectiveness and efficiency that a business’ employees are able to employ in producing the business’s outputs (Dess, Ireland, Zahra, Floyd, Janney & Lane, 2003:370). In this regard, Kuratko and
Audretsch (2009:9) state that innovations can significantly increase the efficiency or effectiveness of businesses. Effectiveness is seen as “doing things right” in order to create value for the business, while efficiency relates to “doing the right things” in order to ensure the maximum output while expending the minimum input (Jacobs, Chase & Aquilano, 2009:6). Successful businesses create people-centred businesses in which human capital is viewed as the most important asset (Kreitner & Kinicki, 2008:4). The intrinsic and extrinsic rewards flowing from a culture of corporate entrepreneurship strongly drive both organisational commitment and job satisfaction among employees (Bulut & Alpkan, 2006:67). Furthermore, committed and satisfied employees may also have a positive effect on the entrepreneurial orientation of the business, since Hayton (2005:22) is of the opinion that employees are regarded as a determining factor, even imperative, in developing an entrepreneurial orientation. Business development refers to, among others, highly committed employees viewed as the most valuable asset of the business, the improvement of job satisfaction, a positive image of the business, a high level of efficiency and effectiveness over the past few years, continued investment in research and development or the investment into innovative projects (Lotz, 2009:19). The dependent variable, Business development and improvement, will be measured by the following items: In our pharmacy, employees are viewed as the most valuable asset of the business; Our employees are highly committed to our business; The morale (job satisfaction) of our employees has improved over the past few years; The image (stature) of our pharmacy, relative to our competitors, has grown over the past few years; The efficiency (doing things right) of our pharmacy has improved over the past few years; The effectiveness (doing the right things) of our pharmacy has improved over the past few years; and During difficult economic periods, investments in research and development/ innovative projects continue and no significant financial cuts are made. Business growth: The most popular financial measures have included sales growth (Covin & Slevin, 1991; Covin et al., 2006; Frank et al., 2010; Madsen, 2007; Richard, Wu & Chadwick, 2009; Wiklund & Shepherd, 2005), growth in profits (Wiklund & Shepherd, 2005), growth in free cash flow (Frank et al., 2010; Wiklund & Shepherd, 2005), return on assets (Covin & Slevin, 1991; Richard et al., 2009) and growth in market share (Madsen, 2007). Non-financial measures have included growth in employment (Gürbüz & Aykol, 2009; Madsen, 2007; Wiklund & Shepherd, 2005), new product/service/process (Lee & Sukoco, 2007; Wiklund & Shepherd, 2003) and customer satisfaction (Wiklund & Shepherd, 2003), among others. Lotz (2009:19) validates in his study the construct of Business growth with reference to growth in profits, turnover, market share and competitive position of the business over the past few years. Business growth includes growth in turnover and profit, growth in market share, a better competitive position, and job satisfaction of employees, morale of the business and the image of the business. “Revenue is a primary consideration for any business. If there is no revenue, there is no business. Providing a valuable product or service to customers is the primary means by which business produce revenue” (Duening & Sherril, 2007:79). Therefore, a business revenue strategy concerns understanding and serving customers’ needs and wants. According to Duening and Sherril (2007:80), an entrepreneur has three rules for success, namely focus on the customer, keep turnaround times short, and always give the customer value (which includes the combination of price and value). For the purpose of this study, the dependent variable, Business growth, will be measured by the following four items: Our pharmacy has experienced growth in profits over the past few years; Our pharmacy has experienced growth in turnover over the past few years; The effectiveness (doing the right things) of our pharmacy has improved over the past few years; The image (stature) of our pharmacy, relative to our competitors, has grown over the past few years; and During difficult economic periods, investments in research and development/ innovative projects continue and no significant financial cuts are made. Independent variables: Entrepreneurial orientation The term entrepreneurial orientation refers to strategy-making processes and styles of businesses that engage in entrepreneurial activities. Five dimensions – autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness – have been used to characterise and distinguish between key entrepreneurial processes – a business’s entrepreneurial orientation (Lumpkin & Dess, 1996:136). These dimensions will now be discussed further in the next section. Autonomy: Autonomy refers to independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it succeed (Rauch et al., 2009:7). Entrepreneurship has flourished because independently minded people elected to leave secure positions in order to promote novel ideas or ventures into markets, rather than to allow organisational superiors and processes to inhibit them. Within businesses, it is the freedom granted to individuals and teams who can exercise their creativity and ideas that is needed for entrepreneurship to occur. Autonomy is the independent action of an individual or team in bringing forth an idea or vision and carrying it through to completion. In general, it refers to the ability and will to be self-directed in the pursuit of opportunities. Within an organisational context, it is action free from organisational constraints (Lumpkin & Dess, 1996:140). Lumpkin and Dess (1996:141) conclude the following: “Evidence of autonomy in firms may vary as a function of size, management style or ownership. For example a firm in which the primary decision maker is the owner or manager – autonomy is implied by the rights of ownership. However, the extent to which autonomy is exercised in the case may depend on the
level of centralization or the extent of delegation and this may be related to an organisational size.” Although Lumpkin and Dess proposed the inclusion of autonomy as a dimension of entrepreneurial orientation in 1996, very few studies have investigated autonomy as an element of entrepreneurial orientation (Lumpkin, Cogliser & Schneider, 2009:48). Prior research underlines the view that autonomy encourages innovation, promotes the launching of new ventures and increases the competitiveness and effectiveness of organisations. For the purpose of this study, autonomy will be considered an independent variable and its impact on dependent variables will be determined. Therefore, considering the above arguments, we propose the following hypotheses:

H1a: There is a positive relationship between Autonomy in the workplace and Business development and improvement in the participating pharmacies.

H1b: There is a positive relationship between Autonomy in the workplace and Business growth in the participating pharmacies.

Innovativeness: Schumpeter (1934), according to Lumpkin and Dess (1996:142), was among the first to emphasise the role of innovation in the entrepreneurial process. According to McFadzean, O’Loughlin and Shaw (2005:353), innovativeness reflects a business’s tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes. Hamel (1997:70) elaborates on the term innovation and refers to strategic innovation as the ability to reinvent the basis of competition within existing industries and to invent totally new industries. Strategic innovation is considered to be a major success factor for businesses operating in turbulent environments. There is a distinction between product-market innovation and technological innovation. Technological innovativeness consists primarily of product and process development, engineering, research and an emphasis on technical expertise and industry knowledge. Product-market innovativeness suggests an emphasis on product design, market research and advertising and promotion (Lumpkin & Dess, 1996:143). Innovativeness represents the willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin & Dess, 1996:142). According to Wiklund and Shepherd (2003:1309), innovative businesses can generate extraordinary performance and have been described as the engines of economic growth. Innovativeness as an independent variable will be measured by the following items in the questionnaire, the pharmacy regularly introduces new products, processes or services; the pharmacy has increased the number of services; the pharmacy pursues new opportunities; in the pharmacy there is a strong relationship between the number of new ideas generated and the number of ideas implemented. The relationship between Innovativeness and business performance presents the greatest degree of consensus (Casillas & Moreno, 2010:269) with most studies finding a positive relationship. For example, Lotz and Van der Merwe (2013), Rauch et al. (2009), Morena and Casillas (2008) and Subramanian and Nilakanta (1996) all found a positive relationship between Innovativeness and Business performance and growth. As a result, there is a growing recognition that innovation has become the only sustainable source of growth, competitive advantage and new wealth (Drejer, 2006:143). According to Wiklund and Shepherd (2003:1309), innovative businesses can generate extraordinary performance and have been described as the engines of economic growth. We are therefore confident that a positive relationship between innovativeness and success exists and propose the following hypotheses:

H2a: There is a positive relationship between Innovativeness in the workplace and Business development and improvement in the participating pharmacies.

H2b: There is a positive relationship between Innovativeness in the workplace and Business growth in the participating pharmacies.

Risk-taking: Risk-taking is an attitude and involves taking bold actions by venturing into the unknown and committing significant resources to ventures in uncertain environments (Frese, Brantjes & Hoorn, 2002:264). As a term in financial analysis, risk is used within the context of the familiar risk-return trade-off, where it refers specifically to the probability of a loss or negative outcome. This is essentially the definition adopted by Miller and Friesen when they defined risk-taking as the degree to which managers are willing to make large and risky resource commitments – those that have a reasonable chance of failures (Lumpkin & Dess, 1996:144). The range of risk-taking behaviour extends from a nominal level – safe risks, such as depositing money into a bank or restocking the shelves, to highly risky actions, such as borrowing heavily, investing in unexplored technologies or bringing new products into new markets. There is a well-accepted and widely used scale based on Miller’s (1983) approach to entrepreneurial orientation, which measures risk-taking at the business level by asking managers about the business’ proclivity to engage in risky projects and managers’ preferences for bold versus cautious acts to achieve business objectives (Lumpkin & Dess, 1996:146). The term risk-taking is defined by Dewett (2004:258) as the extent to which there is an uncertainty about whether a potentially significant or disappointing outcome of a decision will be realised. This definition is congruent to the items used in the questionnaire. To measure risk-taking, a number of items were included in the questionnaire, namely the term risk-taker is considered as a positive attribute for pharmacists in the retail business; pharmacists are encouraged to take calculated risks; pharmacies have to
take bold, wide-ranging acts to achieve objectives and when pharmacies are confronted with uncertain decisions, pharmacies typically adopt a bold posture in order to maximise the probability of exploiting opportunities. In conclusion, risk-taking is viewed as essential to capture profits from creating new combinations of productive resources, because profits come from an entrepreneur’s perception of an opportunity followed by investment to capitalise on the opportunity (Nieuwenhuizen, 2003:9). Risk-taking will be used as an independent variable to measure the impact on the dependent variables of perceived success. The relationship between risk-taking and the success of a business is not so clear (Lotz & Van der Merwe, 2013; Rauch et al., 2009). Wiklund and Shepherd, (2005:75) argue that there is research that suggests that while tried-and-true strategies may lead to high performance, risky strategies may lead to performance variation since some projects fail while others succeed. Against this background, the following hypotheses are subjected to further testing:

**H**: There is a positive relationship between *Risk-taking* in the workplace and *Business development and improvement* in the participating pharmacies.

**H**: There is a positive relationship between *Risk-taking* in the workplace and *Business development and improvement* in the participating pharmacies.

**Pro-activeness:** Pro-activeness suggests a forward-looking perspective characteristic of the marketplace leader that has the foresight to act in anticipation of future demand and shape the environment (Lumpkin & Dess, 2001:433). Pro-activeness refers to how a business relates to market opportunities in the process of new entry. It does so by seizing initiative and acting opportunistically in order to shape the environment (Lumpkin & Dess, 1996:147). This definition is consistent with Miller and Friesen’s (1982) view of pro-activeness as changing the environment by introducing new products and technologies. Lieberman and Montgomery (1988) emphasised the importance of first mover advantage as the best strategy to capitalise on a market opportunity. Pro-activeness may be crucial to an entrepreneurial orientation, because it suggests a forward-looking perspective that is accompanied by innovative or new-venturing activity. A pro-active business is a leader rather than a follower, because it has the will and foresight to seize new opportunities (Lumpkin & Dess, 1996:146). Some activities associated with pro-activeness include new opportunity identification and evaluation, identification and monitoring of market trends and new venture team formation (Kropp, Lindsay & Shoham, 2008:104). This relates to items in the questionnaire, namely the pharmacy very often is first to introduce new products, services and processes; the pharmacy typically initiates actions to which competitors respond; the pharmacy seeks out new products or services; and the pharmacy continuously monitors market trends and identifies future needs of customers. Apart from *Innovativeness*, Rauch et al. (2009) found that *Pro-activeness* is the other integrating dimension of entrepreneurial orientation that offers a more intense positive relationship with business performance. Casillas and Moreno (2010) also found that pro-active businesses reveal greater performance and growth. Therefore, we are in favour of defending a positive relationship between a business’ pro-activeness and its success:

**H**: There is a positive relationship between *Pro-activeness* in the workplace and *Business development and improvement* in the participating pharmacies.

**H**: There is a positive relationship between *Pro-activeness* in the workplace and *Business development and improvement* in the participating pharmacies.

**Competitive aggressiveness:** Competitive aggressiveness refers to the intensity of a business’s efforts to outperform industry rivals. It is characterised by a strong offensive posture directed at overcoming competitors and may also be quite reactive, e.g. when a business defends its market position or aggressively enters a market that a rival has identified (Lumpkin & Dess, 2001:434). The definition of Lumpkin and Dess (2001) correlates with that of Rauch et al. (2009:7) who define competitive aggressiveness as the business’s efforts to outperform its rivals and is characterised by strong aggressive responses to competitive threats. Once a business has developed resources that achieved a competitive advantage, the business is more likely to defend these resources (Lumpkin & Dess, 2001:434). Young businesses must take steps to establish legitimacy and power relative to suppliers, customers and other competitors. Because new ventures are much more likely to fail than established businesses, an aggressive stance and intense competition are critical to the survival and success of new entrants (Lumpkin & Dess, 1996:148). Competitive aggressiveness therefore refers to a business’s propensity to directly and intensely challenge its competitors to achieve entry or improve position and by doing so outperform rivals in the marketplace (Lumpkin & Dess, 1996:148). The items measuring competitive aggressiveness in the questionnaire include a number of statements, namely the pharmacy typically adopts a very competitive posture; the pharmacy industry is very aggressive and intensely competitive; the pharmacy effectively assumes an aggressive posture to combat threats to survival; and the pharmacy knows that acting overly aggressive is dangerous, because it can lead to the erosion of its reputation or retaliation of competitors. *Competitive aggressiveness* has generally been investigated less frequently (Lumpkin & Dess, 2001:431), we believe for two reasons. Firstly, similar to *Autonomy*, *Competitive aggressiveness* has not been part of the ‘original’ dimensions of entrepreneurial
orientation and secondly, prior theory and research have often treated Pro-activeness and Competitive aggressiveness as if they were interchangeable (Lumpkin & Dess, 2001:431). Competitive aggressive behaviour is, however, less related to a strategy oriented to growth, since Casillas and Moreno (2010:284) argue that it is a reactive behaviour to competitors or behaviour in defence of a market position. Consistent with their view, they found no relationship between competitive aggressiveness and growth.

H2a: There is a positive relationship between Competitive aggressiveness in the workplace and Business development and improvement in the participating pharmacies.

H2b: There is a positive relationship between Competitive aggressiveness in the workplace and Business growth in the participating pharmacies.

RESEARCH METHODOLOGY

Measuring instrument
The questionnaire used in the study is a standard questionnaire on entrepreneurial orientation compiled and validated by Lotz (2009:324). The questionnaire was customised for the community pharmacist in his or her own environment – referring to a corporate or independent retail pharmacy (De Nobrega, 2012).

Study population
The target population of this study was community pharmacists operating in corporate and independent pharmacies in the Gauteng province in South Africa. The study made use of convenience sampling and the sample was derived from pharmacists within corporate and independent pharmacies in the Gauteng province of South Africa.

Data gathering
Questionnaires were printed and personally delivered to corporate and independent pharmacies. The aim was to distribute the questionnaires to as many retail pharmacies as possible in Gauteng. In some instances, questionnaires were emailed to pharmacists who were located in Gauteng, but not in the pharmacy at time of hand delivery. The questionnaires were collected from pharmacies within three days after delivery, unless agreed otherwise. Participants noted limited time available, no other pharmacist on duty or contractual prohibitions as main reasons for not returning the questionnaires. A total of 108 usable questionnaires were collected.

Statistical analysis
The data collected was statistically analysed using Statistica (Statsoft, 2010) and PASW Statistics (PASW, 2013). The data from the questionnaires was coded and transformed into descriptive statistics, which include frequency tables. The frequency tables were used to conclude and make recommendations regarding the entrepreneurial orientation of pharmacists in the retail pharmacy industry. The relationships between the independent and dependent variables were, furthermore, examined by means of multiple linear regression analysis. The main purpose of the empirical study was, therefore, to investigate the impact of the independent variables (the construct measuring an entrepreneurial orientation) on the dependent variables, i.e. the success factors of the participating retail pharmacies.

RESULTS AND DISCUSSION

Demographic information
More than half of the 108 participating respondents were between the ages 30 and 49 years, indicating a relatively young age of pharmacists, with 30.37% between 50 and 59 years of age. Approximately 63% of the respondents were female and 37% male.

Construct validity of the measuring instruments
The dangers of using scales not validated for a specific country context have been highlighted in the international business literature (Antonicic & Hisrich, 2001; Knight, 1997:215; Scheepers, Bloom & Hough, 2008:2). For example, Kemelgor (2002) concluded that entrepreneurial orientation is characterised by cultural differences. Even though the domain of entrepreneurial orientation has received a substantial amount of theoretical and empirical attention (Rauch et al., 2009:762), the vast majority of publications has been from American authors (Frank et al., 2010:175).

The scales used to measure the dependent and independent variables in this study were validated by Lotz (2009). In order to conduct the exploratory factor analysis, Lotz divided the data into two models. The first model related to the dependant variable, whereas the second model related to the independent variables. In identifying the factors to extract for each model, the percentage of variance explained and the individual factor loadings were considered.
With regard to the dependent variable, *Perceived business success*, the construct was split into two constructs, labelled *Business development and improvement* and *Business growth*. Based on the validation by Lotz (2009), for this study, *Business development and improvement* refers to highly committed employees viewed as the most valuable asset of the business and the improvement of job satisfaction, image of the business, efficiency and effectiveness over the past few years with continued investments in research and development/innovative projects even during difficult economic periods. *Business growth* refers to growth in profits, turnover, market share and the competitive position of the business over the past few years.

Lotz (2009), furthermore, also validated the constructs measuring the independent variables. This validation was used to operationalise the constructs in this study. For the purpose of this study, *Autonomy* refers to employees being encouraged to manage their own work without continual supervision and being allowed flexibility to be creative and try different methods to do their jobs. *Pro-activeness*, furthermore, refers to the continuous monitoring of market trends and future needs of customers, opportunities created by these trends and needs are pursued, existing products/services are continuously improved and new product/services are continually provided. The third construct measuring entrepreneurial orientation, *Risk-taking*, refers to the business having a strong inclination towards high-risk projects and when confronted with uncertainty, the business typically adopts a bold posture to maximise the probability of exploiting opportunities. *Innovativeness* refers to the regular introduction of new products/services/processes, the increase in the number of service/product offerings during the past two years and the extent to which these new products/services/processes have been dramatic within the past few years. Lastly, *Competitive aggressiveness* refers to when an aggressive posture is assumed not only against competitors, but also any industry trends that may compromise survival or competitive position.

**Reliability of measuring instrument**

To assess the internal consistency of the items measuring the various factors under investigation, Cronbach alpha coefficients were calculated (Bryman & Bell, 2007:164). Coefficient alpha measures internal consistency by computing the average of all split-half reliabilities for a multiple-item scale (Zikmund & Babin, 2007:322). The coefficient varies between 0 for no reliability, and 1 for maximum reliability (Kent, 2007:142) and values above 0.7 indicated acceptable internal consistencies or, in other words, reliability (Field, 2009:668).

The reliability of the measuring instrument used to assess the dependent and independent variables in this study was calculated as follows (refer to Table 1). Based on the Cronbach alpha coefficient values, it can be concluded that the questionnaire used to measure the dependent (Perceived business success) and the independent variables (Entrepreneurial orientation) is reliable.

**Table 1: Cronbach alpha coefficients of the variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variables</strong></td>
<td></td>
</tr>
<tr>
<td>Business development and improvement</td>
<td>0.773</td>
</tr>
<tr>
<td>Business growth</td>
<td>0.828</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.709</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.900</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>0.749</td>
</tr>
<tr>
<td>Pro-activeness</td>
<td>0.845</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>0.724</td>
</tr>
</tbody>
</table>

**Relationship between independent and dependent variables**

Multiple regression analysis is the study of how a dependent variable \( (y) \) is related to two or more independent variables \( (x) \). If data could be obtained, a statistical procedure called regression analysis could be used to develop an equation illustrating how variables are related. In regression terminology, the variable being predicted is called the dependent variable. The variables being used to predict the value of the dependent variable is called the independent variables.

In this study, the attempt was to determine the effect that entrepreneurial orientation constructs, namely *Autonomy*, *Innovativeness*, *Risk-taking*, *Pro-Activeness* and *Competitive aggressiveness* has on the perceived success of a business. The dependent variables are *Business development and improvement* and *Business growth*. The independent variables include the constructs of entrepreneurial orientation. Multiple
linear regressions were used to determine whether the independent variables had a significant impact on the dependent variables.

The impact of the independent variables measuring entrepreneurial orientation is presented in Table 2.

Table 2: The impact of the independent variables on the dependent variable Business development and improvement

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardised coefficients</th>
<th>Standardised coefficients</th>
<th>t-value</th>
<th>p-level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.809</td>
<td>0.301</td>
<td></td>
<td>6.011</td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.161</td>
<td>0.074</td>
<td>0.207</td>
<td>2.179</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.262</td>
<td>0.121</td>
<td>0.327</td>
<td>2.159</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>0.041</td>
<td>0.078</td>
<td>0.055</td>
<td>0.525</td>
</tr>
<tr>
<td>Pro-activeness</td>
<td>0.031</td>
<td>0.100</td>
<td>0.044</td>
<td>0.307</td>
</tr>
<tr>
<td>Competitive</td>
<td>0.011</td>
<td>0.089</td>
<td>0.015</td>
<td>0.125</td>
</tr>
</tbody>
</table>

R^2 = 0.284 (**p<0.05)

Table 3 indicates that 28.4% of the variance in the Perceived business success variable, Business development and improvement, can be explained by the influence of the variables Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness measuring entrepreneurial orientation. Statistically significant relationships were found between Autonomy (2.179; p = 0.032) and Innovativeness (2.159; p = 0.033) and the dependent variable, Business development and improvement. There was no statistically significant relationship between Risk-taking (0.525; p = 0.601), Pro-activeness (0.307; p = 0.759) and Competitive aggressiveness (0.125; p = 0.901) and the dependent variable Business development and improvement, respectively. Hypotheses H^A_4 and H^B_3 were accepted and hypotheses H^A_5, H^B_4 and H^B_5 were not accepted.

Refer to Table 3 for the results of the multiple linear regression analysis concerning the impact of the variables measuring entrepreneurial orientation on the dependent variable, Business growth.

Table 3: The impact of the independent variables on the dependent variable Business growth

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardised coefficients</th>
<th>Standardised coefficients</th>
<th>t-value</th>
<th>p-level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.984</td>
<td>0.427</td>
<td></td>
<td>4.641</td>
</tr>
<tr>
<td>Autonomy</td>
<td>0.135</td>
<td>0.105</td>
<td>0.128</td>
<td>1.288</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>-0.160</td>
<td>0.172</td>
<td>-0.147</td>
<td>-0.929</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>0.100</td>
<td>0.111</td>
<td>0.99</td>
<td>0.904</td>
</tr>
<tr>
<td>Pro-activeness</td>
<td>0.466</td>
<td>0.142</td>
<td>0.495</td>
<td>3.290</td>
</tr>
<tr>
<td>Competitive</td>
<td>-0.055</td>
<td>0.127</td>
<td>-0.054</td>
<td>-0.432</td>
</tr>
</tbody>
</table>

R^2 = 0.217 (**p<0.05)

The independent variables measuring entrepreneurial orientation, namely Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness, in this study explain 21.7% of the variance in the dependent variable, Business growth. Only one statistical significant relationship was found between Pro-activeness and Business growth (3.290; p = 0.001). There was no statistical significant relationship between Autonomy (1.288; p = 0.201), Innovativeness (-0.929; p = 0.355), Risk-taking (0.904; p = 0.368) and Competitive aggressiveness (-0.432; p = 0.666) and the dependent variable Business growth respectively. Only hypothesis H^A_6 was accepted and hypotheses H^B_4, H^B_5, H^B_6 and H^B_7 were not accepted.

**CONCLUSIONS**

The objective of this study was to investigate the relationship between the entrepreneurial orientation of pharmacies in Gauteng and their perceived success. The results show that pharmacists in the participating pharmacies perceived the following entrepreneurial orientation variables as influencing the Business development and improvement i.e. Autonomy and Innovativeness. Put differently, pharmacies that are encouraging their employees to manage their own work without continual supervision and being allowed flexibility to be creative and try different methods to do their jobs, and introducing new
products/services/processes on a regular basis; increasing the number of service/product offerings during
the past few years and the extent to which these new products/services/processes have been dramatic
within the past few years, are more likely to experience an increase in organisational efficiency and
effectiveness, improved image as well as increased job satisfaction and highly committed employees.

Similar to the results Lumpkin, Brigham and Moss (2010) a positive relationship was also found to exist
between the entrepreneurial orientation factor Pro-activeness and the Business growth of the participating
pharmacies. In practice, this implies that the more pharmacies are continuously monitoring market trends
and future needs of customers; pursuing opportunities created by these trends and needs and improving
existing products/services continually; the more likely it will lead to business growth in terms of increased
turnover, profits and market share.

Competitive aggressiveness, consistent with the findings from Lumpkin and Dess (2001) and Lumpkin et al.
(2010), showed no relationship with Business development and improvement or Business growth. In this
regard, Lumpkin and Dess (2001:446) perhaps present an explanation and argue that Competitive aggressiveness
may enhance a business’s efforts to maintain a strong position relative to competitors (reactive behaviour),
but this behaviour may not necessarily lead to higher performance. There was also no relationship between Risk-taking and the dependent variables. In part, this result can be explained by the

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

To enhance the entrepreneurial orientation in pharmacies, a number of recommendations are put forward.
Firstly, because an entrepreneurial orientation has its roots in the strategy-making process, it is recommended
that entrepreneurship becomes the strategic way of thinking (dominant logic) within the business (refer to Lotz
& Van der Merwe, 2013). This can be done by specifically including the word “entrepreneurship” in the vision
statement of the business, setting goals and developing strategies for entrepreneurship. The focus of the
pharmacy then becomes opportunity identification, discovery of new sources of value, and product and
process innovation that could lead to greater success.

Being pro-active or the posture of anticipating and acting on future wants and needs in the marketplace is
vital to the entrepreneurial orientation in businesses. Pharmacies must therefore constantly monitor the
external environment and, importantly, disseminate this information among all employees with the view of
seeking new opportunities and ideas.

It is the task of management to create an environment in which workplace autonomy can be fostered.
Furthermore, autonomy must actually be granted to employees to enable them to exploit new opportunities
and ideas. In this regard, task objectives should be framed in such a way that they are clear but defined in
broad terms to allow employees the freedom to pursue a number of different approaches to perform their
tasks.

New opportunities and ideas need to culminate into new products/services/processes. Goals and objectives
need to be set for innovation. This must include the type of innovation as well as the number of innovative
products/services/processes required. An integrative approach to the type of innovation is recommended
and goals and objectives must be developed for both incremental innovations as well as radical innovations.

The adversity to risk-taking in pharmacies must be addressed. Risk-taking behaviour needs to be
encouraged in pharmacies by articulating to employees that risk-taking behaviour is acceptable. Naturally,
employees will be sceptical and it may be necessary to set boundaries for risk-taking behaviour by
explaining the types of risk-taking behaviour that will be acceptable. Pharmacies must develop rules and
procedures regarding risk-taking behaviour and identify areas where risk-taking would be acceptable as well
as the level of risk that would be tolerated.

Finally, in today’s dynamic and uncertain competitive environment, successful pharmacies will be those in
which entrepreneurial behaviour will be used to explore opportunities to build a foundation for future success.

Based on the results of this study and, furthermore, by applying the concepts discussed in this paper in
general to retail pharmacies, the following practical recommendations are made:
- Retail pharmacy must monitor the external environment. Pharmacists should focus on new trends,
  possible legislative and political interventions, and best practices of international pharmacy. This
  information should be communicated to employees on all levels of the business.
- To strengthen entrepreneurial orientation should be a strategic method of thinking in pharmacy. Services
  and products offered should be determined from an entrepreneurial perspective.
• The pharmacist should revisit the business structure of the pharmacy over time and ensure that the highest possible level of entrepreneurial orientation among pharmacists are adhered to and by doing so not just focusing on the task at hand, but also reflecting on the outcomes of such tasks.
• Develop a system for reporting on success and failures of the entrepreneurial orientation initiatives.
• Ensure that activities to be more entrepreneurial contribute to the bottom line of the pharmacy business, namely success in terms of financial performance. Mostly independent pharmacies will have to focus their efforts not only on acting entrepreneurially, but also to achieve more profitable results.

**SUGGESTIONS FOR FURTHER RESEARCH**

This study has attempted to make a contribution to the body of knowledge on the relationship between entrepreneurial orientation and the perceived success of retail pharmacies. Lotz and Van der Merwe (2013) pointed out that, although there is general consensus in the literature on the dimensions measuring entrepreneurial orientation, there is little consensus on the underlying dimensions of business success. Success may therefore depend upon the indicators used to assess success. More comprehensive research is therefore still needed to clarify the underlying dimensions of business success. Another limitation is that, when measuring success, this study relied entirely on the perceptions of the respondents. To close the gap between perception and reality, future research could be designed to collect actual data on business success such as turnover, profits and market share, for example.

The sampling method used to determine the pharmacy study population was a non-probability sample. Only pharmacies in Gauteng were included in the population. The environment in which a pharmacy in Gauteng operates versus the pharmacy in a rural, less developed area might be completely different. The challenges the same business face in the different geographical locations might be completely different.

Pharmacists have numerous careers to choose from; and because this study only focused on retail pharmacists in Gauteng and therefore cannot be generalized to all pharmacists in Gauteng. The findings can therefore not be considered to be representative of all retail pharmacies in South Africa. Care should therefore be exercised in the interpretation and utilisation of the results, and the findings of the study cannot be generalised to all retail pharmacies. In other words, the typical retail pharmacy could be underrepresented in the sample.

Finally, the multiple regression analyses were based on the constructs validated by means of exploratory factor analyses by Lotz (2009) in agri-businesses. Although the exploratory factor analyses of the measuring instrument assessing the entrepreneurial orientation and perceived success performed by Lotz on agri-businesses provides some evidence of construct validity and reliability, it should be tailored to pharmacies. Further research is, however, needed before the measuring instrument can be utilised to diagnose these issues in the pharmacy industry. The constructs should be validated in the pharmacy industry and care should, therefore, be taken in interpreting the findings of this study.

**REFERENCES**


Appendix 1: Items measuring the dependent variables

<table>
<thead>
<tr>
<th>Statement</th>
<th>BUSS DEVELOPMENT AND IMPROVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our pharmacy, employees are viewed as the most valuable asset of the business.</td>
<td></td>
</tr>
<tr>
<td>Our employees are highly committed to our business.</td>
<td></td>
</tr>
<tr>
<td>The morale (job satisfaction) of our employees has improved over the past few years.</td>
<td></td>
</tr>
<tr>
<td>The image (stature) of our pharmacy, relative to our competitors, has grown over the past few years.</td>
<td></td>
</tr>
<tr>
<td>The effectiveness (doing the right things) of our business has improved over the past few years.</td>
<td></td>
</tr>
<tr>
<td>The efficiency (doing things right) of our business has improved over the past few years.</td>
<td></td>
</tr>
<tr>
<td>During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.</td>
<td></td>
</tr>
<tr>
<td>BUSINESS GROWTH</td>
<td></td>
</tr>
<tr>
<td>Our pharmacy has experienced growth in profits over the past few years.</td>
<td></td>
</tr>
<tr>
<td>Our pharmacy has experienced growth in turnover over the past few years.</td>
<td></td>
</tr>
<tr>
<td>Our pharmacy has experienced growth in market share over the past few years.</td>
<td></td>
</tr>
<tr>
<td>The competitive position of our pharmacy has improved over the past few years.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2: Items measuring the independent variables

<table>
<thead>
<tr>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUTONOMY</strong></td>
</tr>
<tr>
<td>I have enough autonomy in my work as a pharmacist without continual supervision to do my work.</td>
</tr>
<tr>
<td>The pharmacy environment allows me to be creative and try different methods to do my job.</td>
</tr>
<tr>
<td>Pharmacists in our business are allowed to make decisions without going through elaborate justification and approval procedures.</td>
</tr>
<tr>
<td>Pharmacists in our business are encouraged to manage their own work and have flexibility to resolve problems.</td>
</tr>
<tr>
<td>I seldom have to follow the same work methods or steps while performing my major tasks from day to day.</td>
</tr>
<tr>
<td><strong>INNOVATIVENESS</strong></td>
</tr>
<tr>
<td>Our pharmacy regularly introduces new services/products/processes.</td>
</tr>
<tr>
<td>Our pharmacy places a strong emphasis on new and innovative products/services/processes.</td>
</tr>
<tr>
<td>Our pharmacy has increased the number of services/products offered during the past two years.</td>
</tr>
<tr>
<td>Our pharmacy is continually pursuing new opportunities.</td>
</tr>
<tr>
<td>Over the past few years, changes in our processes, services and product lines have been quite dramatic.</td>
</tr>
<tr>
<td>In our pharmacy there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.</td>
</tr>
<tr>
<td>Our pharmacy places a strong emphasis on continuous improvement in products/service delivery/processes.</td>
</tr>
<tr>
<td>Our pharmacy as a business has a widely held belief that innovation is an absolute necessity for the business' future.</td>
</tr>
<tr>
<td>Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.</td>
</tr>
<tr>
<td><strong>RISK TAKING</strong></td>
</tr>
<tr>
<td>When confronted with uncertain decisions, pharmacies typically adopt a bold posture in order to maximise the probability of exploiting opportunities.</td>
</tr>
<tr>
<td>Owing to the environment, our pharmacy believes that bold, wide-ranging acts are necessary to achieve the business' objectives.</td>
</tr>
<tr>
<td>Pharmacists are often encouraged to take calculated risks concerning new ideas.</td>
</tr>
<tr>
<td>The term ‘risk-taker’ is considered a positive attribute for pharmacists in our retail business.</td>
</tr>
<tr>
<td><strong>PRO-ACTIVENESS</strong></td>
</tr>
<tr>
<td>Our pharmacy is very often the first to introduce new products/services/processes.</td>
</tr>
<tr>
<td>Our pharmacy typically initiates actions that competitors respond to.</td>
</tr>
<tr>
<td>Our pharmacy continuously seeks out new products/processes/services.</td>
</tr>
<tr>
<td>Our pharmacy continuously monitors market trends and identifies future needs of customers.</td>
</tr>
<tr>
<td><strong>COMPETITIVE AGGRESSIVENESS</strong></td>
</tr>
<tr>
<td>In dealing with competitors our pharmacy typically adopts a very competitive “undo-the-competitor” posture.</td>
</tr>
<tr>
<td>The pharmacy industry is very aggressive and intensively competitive.</td>
</tr>
<tr>
<td>Our pharmacy effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.</td>
</tr>
<tr>
<td>Our pharmacy knows when it is in danger of acting overly aggressive (this could lead to erosion of our business’s reputation or to retaliation of our competitors).</td>
</tr>
</tbody>
</table>
AN INVESTIGATION OF OBSTACLES THAT DETER CITY OF JOHANNESBURG COOPERATIVES ELIGIBILITY TO PREFERENTIAL PROCUREMENT

J. Sibeko  
University Of Johannesburg  
O. Ncube  
University Of South Africa

ABSTRACT
Cooperatives success relies upon members’ cooperation of which in return hinges upon efficient management. This study examined the key factors to be achieved for a cooperative to be eligible for preferential procurement opportunities in the public and private sector. In carrying out the study 47 out of 300 (16%) cooperatives were investigated, randomly selected in the City of Johannesburg database. A qualitative method for the study was aimed at gathering an in-depth understanding of the obstacles that deter eligibility either than resources which are usually mentioned. The study used focus groups and the SWOT analysis for each cooperative. Secondary data was collected and reviewed from the cooperatives registrar and portfolios created by students after focus group interviews. The study results suggest that finances are considered to be critically important by members of cooperatives as even planning cannot take place without any seed capital. All the administration required to establish a government recognised cooperative relies on one having a small start-up capital, of which most of the cooperatives members do not have since most of them are unemployed and earn less than SA per capita income. The study suggests that local economic development department should link incubators to universities and identify potential cooperatives for further support. And then provide the resources and finances to register and acquire all the paperwork for a year. All administration for business planning should be done with the cooperative members not for them as consultants usually do. Further studies could help unveil South African related success factors for cooperatives especially in the urban areas.

INTRODUCTION
In the twenty years of freedom the South African government is frustrated to see that the policies and the special BBBEE legislation still does not improve the standard of living for the historically disadvantaged groups in South Africa. Evidently, in South Africa 47 percent of South Africans still remain poor. In 1994, this figure was 45.6 percent. More jarring, the country’s unemployment rate is 25.4 percent (Bhorat, 2013) According to Birchall and Ketilson (2009: 5) cooperatives thrive in times of economic crisis. Cooperatives have been so successful in certain parts of the world like India, Argentina, Brazil and Columbia. In India dairy cooperatives generate jobs for 12.96 million families, such that the South African government wants more people to start worker cooperatives (Andres & Spognardi: 2013). This initiative is deemed necessary to curb the poverty and unemployment rate of which presently stands at 25% (Stats SA, 2011).

Cooperatives, namely worker cooperatives’ lack of bankable business plans and proper administration of which influences their chances to finding start-up finance and being eligible to take advantage of tender opportunities even when they qualify for preferential procurement opportunities. In South Africa worker cooperatives in the cities have not been that successful, other studies show that out of the 90% that failed, most of them failed to start (DTI, 2009). According to Phillips (2003: 2), worker cooperatives are a complex and specialised form of enterprise, requiring high levels of internal skill or external technical support to succeed, placing real constraints on their potential as a vehicle for mass job creation. The failure of cooperatives to take advantage of the tender opportunities presented through preferential procurement has raised the following questions; what are the key success factors that deter cooperatives eligibility to preferential procurement opportunities? How do cooperative member demographic characteristics influence the success of the enterprise? In light of the above the study investigates the key factors that are attributed to this phenomenon.

LITERATURE REVIEW

Background of cooperatives in South Africa
Prior to 1994, cooperatives were located mainly in the field of agriculture; the Department of Agriculture had the responsibility to support and develop cooperatives. These cooperatives were mainly white cooperatives and although there were black cooperatives in existence, these tended to be informal and did not enjoy any support from the South African government (dti report, 2009:4). After 1994, governments identified the cooperatives model as a means to address poverty and unemployment. Therefore the mandate of
cooperatives development and support was shifted to the Department of Trade and Industry (the dti). In line with the objective of reducing poverty and unemployment, legislation was reviewed to make it more responsive to achieving these goals and foster a sustainable cooperatives movement comprising all economic sectors and all sectors of the South African population. The Cooperatives Unit at the dti is responsible for cooperatives development through promoting and supporting these enterprises (dti report, 2009:4).

The South Africa Co-operatives Act No 14 of 2005 describe a co-operative as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organized and operated on co-operative principles. For the purposes of this study the focus is on the South African definition which as follows;

A co-operative is a legal entity owned and democratically controlled equally by its members. A defining point of a co-operative is that the members have a close association with the enterprise as producers or consumers of its products or services, or as its employees. A minimum of 5 members is required for the formation of a cooperative.

Such legal entities have a range of unique social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally according to each member’s level of participation in the cooperative, for instance by a dividend on sales or purchases, rather than divided according to capital invested (ICA, 2005).

Studies have shown that worker cooperatives are far from dominant, but those that are well established have proven to be competitive, relatively profitable and productive as compared to no-cooperatively owned and operated counterparts (Martin, 1992; Bonin, Jones, & Putterman, 1993; Cosgel & Murray, 1998; Craig & Pencavel, 1992; Craig & Pencavel, 1995; Dow, 2003; Gulati, Isaac, & Klein, 2002; Johnson & Whyte, 1977; Jones, 1985; Jones & Svejnar, 1985; Merrett & Walzer, 2004; Park, Kruse, & Sesil, 2004)

Theories underpinning the study

Democracy is one of the underpinning theories in the study of cooperative management. Aristotle was one of the first theorists of democracy. For Aristotle the underlying principle of democracy is freedom, since only in a democracy the citizens can have a share in freedom. In essence, he argues that this is what every democracy should make its aim. There are two main aspects of freedom: being ruled and ruling in turn, since everyone is equal according to number, not merit, and to be able to live as one pleases (Aristotle, Politics 1317b (Book 6, Part II). In relation to cooperatives, democracy refers to the fact that the entity is governed by the members of the cooperative, the members or directors determine the policies, rules and regulations on how to govern the cooperative. They all have an equal opportunity to express their opinion (Morlimo, 2002).

Leadership Theories: Avolio, et al (2004:4) define authentic leaders as those who are deeply aware of how they think and behave and are perceived by others as being aware of their own and others’ values/moral perspectives, knowledge, and strengths; aware of the context in which they operate; and who are confident, hopeful, optimistic, resilient, and of high moral character (as cited in Avolio, Gardner et al., 2004). This attribute is vital for leadership in cooperatives as they are dealing with a diverse group of individuals. Therefore cooperatives require strong leadership from the directors as cooperation is the key attribute in cooperatives and transparency is vital to the enterprises success.

SWOT analysis (alternatively SWOT Matrix) is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. SWOT analysis model is vital for any business to create competitive strategies (Petty et al. 2012). Since cooperatives are also a form of business, using this method to formulate strategies is important since cooperatives do not operate in a vacuum they also need to be competitive in their pursuit of becoming suppliers.

Supply Chain Management economic theory main goal is to build a corporate “team” consisting of suppliers, finished goods producers, service providers and / or retailers. Agricultural cooperatives have been part of the supply chain for centuries. In the rural areas farmers revert to commercial farming to take care of their financial responsibilities and improve their standard of living (Fawcett et al. 2007)

Motivational Theories: "Motivation is the force that initiates, guides and maintains goal-oriented behaviors. It is what causes us to take action, whether to grab a snack to reduce hunger or enroll in college to earn a degree. The forces that lie beneath motivation can be biological, social, emotional or cognitive in nature" (Cherry, 2013). Rochdale (1995), argues that since cooperatives are voluntary nature. Leadership is required to motivate and to encourage people to participate. Motivation is key to building a strong membership with common goals and vision. And therefore is instrumental to conflict management.

Cooperatives Best Practices

In developed countries cooperatives generally developed progressively – from the bottom up, encouraged by local conditions of poverty and unemployment, but also by traditions of cooperatives behaviour and
organisation within communities. In developing countries, the tendency has been for the state to initiate the establishment of cooperatives as part of a national poverty alleviation and economic growth strategy. This top down approach has had some successes, but has often resulted in less sustained existence of those cooperatives (dti report, 2009). Over 1 billion people around the world are members of cooperatives. Three-hundred of the world’s top cooperatives have generated over $1.6 trillion, according to the Global 300 report launched by the International Cooperatives Alliance. The report revealed that the largest cooperative in the world was Crédit Agricole Group, the largest retail banking group in France, which had generated revenue of $103.58 billion during 2008. It is evident from the above success evidence that cooperatives need to be competitive and be at par with other forms of businesses. The Central Bank of Brazil suggests the following best practices as guidelines since they may vary in their implementation due different environments and cultures. The following table summarises the best practices into four sections i.e. 1) Representiveness and participation; 2) strategic guidance; 3) executive management and 4) supervisions and control.

Table 1: Cooperatives Guidelines for Best Practices

<table>
<thead>
<tr>
<th>Best Practices</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representiveness and participation</td>
<td>General assembly: Cooperative members should regard the general assembly as the highest instance of governance and ensure that informed decisions are made. Participation and representativeness does not only relate to quantitative but also to quality inputs by members.</td>
</tr>
<tr>
<td></td>
<td>Assembly agenda and documentation: Assembly agenda documents must be detailed, language used should be in line with the characteristics of the cooperative members, facilitating understanding of the matters to be discussed.</td>
</tr>
<tr>
<td></td>
<td>Voting rules: formal procedures should be adhered to when voting.</td>
</tr>
<tr>
<td></td>
<td>Voting procedures: cooperatives should establish voting procedures which must be known to all members and understood.</td>
</tr>
<tr>
<td></td>
<td>Member participation: participation of members in cooperative affairs is encouraged with the establishment on an environment and instruments enabling members to express themselves and be heard. Mainly with the purpose of developing a sense of belonging, property and ability to affect the course of the cooperative affairs.</td>
</tr>
<tr>
<td></td>
<td>Cooperative formation, development of leaders and social responsibility: Cooperative is constantly training and educating its members.</td>
</tr>
<tr>
<td>Strategic guidance</td>
<td>Defining roles and actions: clear segregation exist between the roles and of strategic function administrators and executive function administrators.</td>
</tr>
<tr>
<td></td>
<td>Duties of strategic administration body must be in harmony with policies of the associated system.</td>
</tr>
<tr>
<td></td>
<td>Operation of administration body: rules for operation of the administration bodies shall be formally reflected in the cooperative regulations.</td>
</tr>
<tr>
<td>Executive management</td>
<td>Actions and responsibilities: administrators with executive duties, as they are in charge of operational management, must dedicate all their time and effort to the activities of the cooperative.</td>
</tr>
<tr>
<td>Supervisions and control</td>
<td>Code of conduct and ethical standards: cooperatives must have a in place a code of conduct providing guidance to actions of administrators with strategic and executive duties, statutory audit committee, employees, expressing the ethical standing of the cooperative and its applications to daily activities.</td>
</tr>
<tr>
<td></td>
<td>Risk and credit policies: The cooperative must have in place a risk management policy full disseminated to the employees of the cooperative documenting criteria and procedures.</td>
</tr>
<tr>
<td></td>
<td>Dissemination of information: administrators with executive duties must secure to members of the strategic administration and supervision bodies full access to the cooperative premises, information and documents needed in the performance of their respective tasks.</td>
</tr>
<tr>
<td>Supervisions and Control</td>
<td>Members: Administrators with executive duties must secure that efficient institutional channels are in place so that cooperative members may actually exercise their right-duty of supervising and controlling the cooperative affairs.</td>
</tr>
<tr>
<td></td>
<td>Audits: The hiring of external and internal audits must be approved by the strategic body, preferably in a deliberation taken solely by members with no executive duties.</td>
</tr>
<tr>
<td></td>
<td>Statutory audit committee: the statutory committee must be a body independent from the cooperative administration, with the purpose of supervising such administration as a representative of cooperative members.</td>
</tr>
</tbody>
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External and Internal Factors imperative to cooperatives success
The success of cooperatives can be influenced by both internal and external factors. When a cooperative demonstrates the competence of most of the internal factors it becomes easy for the cooperative to comply with the requirements of the preferential procurement requirements. Carlberg et al, (2006) identified ten success factors that are imperative for new generation cooperative. These are planning, financing and costs, managerial, operational, strategic, product related, industry related, HR or organisational, logistics and regulatory environment. Internal factors are usually easy since they can be controlled and monitored by cooperative members (Carlberg et al, 2006).

Planning: The importance of cooperatives has increased. Emphasis on the use of planning and openness in transactions and communications are perceived as strengths in well-managed co-operatives and members seemed more satisfied with their society in these areas than in fairly well-managed ones Carlberg et al, (2006) . According to Carlberg et al, (2006) planning entails having strong local leadership that supports the cooperative; strong steering committee that is responsible for strategizing the activities of the cooperative; a feasibility study needs to be conducted prior to starting cooperatives activities; partnering with other organisation is important and lastly staying in proximity of successful cooperatives is vital for benchmarking and networking purposes. “Strong local leadership in the planning stage was identified as an important success factor for vegetable/organic New GCs. King describes how in the early days of the Whole Farm Cooperative, one local leader was responsible for much of the early marketing effort, contacting local food service growers and undertaking internet based marketing in an effort to generate sales” (Carlberg et al, 2006) Planning is one of the key management roles; if cooperatives fail to plan they plan to fail.

Financing and Costs: Investors, creditors, owners, customers, and regulatory agencies are external users of financial information. Managers of business operations are internal users of accounting information. Both external and internal users are interested in the profitability, financial position, and cash flows of the entity. Profitability is often measured on the Income Statement prepared for the company. The Statement of Financial Position, also known as the Balance Sheet, reports the financial position of the company at any point in time. The Statement of Cash Flows reports the cash inflows and outflows during a period of time (Williams et al, 2008). A study conducted by the DTI indicated that almost all of the emerging cooperatives surveyed do not comply with the Cooperatives Act in terms of submission of their financial statements to the registrar of Cooperatives. They found that only 4.72% of the cooperatives have audited reports (dti, 2009: ix). One of the biggest challenges to cooperatives is the lack of awareness of their business potential among governments and the general public. It also often leads to mischaracterization of their interests. The 2006 Global Entrepreneurship Monitor Report revealed, however, that poor financial literacy and inadequate management practices limit entrepreneurial activity among South African youth (Bosma and Harding, 2006). In light of the above statement if the youth is battling with financial management of the business it is evident that the situation is even worse with the moderately literate adults who are victims of poor education system during the apartheid era. The Organisation for Economic Cooperation and Development (OECD, 2005) defines financial literacy as: “the combination of consumers/investors’ understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being.” From the definition clearly if a cooperative directors fail to do proper costing for their business they would be considered as financially illiterate (Oseifuah, 2010). Various studies have cited financial competence such as the understanding of the main features of basic financial services, attitudes to spending money and saving, understanding financial records and appreciating the importance of reading and maintaining them, an awareness of the risks associated with financial products, and an appreciation of the relationship between risk and return (Oseifuah, 2010). Financing the cooperative by raising capital from members is a challenge and is a critical problem for many co-ops and small businesses. In capitalist societies, ordinary workers often have only insufficient savings they can invest in a business, so many co-ops begin with inadequate capital. Co-ops who operate in uncertain markets may fail because they don’t have enough of a cash cushion to ride out temporary reductions in income caused by market fluctuations or minor losses attributable to management mistakes. Or, lack of capital may make it difficult to purchase the most modern equipment that would produce economies of scale and allow the co-op to be competitive (Lindenfeld & Wynn, 1995).

Managerial: Co-ops may fail because of poor management. Excessive costs, inadequate marketing, lack of attention to customers, etc. are bad for any business. Securing technically competent management is necessary for co-ops, but is not in itself sufficient for their needs. Co-ops need managers who support cooperative principles and are comfortable working within democratic structures. Such managers must be familiar with democratic process, be willing to share information, to train understudies, and to delegate
authority. Finding such managers, or re-educating those recruited from capitalist organizations, is a difficult challenge. This was one of the weaknesses of the Jamaican sugar worker co-ops who had to select their managers from among those who had worked under the previous corporate system (Lindenfeld & Wynn, 1995). Member-perceived weaknesses in the co-operative societies surveyed related largely to internal relationships, such as managerial corruption, the poor payment system, slow information flow and lack of transparency in transactions and communication. Among the fairly well-managed societies, poor payment system and lack of transparency in managerial activities were highlighted as major weaknesses. In contrast, the perceived weaknesses in private companies (Lindenfeld & Wynn, 1995).

**Operational Activities:** For a cooperative to be successful, a cooperative needs at least to maintain its volume of member transactions. With increased competition, it can do this only through continual improvements in services while maintaining competitive prices. Improved service may mean expanding the range of services offered to members or improving the delivery of existing services (Bruynis, 2001). The study further stresses the importance constant business volume to permit a cooperative to generate the income needed to cover operating costs (Bruynis, 2001: 20).

**Strategic Related:** Strategic purchasing, operating through supply management practices, has the potential to generate relational rents for a firm. Close relationships with suppliers, where trust and cooperation replace competition and opportunism, encourage value creation. Strategic purchasing utilises a number of supply management practices, including boundary-spanning socialization activities, integration of operational processes, and improved alignment of the supply base with the needs of the buyer. The effective implementation of these supply management practices leads to business benefits, such as improved quality, delivery speed, reliability and product design. A strategy is important for any business survival. Bruynis et al, (2001) in their studies identified four factors which were significant to a cooperative longevity i.e. business volume, accurate financial statements, previous cooperative board members experience and spending significant effort on training during the initial years ((Bruynis, 2001: 18).

**Product Related:** Cooperative products and services need to be competitive just like the other forms of businesses. Carlberg et al, (2006), (2006) identified the key variables for competitiveness product as: Product quality, Customer service, Tech incorporated, Product uniqueness, and brand recognition. A Study conducted by Kontogeorgos, (2010) suggests that, cooperatives should invest more on branding and marketing strategies for their products. Cooperatives have been very slow in developing brands, preferring in many cases government protection and finance. The development of cooperative quality system can be useful in three directions, firstly it can support a brand strategy based on the “cooperative product”, notion and prevent the transformation of this element in a collective brand. Second, it can help cooperatives to promote their values and principles to consumers and third, a cooperative quality system can highly motivate cooperative members and employees to improve their product quality and as a result their business performance (Kontogeorgos, 2010: 80).

**Industry Related:** Industry benchmarks are a tool to help you assess your business performance, by comparing your business with others in your industry. Under this key factor Carlberg et al, (2006) identified the following attributes as vital to cooperative performance in the relevant industry; Reputation; Market size; No of competitors; Competitors price; and Economic climate. Since the main study found that most of the cooperatives studies were fairly young not all of the factors could be discussed in detail.

**Human Resource:** Human resource management (HRM, or simply HR) is the management of an organization's workforce or human resources. It is responsible for the attraction, selection, training, assessment, and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labor laws (Swanepoel, 2007). Carlberg et al, (2006) identified the following attributes as vital to the success of the cooperative; Labour force quality; internal communication; Communication with board; Communication with members; Use of outside experts. Bruynis et al, (2001) studies show that past management experience past cooperative experience increased member satisfaction. Therefore members’ satisfaction results in member productivity and support of the cooperative. External factors are a challenge as they may not be easily changed by the cooperative but rely on government intervention. Cooperative competitiveness to forming part of the supply chain of public and private organization hinges upon its ability to compete with other forms of businesses. Therefore the documents discussed below are important for a cooperative in order to qualify for tender opportunities and in return get the first preference by organs of state.

**Registrations of Cooperatives**, registering a cooperative opens up a new world of opportunities for its members and formally regulates its activities. A legal personality of the cooperative enables it to sue and be sued. The legitimacy of a registered cooperative extends the opportunity to be recognised as a reliable business and it is accountable for its business transactions (Coop Act, 2005).

**Tax Clearance.** A Tax Clearance Certificate is a written confirmation from South African Receiver of Revenue Services (SARS) that a person's tax affairs are in order at the date of issue of the Certificate. It is normally a condition of a tender that a tax payer must obtain a Tax Clearance Certificate (TCC) from the Receiver Of Revenue stating that all the tax affairs of the tax payer is in order. Tax Certificates are valid for one year. In some instances a Certificate may be issued to a customer who has tax arrears provided such
Arrears are covered by an installment arrangement that has been agreed with Revenue. Cooperatives are to ensure on yearly basis that their all tax returns and payments are up to date if they want to apply for tender opportunities (SARS External Guide, 2012). The SARS External Guide (2012) further states that when applying for a TCC for tenders and / or good standing a TCC could be declined for any of the following reasons:

- There is outstanding money more than R1000 where no arrangements have been made
- (including STC, administrative penalties and Employees Tax),
- There is outstanding money where deferred arrangements not adhered to (Income Tax / VAT, PAYE, SDL and UIF).
- There are outstanding returns where no arrangement acceptable to SARS has been made for the submission of the return.
- Taxpayer not registered for Income Tax reference number.
- Taxpayer status inactive / deregistered
- TCC Application not signed by taxpayer / representative

A tax clearance certificate can stop the process of getting any tenders as the government departments are obligated to only give business opportunity to enterprises that adhere to government regulations (SARS External Guide, 2012).

**Proof of residence:** South African citizens are required by law to produce documents that prove that they are residents.

**Credit clearance:** A credit history that includes old, unpaid debts; delinquent accounts, charged off loans, deficiency judgments, or repossessions will normally result in a delay or even denial of business opportunities and opening of bank accounts for a business. Therefore it is important that members of cooperative clear up their credit record before registering a business or opening a business account at a local bank.

**Bank statement:** A bank statement is usually required by the organ of state as proof of legitimate business transactions.

**Identity document:** is any document which may be used to verify aspects of a person's personal identity.

**BBBEE Verification:** Verification certificate refers to the BBBEE verification issued by the verification agency which reflects the overall B-BBEE status of a measured entity and scoring allocated for each scorecard element in respect of the measured entity.

**PROBLEM INVESTIGATED**

Cooperatives, namely worker cooperatives’ lack of bankable business plan and proper administration of which influences their chances to finding start-up finance and being eligible to take advantage of tender opportunities even when they qualify for preferential procurement opportunities. In South Africa, worker cooperatives in the cities have not been that successful the Department of Trade and Industry baseline study shows that out of the 90% of cooperatives that failed, most of them failed to start. According to Phillips (2003: 2), worker cooperatives are a complex and specialised form of enterprise, requiring high levels of internal skill or external technical support to succeed, placing real constraints on their potential as a vehicle for mass job creation.

The first sub-problem is that cooperative members do not possess the business acumen required to run this specialised complex form of enterprise and they lack the basic financial literacy to run the cooperative enterprise.

The second sub-problem is that the cooperative member demographics characteristics influence the success of the cooperative. The demographic are mainly age, education, gender, experience and income.

**RESEARCH OBJECTIVES**

In light of the above research problems, the objectives of the study are as follows:

a. To determine the key success factors that enables cooperatives to take advantage of preferential procurement opportunities in the public institutions.

b. To examine the relationship between the cooperative member demographic characteristics and the success of the cooperative enterprise.

**RESEARCH METHODOLOGY**

A qualitative method used for the study, it was aimed at gathering an in-depth understanding of the obstacles that deter eligibility either than resources which are usually mentioned. A survey questionnaire was designed to collect quantitative data from the subjects especially the demographics of the cooperatives. The aim of the survey questionnaire was to gather demographics of the cooperatives and the cooperatives members’ biographical data. The section B of the survey aimed to gather information about the cooperative compliance to the preferential procurement requirements. The questionnaire was pre-tested among
cooperatives during training. Pre-testing is essential for ensuring the success of a research project. It can help uncover problems with individual questions and their sequence and any problems unique to the mode of administration (Churchill & Lacobucci, 2002).

Since worker cooperative are also required to compete successfully with other business forms. Complete documents do not guarantee to qualify for a tender the quality of product and services also a play a major role. Therefore an in-depth discussion with the cooperatives members in a focus group interview was necessary to determine the presence of the success factors of cooperative that enable them to compete with other business forms. To accomplish the in-depth collection of data, monthly meetings were organised where each success factor was discussed in detail and possible interventions were identified. When the researcher visited the cooperatives in their workspace observed behaviours were recorded.

The simple random sampling was used for the study. The City of Johannesburg keeps a database for all the cooperatives that needs government support. There were 47 cooperatives studied out of the 300 that were registered on the database. The participating cooperatives were identified initially by the City of Johannesburg as having the potential to succeed. They were also participating in the workshops where they were trained on various aspects on how to run a successful cooperative. Students also conducted a needs analysis for the cooperative by reviewing their documents and also did a SWOT analysis. A portfolio was created for each cooperative on the challenges faced when applying for funding or a tender. The respondents were assured that their identity in the research information would be kept confidential by the researcher and not to be utilised for personal gain. The research was not undertaken on projects for respondents who are in competition when these studies would jeopardize the confidential nature of respondents’ relationships.

**FINDINGS**

At the time of the study, the City of Johannesburg had a database of 300 cooperatives. The cooperatives were registered by the local economic department but only 47 were randomly selected for the study from various sectors. All 47 were willing to participate after an explanation of why it was important for a study to be conducted this way. A total of 269 members were able to give their demographic data from almost all the cooperatives studied. The City of Johannesburg has seven regions and the cooperatives studied come from the various regions. The most dominating region is Soweto with 31 cooperatives. The other regions have less than 6 in each.

The results of the survey revealed that adults above the age of 35 years were dominating in the study. The youth members are only between the ages of 18-30 and accounts for about 16% of the sample. The majority of the respondents are found in the age group of 41-50 years old. This is followed by the age group of 51 and above and 31-40 years old respectively. The total number of respondents in this study is 269 and is members of 47 cooperatives. Respondents were all falling under the black population category. The female members were dominating as they accounted for 59% while there were 41% male members in the cooperatives respondents.

The survey findings show that there are more female cooperatives members than male members. Cooperatives that consisted of only women members accounted for 9 cooperatives, representing about 20% of the total cooperatives sample. Sectors which had women only cooperatives were textiles 10% service and food related 10%. The documents review done by confirming the registration of the cooperatives indicates that most cooperatives are relatively young, typically less than three years old. In some instances the age merely indicates the registrations of the cooperatives. About 90 percent of the cooperatives are still at the initiation level. This age corresponds with the introduction of the cooperatives incentives in 2011 by the department of trade and industry. The figure below shows the increase in cooperative registrations after the introduction of incentives.

**Table 2:** Registration trends according to CIPC statistics, as at April 2013

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Furthermore the inception of the new cooperatives legislation which was promulgated in 2005, suggesting that a lot of cooperatives were either started or got officially registered with the coming into effect of the new legislation. The age of cooperative affects its ability to get the incentives and be able to qualify for tender opportunities. Members were also asked to indicate if they have the skill to do operations pertaining to the chosen business idea and the results were as follows.
Thebulk of the respondents were mostly cleaners, security guards, or doing building related maintenance in the companies that they have worked for. They were not in management positions in their previous jobs where they could make decisions. Even the ones that are in construction, they were not skilled to do the job. One cooperative indicated that their bricks were of poor quality and most of their customers complained that they break easily. The technical knowledge was lacking in most of the cooperatives.

The first question of the study is, “What are the key success factors that deter cooperatives eligibility to preferential procurement opportunities?”

Proposition: Cooperatives with historically disadvantaged members who have better governance and administration are more likely qualify for preferential procurement and tenders.

Government compliance: It was found that a few cooperatives do not comply with existing legislation and cannot legally be classified as cooperatives. This is because they have less than 5 members or directors in their cooperative. About 5% of the cooperatives merely changed the name from close cooperative to a cooperative because of the incentives promised by the department of trade and industry. A government application requires that all members of the cooperative sign all the documents before submission, therefore it becomes a problem for the cooperatives if directors cannot get all the signatures from members.

Planning: The findings from focus group discussions indicate that 80% of the cooperatives were established because there was a promised to get incentives from dti. The cooperatives did not identify a business opportunity. The establishment of the cooperative was not based on the principles of cooperatives and therefore were ignorant of how worker-cooperatives function. Cooperative members were not appointed to positions according to skills and qualifications. Therefore after being placed in key positions they needed to be guided on their roles. This resulted in their failure to making quality decisions regarding the cooperatives operations. Among the cooperatives four have dissolved because of financial and location but one dissolved because all the members wanted the role of being the chairman.

Financing and Costs: Ninety five per cent the cooperatives do not have start-up capital; they rely on their pensions, grants or casual jobs to finance their day -to-day activities. This means that they cannot afford to have enough capital to take on a big tender opportunity without being advanced by the procurer. One cooperative even indicated that they were so desperate for capital to take on a project such that they borrowed from loan sharks. These individuals usually charge up to 50% interest. Only 20% of the 47 cooperatives have contributed more than R5000 rand towards capital and because of that, they were able to get more financing from the government through resources provision. The management of finances is a huge problem within the cooperatives as the cash that was collected from the sales or providing a service is not deposited into the banking account. Instead is shared by members from day to day or weekly. Although the some of the cooperatives are operating and making cash, the start-up cost poses a significant problem. The cooperatives do not have a plan for a monthly budget and no plan to save profit was in place. Regardless of the fact that some of the cooperatives have assets exceeding R300 000, the cooperatives do not have a balance sheet and these assets are not insured. The cooperatives members have not kept register of their assets and do not know how much they are worth. Financial statements and cash flows statements are not kept even receipts for record keeping are not kept in a safe place.

Operational: Out of the 47 cooperatives only 8 had operational facilities where they did their day to day activities. The remaining 39 were operating from homes. Cooperatives are expecting that their municipality will help them to find suitable location for their businesses. The Johannesburg Property Management indicated that the process of acquiring space from government unused buildings takes about a year. But unfortunately after investigation the study found that the process takes up to a year. Lack of proper administration and lack of finance seem to be the key factors responsible for failure for these cooperatives to even take off from the initiation stage.

CONCLUSIONS
The results showed the 100% cooperation by the cooperatives to focus groups interviews. The large proportion of the members in the cooperatives is women accounting for 59% and the most dominating age were 41-50 years. The last section discussed all the factors that try to address the two questions posed in the study. It gave the internal and the external requirements that need to be fulfilled by cooperatives before they can consider themselves as compliant to the procurement requirements. Lack of good governance,
proper administration and lack of finance seem to be the key factors responsible for failure f to take advantage of tender opportunities.

**MANAGERIAL IMPLICATIONS FOR COOPERATIVES AND RECOMMENDATIONS**

In South Africa the skilled workers with high levels of education are looking for corporate jobs and have no difficulty finding these jobs. This reduces the availability of skilled workers to create cooperatives, since the private labour market will give them reasonable working conditions. On the other hand, the unskilled workers are very favourable to the creation of cooperatives in order to secure their economic activities and employment opportunities. The challenge is to overcome this dichotomy within the labour market, to make sure that in each cooperative there are both unskilled workers for production operations but also skilled workers with management expertise."

**Members’ demographics:** The study shows that the cooperatives entrepreneurs are not well seasoned in terms of small business management as respondents have little or no relevant previous background. The Global Entrepreneurship monitor supports this as it reported that South Africa has the lowest rate of the 10 sub-Saharan African countries for entrepreneurial intentions in its youth population (15%). Therefore even as adults the cooperative members do not necessarily start the cooperatives because of passion but it is out of desperation to make ends meet. The shows that before the respondents formed cooperatives they were employed and ordinary workers. The study focused on historically disadvantages group mainly blacks and women. The domination of women as cooperative members can be attributed to the fact that women are the most unemployed and are also breadwinners. Therefore joining cooperatives is their last resolution to make a living and take care of their families. Unfortunately most women do not have the knowledge of running cooperatives and financial institutions are still reluctant to borrow money to women without their husband consent. The level of education is vital for the success of any business venture. The majority of the cooperative members do not have a tertiary education which might be a threat to the cooperatives sustainability and keeping up with the macro environment. Cooperatives members may have embarked on a specific business but the study reveals that most of them do not possess the core technical skills required run the cooperative successfully. One of the cooperatives was asked the reason for starting a solar installation cooperative. The response was that respondents were told that the solar energy was a new way to make lots of money. Seeming it had nothing to do with a identified need, or if their community needed solar geysers or may be passion from the members on finding ways to use alternative energy systems.

**Cooperative Profile:** In general, the findings of the cooperatives characteristics highlights the fact that the City of Johannesburg’s cooperatives are mostly primary and have not formed adequate secondary and tertiary cooperatives to ensure support and representation at sectorial, regional, provincial and national levels. The cooperative growth life cycle stage is regarded as a shortcoming since the competition is very high from other forms of ownership. Graduating to secondary cooperatives is another way that may be used by cooperatives to raise funding for their ventures. Cooperatives registrations have been accelerated by the unemployed masses. Their entrepreneurial capabilities are in question though since all of their lives have been spent as ordinary workers or working under supervision. Therefore in light of the above there has been a rapid increase in cooperatives registration. Cooperatives are required to be older than at least two years, in some cases six months to be eligible for business opportunities. Some of the cooperatives registered three years ago but only started to be operational less than six months. Therefore there is no concrete evidence that their business is capable to deliver some of the requirements from tenders. Some cooperatives have lost members due to inactivity and waiting on government to give incentives due to lack of start-up capital. This has affected the operations of the cooperatives as the respondents are required to have all the members’ signatures before applying for anything or get into business deals.

**Compliance documents:** The documents required during the tender application are vital or the cooperative success. If one document is missing the tender application is not even considered during the selection. One of the key documents that were missing for most cooperatives was the tax clearance certificate. Cooperatives do not see the need to file during the filling season if respondents did not make any money. This is also as result of poor record keeping and inability to afford an accountant to do their books. A business plan requires knowledge about the business and the financial projections seem to be a challenge since the required high levels of mathematical literacy. Other key documents that are required are the verification certificate and the BBBEE certificate. These documents cost money and the cooperatives cannot afford to get them. The baseline study conducted by Department of Trade and Industry (2009) also indicated that there is very little compliance with the Cooperatives legislation among new cooperatives. The study found that the number of cooperatives that submit financial reports to the Registrar is below 1% out of approximately 23 000 cooperatives. This poses a great challenge as it is one of the most important compliance requirements of the Act. This is aggravated by the fact that, most cooperatives (58%) have not received training on cooperatives principles as indicated in the dti Baseline Study. The DTI baseline (2009) study points out that undeveloped networks and economic value chain were challenges for most cooperatives. As with any business, cooperatives that have a broad network of support including technical,
managerial, legal, administrative and financial appear to be more successful. The DTI study further highlights that the cooperatives have limited access to markets, this attributed to the fact that suppliers disregard the products and services supplied by cooperatives due to business counterparts’ poor understanding and appreciation of cooperatives as businesses to transact with. This has led to failure of many cooperatives and therefore cooperatives tend to sorely rely on government tenders for business (DTI, 2009). The current study argues that cooperatives do not even know that respondents need to have a market respondents assume that customers will come on the own through word of mouth. Respondents do not understand the dynamics of the market due to lack of exposure. The study found that the cooperatives have no marketing plan or even strategy in place for marketing themselves.

The conclusions of this research suggest the following recommendations.

**Incubators:** Business incubators serve new ventures in a number of ways; connections to venture capital, assistance in developing a sound business plan, availability of physical dedicated space with shared areas for informal discussions, and opportunities to network founders of other new firms (Stevenson and Thomas: 2001). Wiggins and Gibson (2003) conclude that business incubators must accomplish five tasks well in order to succeed. 1) Establish clear metrics for success, 2) provide entrepreneurial leadership, 3) develop and deliver, value added services to member companies, 4) develop a rational new-company selection process, and 5) ensure that member companies gain access to necessary human and financial resources. Therefore it is recommended that the local economic development department assume the role of establishing incubators. The incubators should be linked to universities business departments so to enjoy the benefits of accredited training and professional advice.

**Promotion of community service learning by universities:** Students straight from grade 12 studying to become entrepreneurs are usually not matured yet to start their own businesses. Therefore since the literacy levels of some of the cooperatives restrict them from becoming fully acquainted with their business activities. Cooperatives can work with students through community service learning. Cooperative members could participate in mentoring and couching programmes on how to run a successful cooperative. This is where students apply what they have learned into a real life situation. To increase access to information the local economic departments should establish one stop centres for Cooperatives within universities. Then government could sponsor weekend’s workshops for bookkeeping as per each stage of cooperatives until they can manage on their own.

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