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# *Alternation*

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**Interdisciplinary Journal for the Study of the  
Arts and Humanities in  
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**Themes in Management Studies**

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*Rembrandt Klopper*

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# **Introduction: Themes in Present-day Management Studies in South Africa**

**Rembrandt Klopper**

## **Abstract**

This 'Introduction' overviews thirteen contributions to present-day research in Management Studies (MS). The first eight articles deal with particular aspects of MS, such as entrepreneurial network analysis, research in customer relations management, establishing when small or medium enterprises are ready to utilise e-Business resources to leverage a competitive advantage over their competitors, the importance of managing organisations to function as learning organisations, issues in advertising and the impact of work equity on work satisfaction. The last five articles deal with different aspects of research in the field of Management Studies, such as action research, the applicability of survey research in Finance, the use of a Concept Matrix to ensure theme-based literature reviews, teaching and professional practice.

Apart from the significance of the rise of Management Studies as discipline over the last thirty years in South Africa, Management Studies has steadily become increasingly important for the Arts and Humanities. The main reason for this phenomenon is the increase in value that management knowledge and skills add to qualifications. For this reason, *Alternation* publishes this issue, and is also planning an additional issue in 2009. On the

one hand, the necessary management knowledge and skills are needed in the business and management of the Arts and Humanities disciplines themselves. This is especially needed in the context of institutional mergers and various forms of institutional transformation challenges that institutions of Higher Learning currently experience. In addition, the area of Postgraduate Research Management has emerged as an important field of management development.

On the other hand, our disciplines have to importantly provide students with access to relevant management knowledge and skills. For this reason, careful planning should accompany coherent and integrated modules that add to the value of especially interdisciplinary qualifications. We hope that the upcoming issue will address this and related topics.

According to O'Neill and fellow researchers entrepreneurial networking has been a relatively under-researched area in the field of entrepreneurship. They state that it is unclear why research on this topic has been avoided to date, but speculate that the multi-disciplinary nature of the topic could be a factor. The authors then set out to establish criteria towards the development of a testable model of specific entrepreneurial networks on the success of businesses and to develop a testable model to determine the impact of specific networks on the success of businesses. They begin with a literature review of entrepreneurial networking and critical success factors of businesses in order to establish a conceptual base for the exploratory research that they subsequently present. The exploratory empirical study uses a non-probability sample of small businesses in the Pietermaritzburg region, and discusses the issues, challenges, and limitations of this approach. It also provides suggestions for further research.

In 'Towards Effective Service Delivery ...' the authors argue that the transformation of the Public Service can be furthered by the principles of Batho Pele while at the same time enhancing the agenda for improved service delivery. They argue that the business requirement of customer focus benefits from the principle of Batho Pele because it is premised on a value and relationship management perspective. Their contribution then examines the notion of customer relationship management and its role in service

delivery, focusing on a few trends and a model, thus creating an enabling environment for effective and efficient service delivery.

Husselman and her fellow researchers set out to determine whether forms of electronic communication, configured to deliver e-Business could offer solutions to challenges faced by chemical distributors in South Africa. They base their conclusions on an empirical survey that was conducted in 2006 among chemical companies in the province of KwaZulu-Natal (KZN) on the eastern seaboard of South Africa. The authors conclude that chemical companies would be more likely to support e-Business initiatives if the information that these distributors offer is convenient, reliable and dependable. They recommend informing prospective business (referred to as customers later in the paper) in the chemical distribution sector about the benefits of e-Business service, offering order to the levels of e-Readiness of client companies because their levels of e-Readiness were found to impact on the perceived benefits of an online service offering.

Poovalingam and Veerasamy examine how communication is currently being employed in the cellular industry to improve service to customers in an attempt to establish a long-term relationship with them. They do so by analyzing the communication process and the communication mix that cellular service providers utilize to engage with their customers. They present the results of a quantitative cross sectional study where the survey method was employed using a simple random sample. The target population consisted of existing cellular phone users, both contract and prepaid. Structured Interviews were used to assist the researcher in obtaining information from an intended sample of 300 cellular phone users. At the end of six weeks, 251 responses were received reflecting an overall response rate of 83.7%.

Their findings indicate that the majority of cellular phone users were satisfied with the communication efforts of their service provider and that the communication tools used by the service providers were effective in promoting relationship marketing. Moreover, existing customers indicated that they would become advocates of their service provider, as they did not regret their choice of service provider particularly because service providers tailor make packages for their customers.

Coldwell and his fellow researchers explore the comparative importance of learning organisation disciplines in generating effective work

outcomes in HR employees in two different national cultural contexts. They observe that how important the learning disciplines are considered to be in different countries may be influenced by prevailing cultural differences and prevailing organisational change situations. They report the results of a survey of human resource practitioners' perceptions of the importance of the five disciplines in generating effective work outcomes in a single UK and South African tertiary educational institution undergoing differential types of change. Research was conducted to explore these aspects empirically. A specific measuring instrument was devised to operationalise the five-discipline model adapted from Senge's (1990) seminal work.

Their results reveal that although the ranking of the five disciplines is cross nationally similar, the influence of national culture appears to affect the emphasis put on specific aspects. Also, the generally higher scores obtained by the South African sample on the discipline dimensions suggests that the specific change circumstances faced by the two institutions may have a bearing on the perceived importance of adopting core aspects of a learning organisation in achieving effective work outcomes. Implications of these findings are discussed in context of Hofstede's (1980) model and Senge's observations with regard to organisational change (Webber, 1999).

Cassim and Bexiga state that as the volume of advertising grows so does concern about its acceptability. These concerns are raised more particularly for advertising aimed at children. They note that statutory regulation combined with industry-led self-regulation does exist across the globe to ensure acceptability of advertising. In so far as children are concerned countries vary somewhat in the approaches they adopt for the regulation of advertising to this group.

The paper develops a framework of acceptable advertising to children and compares developing and developed countries on dimensions of the framework that ensures acceptability of advertising to this special consumer group. It is concluded that the framework for acceptable advertising is present in developing countries. This assures the basis for acceptable advertising in developing countries.

Pramlal and Brijball begin by observing that teams play an integral role in organisational growth and its use has expanded dramatically to meet competitive challenges. However, teams need to be cohesive in order to be successful. Their contribution assesses team cohesiveness, based on seven

dimensions, in a team-based police service department. A simple random sample of 61 members from different teams was drawn from a District Police Station, which is dependent on highly cohesive teamwork. Data was collected using a self-developed questionnaire, which was statistically assessed, and analysed using descriptive and inferential statistics. The results reflect team members' perceptions of their team's cohesiveness and recommendations are made to enhance these dimensions used to determine team cohesiveness.

Coldwell and Perumal set out by referring to Adams' Equity theory (Adams, 1965), which suggests that employees' perceptions of equity or inequity stem from individual comparisons with salient referents of individual personal-referent perceptions of work inputs to outcomes ratios. They state that although the theory has proven to be generally correct in showing that employee motivation is affected by the perceived ratio of work inputs to outcomes, there are several aspects that have not been sufficiently articulated (Cosier and Dalton, 1983; Robbins, 1994:457).

Using a cross-sectional correlation research design consisting of a sample of academics specifically aimed at exploring input equity perceptions and effects, the authors report preliminary findings on the perceived influence of work equity on job satisfaction and work motivation.

Focusing on 'Action Research', De Villiers, Lubbe and Klopper, observe that there is an increasing interest in action research in business and management studies due to a number of factors - an important one being that increasing numbers of degree candidates find it very convenient and advantageous to conduct their research in their experiential employer's organisation. This provides relative ease of access to interesting situations from which business and management lessons may be learned by conducting action research. In these circumstances, the action researcher is actually playing the role of a consultant to his/her experiential organisation. The authors state that there are a variety of different approaches to experiential training and it is important for the action researcher to understand which of these are appropriate to the particular action research undertaken. After closely examining the stages and components of action research, this paper focuses on some of the details of how the actual research work or experiential training could be performed by considering the methods outlined in a work entitled *21st Century Process* (2001), Adams and

McNicholas (2007), Van Aken (2004) and Baskerville and Pries-Heje (1999). The paper suggests how such research can be pursued in a rigorous manner and how the researcher can ensure that s/he realises the learning experience and thus the objectives of the research.

Frank begins by noting that survey-based research is in wide use, and that its development and application influence the social sciences profoundly. Still the acceptance of the method is far less in Finance than other business disciplines. Many do not consider the technique equal to other types of original research and circumscribe a complimentary, if any, role to it.

Frank notes that this disjunction between how survey research is viewed in social science research and finance research arises due to differences between academic approaches to finance from that of practitioners. Editors screen survey papers more rigorously as they report that poor execution or analysis of results often affect the quality of such papers. This paper offers three principles for increasing its reliability: survey narrowly defined constructs formed outside of or existing prior to theory; only describe a hypothesized variable as driving a result where sound prior theoretical arguments for that relation exist; limit the unit of analysis to the sample frame.

Klopper and his fellow researchers document the concept matrix method of literature review that could be used as conceptual scaffolding at the beginning of a problem-based research project when the researcher's knowledge about the subject is finite and her/ his ignorance about it is more or less infinite. The concept matrix provides a means to systematise the process of literature review, thereby ensuring that a literature review does not become a subjective process stitching together a patchwork quilt of references, or the unilateral cherry picking of references that supports one's point of view, while ignoring references that present contrary points of view.

Van Loggerenberg explores the relationship between universities and industry and the opportunities available to academics doing research in Information Systems (IS) field. The author observes that in order for such a relationship to stand any chance of success, both parties have to benefit explicitly or the relationship will not be sustainable. He explores the driving forces, focus areas, management styles, metrics, rewards and penalties of universities and industry for similarities and differences. The analysis of a

typical day in the life of the IS academic and a day in the life of a Chief Information Officer (CIO), is used to highlight the differences between a typical IS academic (representing university IS teaching and research) and a typical IS practitioner (representing people practicing IS in industry). In order for research to be valuable to industry, research needs to be relevant not only in terms of time but also in terms of content and has to be written in a way which is accessible and understandable by the IS practitioner.

Worrall and his fellow researchers state that over the last decade, there has been much debate in academic research circles bemoaning the fact that management practitioners are not using the academic research being produced in universities. These debates have focused on the research rigour and relevance debate and on the need for new forms of social organisation for the production of management knowledge encapsulating concerns about the structure of business schools, the nature of management education and the conduct of research.

Yet, despite this debate and the clamour for increased relevance, the amount of funding that academics are attracting directly from business is continuing to decline. The authors state that the purpose of their contribution is to stimulate debate on these issues.

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# **Towards a Testable Model of the Impact of Specific Entrepreneurial Networks on the Success of Businesses in the Pietermaritzburg Region**

**Charles O'Neill**  
**Sanjay Soni**  
**David Coldwell**  
**Judy Edmonds**

## **Abstract**

Entrepreneurial networking has been a relatively under-researched area in the field of entrepreneurship. The apparent avoidance of this topic by researchers could be attributed to a multitude of speculative reasons, such as the multi-disciplinary nature of the topic; uncertainty with regard to the nature and operation of entrepreneurial networking; disagreement among scholars on critical success factors of businesses and the difficulty in obtaining reliable quantifiable data from businesses to enable researchers to determine their level of success. A testable model to determine the impact of specific networks on the success of businesses could contribute substantially to the base of knowledge in the field of entrepreneurial networking research. In this paper, a literature review of entrepreneurial networking and critical success factors of businesses was initially conducted in order to establish a conceptual base for the exploratory research that followed. The exploratory empirical study was based on a non-probability sample of small businesses in the Pietermaritzburg region. The objective of this paper is to establish criteria towards the development of a testable model of specific

entrepreneurial networks on the success of businesses. In this regard the issues, challenges, limitations of this approach and suggestions for further research are clearly identified in the paper.

## **Key Concepts**

Business success, competitive advantage, critical success factors, entrepreneur, entrepreneurial firm, entrepreneurial networking, networking, small business, testable model.

## **Introduction**

All businesses, even the large and/or successful ones do not always avail themselves of such the abundance of resources available to operate optimally. Many operate in isolation from their environment. In this regard effective and efficient networking could assist all businesses to strengthen the areas where they need external assistance. The need for external assistance to strengthen an often weak base of resources is even more crucial in the case of the small business sector that often cannot survive or grow without the networks that facilitate such external assistance. Networking without purpose and direction is bound to fail in similar fashion to most organisational activities without clear objectives. As there is still much uncertainty on the requirements of effective and efficient networking, this paper explores the nature and characteristics of networking as well as the factors that determine business success. Based on the literature review of networking and the conceptual model of Neergaard et al. (2005) on the one hand and the exploratory empirical study on the other, triangulation was used to address the objective of the paper, namely to determine the criteria needed to develop a testable model of evaluating entrepreneurial networks and its impact on the success of businesses. In order to conduct this exploratory empirical research, a judgemental non-probability sample of entrepreneurial and non-entrepreneurial businesses in the Pietermaritzburg region was undertaken. In conclusion, the findings, challenges, limitations and suggestions for further research are dealt with.

## **Literature Review**

Networks can be defined as reciprocal patterns of communication and change (Powell, 1990:295). Networks refer to 'the coming together' of a group of enterprises or people to use their combined talents and resources in order to achieve results which would not have been possible if they operated individually (Dean, Holmes & Smith, 1997:78). Premaratne (2002:2) defined networks as personal relationships between an entrepreneur and his/her external actors. These external actors (or outsiders) can be individuals or organisations and are not directly employed by the entrepreneur. Networks have the potential to facilitate collective action for mutual benefit (Taylor, Jones & Boles, 2004: 226). A network can be regarded as a series of reciprocal relationships that have the potential to generate customer value and build sustainable competitive advantage for the entrepreneur. Competitive advantage can be seen as an advantage gained over competitors that enables the business to offer greater value to customers at lower prices or by providing more benefits that justify higher prices (Kotler, Armstrong, Saunders & Wong, 2002: 820f). A network is a structure where a number of nodes (entities) are related to each other by specific threads (links). Both threads and nodes are loaded with regard to resources, knowledge and understanding as a result of complex interactions, adaptations and investments within and among firms over time. Networking is then a social construction that exists only as a result of the individual's understanding and use of the network (Goudis & Skuras, 2000: 14). Networking is important to develop entrepreneurship as it enables entrepreneurs to develop relationships with the outside world. These relationships in turn help the entrepreneurs to achieve their goals and may provide special assistance to entrepreneurs in small businesses despite the fact that they usually have limited resources relative to larger businesses (Premaratne, 2002:1).

Although a universally accepted definition of entrepreneurship does not exist (Republic of South Africa, National Strategy for Fostering Entrepreneurship Study, 2001:10), the following definition of an entrepreneur will be used as a guideline for this article:

an entrepreneur is a person who generates change through inno-

vation, finds new combinations of resources, takes calculated risks, reorganises and improves existing operations and leads economic activity in times of uncertainty in order to realise a profit.

Based on the definitions of networking and entrepreneurship, entrepreneurial networking refers to the connection or relationship with other entrepreneurs or parties such as organisations or individuals which would result in a reciprocal pattern of communication with the underlying objective of improving the position of both the entrepreneur and the party with whom he/she is networking. In a business context entrepreneurial networks can be seen as social organisations that potentially offer different types of resources to start, improve or sustain entrepreneurial projects (Anon, Wikipedia, 2007: 1). The goal of most entrepreneurial networks is to combine a broad selection of professionals and resources in order to compliment each other's endeavours (Anon, Wikipedia, 2007; 1). Implicit in this goal of entrepreneurial networks is the notion that entrepreneurial networking takes place for a reason. This would further imply that entrepreneurial networking is characterised by a specific goal. The absence of a specific goal would result in aimless networking and consequently disqualify the networking in question from being entrepreneurial networking.

Although prescriptive parameters with regard to the optimum level are provided in the literature, entrepreneurial networking could be characterised by:

- the network size (depth and width)
- extent of network activity (for example frequency of contacts)
- network diversity
- success/ failure of the networking with regard to achieving its preconceived goals to add value to the enterprise (Edmonds, 2005: 63).

According to Jenssen and Greve (2002:255) a large body of literature has shown a positive association between networking and entrepreneurship or small business performance. The effects of networking may, however, not always be positive and will depend on the size, type and developmental stage of the firm as well as its competitive strategy (Ostgaard & Birley, 1994:

281). According to Sandberg and Logan (1997:1) research which examined the composition and size of entrepreneurs' networks found that neither could be conclusively linked to performance. As entrepreneurs are likely to implement multiple networks (Sandberg & Logan, 1997: 2), research should go beyond examining the composition and size of an entrepreneur's networks and pay ample attention to differentiating among the uses, purposes and the value of the resources they provide in order to underscore the importance of focused networking. The researcher should rather interpret the entrepreneur's networking as 'the consequences of strategic decisions' concerning targeted markets and the resources needed to compete in them (Sandberg & Logan, 1997: 3). Shane and Venkataraman (2000: 16) suggested in this regard that the important question for the researcher is: 'why, when and how some people and not others discover and exploit opportunities?'

Baron and Markman (2003: 44) focussed on the 'why are some entrepreneurs more successful ... aspect' and in the process distinguished between social capital (the sum of the actual and potential resources that individuals obtain from their relationships with others) and social competence (entrepreneurs' overall effectiveness in interacting with others). Burt (2002:205) argued that a well-structured network will obtain higher rates of return for the entrepreneur than badly structured networks. In this regard the 'structural hole argument' holds that the structural hole is an opportunity to facilitate the flow of information between people and control the form of projects that connect people from the opposite sides of the hole (Burt, 1998:5). Structural holes are gaps between non-redundant contacts. Unless the hole is spanned, it will act as a buffer in similar fashion than an insulator in an electric circuit. The entrepreneur who identifies and spans the hole, creates a bridge between otherwise disconnected networks and determines whose interests are served by the bridge. It is the *tertius gaudens*, literally 'the third who benefits' from brokering the connection between others (Edmonds, 2005: 49). As broker between two otherwise disconnected contacts, the entrepreneur in the literal sense of the word, becomes the person who adds value by standing between others. In the position of the *tertius*, the entrepreneur has the opportunity to negotiate favourable terms (Edmonds, 2005: 50). Structural holes are the setting for *tertius* strategies, and information is the substance (Burt, 1998: 6). The structural hole

argument, strangely enough reminds us of the classical definition of the entrepreneur by Cantillon as ‘a trader who purchases an article at a certain price in order to resell it later at an uncertain price’ – in both instances risk is involved in spanning the gap between different parties as the mediator has to take the risk of overcoming the gap between two parties with regard to value transfer and information transfer. Tsai and Ghoshal (1998: 473) found that the presence of structural holes is positively associated with the extent of resource exchange with other parties which in turn is positively associated with the focal actor’s innovative ability.

Networks rich in the entrepreneurial opportunities offered by structural holes, could be regarded as entrepreneurial networks as they present the opportunity for entrepreneurs who are skilled in building interpersonal bridges to span structural holes (Burt, 1998:7). In this regard Aldrich (1999:87) asserted that successful entrepreneurs are not necessarily those who create structural holes but rather those who know how to use the structural holes they find. A variant of the structural hole argument attributes advantage to the occupation of a bridging position within a network. In this regard Mc Evily and Zaheer (1999: 1152) surveyed 227 job shop manufacturers in Midwest USA and found that lower density networks were associated with greater acquisition and deployment of capabilities necessary for competitiveness in the metalworking segment of the automotive industry. The benefits of the structural hole argument were also supported by the research findings of Baum, Calabrese and Silverman (2000: 287) in Canada during the six year period (1991-1996) when comparing 142 start-up biotechnology firms with 471 firms founded prior to 1991. The research showed that alliance partner heterogeneity had a positive effect on subsequent financial performance and innovative capability. Singh, Hills and Lumpkin (199:7) surveyed 256 consulting entrepreneurs in the information technology industry and found that in the early stage of the entrepreneurial process, entrepreneurs appear to benefit from diverse information flows. This could most probably be attributed to the diverse needs during the start-up process. Davidsson and Honig (2003:324) conducted a study among nascent entrepreneurs (n=380) and a control group (n=608) in Sweden and followed the development process for 18 months. The study found that being a member of a business network had a statistically significant positive effect on the business in general. Human and Provan (1997: 368) in a comparative

qualitative study of two networks of small and medium sized manufacturing enterprises in the USA's wood product industry found that network exchanges appeared to add more value with regard to learning about your own organizational capabilities than about market exchanges. It further enhanced knowledge with regard to awareness of who their real competitors were (Human & Provan, 1997:397).

The research of Hoang and Antocic (2003:165) with regard to previous publications on entrepreneurship, sociology and the role of networks in the entrepreneurial context, suggested that current research work seeking to explain entrepreneurial success is limited by considerable conceptual vagueness with regard to both the resources required for success and how we measure the networks that help to promote those measures. Mapping networks of general information flows may be too far removed from resource flows and more closely linked to an outcome such as business performance (Hoang & Antocic, 2003:177). Network data derived from detailed lists of relevant business resources may have more predictive power especially if more attention is paid to how network data is elicited in order to verify the reliability of the source. The uniqueness of the industry researched should, however, be borne in mind and generalizing of findings done with caution (Shaw et al, 1994: 393). Entrepreneurial successes and failures are an important contingency that may shape network activity and structure (Hoang & Antoncic, 2003:177). Network research can assist practitioners to meet organizational objectives and help to proactively change networks to improve the performance and effectiveness of their organizations (Nobria & Eccles, 1992:15).

Research by Akizawa and Kijiima (1997:5) found that among the 246 Community (an internet-based entrepreneurial network (n=120) to evolve the Japanese industrial structure) members benefited from:

- higher survival rates of start-ups
- easy access to success models
- timely assistance from other entrepreneurs and specialists
- higher business awareness levels among matured firms
- inter-firm collective learning and

- positive interdependency as a feature of personal networking for exchange and creation of knowledge

These findings were supported by the research of Kristiansen (2004: 22) who found that the qualities of social networks have a clear impact on the ability to raise entrepreneurial resources and thereby on the propensity to succeed within a given business environment.

In order to link the potential effect of entrepreneurial networking to business success and the eventual development of a testable model to measure business success, some perspectives on both business success and critical success factors as found in the literature, are consequently considered. Business success can be defined as a clear indication that the business has progressed with regard to a sustained level of growth, continued increase in net profit, continued increase in its asset base while additional factors such as increase in market share, increase in number of employees and age of the business may also be used as indicators of success. The perspective taken by the person determining critical success factors in a business will determine the nature of the critical success factors themselves as each person may have his/her own perception of success and each business will have its own unique critical success factors. These could be some of the major reasons why there is no agreement with regard to a universally accepted list of critical success factors in a business. A generic approach would link critical success factors to issues such as:

- the ability to select the correct target market
- the superior ability to select a target market that has long term growth potential (Davidsson & Honig, 2003:305)
- the sustainability of the business
- appropriate planning for start-up requirements regarding the factors of production (capital, labour, natural resources and entrepreneurship)
- a healthy balance between owners' equity and loan capital
- a clear and realistic vision and mission
- a sustainable competitive advantage (Scarborough & Zimmerer, 2003: 28)
- a market-orientated approach

- a feasible business idea
- a realistic strategic or business plan based on solid market research
- core competencies such as superior quality, service, flexibility, innovation and responsiveness (Scarborough & Zimmerer, 2003:39)
- growth potential
- alertness to ensure a continuous flow of new innovations in the market (Nieman et al, 2003: 86)
- ample environmental scanning techniques with regard to competition and relevant stakeholders and
- unique knowledge in the field of operation (Hitt et al, 2001: 5).

Apart from the above-mentioned generic critical success factors, the business owner needs to continuously ensure that the unique critical success factors pertinent to his/her specific business are identified and responded to in order to survive and grow. In this regard, effective networking could be most beneficial, especially in areas where the small business, in particular, does not avail of the same resources as large businesses (Starr & MacMillan, 1990: 90; Ramachandran & Ramanarayan, 1993:515). Brown and Butler (1995:57) further emphasised the point by arguing that smaller firms involved in networks that result in gaining superior information would improve their ability to identify opportunities on which to focus their limited resources. This in turn could lead to the establishment of a competitive advantage.

### ***Summary of Literature Review and Some Theoretical and Conceptual Implications***

It is apparent from the literature review that entrepreneurial networks are established for a specific reason. The implication is that entrepreneurial networking is characterised by a specific goal without which aimless networking would take place. The specific goal question would differ from business to business; from industry to industry; from business environment to business environment and from country to country. Generalization of entrepreneurial networking per se would therefore be very difficult. The vast networking opportunities that present itself to the entrepreneur within the context of his/her unique circumstances in a diverse and dynamic business

environment, complicates the establishment of an appropriate theoretical base or model for research on entrepreneurial networking. Given this challenging context, a more realistic approach towards research on entrepreneurial networking would be to establish a conceptual framework within which to research entrepreneurial networking patterns. Such a conceptual framework could form the basis towards the development of a testable model to determine the impact of specific entrepreneurial networks on the success of businesses which also happens to be the title of this paper.

The approach taken to develop a successful conceptual framework based on the literature review was:

- to review the critical success factors needed to succeed in business
- to clarify the meaning and characteristics of entrepreneurial networks
- review previous research on entrepreneurial networking and
- within the context of the above, develop a conceptual framework within which to empirically test an experimental model in a pilot study conducted in the Pietermaritzburg region.

The experimental model and research methodology applied will be discussed in the next section.

## **Research Methodology**

### ***Research Problem***

To establish criteria towards a testable model to determine the impact of specific entrepreneurial networks on the success of businesses in the Pietermaritzburg region.

### ***Research Objectives***

Given the complexities of no generally accepted theoretical base (other than perhaps the not so appropriate Theory of the Firm), against which to measure the impact of entrepreneurial networking on the success of the business, the following research objectives have been formulated:

- to develop a conceptual framework based on the literature review and the conceptual framework of Neergaard, Denmark, Shaw and Carter (2005: 347) to serve as basis for determining the success of entrepreneurial networking
- to develop a testable model based on both the conceptual framework and the pilot study that was empirically conducted
- to determine the challenges and limitations with regard to the testable model suggested

### ***Nature of the Empirical Research***

The empirical research undertaken by Edmonds (2005) in the Pietermaritzburg region was of a qualitative nature based on a judgemental convenience sample in order to gain insight into the entrepreneurial networking process. The conceptual framework or context will be combined with the empirical findings in order to develop the testable model. This approach is similar to the one used by Kristiansen (2004:4) who adopted a holistic approach and theoretical triangulation when he empirically tried to integrate the entrepreneurial process and its context. The aim of such an approach according to Zafirovski (1999:588) is to find 'a combination of theoretically creative and empirically grounded analysis' closer to 'storytelling' than the mathematical line of economic sociology. Kristiansen (2004:4) used a qualitative methodology to expand theory rather than proving the existing theory by statistics. A slight difference in the approach followed by this research is that although the conceptual framework (context) used as guideline for the testable model was based on the literature review and compared to the conceptual model of Neergaard et al., no central theory was used.

### ***Questionnaire Design***

A structured questionnaire was used as a basis for a survey approach in order to obtain biographical particulars, typical behaviour, opinions, beliefs, convictions and attitudes from participants. The questionnaire was designed in order to serve as a basis for personal interviews and was based on the literature review. The questionnaire used classification, open-ended and

attitudinal questions. The questions in the questionnaire were grouped into three sections, namely:

- **Section 1:** Profiles of the businesses and personal characteristics of entrepreneur/non entrepreneur groups. The questions were primarily of a classification nature and aimed at providing background of the entrepreneur and determine his/her entrepreneurial background.
- **Section 2:** Structure and content of the entrepreneur network . Four sub-sections dealt with entrepreneurial and non entrepreneurial groups: network size, network activity, network density and network diversity.
- **Section 3:** Benefits, successes and negative effects derived from the network.

Entrepreneurial and non-entrepreneurial groups' perceptions of positive and negative aspects of networks.

### ***Sampling***

A judgemental convenience sample of 8 entrepreneurial firms and 8 non-entrepreneurial firms was taken. The 'judge', who happened to be an experienced and successful entrepreneur, was at the time of the survey Chairman of the Pietermaritzburg Chamber of Commerce and Industry. He was asked to select the sample from the member list of the Chamber after having been given a definition of what could be regarded as an entrepreneurial firm. An 'entrepreneurial firm' was for the purposes of the selection defined as: 'firms whose primary objectives were to earn profits and to grow and who could be distinguished from non-entrepreneurial firms by: innovation, potential for growth and strategic objectives'. The distinction by Nieman, Hough and Nieuwenhuizen (2003:10-12) between entrepreneurial and non-entrepreneurial or small businesses is that entrepreneurial businesses create their own markets, innovate, are proactive and highly competitive while non-entrepreneurial or small businesses do not dominantly display these characteristics. The researchers are aware of the potential bias that could have resulted from the use of this method and would consequently handle the findings with caution.

### ***Pilot Study***

A pilot study was conducted among three businesses in order to ensure face and content validity. Minor changes had to be done. The three respondents were excluded from the final survey in order to avoid the 'practice effect' where respondents, on the second attempt, try to correct as they think they should instead of sincerely telling the truth (Obiri, 2002:52).

### **Findings of Empirical Survey**

The discussion of the findings of the pilot study is divided into three sections. Section 1 delineates the profiles of the businesses and personal characteristics of entrepreneur and non entrepreneur groups. Section 2 describes the network structure and contents of the two groups and Section 3 deals with entrepreneurial and non-entrepreneurial groups' perceptions of positive and negative aspects of networks.

### ***Section 1: Profiles of the Businesses and Personal Characteristics of the Entrepreneurial and Non-entrepreneurial Groups***

<b><u>00 0</u></b>	<b><u>Entrepreneurial Firms (n=8)</u></b>	<b><u>Non-Entrepreneurial Firms (n=8)</u></b>
<b><u>Sector:</u></b>		
<b><u>Service</u></b>	50.00%	25.00%
<b><u>Rental</u></b>	12.50%	12.50%
<b><u>Manufacturing</u></b>		12.50%
<b><u>Construction</u></b>		12.50%
<b><u>Other (&gt;1 sector)</u></b>	37.50%	37.50%
<b><u>No. of permanent employees (Excl. owner)</u></b>		
<b><u>1-5</u></b>	12.50%	25.00%
<b><u>6-10</u></b>	12.50%	25.00%
<b><u>11-50</u></b>	50.00%	50.00%
<b><u>51-100</u></b>	25.00%	
	<b><u>Entrepreneurial Firms</u></b>	<b><u>Non-Entrepreneurial Firms</u></b>

<b>Business Age</b>		
	5 years----25.00%	6 years---25.00%
	8 years----12.50%	
	9 years----12.50%	9 years---12.50%
	10 years---25.00%	13 years--12.50%
	18 years---12.50%	15 years--12.50%
	30 years---12.50%	22 years--25.00%
		103 years-12.50%
<b>Parents owned own business</b>		
	50.00%	62.50%
<b>Involvement in clubs and societies at school level</b>		
	62.50%	50.00%
<b>Current active involvement in clubs and societies</b>		
	37.50%	62.50%
<b>Age of Respondent</b>		
<b>25-36 years</b>		12.50%
<b>37-45 years</b>	50.00%	12.50%
<b>46-55 years</b>	37.50%	50.00%
<b>56-65 Years</b>	12.50%	12.50%
<b>66+</b>		12.50%
<b>Gender</b>		
<b>Male</b>	62.50%	75.00%
<b>Female</b>	37.50%	25.00%
<b>Post Matric Qualific. (All had Matric)</b>	<b>(n=8)</b>	<b>(n=5)</b>
<b>Nursing Diploma</b>	12.50%	
<b>BSc Engineering</b>	37.50%	
<b>BA</b>	12.50%	20.00%
<b>Teaching Diploma</b>	12.50%	
<b>B.Com</b>	12.50%	40.00%
<b>Dress Making and Design Diploma</b>		20.00%
<b>Marketing Diploma</b>		20.00%
<b>Agriculture Diploma</b>	12.50%	

**Table 1: Profile of respondents**

### **Summary of Profile**

Entrepreneurial firms tended to operate more in the service sector than non-entrepreneurial firms. This is in line with the international trend of growth in the service sector. It appeared as though entrepreneurial firms provided more

employment than non-entrepreneurial firms. Business age did not appear to be different for the two groups. Fewer entrepreneurial firms have previously been exposed to entrepreneurial role models (parents) than non-entrepreneurial firms. The pressure on entrepreneurial firms not to fail because there was not a safety net of family support, could have been the reason for their success or they might not have been as limited by pressures to keep up traditional family business and traditions and could consequently act more innovatively. Entrepreneurial firms have been more involved in clubs and societies at school level than non-entrepreneurial firms. The opposite applied to current activities. This phenomenon supports the notion that entrepreneurial firms network for a reason with selected people and did not waste time by trying to become everybody's friend. Entrepreneurial respondents tended to be slightly younger than non-entrepreneurial respondents. In both groups, males were the majority in line with the national profile of business ownership. All respondents had matric with entrepreneurial firms possessing higher post matric qualifications than non-entrepreneurial firms.

## ***Section 2. Structure and Content of Entrepreneurial and Non-entrepreneurial Networks***

### **Network Contacts**

Fifty percent of the entrepreneurial firms and 25% of the non-entrepreneurial firms interacted with 10 people on a regular basis to secure business information. The mean for the entrepreneurial group of 7.75 people was close to the 7.2 found by Birley, Cromie and Myers (1990:17) but higher than the 6.75 of non-entrepreneurial firms.

### **Reason for Interaction**

The entrepreneurial firms were more focused and goal orientated in their networking activity than the non-entrepreneurial firms. They indicated that they were actively looking for information and were more focused on specific areas like accounting, supplier contact and banking than general business. This was in line with the findings of De Heer (2001:1).

### **Hours per Week Spent to Develop New Contacts**

Hours spent on developing new contacts were surprisingly lower for entrepreneurial firms (5.5 hours per week) than for non-entrepreneurial firms (7.33 hours per week). Both groups spent less hours per week than recorded by Birley et al. (1990:19). The tendency among entrepreneurial firms to focus their networking has the danger of leading to a situation where too little time is spent on finding new contacts.

### **Hours spent on Maintaining Existing Contacts (other than Customers)**

Entrepreneurial firms spent an average of 8.25 hours per week as against 9.13 hours per week for non-entrepreneurs on maintaining existing contacts. As no quality versus quantity measurement was employed, it is not possible to make any conclusions with regard to this finding.

### **Personal Contact Group**

The participants were asked to list the initials of the five people with whom they particularly liked to talk about business matters. Recollection of initials as well as the name of a person in a given network is regarded as giving an indication of the depth of the relationship. The majority (62.5%) of the entrepreneurial group listed five people with initials while only 50% of the non-entrepreneurial group could list five in this detail suggesting that the former group have deeper knowledge of individuals belonging to their network. This could be attributed to the previously stated point that the entrepreneurial group is more focused and goal orientated in their networking activity. The two groups spent almost the same time (11-12 hours per month) being in contact with their personal contact group. Contrary to expectations the non-entrepreneurial group spent 30 minutes longer. The entrepreneurial group knew their personal contact group longer (16.63 years) than the non-entrepreneurial group (13.50 years). Should this higher duration of the entrepreneurial group's networks be considered, Birley et al.'s (1990:20) finding that networks tend to become more useful with age as relationships develop and individuals learn how to get the best out of them may especially apply to the entrepreneurial group.

### **Extended Networks**

This question tried to determine how many people belong to the networks of the five people in the personal contact group. The entrepreneurial firms had a larger group in their extended network of 26 people as against the non-entrepreneurial group with 23 people.

### **Density of The Network**

The entrepreneurial firm's networks were less dense (density refers to members of the personal contact group knowing each other) than those of non-entrepreneurial firms. This was measured by identifying the number of weak ties where the members of the personal contact group did not know each other. The implication is that entrepreneurial firms tend to add more 'new' or diverse sources of information than become trapped with a group that tend to think alike.

### **Occupation of Personal Contacts**

The majority (52.78%) of the personal contact group of entrepreneurial firms are self-employed while only 28.57% of the non-entrepreneurial group's personal contact groups are self-employed. This is a further indication that the entrepreneurial firms are focused and goal orientated in their networking as they ensure that their network contacts can offer business information based on hands-on experience.

### ***Section 3: Benefits, Successes and Negative Effects Derived from the Network***

- The majority of both groups acknowledged the positive role of networks in their current business success
- Both groups indicated that they were more profitable and experienced higher growth than their competition as a result of their networking activities
- Both groups were of the opinion that their networking activities helped their business to become successful

- Non-entrepreneurial firms have as a result of networking produced more new products than entrepreneurial firms. They could, however, not have been more successful than entrepreneurial firms in general as the latter experienced higher growth rates and created more jobs. This raises the question of how profitable and market-orientated the new innovations really were.
- The majority of both groups believed that networking contributed to the establishment of a competitive advantage.

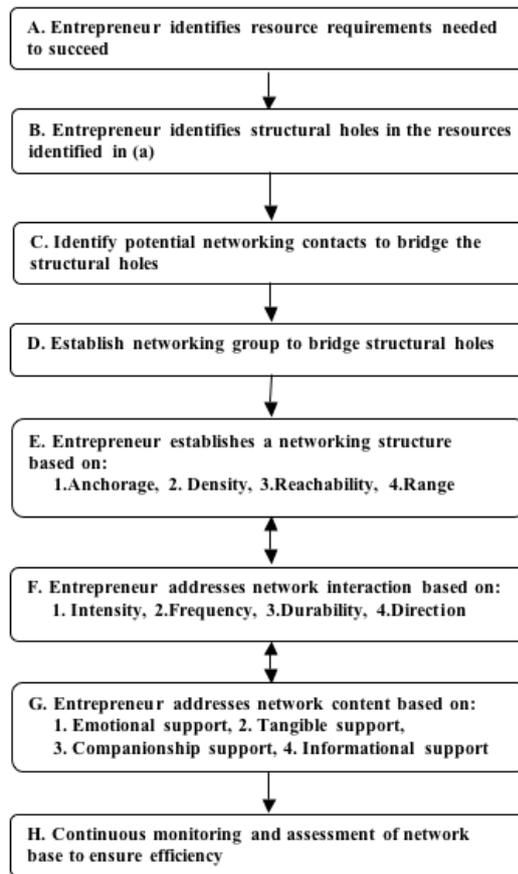
### **A Proposed Conceptual Framework for the Model**

Based on the literature review and the empirical research conducted, the following elements have to be combined into a conceptual framework:

- A. An entrepreneur who has the ability to identify the resources needed to succeed.
  - B. The ability to identify the 'structural holes' that are present in the resources identified in (A)
  - C. The identification of potential networking contacts to bridge the structural holes in (B)
  - D. The establishment of a Networking Group that will help to bridge the structural holes. In establishing a network group, the entrepreneur should consider the three dimensions of networking – structure, interaction, and content as referred to by Neergaard et al., (2005:347) and addressed in E, F, and G below as well as in the model that follows.
  - E. Establishing a networking structure based on:
    - **Anchorage** - which is based on a goal-oriented network – the focus of the network inquiry.
    - **Density** – which is a measure of the extent of connectedness between network partners essentially favouring a greater diversity across contacts.
    - **Range** – which concerns the social heterogeneity of the network actors – the more heterogeneous the contacts, the better.
    - **Reachability** – which refers to the ease with which network partners can contact one another – the length of time personal contacts are known could help to increase reachability.
-

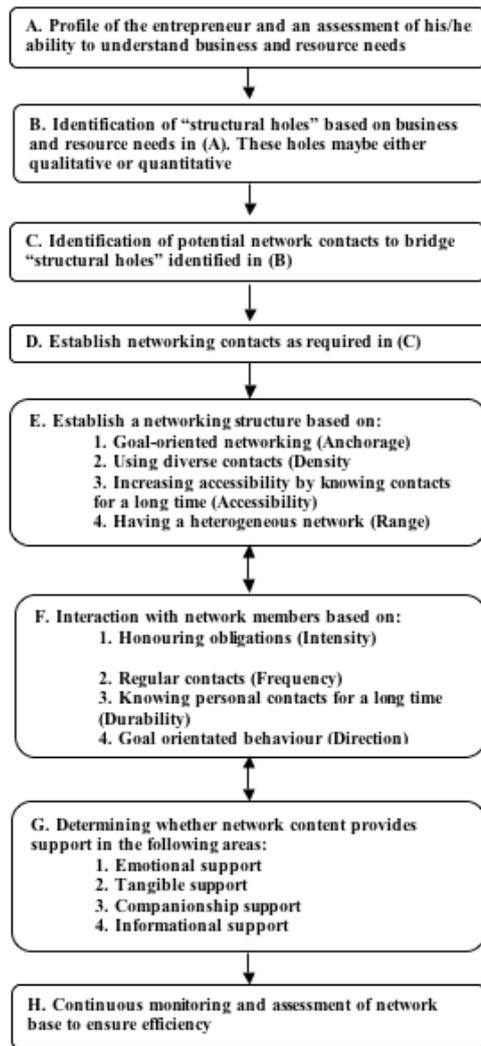
- F. Addressing network interactions based on:
- **Intensity** – which concerns the honouring of obligations by members of the network
  - **Frequency** – which involves members of a network maintaining regular contact between themselves.
  - **Durability** – which measures the length of time that a relationship lasted for – the longer the personal contact group is known the better.
  - **Direction** – which refers to the orientation of the group, which needs to be goal-oriented.
- G. The entrepreneur addresses network content for support in the following areas:
- **Emotional** – which helps enhance self-esteem through sharing of life experiences.
  - **Tangible** (or material) – which involves obtaining physical resources such as financial and material.
  - **Companionship** – which helps in distracting people from their problems and helping to facilitate affective moods (Wan et al., 1996 cited in Neergaard et al. 2005:344)
  - **Informational support** – which involves the provision knowledge through information provision thus assisting in increasing efficiency in operating the network and generating solutions.
- H. Continuous monitoring of the success and appropriateness of the current networking base as networking needs are dynamic over time.

Schematically the conceptual model is indicated in Figure 1:



**Figure 1:** A conceptual framework for the model

A testable model can be defined as an instrument that will enable the researcher to measure a specific phenomenon, trend or variable. The testable model based on the conceptual framework should contain the following aspects as shown in Figure 2:



**Figure 2:** A Testable Model of the Impact of Entrepreneurial Networks

## **Summary, Recommendations, Caveats and Suggestions for Further Research**

Networking is done for a reason. The specific reasons why networking is done will be relative to the specific business, its needs and challenges and the business environment it operates in. Successful businesses tend to be more focused and goal orientated in their networking activities. One of the premises of the testable model developed in this paper was that in order to succeed with networking, an entrepreneur has to have the ability to understand his/her business within a given business environment and be able to identify the areas where he/she lacks resources or information (called structural holes). Once these structural holes have been identified, the entrepreneur could identify potential networking contacts to assist with bridging these structural holes. The next step would be to establish and maintain such networking contacts as required for the specific business in question. In the final instance the entrepreneur will need to introduce some kind of mechanism to ensure continuous monitoring of the success of the networking system and adapt the networks to the requirements of the dynamic business environment. The characteristics, structure and requirements for successful networking have been dealt with in the literature review and should be incorporated in the relevant sub-sections of the tentative testable model developed in this paper in order to facilitate comparisons with previous and future research.

The tentative testable model developed in this paper has been based on a conceptual model designed by the authors who linked it to the literature review and an exploratory empirical study. Specific caveats that have to be borne in mind are that the theoretical base lacked a generally accepted theory as a point of departure and that the empirical study made use of a judgemental convenience sample in a specific region of one South African city only. The bottom line is that the findings cannot be generalised and that the model will need to be validated in future research. The most important contribution of this paper centres, however, in its attempt to improve understanding in a field that seriously lacks clarity.

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# **Towards Effective Service Delivery via Customer Relationship Management**

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## **Abstract**

The White Paper on Transformation of the Public Service (Batho Pele) served as the cornerstone of introducing the Principles of Batho Pele to further and enhance the agenda for service delivery. One of the critical principles of Batho Pele is that of its customer focus. This principle is premised on a value and relationship management perspective. Today much emphasis is placed on customer satisfaction, and to regularly interface with the customers whom we are called to serve in the public domain. This paper examines the notion of customer relationship management and its role in service delivery, focusing on a few trends and a model thus creating an enabling environment for effective and efficient service delivery. The emphasis is not only on communication, but also on organisational and process approaches to ensure goal-oriented actions.

## **Introduction**

The South African Government launched an ambitious initiative – Batho Pele or ‘*People First*’ – a public service improvement programme across the nation at all levels. One element of this programme is the change engagement which promotes a new public service belief set: ‘We belong, We care, We

serve!' To comply with Batho Pele, government departments and parastatals must set and measure standards of their services. Batho Pele utilises visits, spot-checks and inspections to assess compliance with its requirements. There is tremendous pressure upon public institutions to ensure that they deliver quality services and to promote and manage its relationship with customers. In this regard, the concept of Customer Relationship Management (CRM) is gaining momentum in the quest for enhanced service delivery, both in the private and public sectors.

Public services can be made more sensitive to the requirements, preferences and expectations of the people who use them. There has been a progression in government policy towards service design and customer care. The introduction of the Citizens' Charter by several public institutions represent an approach based on predetermined standards and a measurement system designed to find out whether those standards had been met. The standards ought to be visible in places where the public receive services. Government has showed its commitment towards the citizenry by placing them at the centre of its transformational drive (Ngema 2003: 42).

This paper emphasises the notion of CRM in the public domain as a focus on allocating resources to managing the relationship between public institutions and the customers, such relationship is informed by customers' needs and resource-oriented actions on the part of public institutions. The concept of CRM is rooted in the marketing concept and emphasises the key aspect of being customer-centric. The customer-centric perspective is highlighted in the Principles of Batho Pele which has become a statutory benchmark for enhancing the service delivery agenda. Through the Batho Pele Principles, public institutions are obliged to render quality services to the growing populace. There is tremendous pressure on public institutions to promote a results-oriented, performance-driven approach focusing on outputs and outcomes, and ensuring that the relationship between the public sector and customers are influenced by responsiveness to service needs and service quality and efficiency, hence the popular term: a value-for-money approach.

## **Definition of Key Terms**

There are several definitions that focus on CRM. For the purposes of this paper, some of the more salient terms are defined hereunder:

CRM entails all aspects of interaction a company has with its customers, whether it be sales or service-related. CRM is an information industry term for methodologies, software and internet capabilities that help an enterprise manage customer relationships in an organised way.

[http://www.creotec.com/index.php?p=74&pp=08.title=read\\_more](http://www.creotec.com/index.php?p=74&pp=08.title=read_more)

CRM is a vast way of approach to customers in an attempt to realise their living style in every field of life and eventually to influence them to change their life style towards their benefit and direction through the company initiating ceaseless communication of direct, implicative and inspiring suggestion so that the company may attract new customers and bind existing customers with the company. <http://www.3gnewsroom.com/html/glossary/c.shtml>

CRM focuses on improving interaction with customers with a view to increasing customer satisfaction and public confidence in service delivery.

## **Orientation Towards Customer Relationship Management**

The public service is becoming more sensitive to the requirements, preferences and expectations of the customers whom it is called to serve. Government policies are geared towards service design and customer care. Citizens can now engage with government in the manner of their choosing and it this presents a profound shift in how government structures its services (Phala 2007: 82). Important aspects such are access, speed of delivery, service quality, regular consultation, privacy, being treated with dignity and respect are being weighted as the foundation of managing customer relationships. The notion of a service-user orientation and customer-orientation is an important determinant when interacting with customers. Of necessity, is the question of how to organize the process of listening to the service users and responding to their basic needs.

Some key aspects relating to customer orientation can be summed as follows:

***Customers, Voters and Citizens***

There is a wide relationship between customers and public organisations and the people who use their services. The key element is that of responsiveness, which can occur at different levels. A customer care approach is limited to providing a welcome attitude, including a smile and a presentable reception area. A more responsive approach would be designed to deliver the service in a way which reflects people's wishes. Even greater responsiveness would give the service user control over the level of service they can receive. Given the variety of relationships and degrees of responsiveness, managers of public services have a subtle job to do in making their services more responsive to customers (Flynn 2007: 152-3).

***Citizenship and Entitlement***

The definition of citizenship rights is left to the organizations running the state. Individuals as citizens cannot individually define and exercise their rights other than by voting. Citizenship rights are very different from consumer rights. Consumers exercise their entitlements by spending money and by invoking the law. Citizens have recourse to law, to rules and norms defined by the state and to those elements of redress laid down in various aspects i.e. Citizens Charter, Batho Pele. The lack of definition leaves discretion for managers to interpret the manner in which they manage the relationship with customers (Flynn 2007: 153).

***Vouchers, Cash and Customer Control***

These include the use of vouchers and/or cash to give service users customer control of their services such as the allowance for people with disabilities to buy their own vehicles, the disability living allowance or vouchers for home care. People with disabilities argue for the extension of such schemes rather

than having to choose services which have been designed and provided by someone else. The important point to note here is that mechanisms must be put in place to enable people to exercise their power by virtue of their physical conditions (Flynn 2007: 155). The South African public sector is committed to ensuring that people with disabilities are provided with reasonable access to services (through infrastructure and physically).

### ***Market Research***

There is now widespread use of market research to find out what users of public services think of them. Public institutions now want to regularly conduct research on levels of satisfaction and attitudes to individual services. Without market research, approaches to customer satisfaction or quality are likely to be based on managers' ideas about what is important rather than on service users' responses (Flynn 2007: 156).

### ***Charters and Standards***

The introduction of citizens' charters and standards is about giving more power to the citizen. What are equally important are the responsibilities in providing a public service. Citizens' charters are not only about accountability and standards, but include: standards, openness, information, choice, non-discrimination, accessibility and redress – which are closely related to the Principles of Batho Pele. To ensure that the key aspects of the Citizen's Charter in the South African public sector is upheld, government decided to include more emphasis on privatisation of state-owned assets, wider competition to reduce monopolies and control prices, further contracting out (Public-Private Partnerships), more performance-related pay (performance-based contracts and performance plans), published performance targets (focusing on outputs and outcomes), publication of information standards achieved (service standards), more effective complaints procedures, tougher and more independent inspectorates (audits) and better redress. Further criteria includes *inter alia*:

- Setting standards and performing well

- Actively engaging with customers
- Being fair and accessible to everyone
- Developing and effecting improvements
- Use resources effectively and innovatively

(Flynn 2007: 158).

### ***Participatory Democracy***

A more difficult managerial task is to assist the political process to make decisions about what services to provide and to whom. This is especially difficult at times when funds are being cut: decisions about what to subtract are harder than those about what to add on. The elements of support for the political process are: an evaluation of services and their impact, rather than only budgets and the way in which they are spent, distributional impact of changes in services, options among which political choices can be made.

Managing customer relations in the public domain can be more challenging and complicated than that of the private sector. People have rights as citizens as well as customers. There is a choice of ways of making services more accessible, bearing in mind the measure of customer satisfaction. What is clear is that creating customer satisfaction with public services does not happen automatically by target setting or by setting up market-type mechanisms. Targets only reflect managers' views about the service, and virtually all the markets established stop short of giving service users, whether real empowerment or just by consulting them through market research (Flynn 2007: 167-8).

### **Legislative Framework for Enhancing Service Delivery**

There is several legislation that currently informs the agenda for enhancing service delivery in the public sector. Some of the pertinent legislation is discussed very briefly hereunder:

***The Constitution of the Republic of South Africa, 1996 (Act 108 Of 1996)***

Section 2 of the Constitution highlights that

this Constitution is the supreme law of the Republic, law or conduct inconsistent with it is invalid, and the obligations imposed by it must be fulfilled.

Furthermore, in Section 197(1), it is stipulated

within public administration there is a public service for the Republic, which must function and be structured in terms of national legislation, and which must loyally execute the lawful policies of the *government-of-the-day*.

Section 195(1) of the Constitution focuses on the conduct of all public officials in all three spheres of government. Section 195(1) provides that 'Public administration must be governed by the democratic values and principles enshrined in the Constitution'. Values emphasised in Section 1 of the Constitution are human dignity, the achievement of equality, the advancement of human rights and freedoms, non-racialism and non-sexism. In Section 195(1), further principles that focus on public service delivery are listed hereunder as follows:

- services must be provided impartially, fairly, equitably and without bias;
- people's needs must be responded to and the public must be encouraged to participate in policy-making;
- efficient, economic and effective use of resources must be promoted;
- transparency must be fostered by providing the public with timely, accessible and accurate information; and
- public administration must be development-oriented.

***White Paper on the Transformation of the Public Service, 1995***

The White Paper on the Transformation of the Public Service (WPTPS) was published on 24 November 1995 and focuses on transformation of service delivery. The key aim of the WPTPS is

...to establish a framework to guide the introduction and implementation of new policies and legislation aimed at transforming the South African public service.

The White Paper on the Transformation of the Public Service, 1997 (WPTPS) emphasise the transformation of the South African Public Service into a coherent, representative, competent and democratic instrument for executing government policies and meeting the needs of the people. It is guided by the following principles:

- committed to the provision of high quality services to all South Africans in
- an unbiased and impartial manner;
- responsive to the needs of the public;
- representative of all sections and levels of South African society;
- democratic in its internal procedures and in its relations with the public;
- accessible, informative, accountable and open to public scrutiny;
- efficient, effective and productive.

***White Paper on Transforming Public Service Delivery, 1997***

The notion of putting '*People First*' in respect of public service delivery is set out in the White Paper on Transforming Public Service Delivery

(WTPSD, 1997). Chapter 11 of the White Paper identified the following strategies to promote and improve the quality of service delivery:

- mission statement for service delivery, together with service guarantees;
- services to be provided, to which groups, and at which service charges;
- priorities, the principle of affordability, and the principle of redirecting resources to areas and groups previously under-resourced;
- service standards, defined outputs and targets, and performance indicators; benchmarked against comparable international standards;
- monitoring and evaluation mechanisms and structures, designed to measure progress and introduce corrective action, where appropriate;
- plans for staffing, human resource development and organisational capacity building, tailored to service delivery needs;
- redirection of human and other resources from administrative tasks to service provision, particularly for disadvantaged groups and areas;
- financial plans that link budgets directly to service needs and personnel plans;
- potential partnerships with the private sector, NGOs or community organizations will provide more effective forms of service delivery; and
- development of a culture of customer care and of approaches to service delivery that is sensitive to issues of race, gender and disability.

According to Fox (2005: 59-60), the concept customer can be perceived as suitable in the context of improving public service delivery because it encompasses certain principles that are fundamental as public service delivery as they are to the provision of services for commercial gain.

- Treating the inhabitants as customers can imply the following:
- Listening to the views of customers and taking cognizance thereof when making decisions about which services should be rendered;
- Respecting all customers with respect;
- Ensuring that the promised quality of service delivery is consistent and of the highest standard;
- Being considerate and responding sympathetically as well as rapidly should the level of service excellence fall below the promised standard.

### **Batho Pele Principles Versus Business Customer Relationship Management (CRM)**

In aligning service delivery to the notion of CRM, there are some aspects of the Batho Pele Principles that can be compared with CRM as a business strategy.

Some pertinent aspects are discussed as follows:

<b><i>'BUSINESS' CRM</i></b>	<b><i>'BATHO PELE' CRM</i></b>
The intention is to allow the formation of individualised relationships with customers, with the aim of improving customer satisfaction and maximising profits, identifying the most profitable customers and providing them with the highest level of service.  <a href="http://searchcrm.techtarget.com/s/Definition/0,,sid11_gci213567,00.html">http://searchcrm.techtarget.com/s/Definition/0,,sid11_gci213567,00.html</a>	Value-for-Money focuses on public services being provided economically and efficiently. Attention is drawn to organisational structures and processes to ensure productivity. Informing customers about the cost of services and get their input about value for money.  Batho Pele Principle – White Paper on Batho Pele, 1997

<p>Providing employees with the information and processes necessary to know their customers, understand their needs, and effectively build relationships between the company, its customer base and distribution partners.</p> <p><a href="http://searchcrm.techtarget.com/sDefinition/0,,sid11_gci213567,00.html">http://searchcrm.techtarget.com/sDefinition/0,,sid11_gci213567,00.html</a></p>	<p>Provision of information that is full and accurate about the public services customers are entitled to receive, and to ensure consultation regarding information.</p> <p>Batho Pele Principle – White Paper on Batho Pele, 1997</p>
<p>Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns with clear goals and objectives, and generate quality leads for the sales teams.</p> <p><a href="http://searchcrm.techtarget.com/sDefinition/0,,sid11_gci213567,00.html">http://searchcrm.techtarget.com/sDefinition/0,,sid11_gci213567,00.html</a></p>	<p>Access - All citizens should have equal access to the services to which they are entitled. The focus is on consultation and setting of targets, eliminating barriers and increasing access through co-operation and alternate service delivery.</p> <p>Batho Pele Principle – White Paper on Batho Pele, 1997</p>

Quite simply, business CRM provides customers with choices. Therefore, businesses must protect their most profitable customers with incentives. However, in the public domain, there is no choice and all customers must be served efficiently, effectively and through economic use of public resources.

Therefore, in adopting the CRM strategy, one must be cautious to contextualise the concept within a public domain.

### **Customer Relationship Management: A Focused Approach**

There are seven key steps to customer orientation, as highlighted by Pegler (2002: 42). These steps are closely aligned to the Principles of Batho Pele.

They are depicted as follows:

**Step 1: Define customer satisfaction goals and strategy**

It is important to know who your customers are and to identify the institution's goals, thus setting targets to realize the goals according to customers' needs.

**Step 2: Segment the customer-base**

The service expectations of the diverse group of customers must be factored when engaging in service delivery.

**Step 3: Identify key needs and performance gaps**

It is incumbent on institutions to identify the key needs, and gaps in performance and strive towards effecting continuous improvement.

**Step 4: Develop programmes to improve performance**

The notion of customer-orientation must be embraced by institutions in their quest to develop programmes that are geared to performance-oriented objectives and goals.

**Step 5: Monitor changes in customer behaviours**

Customers will complain from time to time when services are poorly rendered; therefore institutions must take cognizance of the response from customers when rendering services.

**Step 6: Improve customer satisfaction**

Customizing and personalizing products and services is one mechanism to improve customer relationships. Use of information and communication technology to bring the services closer to the people through the mode of automation. The focus on e-Governance is of particular relevance to service delivery. Of particular importance are some of the recent developments for example, SARS e-Filing and Multi-Purpose Community Centres (MPCCs).

**Step 7: Measure progress toward improvement**

Performance improvement programmes must focus on a holistic

approach and be institution-wide. Improvements must be ongoing to ensure goal-oriented actions.

In essence, maintaining a value-based relationship with the customers whom we are called to serve is dependent on three critical factors, according to Andreassen (1994: 22). He claims that organizations are customer-oriented if they market differentiated products and services reflecting heterogeneous customer preferences. He maintains that organizations wanting to be customer-oriented must:

- understand their customers' needs and in which direction they are heading;
- turn this understanding into actions in all functions within the organization; and
- design and implement a marketing mix which effectively responds to their company's understanding of the customers' needs.

This approach leads to effecting continuous improvements in service delivery. The public sector thus focuses on service delivery improvement plans (SDIP) in an effort to ensure quality.

### **Service Delivery Improvement Plans: A Tool For CRM**

According to the White paper on Transforming Public Service Delivery (1997: 33-36), the following key aspects ought to be acted upon by public institutions:

- inform staff and encourage them to focus on improved service delivery;
- provide information to facilitate monitoring by the Public Service Commission, DPSA, Portfolio Committees, the national and provincial and inter-provincial transformation co-ordinating committee, and developmental transformation units; and
- make provision for the organisation's service standards and other service delivery goals and commitments.

## **Implementation of Service Delivery Improvement Plan**

Improving service delivery must be seen as a continuous process so as to improve targets. This is highlighted by the following guidelines for implementing a service delivery improvement programme (WPTPSD, 1997:25-28).

### ***Identify the customer***

- The starting point is to establish who the recipients of services are.
- There are a variety of customers, whose requirements do not necessarily coincide.
- On the one hand, there are recipients of service such as the public, external organizations, other departments and other components within the department.
- On the other hand, there are also indirect 'customers' whose needs must also be taken into account. Taxpayers, for example, are customers, because Batho Pele gives them a right to expect that services will be provided cost effectively.

### ***Establish customer needs and priorities***

- The customer's needs and priorities will be the starting point for the setting of standards.
- Since delivery on standards will involve decisions about resources, it is essential to have accurate information about what customers really want.
- This will require systematic, regular consultation, using objective methods, which ensure that the views of all customers, including potential customers, are represented.

- Methods used to obtain information can vary from written questions to interviews.

***Establish the current service baseline***

- Accurate information about the current level and quality of service is essential in order to decide where and how to make improvements.
- How long does the average customer in a public office have to wait before being attended to?
- How long does it take to reply to letters or telephone enquiries?
- How long does it take to process application, licences, permits, etc?
- Is information to customers provided in a language, which they can easily understand?
- What resources are consumed in delivering a particular service?

***Identify the improvement gap***

- Is there a gap between what customers want and the level and quality of service currently provided?
- Should such a gap exist, a service delivery improvement plan should be implemented.
- The improvement plan must be systematic and address prioritised needs.

***Set service standards***

- Service standards can be set and progressively raised for closing the gap. Standards are commitments to provide a specified level and quality of service to individual customers at any given point in time.
- Service standards must cover the customer's main requirements, e.g. accessibility of services, response times, turnabout times, accuracy, courtesy, the provision of information, and dealing with complaints.

- Standards are different from targets, which express longer-term aims for the ultimate level and quality of service to be achieved.

***Gear up for delivery***

- Ensuring that service standards are met is not solely the responsibility of those directly involved in delivering the service, but depends on the whole organization being geared up to support the commitments that have been made.
- Monitoring and reporting systems will be needed which enable senior management to check on progress, and take remedial action where necessary.
- Management information systems will be required to provide data on the unit costs of key services.
- Human resource training, supervision and appraisal systems will need to be re-focused on service delivery.
- Senior management must ensure that human and financial resources are shifted from inefficient and unnecessary activities and used instead to ensure that delivery of service standards can be met.

***Announce service standards***

- When the foregoing steps have been taken, the organization will be ready to announce its service standards and launch its service delivery programme.
- There is no single right method for publishing standards: the key is that all customers and potential customers must know and understand which level and quality of service they can expect to receive, and what recourse they have if the standards are not met.
- The method or methods adopted must be tailored to the needs of different customers.

***Monitor delivery against standards and publish the results***

- The final step is to check whether services have met the standards that were set, to announce the results to customers, and to explain the reasons where the service has fallen short of what was promised.
- These results not only complete the accountability loop, but will provide valuable insights to guide further efforts to improve services in the future.

Some of the practical attempts by public institutions to ensure a culture of continuous improvement in CRM are through the following initiatives:

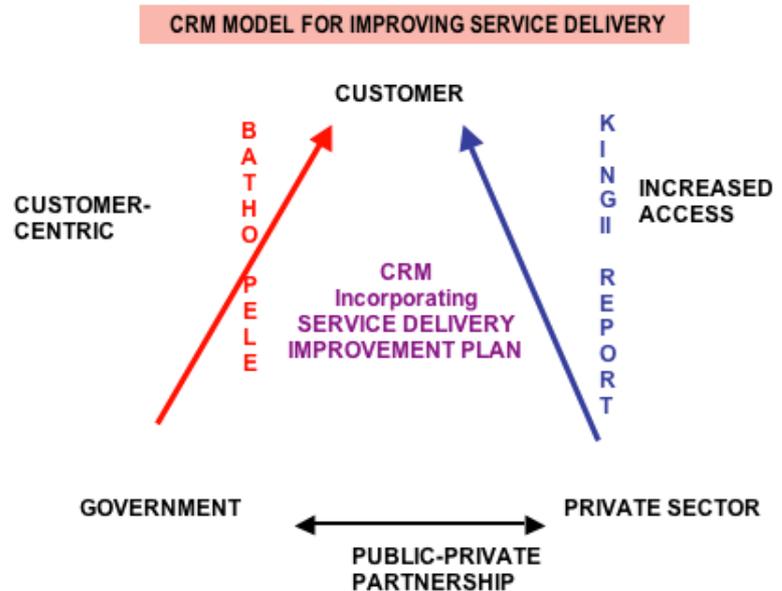
- encouraging customers to write to any one of the service centres;
- undertake to investigate and respond to complaints within two weeks of receipt;
- endeavour to apologise and take corrective measures;
- maintain a complaints registration and follow-up mechanism;
- undertake to treat any information on fraud and corruption seriously; and
- use the toll-free number to report fraud, corruption and mal-administration.

The outcome of these endeavours enhances customer satisfaction, promotes the image of public institutions and contributes to the efficacy of public service delivery.

**Customer Relationship Model for Service Delivery Improvement**

A model is presented to highlight the synergy between the service delivery agenda, the various stakeholders, embracing the notion of Corporate Governance (Customer is 'King') and the significance of customer relationship management.

Model adapted from: Strickett (Feb 2005: 39)



### **The Relationship Between Ethics and CRM**

Government departments should display the level and quality of service standards which they intend providing for public perusal. The setting of service standards is an attempt at improving customer relationship management and ensuring that public institutions are serious about the quality of what is delivered to the customers. Individual spheres of government must also set their own and additional standards provided that they are not in conflict or exceed national goals. It is imperative that standards are measurable and specific so that customers will be able to experience for themselves whether they are receiving the services promised. Service standards must be set at both a realistic and demanding level. Service standards must be approved by the appropriate body before execution thereof.

Once approved, the service standards must be published and displayed at the point of delivery and communicated as widely as possible to all potential customers. This will enable all customers to be aware of what level of services they are entitled to and express dissatisfaction should they not receive it. Performance against results should be regularly measured and the results thereof must be made public.

<p><b>Selflessness:</b> Public officials should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.</p>
<p><b>Integrity:</b> Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.</p>
<p><b>Objectivity:</b> In carrying out their business, including making public appointments, awarding contracts or recommending individuals for rewards or benefits, holders of public office should make their choices on merit.</p>
<p><b>Accountability:</b> Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.</p>
<p><b>Openness:</b> Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest demands it.</p>
<p><b>Honesty:</b> Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</p>
<p><b>Leadership:</b> Holders of public office should promote and support these principles by leadership and example.</p>

The Nolan Committee's Seven Principles of Public Life (Chapman 2000: 230-231).

A further point of integration of Batho Pele Principles and CRM is that of the ethical dimension. The importance of articulating ethics and values that define and underpin the public service cannot be ignored. Ethics and values are the normative guidelines for quality service delivery. It is critical to provide both public officials and the public with a common frame of reference regarding the principles and standards to be applied and in assisting public officials to develop an appreciation of ethical issues involved in effective and efficient public service delivery (Hondeghe 1998: 30).

Public institutions in managing their relationship with customers must take due cognisance of their ethical and moral responsibility, which is emphasised in Chapter 10 of the South African Constitution. Furthermore, this responsibility can be further enhanced by the Seven Principles of Public Life by the Nolan Committee in the United Kingdom. The principles set out the benefit of all who serve the public and should be viewed against the background of a distinction between what is and what ought to be, in other words, the difference between behaviouralism and normativism.

### **Knowledge-Enabled Customer Relationship Management**

The intention of a knowledge-enabled approach is to integrate customer relationship management and knowledge management. To build good relationships with customers, it is necessary to serve customers in a preferred way, therefore requiring the management of 'customer knowledge' (Davenport *et al.* 2001 in Gebert *et al.* 2003: 107). A customer-oriented knowledge management focuses on the knowledge most valuable to the institution: customer knowledge. A knowledge-oriented customer relationship management on the other hand serves as a framework to manage quality relationships in a cost-effective way. CRM is seen as an interactive process to achieve satisfaction of customer needs whilst at the same time enhancing performance management.

Knowledge in customer-oriented processes entails the following:

- measuring inputs, service costs and outputs in terms of allocated budgets;

- acquiring and continuously updating knowledge on customer needs;
- applying customer knowledge to continuously improve performance through a process of learning from successes and failures;
- the implementation of appropriate systems to support customer knowledge acquisition, sharing and measurement of CRM effectiveness; and
- constantly contrasting the balance between service inputs and the changing needs of customer (Gebert *et al.* 2003: 108).

According to Gebert *et al.* (2003: 109), CRM therefore, is improved through acquisition of knowledge from the following three categories:

- knowledge for customers (satisfy customers' knowledge needs)
- knowledge about customers (understand customers' needs and motivations and address them)
- knowledge from customers (customers' knowledge about products and services – through interaction with customers, this knowledge can be gathered to sustain continuous improvement)

Another innovation in knowledge-based CRM is through technological means (ICT) to ensure maximum value to the customer. In the public sector, resource constraints (i.e. financial resources and tight budgets, increasing scrutiny and transparency of public programmes and growing case loads are putting today's social welfare services, for example, under enormous strain and pressure. Through technologically-driven approaches, solutions are developed to enable public departments to handle customer queries more efficiently, answer questions more quickly and resolve issues in just one call. Intelligent access to all interactions, whether they originate by phone, face-to-face, e-mail or on-line queries, more flexible information retrieval and a deeper understanding of customers' issues through automated workflow ensures that all case data is properly captured and routed to ensure that people are not being 'lost in the system'. In the South African public sector, technology has undoubtedly brought the services closer to the people, and this technological innovation has contributed to improving customer relationship management. However, one must be guarded of not becoming

virtual communities, but be conscious of managing these relationships with customers on an ongoing basis.

### **Implementation of CRM: A Case Study of New Zealand Local Government**

An interesting case study of New Zealand's local government – Manukau, which is New Zealand's third largest city, is three years into an ambitious programme to reinvent citizen service delivery since March 2005. Customer service was seen as vitally important to Manukau Local Government and three years ago, they agreed to a new strategy of citizen, customer and community relationship managed by what was popularly called C3RM. This initiative was borne out of a consultative process of the three stakeholders. The attempt was not only to improve the quality of service delivery, but also to generate information about the nature of citizen-government interactions. One of the important values was the ability to record citizens' service and goods consumption and over time shape the provision of goods and services to better align to the needs of customers. Adopting a business-like approach to citizen service was not an entirely smooth transition because the concept of marketing was not clearly understood in the public sector. The council built its marketing efforts on data collection from customer transactions and it regularly used radio and newspaper advertising, online promotions as well as usual leaflets and brochures to build outreach to residents. Furthermore, they allowed the city authorities through technology, to integrate multiple views of the citizen into a single database, giving the council a consolidated memory of its transactions with the community for the first time. The fact that the customer is both a ratepayer, library user, water consumer and has received a parking ticket is all shown on one screen. When a survey was conducted, it revealed that 79% of the customers were satisfied with their interactions with the council and the service they received.

<http://www.pstm.net/article/index.php?articleid=532>

Governments all over the world generally do not have an adequate understanding of services. They rarely actually speak to service beneficiaries about how services should be delivered despite the fact

that providing a service or a range of services can be quite complex. Services must be the starting point for thinking about enhancing service delivery and improving customer relationships. Each service can have its set of legislation, administration and institutional dynamics (Patel 2005: 73).

We must always remind ourselves of the famous adage by Albert Einstein (in Ngema 2004: 64), 'one definition of insanity is to do the same things we have always done, but expect a different result'.

## **Conclusion**

The development and management of customer relationships ought to be a central focus in service delivery reforms. CRM basically focuses on knowing your customers and their basic needs. Through the renewed focus on CRM, public sector reform initiatives can focus on delivering improved services by making customer information available so that in all interactions with the public, a value-based approach is maintained to ensure relationships are built and expectations are acceded to.

The public sector often inspires exasperation 'Not before your time!'; 'If ever', or even 'in your dreams!' How many times have we heard such laments? These are some of the general expressions of frustration that are usually heard in the public sector. 'Why can't they get their act together?' or 'Why do I keep getting shunted hither and thither?' or 'Just how many times do I have to repeat everything from scratch to yet another person?' Even more popular is 'Don't they ever communicate?' 'Does anyone really know what's going on?' <http://www.consultants-guide.com/2002/february/article7.asp>

These are some of the generalisations of remarks that customers resort to when engaging with public institutions regarding a service or basic need. The emphasis ultimately of CRM in the public sector is to enhance service delivery, exceed customer expectations, honour statutory obligations of societal needs and to promote the overall quality of life.

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# Implications for e-Business Readiness<sup>1</sup> in the KwaZulu-Natal Chemical Industry

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## **Abstract**

This study sets out to determine whether forms of electronic communication, configured to deliver e-Business could offer solutions to challenges faced by chemical distributors in South Africa. In 2006 an empirical quantitative study was conducted on a representative sample of chemical companies in the province of KwaZulu-Natal (KZN) on the eastern seaboard of South Africa. The authors conclude that chemical companies would be more likely to support e-Business initiatives if the information that these distributors offer is convenient, reliable and dependable. They recommend informing prospective business (referred to as customers later in the paper) in the chemical distribution sector about the benefits of e-Business service offering order to the levels of e-Readiness of client companies because their levels of e-Readiness were found to impact on the perceived benefits of an online service offering.

## **Introduction**

As electronic commerce (e-Commerce) enters its third decade and matures as part of e-Business (Wind & Mahajan, 2002), Thayer *et al.* (2004) observe that in the chemical industry all business decisions have become technology

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<sup>1</sup> This is not a Supply Chain Management study but is only focusing on particular aspects of the readiness of chemical distributors.

driven decisions that require holistic solutions and that focus on customer needs. In general, e-Business is associated with new ways of servicing customers, reducing costs, increasing efficiencies, expanding markets, extending customer bases and improving supply-and value-chain management. This study is therefore designed from a strategic management perspective and explores e-Business as a means for chemical distributors in South Africa to excel in the key result area of e-business readiness.

## **Problem Statement**

Several challenges face South African industrial distributors. The challenge facing them is the difficulty that they face in differentiating themselves from their competitors by explaining and demonstrating their particular value to prospective customers – whether it is through the particular variety of services that they implicitly provide to their customers, or their explicit value in the supply chain. Customers often do not perceive particular benefits provided by a specific distributor and resort to judging the merit of transactions on price alone (Value Added Partners Association, 2001). The situation is especially critical in the commodity trade where the price/cost comparison is the ruling market force (Thomson & Strikland, 2003).

South African chemical distributors are also threatened as a sector by loss of market share and margin erosion due to South Africa's globalization endeavours – the removal of import barriers and tariff reductions – that has seen the emergence of new overseas suppliers and the import of cheaper raw and performance chemicals into South Africa, especially from the Far East. This has increased competitor rivalry. In addition, globalization has also led to the demise of entire chemical-consumption sectors, such as the textile and shoe manufacturing industries, because of their perceived non-competitiveness in the global sphere.

Therefore, South African chemical distributors, reeling under the before mentioned pressures, need to find ways of increasing their value-added component and improving service offerings to customers. At the same time e-Business practices, adopted by overseas chemical distributor counterparts

in the US (National Association of Chemical Distributors, 2006) and Europe (The European Association of Chemical Distributors, 2006), could be adopted to help reducing costs, increase efficiencies, expand markets, extend customer bases and improve supply-chain management (Thayer *et al.*, 2004). The adoption of e-Business practices could pose solutions for some of the problems experienced by South African chemical distributors in to alleviate the problems of lack of service differentiation, declining market share and profit margin. The guidelines at the end could be followed to help solve the problem these chemical distributors experience.

## **Background to the Study**

This section reviews literature to contextualise the question as to whether e-Business can provide a solution to the problems experienced by South African chemical distributors. Articles include academic and business accounts, accessed through the following electronic search facilities: Scholar Google (limited to *.edu* and *.PDF* articles), various electronic databases accessible via the University of KwaZulu-Natal's e-Library links, Business Source Premier Resources, Sabinet Consortium's SACat database and IS World's MIS Quarterly article database.

## **Strategic IS Planning**

External pressure encompasses market forces, which are the forces for change in an organization (Jooste & van Schoor, 2003; Ngai & Gunasekaran, 2003) and include 'industry characteristics and competitor rivalry' (Melville, 2004). Market forces are determinants of required performance levels (selling prices, quality and service levels), and affect the way in which firms manage their business (and decisions made). More specifically and related to this study, market forces determine the way in which IT is adopted and utilized by a firm because they determine the value that can be generated and captured through IT (Melville, 2004). This in turn influences e-Business decision-making.

Rayport and Jaworsky (2001), supported by Biggs (2000), Friedman (2000), Corbitt (2002) and Dunn (2000), recommend an assessment of the

financial attractiveness of the opportunity. Such an evaluation would be conducted in terms of the market potential (an indicator of revenue generation) and profitability. The abovementioned evaluations should be conducted independently as well as in conjunction with each other to arrive at an overall impression of which initiatives to include in the e-Business strategy (Rayport & Jaworsky, 2001).

## Value Creation through e-Business

The Internet has unique characteristics that allow firms to create significant value (Chopra *et al.*, 2001; Rayport & Jaworsky, 2001). These unique characteristics include network effects (the economic phenomenon of the value of a product/service rising as a function of how many other users are using the product) and new functionality such as 24/7 (24 hours a day, 7 days a week) access and self service, which enhance customer service levels.

By adopting e-Business' supply chain management initiatives (IOS), suppliers are able to achieve strategic advantage such as organizational competitiveness (Ngai & Kauffman, 2003; Subramani, 2004). There are various models in IT literature, grounded in strategic management, which explain how e-Business is able to increase the adopting firm's competitiveness. Concurrently, these models can help to clarify the statements expressed by Bharadwaj (2000), Simchi-Levi and Simchi-Levi (2002) and Chopra *et al.* (2001) regarding the value that can be captured from e-Business and the disputed benefits of e-Business to suppliers.

Industry characteristics found to affect the adoption of e-Business and in support of e-Business adoption by chemical distributors, are given below:

- Teo *et al.* (2003) provide empirical evidence that industry pressure (mimetic, coercive and normative types) is a major contributor to firms adopting e-Business.
- Product category is the most important factor in determining suitability for Internet management (Huizingh, 2002).
- The chemical industry is a low growth industry (Glasgow, 2003; Preston, 2000).

- e-Commerce and vendor managed inventory are e-Business initiatives advocated as best practice for the chemical industry by SAP (SAP,2004)
- The impact of IT resources on the e-Business adoption decision is the subject of this section. Mellville (2004) defines IT resources as technological, human and organizational. Organisational IT Resources: Organizational factors such as resources and infrastructure affect the perceived importance of IT resources by the firm (Wade & Hulland, 2004). These factors also affect the performance of IT projects (Wade & Hulland, 2004) by determining the value created through the IT resources (Chopra *et al.*, 2001; Mellville, 2004).

## **Implementation**

There are two approaches to the implementation of an e-Business strategy (following risk assessment) – a ‘phased approach’ (Biggs, 2000; Friedman, 2000; Schultz, 2003; Dunn, 2000) and an ‘all or nothing’ approach (Corbitt, 2002; Rayport & Jaworsky, 2001). The advantages of the phased approach include,

- It is the more popular approach (*cited* by more authors – refer above).
- It is the method recommended from a cost management perspective (Chopra *et al.*, 2001; Biggs, 2000; Barki & Pinsonneault, 2002; Dunn, 2000; Oliva, 2002).
- Implementation efforts can be made even in a down economy (Adner & Levinthal, 2004).
- According to Jooste and van Schoor (2003), it can help overcome South Africa’s unique social and technological constraints, which have lead to a slower than average adoption of e-Commerce activities.
- It ties in with the progressive definition of e-Business given earlier.
- It is premised on the reiterative nature of strategy development (Huizing, 2002).

The phased implementation of e-Business initiatives can occur according to various models, Evolutionary models (Huizingh, 2002; Mufatto & Payaro, 2002), Wave framework model (Oliva, 2002), and Value matrix (Oliva, 2002).

## **Research Questions**

Some aspects of the literature have solved part of e-Business decision relevant to chemical distributors in South Africa. However, the following still needs to be ascertained in order to develop an online strategy:

- Does e-Business govern customers' approach to Internet usage and why?
- Do customers have to be at a certain level of e-readiness to experience the impact of an online strategy?
- What critical success factors affect online transactions and which of these will impact on an e-Business strategy for chemical distributors?

## **Research Methodology**

The empirical part of this study (delineated in this section) is premised on aspects relating to e-Business adoption and strategy development, highlighted in the literature review and could impact the outcome of an e-Business strategy for SA chemical distributors.

## **Data Collection**

The data collection instrument incorporates components of 'Servqual' and 'Webqual', which are existing questionnaire templates developed to measure customers' web site requirements in the context of IS service delivery (Kettinger & Lee, 1995). The questionnaire is divided into four parts. The first part requests respondents' permission to use their responses for research purposes. The second part of the questionnaire (questions 1-6) captures demographic information relating to firms' size and chemical usage sector

and respondents' demographic information so that trends in this respect can be identified. The questionnaire can be supplied to any interested party.

Questions 7-11 and 15-26 assess customers' attitude and approach to the Internet to find out to what extent firms deploy the Internet for e-Business and/or information-seeking activities. Questions 28-36 gauge the benefit respondents derive from Internet usage. This enabled the researchers to make deductions regarding the correct levels of online functionality that should be offered to SA chemical customers (users). A pilot study was conducted to identify possible ambiguity and misunderstandings regarding questions posed as well as to assess time taken to complete the questionnaire. The questionnaire was refined accordingly. The researchers found 177 chemical companies in KZN. The researchers managed to approach 145 companies to fill in questionnaires. This sample selection technique led to the researchers collecting 100 completed questionnaires.

## **Discussion of findings**

The purpose of the data analysis is to ascertain the overall perceptions of respondents towards the subject matter. The results analysis reveals those factors that may encourage customers to transact online and overcome reservations towards developing an online strategy.

### ***Gender, Age and ethnic Contribution***

Females were in the minority constituting 32%, males constituted 68%. The reason for this result is related to the researchers targeting senior members of staff to complete the questionnaire and these senior company positions were held predominantly by males. The majority of respondents were in the age groups 26-35 years (27%) and 36-45 (28%). Many of the respondents (23%) were 46-55years, and 56-65years (15%). Only 7 % were between 0 – 25 years. The majority of respondents (92%) who participated in this study were either white or Indian. This indicates that the latter two ethnic groups are far more involved with administrative aspects of their companies' business, and in general hold more senior positions at their respective companies than African and Coloured ethnic groups (5%).

### ***The Size of the Firm***

This study used number of staff employed as an indicator of the size of the firm. Chemical firms employing more than 101 staff made up 28% of the sample, firms with 1-20 staff members contributed 27%, firms employing 21-50 staff members made up 24% of the sample and firms employing 51-100 made up 19% of the sample. Two of the respondents (2%) did not want to answer this question, presumably for strategic reasons. The majority of the respondents who participated in the study worked for companies involved in chemical manufacturing (including manufacturers of chemical raw as well as performance chemicals).

### **What Descriptive Frequency Statistics Reveal about e-Business in the Target chemical Distributors**

This section reports the results of statistical central tendency statistical tests to establish common general trends among the companies studied, and correlation tests to establish significant relationships between factors studied.

#### ***Staff with Internet Access***

Fifty percent of the respondents work for companies where the majority of staff has Internet access. Only one respondent, works for a company where there is no access to the Internet. The majority of respondents (77%) perceive the Internet to be important for business; while the vast majority of chemical companies (87%) use the Internet extensively for banking. The results reveal that many chemical companies use the Internet for receiving orders (74%).

Many chemical companies use the Internet for occasionally placing orders (65%). The majority of chemical companies in the sample in KZN (92%) use the Internet to search for information. This may suggest that many companies in the chemical industry in KZN are information intensive. More than half of the sample of chemical companies (59%) uses the Internet for accessing news. Most of the respondents (85%) are concerned about the security of information transmitted via the Web and 86% are concerned about the privacy of information transmitted via the Web.

**Central Tendency Statistics**

Study Variables	Description	Questions
V1	Companies' use of the Internet for transacting online	9,10,11
V2	Companies' use of the Internet for searching for information online	12,13,14
V3	Perceived importance of the Internet for business.	7,8
V4	Personal use of the Internet for transacting online	15,16,17,18,26
V5	Personal use of the Internet for searching for information	19,20,21,22,23,24,25
V6	Perceived importance of the Internet	27
V7	Internet's convenience rating	28,29,30
V8	Internet's reliability rating	31,32,33,41,42
V9	Internet's quality of information rating	34,35,36
V10	Security and reliability concerns rating	38,39,37

*Table 1: Explaining the legend for Vn used below*

The results for the variables V1, V2, V3 are: The V1 variable, with mean value 2.00, reveals that companies use the Internet 'occasionally' for transacting online; The V2 variable, with mean value 2.00, reveals that companies use the Internet 'occasionally' for searching for information; and The V3 variable, with mean value 2.00, reveals an articulated average perception that the Internet is 'Important' to companies for businesses.

The median results are the same as those indicated for the mean. The mode results are also the same as those indicated for the mean. The variables V1, V2, V3 have a standard deviation ranging from 0.911 to 1.028. This indicates a variation in respondents' perceptions regarding their companies' use and deployment of the Internet. The standard deviation with regard to the sample's perceived importance of the Internet in business (V3) is greater than 1 and this result cannot be extrapolated to the population.

The variables V4 and V5 relate to respondents' use of the Internet in their personal capacity. The V4 and V5 variables both have mean values of 3.00; this reveals that respondents in their personal capacities use the Internet 'very seldom' for transacting (purchasing and selling) online as well as searching for information. The mean value for V4 is influenced by the particularly low participation in online auctions (87% of respondents never par-

ticipate) and personal selling of goods over the Internet (77% of respondents never do so). The mean value for V5 is influenced by the particularly low usage of the Internet for searching for financial advice - 62% of respondents never use the Internet for seeking such advice.

The variable V4 has a median value of 3.00 and mode value of 3 (standard deviation 0.688), which corresponds to respondents' 'very seldom' use of the Internet for transacting online. V5 has a median value of 2.00, mode of 2 and standard deviation of 0.745, which corresponds to respondents' use of the Internet 'occasionally' for searching for information. This value is higher than the mean value for V5 because this indicator negates the (negative) influence of the question, concerning usage of the Internet for searching for financial advice, on the results. These standard deviations are less than 1 which means that the sample's responses to personal use of the Internet can be extrapolated to the population.

Variables V6, V7, V8, V9, and V10 relate to respondents' attitude and approach to the Internet. The mean for the variable V6 is 2.00. This rating corresponds with the Internet occupying an 'important' role in respondents' lives. The mean for variable V7 is 2.00. This value reveals that respondents are in agreement that the Internet is a source of convenience and easy to use. V8 has a mean value of 3.00, revealing that respondents disagree that the Internet is safe and reliable to use for online transactions. V9 has a mean value of 2.00, revealing that respondents are in agreement that the Internet provides quality information. V10 has a mean value of 2.00, confirming that respondents do have concerns regarding the security and privacy of their personal information when it comes to online transacting. The V8 variable has a median value of 2.00, which corresponds with most respondents (53%) agreeing that the Internet is safe and reliable to use for transacting online.

The standard deviations in the variables concerning respondents' attitude and approach to the Internet are as follows - V6 (0.841), V7 (0.750), V8 (0.772), V9 (0.537). These standard deviations indicate variance in respondents' responses regarding the Internet's convenience, reliability, utility and safety. These standard deviations are less than 1, which means that the sample's perceptions of the Internet can be extrapolated to other organisations.

### ***Correlations***

The Pearson product correlation coefficient r-value for V2<sup>2</sup> is 0.315 indicating some correlation. These results confirm that there is a positive relationship between companies' use of the Internet for online transacting and searching for information. The Pearson product correlation coefficient r-value 0.409 indicates medium correlation. These results confirm that there is a relationship between companies' use of the Internet for online transacting and Internet adoption.

The Pearson product correlation coefficient r-value 0.454 confirms that there is a positive relationship between companies' use of the Internet for searching for information and the Internet adoption. From the above it can be concluded that chemical companies using the Internet, deploy it for online transactions almost as much as information searching. Testing variable V4 with variable V5 shows a correlation of 0.501 revealing that there is not a difference in use (frequency) of the Internet for exploratory and transactional purposes by respondents.

The variable V1 with variable V4 shows that there is a correlation between company and personal use of the Internet for conducting online transactions. The statistics show that the correlation is 0.343, which indicates a positive correlation. The variable V2 with variable V5 shows that there is a correlation between company and personal use of the Internet for exploratory purposes (e.g. searching for information). The statistics show that the correlation is 0.524. The variable V3 has a significant correlation with variables V4 and V5. The Pearson product correlation coefficient r-value for V4 is 0.319 and for V5, 0.399, indicating a relationship in both instances.

The variable V6 correlation with variables V1, V2, V3, shows that there is a correlation between respondents' perception of the Internet's importance and their companies' use and deployment of the Internet for business. The correlation is 0.501 with regard to V1 – indicating strong positive correlation, 0.446 with regard to V2 – indicating medium positive correlation and 0.514 with regard to V3 – indicating strong positive correlation. Variable V7 with variables V1, V2 and V3, shows that there is a correlation

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<sup>2</sup> For an explanation of the legend of the *Vn*, please consult Table 1.

between respondents' perception of the Internet's convenience and their respective companies' use and deployment of the Internet for business. The correlation is 0.385 with regard to V1, 0,280 with regard to V2 and 0.455 with regard to V3.

Variable V8 with variables V1, V2 and V3 shows that there is a correlation between respondents' perception of the safety and reliability of the Internet and their companies' use and deployment of the Internet for business. The correlation is 0.484 with regard to V1, 0,320 with regard to V2 and 0.398 with regard to V3.

The correlation of variable V9 with variables V1 and V3 shows that there is a correlation between respondents perceiving the Internet to be a good source of information and their respective companies' use and deployment of the Internet for e-Business. The statistics show that that the correlation is 0.261 with regard to V1 and 0.327 with regard to V3. The results also show that the correlation between respondents perceiving the Internet to be a good source of information and their respective companies' use of the Internet for exploratory purposes (e.g. searching for information) is 0.175 meaning that the two variables are independent of each other.

From the above correlation results, it can be concluded that important contributors to companies' deployment of the Internet in business (V3) in descending order are perceived importance, perceived convenience, perceived safety and reliability and perceived quality of information. The contributors to companies' use of the Internet for transacting online (V1) in descending order are perceived importance, perceived safety and reliability, perceived convenience and the perceived quality of information obtained. Whilst the most important contributors' to the use of the Internet for searching for information (V2) in descending order are perceived importance, perceived safety and reliability and perceived convenience.

The variable V6 is tested with variable V4 and V5. The statistics show that that the correlation is 0.541 with regard to V4 and 0.597 with regard to V5. The correlation of variable V7, with variables V4 and V5 shows that the correlation is 0.534 for V4 and 0.434 for V5. The correlation of variable V8, with variable V4 and V5 shows that there is a correlation between respondents' perception of the safety and reliability of the Internet and their per-

sonal deployment of the Internet for online transactions and searching for information. The correlation is 0.484 with regard to V4 and 0.438 with regard to V5.

The correlation of variable V9, with variables V4 and V5 has a significant correlation. The Pearson product correlation coefficient value is 0.322 for V4 and V9. The Pearson product correlation coefficient value is 0.262 for V5 and V9. The dependency is greater for online transactions than for online information searching.

	V1	V2	V4	V5
V10 Pearson Correlation	.103	.144	.215*	.238*
Sig.(2-tailed)	.310	.153	.033	.017
	100	100	80	100

\* Correlation is significant at the 0.05 level (2-tailed)

**Table 2:** Relationship between Internet usage and security and privacy concerns

The correlation of variable V10, with variables V1 and V2 shows no correlation and therefore no relationship between concerns over privacy and security issues and companies' deployment and use of the Internet neither for exploratory purposes nor for transactional purposes. When the variable V10 is tested with variables V4 and V5, it has a correlation. The correlation is 0.215 for V4 and 0.17 for V5, indicating a small correlation in both instances. These results indicate that there is a small relationship between respondents' concerns over those issues and their personal use of the Internet.

**T- Test**

The T-test is used to determine the statistical significance between a sample distribution mean and a parameter (Cooper & Schindler, 2003), and is applied to the gender dispersion.

	F	T	df	Sig. (2-tailed)
V1 Equal variances assumed	.531	-.676	98	.501
Equal variances not assumed		-.637	52.769	.527
V2 Equal variances assumed	.436	1.642	98	.104
Equal variances not assumed		1.604	57.454	.114
V3 Equal variances assumed	3.000	.867	98	.388
Equal variances not assumed		.776	47.268	.441

**Table 3:** Comparison of gender-related responses regarding company Internet usage

In the above T-test results, the p significance values are above 0.05 for V1 (0.501), V2 (0.104), V3 (0.388) revealing that there is no significant difference between male and female perceptions regarding their companies' adoption and deployment of the Internet.

	F	T	df	Sig. (2-tailed)
V4 Equal variances assumed	.18	.608	98	.544
Equal variances not assumed	0	.629	66.257	.531
V5 Equal variances assumed	.61	1.636	98	.105
Equal variances not assumed	5	1.580	55.856	.120

**Table 4:** Comparison of gender-related responses regarding personal Internet usage

In the above T-test results, the p significance values are above 0.05 for V4 (0.544) and V5 (0.105) indicating that statistically, there is no significance difference between male and female personal use of the Internet for online transactions and searching for information.

	F	T	Df	Sig. (2-tailed)
V6 Equal variances assumed	1.235	1.805	98	.074
Equal variances not assumed		1.721	54.185	0.91

V7 Equal variances assumed	.464	1.249	98	.214
Equal variances not assumed		1.224	57.799	.226
V8 Equal variances assumed	.115	.177	98	.860
Equal variances not assumed		.169	54.444	.866
V9 Equal variances assumed	.124	.493	98	.623
Equal variances not assumed		.494	60.934	.623
V10 Equal variances assumed	7.582	.387	98	.700
Equal variances not assumed		.328	42.470	.745

**Table 5:** Comparison of gender-related responses regarding attitude to the Internet

In the above T-test results, the p significance values are above 0.05 for V6 (0.074) and V7 (0.214), V8 (0.860), V9 (0.623), V10 (0.700) indicating that statistically there is no significant difference between male and female attitudes and approaches to the Internet.

**ANOVA**

	<b>Sum of squares</b>	<b>df</b>	<b>Mean square</b>	<b>F</b>	<b>Sig.</b>
V1 Between Groups	6.660	4	1.665	2.094	0.88
Within Groups	75.530	95	.795		
	82.190	99			
V2 Between Groups	4.853	4	1.213	1.472	.217
Within Groups	78.307	95	.824		
	83.160	99			
V3 Between Groups	1.904	4	.476	.440	.779
Within Groups	102.656	95	1.081		
	104.560	99			

**Table 6:** Comparison of age group related responses to company use of the Internet

The ANOVA test results reveal there is no statistically significant difference in perceptions of different age groups respondents towards the variables V1, V2 and V3 because these variables have p significance values 0.088, 0.217 and 0.779, which is more than 0.05.

	<b>Sum of squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
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V4 Between Groups	4.136	4	1.034	2.297	.065
Within Groups	42.774	95	.450		
	46.910	99			
V5 Between Groups	1.453	4	.363	.645	.632
Within Groups	53.507	95	.563		
	54.960	99			

**Table 7:** Comparison of age group related responses to personal use of the Internet

The ANOVA test results reveal no statistically significant difference in perceptions of different age group respondents towards the variables V4 and V5 because these variables have *p* significance values 0.065 and 0.632 respectively which is more than 0.05. The ANOVA test results reveal there is no statistically significant difference in perceptions of different age-group respondents towards the variables V6, V7, V8 and V9 because these variables have *p* significance values 0.623, 0.552, 0.328 and 0.361, which is more than 0.05. There is however a statistically significant difference in the perceptions of different age-group respondents towards the variable V10, which questions the privacy and security, concerns of respondents.

	<b>Sum of squares</b>	<b>Df</b>	<b>Mean square</b>	<b>F</b>	<b>Sig.</b>
V6 Between Groups	1.885	4	.471	.657	.623
Within Groups	68.115	95	.717		
	70.000	99			
V7 Between Groups	1.734	4	.434	.763	.552
Within Groups	53.975	95	.568		
	55.710	99			
V8 Between Groups	2.771	4	.693	1.171	.328
Within Groups	56.189	95	.591		
	58.960	99			
V9 Between Groups	1.262	4	.316	1.100	.361
Within Groups	27.248	95	.287		
	28.510	99			
V10 Between Groups	4.955	4	1.239	3.305	0.14
Within Groups	35.605	95	.375		
	40.560	99			

**Table 8:** Comparison of age group related responses to attitude to the Internet

**Chi-Square Test**

Chi-square tests are used to analyses variances in nominal measures (Cooper & Schindler, 2003) and applied to test classification-related variances in responses to questions in this study. The above Chi-square ( $\chi$ ) test result indicates a p value 0.588, which is above 0.05. This result reveals there is no statistically significant relationship between gender classification and the relevant question. These two variables are independent each other.

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	2.822	4	.588
Likelihood Ratio	3.458	4	.484
Linear-by-linear Association	.158	1	.691
N of valid cases	100		

**Table 9:** Relationship between gender classifications

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	13.361	16	.646
Likelihood Ratio	11.604	16	.771
Linear-by-linear Association	2.660	1	.103
N of valid cases	100		

**Table 10:** Relationship between age-group classification and that a web site conveys a sense of community

The above Chi-square ( $\chi$ ) test result indicates a p value 0.646, which is above 0.05, this result reveals there is no statistically significance relationship between age-group classification and that a web site conveys a sense of community. These two variables are independent of each other.

	Value	Df	Asymp.Sig. (2-sided)
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Pearson Chi-Square	107.042	16	.000
Likelihood Ratio	19.161	16	.260
Linear-by-linear Association	2.076	1	.150
N of valid cases	100		

**Table 11:** Relationship between ethnic group and that a web site conveys a sense of community

The above Chi-square ( $\chi$ ) test result indicates a p value of 0.000, which is below 0.05. This result reveals there is a statistically significant relationship between ethnic-group classifications and that a web site conveys a sense of community. These two variables are dependent on each other.

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	20.992	16	.179
Likelihood Ratio	22.365	16	.132
Linear-by-linear Association	.223	1	.636
N of valid cases	100		

**Table 12:** Relationship between firm size and that a web site conveys a sense of community

The above Chi-square ( $\chi$ ) test result indicates a p value of 0.179, which is above 0.05. This result reveals there is no statistically significant relationship between sizes of firm and that a web site conveys a sense of community. These two variables are therefore independent of each other.

	Value	Df	Asymp.Sig. (2-sided)
Pearson Chi-Square	27.865	28	.472
Likelihood Ratio	27.419	28	.496
Linear-by-linear Association	15.266	1	.000
N of valid cases	100		

**Table 13:** Relationship between industry sector and that a web site conveys a sense of community

The above Chi-square ( $\chi$ ) test result indicates p value is 0.472, which is above 0.05. This result reveals there is no statistically significant relationship between industry sector and that a web site conveys a sense of community. These two variables are independent of each other.

### ***Cronbach Alpha Test***

The Cronbach Alpha test is applied to the research results to test the internal consistency and reliability of the measurement tool used for the empirical study (Cooper & Schindler, 2003). Reliability analysis of the questionnaire's continuous variables reveals a Cronbach alpha value of 0.8682. This value is above 0.7 and therefore indicates that this study's research instrument's (questionnaire) continuous variables have internal consistency and reliability.

### **Conclusions**

South Africa's globalization endeavours and the advancement of Web technology has resulted in increased exposure and access to overseas sources of chemical supply and made sourcing of chemicals and chemical products, easier than before. It is with this in mind that the study reviewed literature (Huizingh, 2002; Chopra *et al.*, 2001, Jooste & van Schoor, 2003; Friedman, 2000; Schultz, 2003) to ascertain whether e-Business could add value to chemical distributors and what the issues surrounding e-Business adoption were, so that an online strategy could be developed for chemical distributors in KZN.

### **Research Questions**

*Does e-Business govern customers' approach to Internet usage and why?*

The empirical findings prove that the Internet is important for business to most chemical companies in KZN. In order to answer the abovementioned question, the empirical study needed to ascertain whether the Internet is deployed by those companies more for exploratory purposes, such as searching

for information, accessing news and advertising, or more for conducting e-Business.

The central tendency results reveal equal deployment (occasionally) of the Internet for exploratory purposes (information seeking) as for conducting e-Business. This finding was confirmed by the correlation statistics. These tests also found a relationship between Internet deployment and its use for transactional purposes (e-Business). The type and magnitude of the relationship was found to be the same (marginally different) with regard to both applications, confirming that e-Business partly governs customers' approach to the Internet.

Correlation test results indicate that companies participate in e-Business mostly from a convenience and an ease of use perspective. This finding supports the previously discussed value-adding benefits of e-Business- time saving and convenience - proposed by Huizingh (2002), Chopra *et al.* (2001), Jooste & van Schoor (2003), Friedman (2000) and Schultz (2003).

*Do customers have to be at a certain level of e-readiness to experience the impact of an online strategy?*

Comparing central tendency results for respondents' personal use of the Internet for transactional purposes with that of their respective companies reveals that respondents' personal use of the Internet is more conservative towards transactional as well as exploratory purposes, compared to that of their respective companies. It was found that, on average, respondents use the Internet 'very seldom' for conducting online transactions, such as making electronic payments, purchasing goods online, making online reservations and participating in online auctions. Personal use of the Internet is more for the 'occasional' searching for information and services (online directory) and browsing news sites.

However, statistical analysis found that respondents' personal use of the Internet for conducting online transactions does have a statistical correlation with companies' deployment and use of the Internet for e-Business. It was also found that the greater respondents' use of the Internet for online transactions, the more positive are their perceptions and approach to the Internet for that purpose. This supports the claims by Dai and Kauffman

(2003), Kurupparachi *et al.* (2002), Mellville (2004), Moolman *et al.* (2003) and Barua (2004) that customer e-readiness is a 'critical' factor in e-Business adoption decision because it has an impact on the success of an online strategy.

*What critical success factors affect online transactions and which of these will impact on an e-Business strategy for chemical distributors?*

Despite most companies (+- 85%) being concerned about the security of their information (refer data discussion) and about the privacy of their personal information, when it comes to online transactions, the majority of companies (60%) still have no reservations to conducting business online. There is no statistical significant relationship between companies' deployment of the Internet for e-Business and concerns over security and privacy of information transmitted via the Web.

Correlation finds a dependency between aspects relating to perceived reliability of the Internet and respondents' use of the Internet for online transactions. It can be concluded that order fulfilment attributes and capabilities of the Internet are an important determinant of whether respondents are likely to transact online or not. Based on those findings, it can be concluded that the most critical success factors for an online strategy for chemical distributors in KZN, ranked in descending order are reliability in terms of order fulfilment, convenience, ease of use and quality of information provided.

## **Managerial Guidelines**

This study proposes guidelines for Internet deployment for business by chemical distributors. These guidelines are based on the above recommendations, and proposed applications of the Internet by Kruger (2003) and Hitt *et al.* (2003). The aim is to offer customers convenience, improved reliability and trusted information and to minimize the requirements for order-fulfilment.

1. Streamline day-to-day interactions with customers.
  - Provide customers with point-of-sale information.

2. Chemical distributors can offer their customers an additional communication means (channel) to contact their company and make their company representatives more accessible to customers, increasing points of contact.
  - Increase value-added services.
  - Promote products and boost sales. Chemical distributors can use the Internet to offer customers product promotions. Aged and/or surplus stock can be advertised online. Product catalogue can be made available online.
  - Improve after-sales service offering to customers.
  - Real time service offering - not recommended. Currently chemical distributors in SA would not benefit from a real time service offering to customers (e.g. enabling customers to track own orders, access delivery's status and access real-time stock availability information).

Chemical distributors would first need to have the correct measures in place to ensure that orders received are processed and executed timeously to ensure order-fulfilment. In addition chemical distributors would first need to provide their customers with training to increase their e-Readiness levels and confidence in the Internet's order-fulfilment and trusted service capabilities.

## **Limitations of the Study**

The information that formed the basis of the literature review was obtained from European and the US sources - on the basis of the availability of information. This study does not incorporate the views of the Chinese and other Eastern countries. The research was a 'cross-sectional' study that captured information about the present situation in the SA chemical industry and did not take into consideration future plans and projections. This could lead to the omission of vital information. This study will be limited to the 'initiation' phase of planning (Bendre *et al.*, 2004; Kurupparachi *et al.*, 2002; Hackbarth & Kettinger, 2000), in line with the exploratory and motivational objectives of the study. This refinement leads to the inclusion of issues only

relating to the adoption of the e-Business decision (Ngai & Gunasekaran, 2003) and project scope definition and value assessment (Kuruppuarachi *et al.*, 2002).

The demographic description of the sample population indicated that only a small proportion (24%) of the respondents, who participated in the study, had involvement in their companies' purchasing activities accord. This outcome is the reason why, a significant proportion of respondents were 'not sure' whether their companies place orders online. The researchers observed inconsistency in the way respondents' interpreted question 8 of the questionnaire. This could have impacted on the accuracy of the research results and statistical analyses.

Inconsistencies were noted in the interpretation of the proportion of staff with Internet access. Certain respondents were unsure whether 'staff' included or excluded the company's factory/warehouse staff. The ambiguity of the question could have diluted the response to the proportion of companies deploying the Internet in business and impacted on the variable V3 (and statistical findings).

## **Conclusion**

South Africa's globalization endeavours and the advancement of Web technology has meant that South African chemical distributors have had to explore different means of adding value to their business. This study set out to investigate whether e-Business could offer solutions to challenges faced by chemical distributors in South Africa. The literature reports that e-Business does offer benefits of increased efficiency, reduced transaction costs, increased information access and transparency, as well as business expansion and increased profitability. E-Business can also assist distributors in managing the interoperable and complex supply chain relationships that characterize the chemical industry, through available supply chain management initiatives.

Ultimately, the potential for e-Business to add value, hence the e-Business adoption decision, was found to be dependent on customer perceived value and the size of the Internet user base that could be achieved.

The empirical study investigated chemical customers' deployment and perception of the Internet for business in order to answer the research questions. The research findings confirm that the Internet is a priority in business and that all companies (98%) have Internet access. The study found that customers use the Internet as frequently for transactional (e-Business) as for exploratory purposes.

Certain e-Business initiatives are supported extensively by most chemical customers in KZN (e.g. online banking), whilst other online initiatives are utilized by fewer customers and less frequently (e.g. online ordering). Chemical customers admitted to lack of confidence in order-fulfilment capabilities of the Internet and this was the reason proposed by the study for customers' extensive support of online banking and not online ordering. In terms of implementation, the conclusion of the literature review was that a phased approach to e-Business implementation would be the best for SA chemical distributors because it would help overcome existing social and technological constraints. The empirical study confirmed that this would be the right approach. It concluded that customers have to be at a certain level of e-readiness (personal use of the Internet for online transactions) to realize value from an online service offering, and found that the Internet is currently being used 'very seldom' for online transactions by customers in their personal capacities. However, statistical evaluation revealed that training, especially of younger age groups, would be effective in improving customers' e-readiness. Customer training is therefore recommended as part of e-Business strategy implementation.

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# **The Impact of Communication on Customer Relationship Marketing among Cellular Service Providers**

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## **Abstract**

This article examines how communication is currently being employed in the cellular industry to improve service to customers in an attempt to establish a long-term relationship with them. It does so by analyzing the communication process and the communication mix that cellular service providers utilize to engage with their customers.

The primary goal of a business is sustained superior performance to ensure consistent growth. The cellular industry is no different. One method that can ensure this superior performance and differentiate a business from its competitors will always be the quality of its relationship with customers. Whilst research has been conducted on a general aspect of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. Hence this study investigates the extent to which communication impacts on relationship marketing and whether improved communication can result in sustainable long-term relationships.

This was a quantitative cross sectional study where the survey method was employed using a simple random sample. The target population consisted of existing cellular phone users, both contract and prepaid. Structured Interviews were used to assist the researcher in obtaining

information from an intended sample of 300 cellular phone users. At the end of six weeks, 251 responses were received reflecting an overall response rate of 83.7%.

The findings indicate that the majority of cellular phone users were satisfied with the communication efforts of their service provider and that the communication tools used by the service providers were effective in promoting relationship marketing. Moreover, existing customers indicated that they would become advocates of their service provider, as they did not regret their choice of service provider particularly because service providers tailor make packages for their customers.

In addition, customers indicated that they would like to be informed of long and medium term plans, new developments and any fundamental changes that are going to take place. If service providers are to maintain sustainable relationships, they need to conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them.

## **Introduction**

Relationship marketing is defined as the process of establishing and maintaining mutually beneficial long-term relationships among organisations and their customers, employees and stakeholders. This shift to building relationships is offered as a solution to organisations in promoting sustainable relationships in this era of ever-increasing competition (Rensburg & Cant, 2003:119).

Members of organizations, at all levels, communicate with business colleagues, customers, shareholders, the media and members of the public on a daily basis. No organization can function properly or reach its goals without a good system of communication. Van Staden *et al.*, (2002) cite the following advantages of communicating effectively with customers:

- Better customer relationships
- Saving time and money
- More effective decision-making
- Successful problem-solving

Van Staden *et al.*, (2002) define communication as a two-way process whereby information (the message) is sent from one person (the sender) through a channel to another person (the receiver) who in turn reacts by providing feedback.

According to Rouse and Rouse (2002), effective communication means that the information is received accurately in terms of content and meaning as intended by the sender. According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value.

Communication is believed to directly affect the building of long-term relationships with the stakeholders of an organization. It is therefore, necessary to acknowledge the role of communication in building relationships between the various activities in the organization and between the organization and its stakeholders (Rensburg & Cant, 2003:120). Schultz *et al.* (1995:85) are of the opinion that it is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference.

The cellular industry in South Africa has burgeoned into a massive, multi-billion rand business since 1994 when the first two cellular networks were introduced. Few predicted the heights to which the industry would rise, or the vast potential that still exists.

Vodacom has a 58% share of the South African market, Africa's largest and most profitable cellular market. Vodacom's South African GSM network consists of nearly 6400 base stations and covers more than 6% of the total landmass of South Africa and 97.1% of the population. The total number of customers increased by 15.3% to 23.3 million (September 30, 2006: 20.2 million) for the six months ended September 30, 2007. The number of prepaid customers increased by 13.5% to 19.8 million, while the number of contract customers increased by 27.4% to 3.4 million. (<http://www.vodacom.co.za>).

South Africa is rather unique in its motivation for embracing cellular technology. Although there is an obvious need for cell phones to cater to the ever-changing needs of business, cellular service means a lot more to many

South Africans than simply being connected. With the high crime figures in the country, the safety that cell phones provide in the form of a readily available means of contact to emergency services, has become a major motivating factor behind the decision to purchase a cell phone. The cellular industry has greatly assisted customers by making it possible for an emergency number to be at a mere click away even if there is no airtime available. Many have described this connectivity as the most important factor in their decision to own a cell phone.

Since this is still a fledgling industry and since there have been murmurings of dissatisfaction among its customers, it was felt that it would be expedient to evaluate its strategies to improve customer relations, which is the precursor to a sustainable long-term relationship.

The primary goal of a business is sustained superior performance to ensure consistent growth. The cellular industry is no different. One method that can ensure this superior performance and differentiate a business from its competitors will always be the quality of its relationship with customers. It is very difficult to secure a client but a strategy that provides the level of quality, value and satisfaction necessary to retain customers over the long-term insulate a firm from the rapid pace of change in the environment and it represents an essential strategy to make customers feel good, supported and cared for.

### **Statement of the Problem**

Whilst research has been conducted on general aspects of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. It is the intention of this study to examine whether the communication efforts of cellular providers result in a satisfying long-term relationship with their customers.

The subsidiary problems relate to:

- Whether the communication efforts of the cellular companies result in satisfied customers over the long-term

- Whether the communication tools used by the companies are effective in promoting relationship marketing
- Whether existing customers will become advocates of the company and
- How customer grievances are handled by the various service providers

### **Objectives of the Study**

The objectives of this study were to:

- Establish whether the communication efforts of the cellular companies result in satisfied customers over the long-term
- Establish if the communication tools used by the companies are effective in promoting relationship marketing
- Explore whether existing customers will become advocates of the company
- To investigate how the various service providers handle customer grievances

### **Research Questions to be Answered**

The key questions the study intended to answer were:

- Do the communication efforts of the cellular companies result in satisfied customers over the long-term?
- Are the communication tools implemented by cellular companies effective in promoting relationship marketing?
- Will existing customers become advocates of the cellular companies?
- How do the various service providers handle customer grievances?

### **Literature Survey**

#### ***The Origins of Relationship Marketing***

Relationships have been at the heart of marketing in an informal way since

the first stirrings of commerce; however as a formal approach to marketing, relationship marketing is more recent.

Marketing today is heavily influenced by the shift away from transactions towards relationships, since relationship marketing offers a more holistic approach to understanding marketing dynamics and to developing and implementing marketing strategies. It further emphasizes the creation of greater value for customers and organizations through fostering co-operative and collaborative partnerships. Hart, (2003:125-126) further maintains that relationship marketing emerged in the latter part of the 1970s and early 1980s as an alternative approach to understanding markets than that which had dominated in the previous 30 years i.e. the mix management paradigm. In the early years, relationship marketing enjoyed parallel development within services and industrial marketing. Nowadays, relationship marketing seeks to build a chain of relationships within the organization to create the value customers want, between the organization and its main stakeholders (Brink & Berndt, 2004:7).

The unique characteristics of services: that is, its inseparability, intangibility, heterogeneity and perishability, demanded that service marketers develop a different approach. The dominant mix management paradigm was criticised for offering 'no guidance, no terminology, or no practical rules for services'. Initially, services marketers attempted to enhance the dominant paradigm through the incorporation of additional elements – people, processes and physical evidence.

Increasingly, the term relationship marketing is applied to any marketing situation where relationships are deemed important.

### ***Definitions and Explanation of Relationship Marketing***

One of the first definitions of relationship marketing is attracting, maintaining and enhancing customer relationships (Berry, 1983:25-28). Other definitions of relationship marketing include one by Porter (1993: 14), which states that relationship marketing is the process whereby both parties – the buyer and the provider – establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally

and profitably rewarding to both parties.

According to Kotler (2001:7), relationship marketing aims at building long-term mutually satisfying relations with key parties such as customers, suppliers, distributors – in order to earn and retain their long-term preference and business.

However, the most comprehensive definition of relationship marketing was proposed by Gronroos (2000: 42-3) who submits that the objectives of relationship marketing are to identify and establish, maintain and enhance, and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfilment of promises.

From the above definitions, it is clear that relationship marketing is influenced by contributions from diverse relational schools. It incorporates the purpose, process, focus and key elements of relationship marketing as explained by Evans, O'Malley and Patterson (2004:210):

- The purpose is to satisfy the objectives and enhance the experience of the parties involved
- The focus is on key customers and other parties
- The process involves the identification, specification, initiation, maintenance and dissolution of relationships
- The key elements include mutual exchange, fulfilment of promise and adherence to relationship norms

Further, one of the main principles of relationship marketing is to identify the most profitable customers so that the business can focus on customers appropriate to its strategy. Wood (2000:15) supports this definition and maintains that the main idea behind relationship marketing is to build relationships with customers in order to retain them instead of concentrating efforts on recruiting new ones.

Evans, O'Malley and Patterson (2004:210), maintain that as a result of participating in a number of different relationships, certain benefits accrue to the organisation:

*The Impact of Communication on Customer Relationship Marketing*

- Supplier relationships improve value or reduce costs through more efficient ordering systems
- Relationships with distributors accommodate new product introductions
- The network of relationships in which the organisation is involved will enhance its competitive position. Therefore, all of these relationships in some way contribute to adding value, reducing costs and increasing innovation
- This combination of relationships ultimately helps the organisation to enhance its relationships with its own customers

For customers in the cellular industry, relationship marketing can be very satisfying, in that:

- They feel an affinity with the service provider beyond mere purchase
- They feel an acquaintance with the organisation and are not just anonymous customers
- They often receive special treatment and extra pampering by the service provider
- They are likely to receive timely and relevant communications of offers that would be of interest to them from their service provider

The benefits of relationship marketing for the service provider as explained by Lucas (2005:323), are as follows:

- There is less need to obtain new customers through marketing since current customers are aware of offerings and take advantage of them.
- Marketing costs are reduced since direct mail, follow-up and other customer recruitment activities are reduced.
- There is an increased return on investment (ROI) since marketing can target specific customer needs.
- It enhances customer loyalty due to pricing and product service offerings that meet current customer needs.
- There is elevated profitability due to increased sales, customer referrals and longer customer retention during its life cycle.

Thus, relationship marketing builds strong economic, technical and social ties among the parties and cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A marketing network consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, and others) with whom it has built mutually profitable business relationships.

Hart (2003:144), outlines a number of organisational attributes of service providers that may help foster sustainable customer relationships:

- An organisational culture that focuses on customer service.
- Employees that have good interpersonal communication skills since this influences how service providers interact with customers.
- Employee motivation and training which is very important especially in services that involve high employee/customer contact, where social benefits are valued and where technology plays a significant role in building and maintaining relationships, for e.g. service providers contacting customers via sms.
- Developing an ability to calculate relationship performance and to assess the impact of marketing strategies on customer satisfaction, trust, commitment and loyalty.

Implicit in the above definitions is that relationship marketing involves activities aimed at developing long-term cost effective links between an organization and its customers for their mutual benefit.

Organizations can maintain and enhance relationships by treating customers fairly and offering service augmentations. For the service provider, a valued relationship is one that is financially profitable in the long run. According to Lovelock and Wright (2002:102-103), customers define a valued relationship as one in which the benefits received from service delivery significantly exceed the associated costs of obtaining them.

Customer loyalty means that customers are committed to purchasing products and services from a specific service provider and will resist the actions of competitors attempting to usurp their patronage. The contract

serves as a bond with the service provider especially since they were not able to retain their phone number. However, with number portability that was introduced on 11 November 2006, the likelihood of swapping among operators would be more real. Egan (2001:42-43) encapsulates the term loyalty as the biased behavioural response, expressed over time by customers with respect to one supplier out of a set of suppliers which is a function of decision making and evaluative processes resulting in brand or store commitment. Peppers and Rogers (2004:56), approach customer loyalty from two different directions: attitudinal and behavioural. The attitudinal definition of loyalty implies that loyalty is a state of mind. Customers are loyal to a brand or company if they have a positive, preferential attitude toward it. They like the company, its products, or its brands, and they prefer to buy from it, rather than from the company's competitors. It is assumed that the majority of customers are loyal to their chosen service provider and they have a positive ongoing relationship that is satisfying and enduring. Any company wanting to increase loyalty in attitudinal terms will concentrate on improving its product, its image or other elements of the customer experience. In the behavioural definition, loyalty is not the cause, but the result of brand preference. A company wanting to increase customer loyalty will focus on whatever tactics will increase the amount of repurchase behaviour.

Loyalty must be seen as a biased repeat purchase behaviour, or repeat patronage accompanied by a favourable attitude. Many companies tend to concentrate on seeking new customers after securing a customer's order. They do not understand the importance of maintaining and enhancing the relationships with their current customers i.e. too little emphasis is placed on generating repeat business. Thus, the objective of relationship marketing is to turn new customers into regularly purchasing customers, and to progressively move them to being strong supporters of the organization. The statistics indicate that the three service providers in South Africa have been very successful in creating, enhancing and maintaining relationships with their customers.

Developing customer loyalty is about ensuring that current customers remain loyal by giving them more reasons to stay loyal. Foss and Stone (2001:484), maintain that most loyalty experts would agree that

loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires, etc. They further explain that there are degrees of loyalty. Some customers are very loyal, some less so. Therefore, loyalty is developed by approaches that reinforce and develop a positive state of mind. The aim is not to make all customers loyal, but rather to improve the loyalty of those customers most likely to respond.

Evans, O'Malley and Patterson (2004:213), consider trust to be the basis of relationships and the glue that holds it together. Unless there is a minimum level of trust between the parties, it is unlikely that a relationship will be initiated at all. If trust breaks down, the relationship is likely to be dissolved. In order for customers to trust in their service provider, they must have confidence in their service provider's ability and willingness to keep their promises. Trust is particularly important for services, which by their nature are highly intangible. The trust that a customer places with the service provider is mainly based upon their own experience with that provider or with similar organisations. Trust in a relationship brings harmony and stability.

Commitment is connected with the notion of trust. This implies that both parties will be loyal, reliable and show stability in their relationship. According to Peppers and Rogers (2004:45), commitment is the belief that the importance of a relationship with another is so significant as to warrant maximum effort at maintaining it. Like trust, commitment is viewed as extremely important in the formation of customer relationships. Morgan and Hunt (1994) submitted that, 'the presence of relationship commitment and relationship trust is central to successful relationship marketing... Commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success.'

## **Research Methodology**

A quantitative cross sectional approach was taken for this study. The survey method was employed, using simple random sampling. The target population consisted of existing cellular phone users from whom the researcher attempted to draw conclusions and make generalizations.

Structured Interviews were used to assist the researcher in obtaining information. The interviews helped the researcher to identify pertinent issues related to communication and relationship marketing in the cellular industry. It was decided that the questionnaire be administered to 300 cellular phone users. At the end of six weeks, 251 responses were received out of a sample of 300. The overall response rate was 83.7%.

Once the questionnaires were received, they were coded, and responses were captured on computer. The Statistical Programme for Social Sciences (SPSS) version 11 for Windows was used to conduct the statistical tests, which included descriptive statistics such as frequencies and cross tabulations to measure whether an association exists between variables and the contingency coefficient measured the strength of the relationship between nominal variables.

### **Data Collection**

A sample of 251 cellular phone users provided their opinions, attitudes and perceptions towards service providers in the cellular industry. At the time of the study, there were only three service providers, but a fourth, Virgin Mobile, has since entered the industry. Meaningful results were analysed, interpreted and discussed within this study. The research findings are depicted in the form of tables and graphs.

### **Data Analysis**

Table 1: *Biographical data of respondents*

<b>Number Of Cellular Phone Users = 251</b>	<b>Percentage</b>
Age: 18 – 25	27
26 – 35	29
36 – 45	25
46 – 55	10
older than 55	5
Gender: Male	38
Female	56

Race: Black	25
White	14
Asian	50
Colored	5
Other	0,4
Home Language: English	
Afrikaans	65
Zulu	9
Other	22
	6

Table 1 indicates that 56% of cellular phone users are female. The reasons for this are thought to be as follows:

- They serve as personal communication tools, for e.g. mums can check in on their children/family
- They are used for safety, since one can call for help immediately during emergencies and breakdowns
- They are used for work purposes, especially in the case of flexible work roles and out-of-office work.
- Immediate accessibility since they can be easily reached, given the various responsibilities that they have.

Table 2: *Data of cellular phone users*

<b>Number Of Cellular Phone Users = 251</b>	<b>Percentage</b>
Years of being a cellular phone user:	
0 – 3	20
4 – 6	53
7 – 9	18
more than 9	8
Type of customer:	
Contract	53
Prepaid	36
Both	2
Service Provider:	
Cell C	24
MTN	39

Vodacom	27
Cell C and MTN	2
Cell C and Vodacom	2
MTN and Vodacom	1

Table 2 shows that 53% of cellular phone users are on contract while 36% are prepaid and 2% fall into both categories. The appeal of prepaid mobile seems to be affordability for low-income users since they are able to control their expenditure, use the service to receive calls only in times of economic difficulty. Pre-paid services also mean that credit checks are avoided, there is no need for a bank account and a binding long-term service contract. This means that people who already have bad debt and no steady income can therefore use it.

The findings from this study concur with the results from the year-long Mobility 2005 research project undertaken by independent research organisation World Wide Worx which indicates the following:

- Age was found to be a major differentiator of the way South Africans use their cellular phones, particularly in the choice of contract versus pre-paid accounts.
- Of the 2400 sample population nationally, 33% were on contract while 64% on prepaid.
- 17% on contract are in the age category 20-24 with 78% on prepaid.
- Contract use rises steadily through the age groups until it peaks in the 46 - 49 age group, at 40%, and then begins to decline again (<http://www.theworx.biz/mobile05e.htm>).

The majority of contract subscribers (64%) fall within the age group 26 -55 years since it is believed that:

- They earn a steady income and can afford a contract
- They have credit references which are essential for service providers to assess their financial risk profiles
- They have cellular phones primarily for work-related issues.

On the other hand a fairly large proportion of prepaid customers, (47%), fall within the age group of 18-25. Their characteristics are that:

- They consist mainly of students, school leavers, first time workers, contract workers and unemployed young people.
- They do not have a steady income or good credit references that are necessary to enter into a contract.

### *Choice of Service Provider*

The majority of respondents (85%) did not regret their choice of service provider. This could be attributed to the fact that service providers tailor-make packages for customers. The three service providers in South Africa provide variety and choice for cellular phone users. As a result, customers can make informed choices that fulfil their specific needs and requirements.

The loyalty accounting matrix combines the attractiveness of a service provider (brain appeal) and the strength of the relationship (heart appeal). The most satisfied customers are called ambassadors. They find the service provider highly attractive, have a strong relationship with the service provider and will recommend the service provider to others. The next group consists of loyal customers who are slightly less enthusiastic than the ambassadors. The last two groups represent those who are actively searching for a new service provider and those who are already lost customers. The diagonal represents risk customers who are easy prey for competitors.

### *Strength of Relationships*

Risk	Loyal	Ambassador
Searching	Risk	Loyal
Lost	Searching	Risk

### *Attractiveness*

The thirteen percent of respondents who regretted their choice of service provider stated the following reasons:

- 32% inefficient service

### *The Impact of Communication on Customer Relationship Marketing*

- 37% too costly
- 28% poor communication
- 4% cited other reasons

Results from the yearlong Mobility 2005 research project undertaken by independent research organisation World Wide Worx shows that more than half of the respondents cited free phones or cheap phones as the reason for choosing their form of contract (<http://www.theworx.biz/mobile05e.htm>).

### *Change of Service Provider in the Last Three Years*

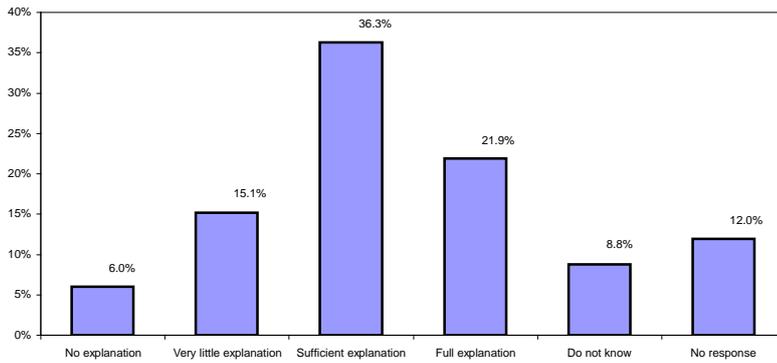
Eighteen percent of respondents indicated that they did change service providers whilst 81% did not change. Reasons for changing were cited as the following:

- 21% inefficient service
- 42% high cost
- 17% poor communication
- 21% other reasons

### *Cellular Phone Contracts*

According to Figure 1, 36% of cellular phone users were given a sufficient explanation of their contract. This reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers got no explanation.

Figure 1: *Explanation of Contract*



With regards to their cellular phone contract that they had entered into, respondents' indicated the following:

- 14% did not read the contract at all
- 53% browsed through it
- 18% read it thoroughly
- 16% understood it fully

Fifty seven percent of respondents indicated that they understood the terms of their contract, 6% did not understand while 18% were not sure. Unilaterally drawn contracts usually favour the interests of the organization that draws the contract and it is certainly not acceptable that the majority are not fully conversant with the terms of the contract.

Their reasons for not understanding the terms of their contract are as follows:

- 10% stated that the fine print is illegible
- 47% believed that there was too much legal jargon
- 31% did not have enough time to read through the contract
- 12% stated other reasons for not understanding

Understanding the terms of the contract seems to be an issue that needs to be addressed by the service providers if they want to improve their relationship with their customers.

*Service Provider Staff*

A reasonable number of respondents (49.8%) indicated that the staff of their service providers always responds to their requests and queries. This illustrates the importance of well-trained staff in creating and maintaining relationships with customers. Since staff create the first impression of the organization, it is vital that they are well trained and have the necessary communication skills to deal with customers in an effective and efficient manner.

Forty six percent of respondents indicated that their service provider staff has considerable professional technical knowledge to advise them, 33% indicated limited knowledge, 6% extensive knowledge and 2% indicated no knowledge.

At least 69% of respondents stated that their service providers' staff gave them individual attention, while a small proportion (8%) either got no attention at all or not the kind that they preferred.

Brink and Berndt, (2004:12) identify excellent customer service as an integral part of relationship marketing. No business can consider implementing relationship marketing if it does not offer excellent customer services. Excellent customer services can be achieved by training all staff, even those who do not have direct contact with customers. Staff must understand that their own job satisfaction rests on the success of the organisation. Staff must be supported by technologies and processes to make them more effective. Front line staff must have the ability to communicate with customers by being able to recognize them, remember their contact history, understand their current issues, predict anticipated behaviour and suggest appropriate solutions. Front line staff are actually consultants who work with customers to add value to their company. The interaction between staff and customers is referred to as the service encounter i.e. the actual service the customer receives either face-to-face, by telephone, e-mail, or by mail. This service encounter is very important for all types of business.

MTN believes that the key to their success and growth is their employees. Therefore, they invest substantially in skills development: on average, 6% of their payroll is on training and this far exceeds the international industry average of 3.2% (<http://www.mtn.co.za/?pid=10053>).

#### *Convenience of Operating Hours*

Sixty four percent of respondents agree that their service provider's operating hours are convenient, 9% disagree while 22% are uncertain.

#### *Attempts by Service Provider to Understand the Individual Needs of Customers*

Forty percent of customers indicated that the staff of their service provider usually gives them individual attention while 1.2% said they get no attention at all. The majority of the respondents (69.3%) indicated that they usually always received individual attention. This enhances the relationship with customers and ensures that they are satisfied and stay with their service provider.

One of the key aspects of relationship marketing in the cellular industry is to focus on individual customers. Individual customers play a key role, thus, the most profitable customers need to be identified so that the business can focus on customers appropriate to its strategy.

Business today, is supported by information, which has the ability to differentiate, customize and personalize, and which enables it to gather information about individual customers. Thus, it is possible to be more flexible and it has the ability to individualise the market offerings, the messages and the media to focus on individual customers.

Not all customers are the same. Different customers should be treated differently. The key is to know who the best customers are and to treat them accordingly. It is impossible for an organization with one million customers to cost effectively communicate one-on-one with all of them, therefore, customers need to be segmented or categorized, based on what is known about them. These segments can be described and quantified in terms of their value and potential value to the organization, and appropriate communication strategies can be designed for each segment.

*Service Provider Offerings to Suit Individual Needs*

Thirty one percent (31%) respondents indicated that their service provider adapts offerings to suit their individual needs to some extent, 21% to a considerable extent, 16% to a great extent, 15% do not know and 13% to no extent. This is important in establishing and maintaining a relationship between the service provider and the customer.

The findings from this study concur with the results from the year-long Mobility 2005 research project undertaken by independent research organisation World Wide Worx which indicates the following:

- Expenditure is lowest in the 16 – 19 age group, rising steadily to peak in the 35 - 44 age group, and then dropping steadily as age increases – confirming the old stereotype that ‘yuppies’ are the most enthusiastic cell phone users.
- Adoption and planned adoption of non-voice applications, like picture messaging, cell phone banking and 3G, are strongest among younger people <http://www.theworx.biz/mobile05e.htm>.
- This is not surprising since the younger users are more conversant with the intricacies of the digital age.

Individual interaction leads to a better learning relationship between a customer and an organization. The more customers teach the organization, the better it becomes at providing exactly what they want. According to Brink and Berndt, (2004:25) in order to have knowledge of customers, it is necessary to obtain information. This information is then used to create a database for the customer, which becomes the foundation for relationship marketing. The database contains information about transactions, customer contacts, customer preferences, descriptive information and responses to marketing activities.

Thirty-five percent (35%) of respondents also indicated that their service provider is usually prompt to help them with problems.

Thirty-two (32%) of respondents indicated that their service provider helped them from the beginning of their contracts.

All of the above show the reliability of the service provider which is vital in establishing a relationship with customers. The first impression

created by the service provider will set the tone for the rest of the relationship to ensure that it endures over time.

*Communication by the Service Provider*

Marketing entails much more than developing a good product, pricing it attractively and making it readily available to the target customers. Organisations need to communicate with their current and potential customers. They have to fulfil the role of communicator and promoter (Kotler, 2000:550). Therefore, communication is vital in the marketing process. The interaction between customers and sales personnel and the exchange of information between buyer and seller is an indispensable part of marketing and relationship building.

Organisations have to establish, maintain and manage complex marketing communications systems with their customers, distributors, suppliers, and various other publics. Each group communicates with the organisation and also provides feedback to each other. Thus, for most companies the issue is not whether to communicate but rather what to say, to whom, how and when and where to say it.

According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value. More specifically, it is a cross-functional process for creating and nurturing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them.

Schultz *et al.* (1995:85) are of the opinion that it is impossible for a marketer to establish effective communication with the target customers using only mass techniques like advertising, sponsorship, and publicity. It is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference that separates him/her from the rest

Seventy five percent (75%) males and 79% females reported that their service provider communicates with them via sms. This confirms the results which revealed that sms is the preferred method used by service

providers for communication with their customers although some did so via email as well.

E-mail is the only communications medium that links directly to another medium, the Web. It is also the most inexpensive medium for global communication.

E-mail can:

- Deliver personalised information to customers (for e.g. service providers can communicate with current and potential customers through invoices, statements and transaction confirmations)
- Drive transactions and Website traffic (for e.g. service providers communicate with cellular phone users through news alerts, promotions and competitions)
- Build relationships with customers
- Compliment and support other channels
- Be a value-added service (service providers can offer news and information to attract and retain customers)

Thirty four percent (34%) of respondents agreed that service providers usually communicate with them regularly regarding contract options, sms bundles, and improvements in technology. 22% indicated always, 22% indicated very little, 11% did not know while 5% said they were never contacted.

For the cellular companies, advertising in newspapers has the following strengths:

- Customers and potential customers can look at the pictures and read the print
- Customers can get immediate information about different offerings, prices, geographic location of stores and contact numbers

#### *Recommendation of the Service Provider*

Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives. This could be because they were very

satisfied with the service experience and formed a relationship with their service provider.

There is a considerable overlap between trust and satisfaction, since both represent an overall evaluation, feeling or attitude about the other party in a relationship. Satisfaction may be developed directly through personal experience or less directly through opinion and the experience of others. Satisfaction involves the perceived standard of delivery and depends on the duration of the relationship. Thus high levels of service need to be present throughout the delivery process. Satisfaction over time reinforces the perceived reliability of the organization and contributes to trust. Therefore, trust is a belief in a person's or an organization's competence to perform a specific task under specific circumstances.

Only 38.2% of respondents will renew their contract with the same service provider. This could be attributed to the following:

- Excellent customer services
- Friendly staff
- Good communication
- Tailor made cellular phone packages
- Convenient operating hours
- Good reputation
- Creative advertising
- Cheaper rates

Respondents indicated the following reasons for not renewing their contract with the same service provider:

- 27% inefficient service
- 33% high costs
- 31% poor communication
- 8% other reasons

#### *Procedure to be Followed on Termination of Contract*

A small proportion of respondents (38%) know the procedure to follow when their current contract ends. This can be attributed to the fact that

service providers do not communicate regularly and timely with customers. 14% do not know the procedure to follow, 22% have some idea while 4% prefer to be advised before the contract ends.

When asked if their service provider informs them when their contract is going to end, 48% indicated yes, 14% no and 20% have some idea.

Kotler (2001:20) suggests that customers will buy from the firm that they perceive offers the highest customer delivered value. Customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits that customers expect from a given product or service. Total customer cost is the bundle of costs that customers expect to incur in evaluating, obtaining, using and disposing of the product or service.

Thirty-four percent (34%) of respondents agree that to some extent their service provider allows them to specify what accessories they would like with their cellular phone. 28% indicated that this did not happen at all.

Forty two percent (42%) of respondents rated their relationship with their service provider as good. 36% rated it as average, 10% poor and 8% excellent.

Fifty percent (50%) of respondents are seldom contacted by their service provider to acquire new information, whilst 26% are not contacted at all and 18% are contacted regularly.

Interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, a learning relationship is created and the customer will become very loyal. When interacting with customers, ensure that your interactions are always welcomed, protect the customer's privacy, invite dialogue by making contact numbers and web addresses available, ensure that the customer can see value from each interaction and be sensitive

to the customer's time. Technology has made interactions increasingly less costly; therefore it is affordable for businesses to interact with a wider range of customers economically. Organizations are able to streamline and automate many of their manual interactions required in serving customers. This reduces cost and saves time.

### *Privacy and Trust*

#### **Protection of Customers' Privacy**

According to the study, only 41% of respondents agree that their service provider protects their privacy. However, the majority of respondents (49%) were not sure that their privacy was protected. This might be attributed to the fact that cellular phone users are constantly inundated with calls and sms from different company representatives selling various products and services, it would seem that they are provided with subscribers lists from the various service providers. Therefore, cellular companies can improve their levels of customer privacy by instituting stricter measures that ensure that their customer details are not shared with other companies.

According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer based on individual information, it should recognise that customer data is its most valuable asset, should secure and protect that data, and also share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge.

This privacy pledge will include:

- the kind of information generally needed from customers
- Any benefits customers will enjoy from the service provider's use of individual information
- An individual's options for directing the service provider not to use or disclose certain kinds of information
- Any events that might precipitate a notification to the customer by the service provider

A company can jeopardise its relationship with its customers by engaging in unethical practices that compromise customer privacy. Instituting a privacy policy serves to reassure customers of a company's intentions. For example, the three cellular service providers in South Africa believe that customer loyalty depends on trust and protection of privacy. Therefore, they do not send sms and e-mail promotions to customers without their permission.

### **Level of Trust of Service Provider**

Fifty one percent of respondents trust their service provider. This figure needs to increase in light of trust being an essential element in any relationship. Service providers can achieve this by improving the quality and frequency of communication with their customers. This will then bode well for the relationship between the customer and the service provider and ensure that the customer is now in an established relationship that he/she will maintain into the future.

### **Rating of the Service Provider**

Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.

The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. These findings should be of great concern to the cell phone service providers as the majority of respondents have rated the response time for both emergencies and technical problems as average.

### **Answers to Research Questions**

*Do the communication efforts of the cellular companies result in satisfied customers over the long-term?*

- The majority of cellular phone users were satisfied with the communication efforts of their service provider. The majority of respondents indicated that their service provider's promotional

materials were appealing and their service provider communicated with them regularly.

- The literature study also yielded the same results: emphasising Kotler's (2001:21) definition of satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Thus, satisfaction as a function of perceived performance and expectations will result in customer dissatisfaction if performance falls short of the expectations and in customer satisfaction if it exceeds expectations.
- Many companies aim for high customer satisfaction since this creates an emotional bond with the brand and results in high customer loyalty. Clearly, the key to generating high customer loyalty is to deliver high customer value. According to Peppers and Rogers (2004:46), the overall role that customer satisfaction plays in the formation of relationships is intuitive since a dissatisfied customer will generally seek to replace the service provider. This threat has increased since the advent of cell phone number portability.

*Are the communication tools implemented by cellular companies effective in promoting relationship marketing?*

- Results from the study show that the communication tools used by the service providers were effective in promoting relationship marketing. The most used method of communication was sms, followed by post, e-mail and face-to-face contact. When asked about their preferred method of communication, the majority of customers indicated sms, followed by post, face-to-face contact and e-mail.
- The results of this study clearly indicate that the majority of respondents (60%) indicated that their service provider communicates with them via sms. Seventy five percent (75%) of males and 79% of females agree that their service provider communicates with them via sms. The preferred method of communication from their service providers though, revealed a different picture, where 43% of respondents indicated that sms was

their preferred method of communication. 19% wanted communication via post while 18% preferred face-to-face communication. A further 16% showed a preference for communication by e-mail.

*Will existing customers become advocates of the cellular companies?*

- Existing customers will definitely become advocates of their service provider. This is evident since the majority were satisfied with their choice of service provider. Furthermore, the majority also indicated that they would renew their contract with the same service provider. Lastly, since most of the customers were satisfied with their service experience, they stated that they would recommend their service provider to their friends, family and relatives.
- The majority of respondents (85%) did not regret their choice of service provider and this could be attributed to the fact that service providers tailor-make packages for customers. The three service providers together with the recent fourth entrant in the industry in South Africa provide variety and choice for cellular phone users which are consistent with their needs.
- As a result, customers can make informed choices that fulfill their specific needs and requirements. While only 36% of cellular phone users were given a sufficient explanation of their contract, a further 21,9% of the respondents received full explanation. The onus it appears is on the customers to familiarize themselves with the terms of the contract. An adequate explanation by the staff of the contract reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers did not get an explanation.
  - As with many contracts, customers tend not to accord them the importance that they deserve at the time of entering into the contract. It only tends to become important when they experience a problem, complain about it and then find that they are referred to the terms when it is a little too late.
- These results suggest that cellular service providers need to adopt a greater educational role when signing contracts with their customers

since slightly under half of them, 43%, of respondents, indicated that they were not entirely sure about the terms of their contracts.

*How do the various service providers handle customer grievances?*

- Service provider staff were found to be friendly, efficient, effective and well trained in responding to customer requests and queries. Staff also provided individual attention to customers. As indicated in the literature review, interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time, helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, an enduring relationship is created and the customer will become very loyal. When interacting with customers, it is suggested that the company ensures that interactions are always welcomed, that the customers privacy is protected, that dialogue is encouraged by making contact numbers and web addresses available and that the customer can see value from each interaction and will thus be appreciative of the consideration accorded to him/her.
- Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.
- The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. There is clearly a need for improvement in responding to emergencies and technical problems which will contribute towards customer loyalty.
- Cellular service providers should be concerned about the privacy and trust perceived by their customers. A large number of respondents (49%) were not sure that their privacy was protected.

- According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer, based on individual information, it will recognise that customer data is its most valuable asset, hence it will secure and protect that data, and will share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge as indicated above.

According to this study only 41% of respondents agree that their service provider protects their privacy. There is sufficient scope to increase the level of customer privacy, as this will enhance the relationship between the service providers and their customers.

What would be encouraging to service providers is that 51% of respondents trust their service providers. Trust is an essential element in any relationship. This bodes well for the relationship between the customer and the service provider. The customer is now in an established relationship that he/she will maintain into the future. Clearly though, there is an opportunity for the service providers to substantially increase the level of trust of their customers.

### **Limitations and assumptions of the Study**

- This study was unable to explore the impact of relationship marketing on the fourth cellular service provider, Virgin Mobile, which was introduced in South Africa in June 2006, since the fieldwork had been conducted between December 2005 and March 2006.
- Since Mobile Number Portability (MNP) was introduced on 10 November 2006 in South Africa, its use and impact on cellular phone users could not be investigated in this study either.
- The use and impact of Mxit, a fairly recent innovation with cellular phones, was not researched since most users of Mxit are under 18 years of age and the sample for this study excluded respondents under 18 years of age.

- This study was unable to investigate the use of 3G technology since most cellular phone users surveyed were not in possession of 3G and EDGE enabled cellular phones at the time.
- The most recent phenomenon of Facebook via cellular phones was also not investigated since it was not in existence at the time of the fieldwork.

## **Recommendations**

- It is important that customers understand the future direction that their service provider will take. Customers must be informed of long and medium term plans, new developments and any fundamental changes that are going to take place.
- Service providers should conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them and their performance. This may also be to inform customers about developments with the organisation.
- As well as measuring customer satisfaction, service providers must be prepared to review their performance with key customers and discuss measures for improving performance. By taking this proactive attitude to performance measurement, service providers will demonstrate high levels of customer care.
- Service providers need to improve their communication process – they need to communicate with customers on an on-going basis about information, policies and updates on technology.
- Since service is the nerve centre of any organization, service providers must improve on their service to customers in the following respects:
  - They need to improve on their response time for emergencies and technical queries. They could accomplish this by providing more in-depth staff training, especially on technical aspects and increase the number of staff at the call centres.
  - Service providers must update customer records regularly since this will ensure that they provide timely, effective and efficient service to their customers.

- Service provider staff should take more time and effort to explain the contract to customers so that they fully understand the terms and conditions
- Ensure that customers feel inclined to recommend their service provider to family and friends. Hence, service providers need to impress customers with their quality of service. Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives as indicated. This could be because they were very satisfied with the service experience and formed a relationship with their service provider.

## **Conclusion**

Relationship marketing is a shift away from market share to customer share. The sale should be viewed as the beginning of an ongoing relationship. While this study concludes that service providers' communication efforts result in satisfied customers, they should, nevertheless, strive to solidify relationships by transforming indifferent customers into loyal advocates of the company by using suitable communication.

Service providers need to make greater efforts to understand the specific needs of customers. They can achieve this through intensive marketing research. This will enable them to adapt their offerings to suit the individual needs of their customers.

Service providers need to honour their promises in respect of time schedules and they need to be prompt in helping their customers. This needs to start from the beginning of the relationship. They must develop a proactive approach to relationship marketing. This will help to create a better understanding of their customers and improve and enhance their image. Service providers need to amend their systems and operating procedures to ensure improvements in both the level of customer privacy and the degree of trust of their customers with a view to ensuring sustained long-term relationships.

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# **The Learning Organization in a Global Context: Perceptions of HR Practitioners at UK and SA Tertiary Institutions**

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## **Abstract**

This paper explores the comparative importance of learning organisation disciplines in generating effective work outcomes in HR employees in two different national cultural contexts. It is suggested that the importance of the learning disciplines in different countries may be influenced by prevailing cultural differences and prevailing organisational change situations. A survey of human resource practitioners' perceptions of the importance of the five disciplines in generating effective work outcomes in a single UK and South African tertiary educational institution undergoing differential types of change was conducted to explore these aspects empirically. A specific measuring instrument was devised to operationalise the five discipline model adapted from Senge's (1990) seminal work. Results reveal that although the ranking of the five disciplines is cross nationally similar, the influence of national culture appears to affect the emphasis put on specific aspects. Also, the generally higher scores obtained by the South African sample on the discipline dimensions suggests that the specific change circumstances faced by the two institutions may have a bearing on the perceived importance of

adopting core aspects of a learning organisation in achieving effective work outcomes. Implications of these findings are discussed in context of Hofstede's (1980) model and Senge's observations with regard to organisational change (Webber, 1999).

**Key Terms:** learning organisation, culture, change management

## **Introduction**

### ***Research Background***

Many researchers and management theorists argue that a wide range of behavioural and management theories and models may not be universal and that many have been developed in industrialised countries and based largely on cultural assumptions predominating in that specific national cultural context (Alavi & McCormick, 2003; Hofstede, 1980; Leung and Bond, 1989). Despite the fact that the learning organisation model has been accepted by management practitioners and academics in many countries, its underlying theory and principles are grounded in the west, more specifically the USA (Thomas & Allen, 2006). Consequently, perceptions of the work outcome effectiveness of the five core disciplines of the learning organisation model in non- western countries may be influenced by cultural dimensions predominating in specific national contexts (Dymock & McCarthy, 2006). In addition, Senge (cited in Webber, 1999) has suggested that the learning disciplines flourish more readily in organisations undergoing organic change compared with those undergoing driven change such as that experienced by organisations in merger situations. Although, the literature reveals that the relevance of the five disciplines may be variable in different cultural contexts (Alavi & McCormick, 2003) and Senge (cited in Webber, 1999) has suggested that such core learning organisation values are most likely to be adopted in circumstances of organic rather than driven change, such propositions have generally not been subjected to rigorous empirical investigation (Alavi & McCormick, 2003; Argyris & Schon, 1996).

The purpose of the current study is to investigate these aspects more fully in an exploratory empirical study of HR staff in two cross-national

institutions of higher learning. The type of organisation and the specific staff function being investigated cross-nationally are thus similar. This was deliberate as it offered a more reliable base for comparison in affording a degree of control of the many confounding variables that may emerge or remain hidden in this type of study. As a result, it is expected that inferences made in the comparison are likely to be more meaningful than would otherwise have been the case (i.e. where such controls were not possible or had not been formulated as part of the research design).

## **Research Questions**

Based on the extant cross cultural and learning organisation literature, the primary research questions have been developed to guide the study: ‘Do cultural dimensions pertaining to a specific national context influence employees’ perceptions of the importance of the learning organisation disciplines in creating effective job outcomes?’ and, ‘Do different change circumstances affect perceptions of the importance of the five disciplines in generating effective work outcomes?’

## **Overview of the Literature**

### ***Learning Organizations***

Since Peter Senge (1990) popularised the concept of the learning organisation in his book: *The Fifth Discipline: The Art & Practice of the Learning Organisation*, there has been a plethora of definitions regarding the concept. In his book, Senge (1990: 3) defines the learning organisation as:

organisations where people continually expand their capacity to create results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people continually learn how to learn together.

Pedler, Burgoyne and Boydell (1991: 1) define the learning organisation as:

an organisation that facilitates the learning of all its members and continuously transforms itself in order to meet its strategic objectives.

Garvin (1993: 80) defines a learning organisation as

an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights.

Garvin (1993) further notes that a clear definition of the learning organisation remains elusive. The researchers have found Senge's (1990) conceptual framework of a learning organisation insightful and have adopted it in this study. Senge (1990) argues that the fundamental difference between the traditional authoritarian organisation and the learning organisation is in its ability to master certain basic disciplines. He identifies these basic disciplines as: personal mastery, mental models, team learning, shared vision and systems thinking. These five learning disciplines form the fundamental framework of Senge's (1990) learning organisation model. *Personal mastery* is the essential cornerstone of the learning organisation and has been described as: 'the process of continually clarifying and deepening personal vision, focusing energies, developing patience and seeing reality objectively' (Senge, 1990: 7). Creating the right type of environment conducive to developing personal mastery in employees is as important characteristic of a learning organization (Alavi & McCormick, 2003). *Mental models* are:

deeply ingrained assumptions, generalisations, or even pictures or images that influence how we understand the world and how we take action (Senge, 1990: 8).

Learning organisations should actively encourage employees to open their deeply held images and views to scrutiny. Rigorous debate that balances inquiry and advocacy should be embraced. *Team learning* involves:

‘aligning and developing the capacity of the team to achieve results that are desired by its members’ (Senge, 1990: 236). Learning organisations embracing team learning should actively encourage dialogue and discussion among team members. Building a *shared vision* essentially entails: ‘developing shared images of the future and guiding practices by which employees hope to achieve their desires’ (Senge, Kleiner, Roberts & Ross 1994). It is noted that when people have shared visions, they may be more likely to collectively put effort into their activities to achieve their visions and goals (Alavi & McCormick, 2003). *Systems’ thinking* refers to having a dynamic understanding of interrelationships rather than singular cause-effect chains (Senge, 1990). This discipline equips employees with critical thinking skills.

The manner in which change is initiated in organisations also has been associated with the extent to which the five core disciplines of a learning organisation are effective in generating positive organisational outcomes. The various kinds of change that organisations can be faced with and have to endure is extensively discussed in the voluminous extant literature (Ford, 2006; Carnall, 2003). Very briefly, there are three basic models of the change process (Burnes, 2003): the incremental model, the punctuated equilibrium model and the continuous transformation model. In the first instance, the incremental model of change suggests change takes place through ‘... successive limited and negotiated shifts’ (Pettigrew, Ferlie & McKee, 1992:14) The punctuated equilibrium model of change maintains that organisations pass through short periods of radical change and transformation followed by long periods of stability (equilibrium) (Gersick, 1991). Finally, the continuous transformation model of change suggests that organisations need to continually change and develop a capacity to change regularly and fundamentally in order to survive (Greenwald, 1996). Senge (cited in Webber) appears to advocate a continuous transformation model of change when he suggests that to develop the core competencies of a learning organisation undergoing change effectively, it is best handled by business people thinking ‘...less like managers and more like biologists’ (Webber, 1999:1); Senge goes on to say:

Companies are actually living organisms, not machines. That might explain why it's so difficult for us to succeed in our efforts to produce change. Perhaps treating companies like machines keeps them from changing, or makes changing them much more difficult. We keep bringing in mechanics-when what we need are gardeners. We keep trying to drive change, when what we need is to cultivate change (Webber, 1999: 3).

Senge (cited in Webber, 1999) suggests that change driven through formal change programs rather than through cultivation and growth as one would a living organism, are not likely to effectively nurture the five core disciplines of a learning organization. In short, Senge suggests that in situations approximating the punctuated equilibrium model of change that is initiated and driven by authority rather than cultivated by growth in learning is unlikely to create an environment where the five core disciplines are able to flourish and propagate.

### **Cross- Cultural Studies of Cultural Differences**

The negative effects of mismanaging cultural differences in the workplace have been well documented in the organisational behaviour literature. Cultural differences however, when successfully managed, can lead to innovative business practices, faster and better learning within organizations, and sustainable sources of competitive advantage (Pheng & Yuquan, 2002). Clearly defining the term culture has proven problematic in cross- cultural studies. Besides having many definitions, some aspects of culture can take on different meanings with different people (Pheng & Yuquan, 2002). Consequently, researchers have argued for the adoption of a systems approach in order to help understand the complexities of culture. Hofstede (1980: 32) in his seminal work states that:

cross-cultural studies presuppose a systems approach, by which I mean that any element of the total system called culture should be eligible for analysis, regardless of the discipline that usually deals

with such elements. At all levels of (national) cultures, these are phenomena on all levels: individuals, groups, organisations, or society as a whole may be relevant.

Researchers have found the work of Geert Hofstede (1980) to be useful when exploring the influence of national cultural differences on perceptions of the importance of the learning organisation model in generating effective work outcomes. It has been noted that American management practices may not be appropriate or successful when implemented in societies with cultural values that differ from those held in the United States (Hofstede & Hofstede, 2005). Hofstede (cited in Pheng & Yuquan, 2002) argues that people carry 'mental programs' that are developed and reinforced through their experience, and that these 'mental programs' contain a component of national culture. Hofstede (1980) identified four value dimensions to depict characteristics of national cultures. These dimensions include: power distance, individualism versus collectivism, masculinity versus femininity and uncertainty avoidance. Based on his extensive research, each country studied was characterized by a score on each of these dimensions. The current study draws on Hofstede's findings to delineate the national cultural characteristics of the UK and South Africa (refer to table 1) in particular, as it is these two countries that comprise the focus of the investigation.

*Power distance* is defined as: 'the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally' (Hofstede & Hofstede, 2005: 46). *Individualism* is: 'a cultural dimension that pertains to society in which the ties between individuals are loose'. This implies that everyone is expected to look after himself or herself and his or her immediate family (Hofstede & Hofstede, 2005: 76). *Collectivism* on the other hand

pertains to societies in which people from birth onward are integrated into strong, cohesive in- groups which throughout their lives continue to protect them in exchange for unquestioning loyalty (Hofstede & Hofstede, 2005: 76).

A *masculine* society is defined as:

a society where emotional gender roles are clearly distinct. This implies that men are supposed to be assertive, tough, and focused on material success. Women, however, are supposed to be modest, tender, and concerned with the quality of life (Hofstede & Hofstede, 2005:120).

It is noted that in a *feminine* society, there is an overlap in emotional gender roles. This implies that both men and women are supposed to be modest, tender, and concerned with the quality of life (Hofstede & Hofstede, 2005: 120). *Uncertainty avoidance* is defined as: ‘the extent to which the members of a culture feel threatened by ambiguous or unknown situations’ (Hofstede & Hofstede, 2005: 167).

## **Method**

### ***Participants and Procedure***

The UK sample consisted of 38 respondents while the South African sample comprised of 22 respondents. Respondents in each sample received a hard copy of exactly the same self-administered questionnaire. To ensure consistency, the same sample strategy was adopted to select the samples in the two different countries. The sample subjects were human resource practitioners employed at a single tertiary educational institution in the UK and likewise in South Africa. Both these institutions were undergoing change, with the UK institution undergoing organic, internally-driven change and the South African institution experiencing transformational change in the form of a government imposed merger. It was deemed appropriate to select human resource practitioners as subjects for this study as these subjects are often at the forefront of employee development, learning and knowledge management strategies in organizations. Sample subjects were selected by means of a convenience or accidental sampling technique. The researchers approached the human resource practitioners

with a request to participate in the survey. All responses were anonymous.

An examination of the characteristics of the two samples reveals some differences. The gender ratios between the two- country samples differed marginally: in the UK sample, males comprised 5% and females 95% whereas in the South African sample males comprised 18% and females 82%. The mean age of the UK sample was 46 years, the South African sample 41 years. The sample subjects in both countries have long tenures at their respective institutions: the mean tenures for the UK at 10 years and South Africa 12 years. Educational levels for both samples did not vary significantly, although there were two human resource practitioners in the UK that possessed doctorates.

### ***Measuring Instruments***

The instrument uses a 5- point Likert-type scale to collect responses to all items. The scale ranges from strongly agree to strongly disagree. Table 2 shows the means, standard deviations, and t – ratios for the differences in means of the variables between the UK and South African sample.

*Personal mastery:* Personal mastery was assessed using a 5- item scale. Sample items included: ‘It is important for people to continually develop themselves to effective in their jobs’ and ‘To be successful at work people need to take responsibility for their own actions’. The internal alpha reliability obtained was: 0.657 for the UK sample and 0.662 for the South African sample.

*Mental models:* Mental models were assessed using a 5- item scale. Sample items included: ‘To be effective at work, it is important to be open to new ideas’ and ‘Resisting new ways of doing things in a job makes people less effective at work’ The internal alpha reliability obtained was: 0.374 for the UK sample and 0.307 for the South African sample.

*Team learning:* Team learning was measured using a 5- item scale. Sample items included: ‘To obtain effective team outputs, it is necessary to listen carefully to other team members’ inputs’ and, ‘All members of a team can become more effective in their jobs by learning from each other’. The internal alpha reliability obtained was: 0.716 for the UK sample and 0.495 for the South African sample.

*Shared vision:* Shared vision was assessed using a 5- item scale. Sample items included: 'It is important for people to understand how their work fits in with the vision and strategic objectives of the organisation' and 'An organisation can be successful even when people in it share no common vision'. The internal alpha reliability obtained was: 0.488 for the UK sample and 0.279 for the South African sample.

*Systems thinking:* Systems thinking was assessed using a 5- item scale. Sample items included: 'To effective in their work, people need to understand the wider system within which they operate' and 'To be effective in a job, it is important to have a clear understanding of how one system impacts on another'. The internal alpha reliability obtained was: 0.425 for the UK sample and 0.657 for the South African sample.

The combined scale consisting of 25 items for the two samples together (n=56) generated a Cronbach Alpha internal consistency coefficient of 0.74.

To test for construct validity, the variables in the scale were subjected to a principle components factor analysis with a varimax rotation in order to obtain a simple structure.

The Kaiser-Meyer-Olkin  $MSA=6.42$  with Bartlett's test of Sphericity= $0.000$ , suggesting that the data were middling material for factor analysis. Although nine components achieved eigen values  $>1$ , the first seven rotated components explained 65.4% of the variance. No clear interpretable pattern emerged from the analysis as there were multiple variable loadings under various components. However, it was possible to discern:

- A general component comprised of items from personal mastery, mental models, team learning and systems thinking dimensions. This component was interpreted as the perceived importance of interrelated individual (mental models and personal mastery) and collective (team learning and systems thinking) disciplines in effective work outcomes.
- Component two was interpreted as the perceived importance of systems thinking in effective work outcomes.
- Component five was interpreted as the perceived importance of team learning on effective work outcomes and

- Component six and seven were interpreted respectively, as the perceived importance of personal mastery and shared vision on effective work outcomes.

Thus the factor analysis generally supported the original model although there appeared to be a powerful general learning discipline component emerging from the rotated data.

## Findings

Table 1 represents the cultural dimension scores of both the UK and South Africa based on Hofstede's (1980) study. These two countries vary in terms of their cultural contexts. The UK has higher scores on the cultural dimensions of individualism and masculinity than South Africa. South Africa, on the other hand, scores higher on power distance and uncertainty avoidance than the UK.

Cultural Dimensions	UK Score	South Africa Score
Power distance	35	49
Individualism	89	65
Masculinity	66	63
Uncertainty avoidance	35	49

**Table 1:** Hofstede's Cultural Dimension Scores for the U.K. and S.A. (Source: Hofstede & Hofstede, 2005)

Means and standard deviations for each scale are reflected in Table 2. Also included are the *t* – ratios examining whether the UK and South African samples differed significantly on any of the constructs measured.

The results of two- independent samples T- tests indicate that there are significant differences between the UK sample and South African sample on three measures: Personal mastery, mental models and shared vision. The South African sample reflects higher perceptions of personal mastery (mean 23.27, *t* = -3.641, *df* = 58, *p* = 0.001) than their UK counterparts. In the case of mental models, it is the UK sample (mean 20.13, *t* = 2.571, *df* = 58, *p* = 0.013) that has a higher perception than South Africa. Perceptions of shared vision appears higher in the South African sample (mean 17.27, *t* = -3.756, *df* = 58, *p* = 0.000) than the UK.

Scale	UK Mean (SD)	South Africa Mean (SD)	<i>t</i> - ratio	<i>p</i> - value
Personal mastery	20.92 (2.59)	23.27 (2.05)	-3.641	0.001
Mental models	20.13 (2.03)	18.64 (2.40)	2.571	0.013
Team learning	20.47 (2.69)	21.64 (2.68)	-1.616	0.112
Shared vision	14.37 (3.09)	17.27 (2.49)	-3.756	0.000
Systems thinking	20.00 (2.23)	20.68 (2.73)	-1.050	0.298

**Table 2:** *Independent samples t-tests of scale scores*

Table 3 reflects similarities and differences of the UK and South African samples in the mean ranking of scores in descending order of the various measures.

U K Scale Mean	South Africa Scale Mean
Personal mastery 20.92 Team learning 20.47 Mental models 20.13 Systems thinking 20.00 Shared vision 14.37	Personal mastery 23.27 Team learning 21.64 Systems thinking 20.68 Mental models 18.64 Shared vision 17.27

**Table 3:** *Ranking of scale mean scores*

Mean scores of the scales (measuring instruments are similarly ranked by respondents in each cross national sample of HR employees, with personal mastery reflecting the highest mean score, followed by team learning. In the case of mental models and systems thinking, the ranking order is reversed between samples. In both samples, the measure of shared vision reflects the lowest mean score.

### Discussion of the Findings

The ranking of the five disciplines by the Human Resource practitioners in the South African and United Kingdom samples was found to be similar, suggesting that the relative importance of the disciplines in generating effective work outcomes was considered in much the same way cross-nationally.

Significant differences in cross –national mean scores were, however, found on specific disciplines suggesting the influence of cross-cultural factors. And, the South African HR respondents were found to score higher than their United Kingdom colleagues on four of the five disciplines perhaps indicating the difference in the change situations experienced by the two organizations. Although contrary to Senge ( cited in Webber, 1999) who maintains that organic incremental change is necessary for the effective propagation of the five disciplines, the findings suggest that in forced (driven) change situations approximating the punctuated-equilibrium change

model, may in fact increase the perceived awareness of the importance of these disciplines in generating effective work outcomes.

Significant differences in mean scores on several of the measuring instruments, with the South African respondents scoring significantly higher mean scores on the personal mastery and shared vision dimensions and significantly lower mean scores on the mental models dimension compared with their UK colleagues, may be attributed to different national cultural orientations. The higher score for personal mastery in the South African sample may indicate a need for greater uncertainty avoidance than the UK sample (reflected in Hofstede's original analysis). It is an accepted fact in South Africa that education, skills and professional competence can reduce levels of uncertainty in terms of employment and remuneration in a highly uncertain employment situation where the unemployment rate is estimated as 25.5% (Statistics South Africa, 2006) of the economically active population. Similarly the significantly higher score of the South African sample on the shared vision dimension might be attributed to their greater collectivist cultural orientation and, the higher score of the UK respondents on the mental models dimension may be attributed to their greater individualist cultural orientation i.e. focusing on the individual per se rather than as someone belonging to a particular group or collectivity.

Several cautionary comments need to be made in the light of these tentative inferences. The first is that the sample was small and not randomly selected although it was reasonably representative of the HR function in the two institutions. Second, the measuring instruments require further modification and refinement, although generally supported by the reliability and validity analyses. Third, the investigation is limited to HR employees' perceptions of the *importance* of the five disciplines in generating effective work outcomes and *not the actual internalization of these disciplines* by the individuals concerned (although clearly these two aspects are likely to be linked, the degree and extent is not articulated in the study).

## **Conclusion**

The investigation has tentatively indicated that although the rank order of importance of the five learning organisation disciplines is similar in cross-

national samples of HR practitioners, specific cultural orientations may be associated with particular emphases.

Also, specific change situations may have a bearing on the perceived importance of the five disciplines, with forced, authority driven changes possibly enhancing their adoption as a means for generating effective work outcomes.

Future investigations are recommended with larger controlled samples to expose the extent and type of cross-national differences in learning organisation disciplines and the effects of differential change circumstances on their perceived importance in generating effective work outcomes.

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# **The Regulation of Advertising to Children: A Comparative Assessment**

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## **Abstract**

As the volume of advertising grows so does concern about its acceptability. These concerns are raised more particularly for advertising targeting vulnerable groups. This paper addresses advertising to one such group, that of children. Statutory regulation combined with industry led self-regulation exists across the globe to ensure acceptability of advertising. In so far as children are concerned countries vary somewhat in the approaches they adopt for the regulation of advertising to this group. This paper develops a framework of acceptable advertising to children and compares developing and developed countries on dimensions of the framework that ensures acceptability of advertising to this special consumer group. It is concluded that the framework for acceptable advertising is present in developing countries. This assures the basis for acceptable advertising in developing countries.

## **Key Terms**

Acceptable advertising, regulation, advertising controls, developed and developing countries

## **Introduction**

Children are exposed to advertising on a daily basis through the use of different media such as, television, radio, magazines, newspapers and the

Internet. Television, however remains the most commonly used medium for children's advertising as it provides a much greater reach to this target market and because children spend much of their free time in front of the television on a daily basis (Hastings et al., 2003). Children are vulnerable and susceptible to the effects of advertising as

they do not comprehend commercial messages in the same way as do more mature audiences, and hence are uniquely susceptible to advertising influence (Kunkel et al. 2004: 1).

This vulnerability has prompted the regulation of advertising. Regulatory systems and structures that deal with various aspects of advertising exist in most countries across the globe. The most commonly used method of advertising control is that of self-regulation as it encourages marketers to produce non-deceptive advertising messages. Developed countries appear to have more effective advertising self-regulatory systems than developing countries (Boddewyn, 1992). There seems to be more potential for children in developing countries to be affected by the harmful and persuasive tactics used in advertising as these regulatory structures operate in a less structured and regulated context than those of the developed countries (Cassim & Langton, 1996). Thus children in developed countries would seem to enjoy greater protection offered by their more sophisticated and effective regulatory systems. It may be speculated that both adults and children living in developed countries are more sophisticated consumers. The system of self-regulation in these countries can therefore be regarded as appropriate. The opposite can then be speculated for adults and children living in developing countries. It is therefore important to determine whether or not these assertions are indeed accurate and if so, to document what the differences between developed and developing countries are.

The purpose of this paper is therefore to assess the regulatory frameworks of advertising to children in developed and developing countries. This will be done in the context of the key variables associated with achieving acceptable advertising to children. These variables are used as a framework to analyse the regulation of advertising in three developed

and three developing countries. The paper hopes to establish the differences in the regulatory frameworks as well as the efficiency and effectiveness of these regulatory frameworks in providing sufficient protection for children against the harmful effects of advertising.

### **Acceptable Advertising To Children**

Key variables are identified from the literature that forms the basis for assessing acceptable advertising to children. Harker (1998) and Harker and Cassim's (2002) framework developed in previous work is used as the basis for the development of a framework focussing on acceptable advertising to children. The defined variables need to have specific focus on children.

### ***Advertising to Children***

'Debates have raged for decades about the way that advertising and marketing activities influence children and adolescents' (Friestad & Wright, 2005). The debates are centered on the perceived threats to the well being of children from exposure to advertising. In both developed and developing countries, a significant increase in the quantity of advertising to children has been experienced, in particular, advertising of foods that are high in fat, sugar, and salt (Consumers International, 2005). This increase in advertising to children has been observed as being a direct result of their importance as a growing consumer market (Cardwell-Gardner & Bennett, 1999). It is generally accepted that young children are far more vulnerable to the influencing nature of advertising than any other consumer group. This may be due to their inability to understand the intent of the advertisements that are targeted at them (Friestad & Wright, 2005; Kunkel *et al*, 2004). Children therefore need to be protected from the persuasive techniques used in advertisements (Consumers International, 2005; Sustain, 2004).

Children are an important consumer market in today's society and thus a key focus area for many marketing strategies (Björström, 1994; Goldstein, 1998; Preston, 2004; Preston, 2005). Children are responsible for billions of dollars in sales every year, the result of not only the influence they exert over their parents purchasing decisions but their own purchasing power as well (Goldstein, 1998; Cardwell-Gardner & Bennett, 1999). Despite their growing importance as a consumer market they are at risk of being harmed by the advertisements aimed at them because they do not have the same understanding of advertising intent as adults do. There is a large body of

literature that indicates children understand the content and intent of advertising messages and are influenced by these messages at different ages (Björström, 1994; Lawlor & Prothero, 2003; Kunkel *et al.*, 2004). This understanding should be used in the development of the regulations of advertising.

There is a considerable body of evidence on the effects of advertising on children. One set of studies reports a lack of convincing evidence that advertising affects children's values, eating habits, violence, socialisation, gender stereotypes, use of alcohol and tobacco, or that there are any long-term effects (Björström, 1994; Lvovich, 2003; Moses & Baldwin, 2005). The larger more influential studies conclude that food advertising has an effect (sometimes termed a 'modest direct effect') on children's food choices and behaviour (Hastings *et al.* 2003, McGinnis *et al.* 2006). These larger, more influential reviews of the knowledge base have served the basis for the discussion of policies and regulation in recent times.

Regulatory or legislative controls are in place to provide for the protection of children across the globe. These have in many cases been adapted and applied from the International Chamber of Commerce's Guidelines for Advertising to Children (International Chamber of Commerce, 2003). The regulations are thus similar, and refer to children's inexperience and credulity, avoidance from harm, their social value and their protection in these areas.

### ***Acceptable Advertising***

Acceptable advertising is 'advertising that does not fall foul of either the legal or the advertising self-regulatory system in place in that society' (Harker, 1998:102). Acceptable advertising to children may be described as advertising that is not harmful to their physical, mental or moral health. The control of advertising generally occurs in two main forms, that of self-regulation by the industry or regulation that is statutory in nature and controlled by the state (Cassim & Langton, 1996). Statutory regulation refers to those rules/statutes that are enforced by the government for the purpose of providing consumers protection against harmful advertising (Boddewyn, 1985; Woker, 1999). However, this method of regulation has always been criticised as being oppressive, ineffectual, and weakly enforced (Boddewyn, 1985).

The most common method of regulation is that of self-regulation (Boddewyn, 1985; Boddewyn, 1992). Self-regulation is ‘control exercised by an advertiser’s peers, including those in the agencies and media used’ (Boddewyn, 1992: 5). Most countries have established regulatory control systems in place that complement their legal systems to ensure consumer protection. These operate on the basis of self-regulation. This is where the industry is responsible for controlling the conduct of its own members, and voluntarily regulates the content of the industry’s advertising (Harker & Cassim, 2002). ‘Self-regulation is the system by which the advertising industry can actively police itself’ (Gray, 2005: 20).

Self-regulation that operates within a framework of legislation delivers the most efficient regulation of advertising (Gray, 2005). Legislation is used to lay down the broad principles, while self-regulation is designed to deal with the finer details of advertising practice and to ensure that the regulations set are complied with. In the newer literature these complementary systems are referred to as co-regulation (European Commission, 2006).

### **Acceptable Advertising To Children - The Key Variables**

Harker’s (1996 cited Harker, 1998) framework of acceptable advertising is depicted diagrammatically in Figure 1. This is used as the basis for the design of a framework to assess the regulation of advertising to children.



**Figure 1:** Acceptable advertising: a framework for analysis (Source: Harker, 1998)

This framework needs to be modified to meet the requirements necessary to analyse the regulation of advertising to children. The modifications should have a specific focus on the critical aspects that are important in the regulation of advertising to children. These aspects are those that impact upon acceptable advertising to children.

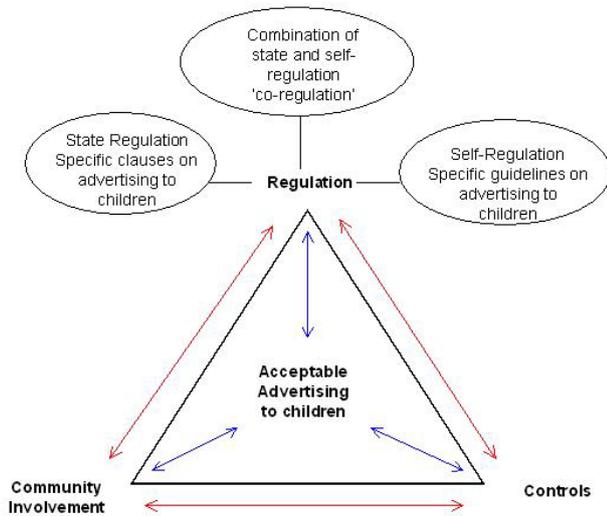


Figure 2: Acceptable advertising to children: A framework for analysis

This is the proposed framework that can be used for the analysis of the regulation of advertising to children. Three main variables are defined as important. First is regulation. This refers to the laws governing advertising to children specifically. Regulation may occur through state regulation, self-regulation and a combination of the two. The other two variables are: community involvement and controls. These variables have been extracted and modified from the original framework of Harker (1996, cited Harker, 1998).

### ***The Variables***

Regulation is the first variable impacting on achieving acceptable advertising. The regulation of advertising to children can be state regulated, self-regulated or a combination of the two. In state regulation, a country's

legal regulatory framework needs to be identified and an assessment of the laws and regulations that exist for the protection of children need examination. Where there is self-regulation, the self-regulatory framework should be identified. Here the different self-regulatory codes and guidelines are examined for their relevance to children.

The second variable of controls refers to the mechanisms in place to ensure that the systems of regulation are observed. These controls are generally effected through the monitoring bodies in charge of implementing the system and through an examination of the systems to ensure industry compliance. Industry compliance refers to compliance to the system of advertising self-regulation, in particular to the self-regulatory codes and guidelines. The enforcement may be achieved through sanctions, which are punitive measures and fines, or rewards and acknowledgements for compliance. The methods generally used by the industry as a measure of compliance are prescreening and monitoring of the advertisements produced (LaBarbera, 1980).

The final variable of this framework is community involvement. LaBarbera (1980) and Boddewyn (1992) both suggest that an advertising self-regulatory system can achieve representation of community standards by involving the public in the advertising self-regulatory system. This involvement occurs through participation in the complaints handling process. Community involvement in essence ensures the legitimacy of a self-regulatory system.

Fourteen questions on the three variables are formulated to assess the selected countries on their regulation of advertising.

### **Methodology**

The aim of the study is to conduct a review of the policy and regulation of advertising to children in developed and developing countries. The specific objectives are:

- To determine the systems of regulation in the selected countries
- To attempt an analysis of the approaches within the framework of acceptable advertising to children
- To compare the regulatory mechanisms of developed and developing countries

- To make some recommendations for developing countries

This paper employs documentary and textual analysis to achieve its purpose. Documents relating to regulation and control of advertising formed the basis for the analysis.

The research was conducted in the following phases:

1. The development of the framework of achieving acceptable advertising to children.
2. The collection of information relating to regulation of advertising and to children (in particular) in countries across the globe.
3. Selection of the countries that would be suitable for the analysis and assessment.
4. The collection of information on the systems, policies and laws pertaining to each of the selected countries.
5. A thorough examination of the websites of the global organizations (housing data on regulations) as well as the country specific websites.
6. An examination of published academic work on the regulation of advertising for sources of verification.
7. Communication via e-mail to specific individuals from the organization to supplement any information that was not available via the websites.

These phases were carried out between September and December 2005. The information was updated during 2006.

An assessment of the impact or indeed of the effectiveness of the regulatory systems is beyond the scope of this paper.

### ***The Countries***

This paper intends to compare the regulatory mechanisms of developed and developing countries to provide developing countries with the relevant and appropriate benchmarks. Developing countries are generally defined as

low and middle-income countries in which most people have a lower standard of living with access to fewer goods and services than do most people in high-income countries (United Nations, 2005).

It is therefore plausible to expect that developed countries have more effective and mature regulatory systems in place than do developing countries. This paper will explore this.

Developed countries have higher volumes of advertising and thus the necessity for regulation assumes great importance (Harker et al. 2001). It can also be assumed that the regulations in developed countries have been in place for a substantial period of time unlike their counterparts in the developing world which might be expected to have fewer regulations in keeping with a much younger system. It is therefore important to select developed countries that have a reputation for effective regulatory systems for advertising to children and use these as benchmarks for the comparative assessment. The developing countries selected, too should have at minimum some form of a regulatory system for advertising to children.

The developed countries that have a reputation for effective systems and are included in the study are: The United States of America, The United Kingdom and Australia. The developing countries selected are: South Africa, Brazil and India. A short overview of the relevant information on each country is delivered below.

### ***The United States of America (USA)***

The United States of America is the world's largest spender in advertising. It is also probably the country with the longest history of the debate on advertising to children. The United States of America has the largest share of the world's advertising expenditure at 34.4% in 2005 (World Advertising Trends, 2006).

### ***Australia***

Australia's total advertising expenditure in 2002 was US \$ 3,938 million, which was 1.3% of the world's total advertising expenditure (World Advertising Trends, 2004). Although Australia is not as dominant a force in the world advertising industry as the United States or the United Kingdom it is a significant player and a valuable country to base the comparison on because of the intensity of the debate and discussion around advertising to children.

### ***The United Kingdom (UK)***

The United Kingdom has one of the most developed advertising self-regulatory systems in the world (Boddewyn, 1992). This is evident in that most countries use it as the basis for the development of their self-regulatory bodies (Harker & Cassim, 2002). The United Kingdom's total advertising expenditure for 2005 was US \$ 25,186 million, which represents 5.6% of the world share of advertising expenditure (World Advertising Trends, 2006).

### ***South Africa***

South Africa's is a developing country whose adspend for 2005 was US \$ 2,678 million and this made up a 0.6% share of the world's advertising expenditure (World Advertising Trends, 2006).

### ***Brazil***

'Among third world countries, Brazil has the largest national advertising industry' (Musick, 1999: 5). Brazil's advertising expenditure in 2005 was US \$ 14,161 million placing it in seventh position in the world ranking and contributing 3.1% of the world's total advertising expenditure. Although Brazil is a developing country, it does contribute significantly to the world's total expenditure. It has the highest advertising expenditure in Latin America (World Advertising Trends, 2006).

### ***India***

The total advertising expenditure for India in 2005 was US \$ 2,913 million. This represents 0.6% of the world's total advertising expenditure (World Advertising Trends, 2006).

### **Findings**

The findings of the study are reported in terms of the variables of the framework for acceptable advertising presented earlier.

### ***The Definition of a Child***

An anomaly is raised in examining the regulations of advertising to children. The regulations apply to children of different ages and there appears to be little consensus on the definition of a child. The six countries selected for the study employ different definitions. This is demonstrated in the table below:

COUNTRY	DEFINITION OF CHILDREN
The United States of America <sup>3</sup>	12 years and younger
The United Kingdom <sup>2</sup>	16 years and younger
Australia <sup>1</sup>	14 years and younger
South Africa <sup>4</sup>	18 years and younger
Brazil <sup>5</sup>	12 years and younger
India <sup>6</sup>	18 years and younger

**Table 1:** Definition of Children in Australia, United Kingdom, United States of America, South Africa, Brazil and India

**Source:** adapted from: (*Australian Association of National Advertisers, 2000a1; Advertising Standards Authority of the United Kingdom, 2003a2; Children's Advertising Review Unit, 20003; Advertising Standards Authority of South Africa, 19944; Delgado & Foschia, 20035; Advertising Standards Council of India, 19856*).

This anomaly is evident in global assessments and requires consideration.

### **Regulation**

It has been suggested earlier that most countries in the world deploy co-regulation (a combination of state regulation and self-regulation) in advertising to children. This is due to the complimentary nature of the two (Boddewyn, 1985). All six countries examined employ a self-regulatory approach that is complemented by the established legal regulatory framework of the country.

### ***Legal Regulatory Framework***

All six countries were found to have an established legal regulatory framework with an assortment of legislation that governs marketing activities. As Harker (1998) states, most countries have umbrella legislation that governs broadcasting and consumer protection. This has been found to

be the case in the countries chosen for the study. The general themes in the principles and provisions of the legislations are similar. They refer to the protection of children from harmful material, note that children's credulity and innocence shall not be exploited; they should not be misled or deceived and their safety should not be compromised in any way or be depicted as such (Koester, 2002; Le Guay, 2003; BCCSA, 2003; Delgado & Foschia, 2003; Rocha et al, 2004; Vadehra, 2004).

The legal regulatory framework can be divided into consumer protection legislation and broadcasting legislation. These are reflected for the countries of the study in the table below.

<b><i>Country</i></b>	<b><i>Consumer Protection Legislation/Authority (reference to children)</i></b>	<b><i>Broadcasting Legislation/Authority (reference to children)</i></b>
Unites States of America	The Federal Trade Commission Act (FTC) (Koester, 2002)	Federal Communications Commission (FCC) Children's Television Act (1990)
United Kingdom	Fair Trading Act of 1973	The Broadcasting Act of 1990 Television without Frontiers Directive (Groom, 2005) (This directive applies to the whole of Europe)
Australia	Trade Practices Act of 1974 Fair Trading Act (Le Guay, 2003)	Broadcasting Services Act 1992 Australian Communications and Media Authority in Children's Television Standards
South Africa	Trade Practices Act of 1976 Consumer Affairs Act of 1999 Bill of Rights	The Broadcasting Complaints Commission of South Africa (BCCSA, 2003) Independent Communication Authority of South Africa (ICASA)

Brazil	<p>Consumer Protection Law (Law No. 8,078/90)          Industrial Property Law (Law No. 9.279, of May, 1996)          Copyright Law (Law No. 9.610 of February, 1998).</p> <p>Brazilian Consumer Defense Code (Código Brasileiro de Defesa do Consumidor)          Children and Teenagers Statute (Estatuto da Criança e do Adolescente) (Delgado &amp; Foschia, 2003).</p>	
India	<p>Young Act          IT Act (Vadehra, 2004)</p>	<p>Information and Broadcasting Ministry of the Government of India          India Cable Television Network Act (1994)          Information Technology Act</p>

**Table2:** The Consumer Protection and Broadcasting Authorities and/or Legislation in the six countries

It is quite common to observe that the statutory components are generalized and provide for the general protection of children. It has also been observed in legal opinion that the provisions for general consumer protection may be used for the protection of children.

The limitations on advertising to children based on statutory prescriptions, varies in countries across the globe. Options range from restrictions on advertising based on timing or content to complete bans. The Canadian province of Quebec, Norway and Sweden have complete bans on advertising targeting children (Hawkes, 2004). Specific restrictions on advertising to children in the Hawkes Review may be found in countries like Australia, Austria, Belgium, Canada, Germany, Israel among others.

### ***Self-regulatory Framework***

Self-regulation refers to regulation by the industry itself. This is generally implemented through a Code of Practice and through a process by which the practice is observed. The self-regulatory organization is usually set up by the advertising and media industries in the country upon which the body relies for funding. The Code is generally based on the International Chamber of Commerce's Code of Advertising Practice known as the International Code of Advertising Practice, 1997 (ICC 2005). The Code generally refers to the protection of children from harmful material, children's credulity and innocence shall not be exploited, they should not be misled or deceived and their safety should not be compromised in any way (CONAR, 1978; Advertising Standards Authority of South Africa, 1994; Advertising Standards Council of India, 1999; Australian Association of National Advertisers, 2000a; Advertising Standards Authority of the United Kingdom, 2003b, Children's Advertising Review Unit, 2005).

Self-regulation of advertising to children in the United States is overseen by the Children's Advertising Review Unit (CARU) set up in 1974 'to promote responsible advertising to children' (NARC 2004). CARU works through the Self Regulatory Guidelines for Children's Advertising (version 2003), which applies to advertisements in print, television, radio and online media directed at children under the age of 12 (Armstrong, 1984; Children's Advertising Review Unit, 2005). The self-regulatory guidelines of the United States has been approved by the Federal Trade Commission (Koester, 2002; Newspaper Association of America, 2001).

The United Kingdom has a mature two-tier structure that consists of the monitoring body known as the Advertising Standards Authority of the United Kingdom and the Committee of Advertising Practice (CAP) (Boddewyn, 1992). Its mission is to apply the advertising codes and uphold the standards in all media on behalf of consumers, business and society (Advertising Standards Authority of the United Kingdom, 2005). The written code is the British Code of Advertising Practice that is based on the International Chamber of Commerce's Code and adapted and elaborated to meet national needs (Boddewyn, 1992). The Advertising Standards Authority of the United Kingdom is funded by a 0.1% levy on the billings on all forms of non-broadcast advertising (Boddewyn, 1992) and the

Advertising Standards Board of Finance was established to collect these funds (Harker & Cassim, 2002). The various industry codes monitored by the ASA are: the British Codes of Advertising and Sales Promotion and Direct Marketing, the Independent Television Commission Codes of Advertising Standards and Practice and the Radio Authority Advertising and Sponsorship Code. Provisions on children may be found within these three codes that follow the principles of legal, decent, honest and truthful (Advertising Standards Authority of the United Kingdom, 2003a).

Self-regulation in Australia is addressed through the use of different advertising codes implemented and overseen by the Australian Association of National Advertisers, the Advertising Standards Board and the Advertising Claims Board (Harker, Harker & Volkov, 2001). Australia has a specific code for advertising to children, namely: the Australian Association of National Advertisers' Code for Advertising to Children (Australian Association of National Advertisers, 2000a). The self-regulatory system relies upon industry support for compliance and funding. This funding comes from a 0.035% levy of the gross media billings of advertisers (Australian Association of National Advertisers, 1999). There are other codes that make reference to and provide guidelines for the regulation of advertising to children in Australia, namely, the Commercial Television Industry Code of Practice, Telephone Information Services Standards Council Code of Practice and the Australian Direct Marketing Association's online marketing guidelines (Australian Association of National Advertisers, 2000a).

The three developing countries self-regulatory systems are examined next. South Africa has opted for a self-regulatory approach to advertising regulation and the monitoring body; the 'center piece' of this system is the Advertising Standards Authority of South Africa (Cassim & Langton, 1996). It is a self-regulatory tripartite system between the advertisers, agencies and the media that closely mirrors that of the United Kingdom. The Advertising Standards Authority operates a Code of Advertising Practice (Boddewyn, 1992). The Advertising Standards Authority is funded by the advertising industry by means of a levy on the advertising spend. This levy is determined by the exposure to media and is administered through the Marketing Industry Trust (Harker & Cassim, 2002). There is only one code

used for the entire industry and no specific code for the regulation of advertising to children. Provisions for their protection are made within the Code of Advertising Practice. The Code of Advertising Practice contains a general prohibition against misleading, offensive and untruthful advertising and makes specific reference to children within the Code regarding specific issues (Advertising Standards Authority of South Africa, 1994; Cassim & Langton, 1996).

The self-regulatory monitoring body in Brazil is The National Council for Advertising Self-Regulation (CONAR). CONAR was established as a tripartite system in 1980. Due to the vulnerable nature of children, Brazilian rules and regulations treat advertising addressed to this group with special care. Advertising should not encourage children to behave in an unconventional manner or in any way cause physical or mental harm to them (Delgado & Foschia, 2003). Provisions for this have been made in the National Council for Advertising's Self-Regulation Code of Practice (CONAR, 1978).

The Advertising Standards Council of India is the body responsible for self-regulation in India. Like Brazil there is no separate code for advertising to children but provisions are made in the Advertising Standards Council of India's code of practice, the Code for Self-Regulation in Advertising (Advertising Standards Council of India, 1999). This code with regard to minors and advertisements to minors, 'should not contain anything, whether in illustration or otherwise, which might result in their physical, mental or moral harm or which exploits their vulnerability' (Advertising Standards Council of India, 1999).

In summary the self-regulatory approaches of the six countries is encapsulated in the following table:

	UNITED STATES OF AMERICA	UNITED KINGDOM	AUSTRALIA	SOUTH AFRICA	BRAZIL	INDIA
<b>Established</b>	1974	1962	1997	1969	1980	1985
<b>Written code</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Number of codes for advertising to children</b>	1	No separate code	1	No separate code	No separate code	No separate code
<b>Monitoring body</b>	Yes	Yes	Yes	Yes	Yes	Yes
<b>Separate body specifically for children's advertising</b>	Yes	No	No	No	No	No

Table 3: Summary of the self-regulatory framework of advertising and to children in selected countries

**Source:** adapted from: (Boddewyn, 1992; Woker, 1999; Advertising Standards Council of India, 1999; Harker & Cassim, 2002; Koester, 2002; Australian Association of National Advertisers, 2003a; Delgado & Foschia, 2003; Children's Advertising Review Unit, 2005; www.asasa.org.za; www.conar.org.br).

Developed countries seem to have a more structured approach to the regulation of advertising to children. While the UK is the only developed country that does not have a specific code on children the recent attention to marketing and advertising to children by Ofcom underlies the importance of the issue in the United Kingdom (Ofcom, 2004, 2005). It is also interesting to observe that the South African system is mature and well established, older than that of the developed countries of the United States and Australia.

### Controls

The second variable of controls refers to the mechanisms in place to ensure that the systems of regulation are observed. The controls are effected through the organizations reflected in the sections above, the monitoring of

compliance and the sanctions in place for advertisers in breach of the country codes.

Industry compliance is voluntary in five of the six countries studied. Where compliance is voluntary it is encouraged as it builds confidence in the self-regulatory system of advertising. South Africa is the only country in this study that observes compulsory compliance through its national tripartite system. The Independent Broadcasting Authority Act stipulates that the Advertising Standards Authority of South Africa administers the code that is applicable to advertising. The Broadcasting Monitoring and Complaints Commission administers the code that is applicable to broadcasting. Compliance is secured with the use of the following sanctions:

- Withholding advertising space
  - Amending the advertisement
  - Referral to disciplinary hearing
  - The right to publish the outcome of the investigations
- (Harker & Cassim, 2002: 9)

Australia too imposes sanctions but they vary from code to code and within certain media. Failure to comply with the provisions of a code will result in an advertisement not aired (Le Guay, 2003). In the event of any failure to comply with an Advertising Standards Bureau determination, the matter can be referred to relevant media proprietors and government agencies. 'To date, the industry has responded with 100% compliance with all determinants of the Advertising Standards Bureau' (Australian Association of National Advertisers, 1999).

Like Australia and South Africa, the United Kingdom and the United States have similar controls for industry compliance. In the United Kingdom, the vast majority of advertisers, promoters and direct marketers comply with the code. Those that do not comply with the code may be subject to sanctions (Advertising Standards Authority of the United Kingdom, 2003a). The Advertising Standards Authority of the United Kingdom has found that there is a 97% compliance rate (The United Kingdom Parliament, 2004). The Advertising Standards Authority does not have direct authority for the enforcement of the codes; however it has the ability to refer to the Office of Fair Trading or to the Trading Standards Authority under the Control of Misleading Advertisements Regulation 1988. This sanction is rarely used,

however (Harker & Cassim, 2002). To make self-regulation work there needs to be some degree of enforcement (LaBarbera, 1980; Boddewyn, 1992) and in the case of advertisements that do not meet the criteria of the codes set out, these sanctions range from adverse publicity through to the demand for advertisement prescreening and clearance and denial of access to advertising space (Harker & Cassim, 2002). The rulings by the Advertising Standards Authority of the United Kingdom are enforceable (Harker & Cassim, 2002).

In the United States, when an advertisement is found to be in breach of the code, modification or discontinuation of the advertisement is enforced. The Children's Advertising Review Unit seeks the voluntary cooperation of advertisers to revise advertisements that do not adhere to the principles and guidelines. If advertisers refuse to cooperate, the matter is referred to the legal authority, the Federal Trade Commission (Koester, 2002). CARU itself has no power of sanction. The Federal Trade Commission does however, have the power to prohibit advertisers from engaging in further advertising activities (Koester, 2002).

Brazil and India both have sanctions in place to encourage industry compliance. If an advertisement is determined to have breached the code and guidelines, both Brazil and India can enforce modification and withdrawal of the advertisement (Boddewyn, 1992; Advertising Standards Council of India, 1999). In Brazil, the decisions of the Ethics Council are communicated to all interested parties thus establishing some level of transparency for the National Council of Advertising Self-Regulation in Brazil (LaBarbera, 1980). India however appears to have a lower level of industry compliance. There is concern that the basic tenets of advertising regulation is not being observed in India (Vadhera, 2004). Further, only up to 50% of complaints are upheld in India. This reflects a large number of unacceptable advertisements being produced and exposed also to Indian children (Advertising Standards Council of India, 1999).

It may be concluded that all countries in the study have control mechanisms in place to monitor compliance of the self-regulatory codes. Sanctions range from the requests for amendment or withdrawal of the offending advertisements to ordering media companies to withhold advertising space. It should also be observed that a true measure of

compliance might be better achieved through an assessment of the complaints relating to children. While the number of complaints was reported on most self-regulatory bodies' websites, those relating to children could not be identified. This task should be undertaken more comprehensively in a future assessment. In sum, the United Kingdom functions effectively in regard to control mechanisms, as does the United States. However, Australia's system has been documented as 'not as effective' as the two mentioned (Harker & Cassim, 2002) but still far better than that of the developing countries. South Africa fares well relative to the other developing countries in respect of controls. This may be attributed to its tripartite system of control.

### **Community Involvement**

Community involvement occurs through and may be measured by the complaints handling process. Community involvement also strengthens the trust in a self-regulatory process.

All six countries examined have similar procedures for lodging complaints. This process requires a written description of the advertisement in question. The complaint may refer to offensive use of discrimination, sexuality, violence, health, language, and safety. The advertisement is then reviewed and the advertiser is held accountable (Boddewyn, 1992; Australian Association of National Advertisers, 1999; Advertising Standards Council of India, 1999; National Advertising Review Council, 2005; Advertising Standards Authority of South Africa, 2004; CONAR [www.conar.org.br](http://www.conar.org.br)).

Complaints in the United States are made through the Children's Advertising Review Unit's National Advertising Division. The National Advertising Division of CARU reviews complaints from the public but also implements an internal monitoring system of review (National Advertising Review Council, 2005). This Division of CARU that deals with complaints comprises 100% industry personnel (Harker & Harker, 2001)

In the United Kingdom, the Advertising Standards Authority formally deals with complaints made by the public and the Committee of Advertising Practice deals with those made by competitors (Boddewyn, 1992; Harker,

1998). The Advertising Standards Authority of the United Kingdom has the Advertising Standards Council which deals with complaints. It comprises twelve people of whom two thirds are composed of independent members and the rest represent the industry (Harker & Cassim, 2002).

The Advertising Standards Board of Australia is composed of sixteen members of which 10 are non industry or public members. This body handles complains from the public. Once the advertisement in question has been reviewed the outcomes are displayed for the public (Australian Association of National Advertisers, 1999; Harker & Harker, 2001).

In South Africa complaint handling is the responsibility of the Advertising Standards Committee of the Advertising Standards Authority of South Africa. These complaints are dealt with at two levels, the first being the Advertising Standards Authority Directorate where most complaints are resolved, and the second the Advertising Industry Tribunal, which handles complaints made by competitors. The Advertising Standards Committee is made up of 16 members of which approximately eight members are from non industry organizations. This too represents a strong participation of non-industry individuals in the complaint process and may be defined as community involvement. Another body dealing with complaints in South Africa is the Broadcasting Complaints Commission of South Africa (Advertising Standards Authority of South Africa, 2004).

Consumer groups and government authorities in Brazil send complaints in writing to The National Council for Advertising Self-Regulation (Boddewyn, 1992). The Ethics Committee (RICE) of CONAR comprises 132 members with no information on how many of these are from the public (Rocha et al., 2004). The National Council for Advertising Self-Regulation does not have the legal authority to enforce its decisions and recommendations (Musick, 1999).

The Advertising Standards Council of India has made provision for community involvement in the form of the Consumer Complaints Council. The Consumer Complaints Council is an independent unit that deals with and evaluates consumer complaints against advertisements (Boddewyn, 1992). The Consumer Complaints Council is made up of twenty-one

members of whom 12 are from the public. This is a strong representation of the public in the consumer handling process.

It may be concluded that all six countries have some level of community involvement in their self-regulatory efforts. There are differences however, in the level of participation in the complaint process. In the developed country assessment, the United States' system makes no provision for community participation. The other two countries namely, Australia and the UK have more public participation than does the system in the US.

Interestingly the three developed countries have demonstrated community involvement in the self-regulatory structures. South Africa and India have near 50% composition of the wider public in their complaints handling bodies. This augurs well for community involvement in the self-regulatory initiatives.

It may also be speculated that there is awareness of the codes and processes for complaints in these developed countries and better reporting of the complaint process. The Annual Reports of these bodies refer to awareness campaigns designed to increase awareness and raise consciousness on the procedures for complaints.

One issue on which differences were observed relates to the monitoring and complaints handling process. Four of the six countries (Australia, South Africa, Brazil and India) relied on complaints to assess compliance. CARU of the United States monitors advertisements regularly to assess the level of compliance and identify those in breach of the Codes. It has been mandated to do so. The Advertising Standards Authority of the UK engages in spot checks of advertisements to assess compliance.

### **Summary and Conclusions**

The aim of this research was to undertake an assessment of the regulatory frameworks for acceptable advertising to children in developed and developing countries. The variables of the framework were employed in examining the six countries selected for the study. It is on this basis that the comparisons have been made and differences observed.

All countries selected for the study employ co regulation of advertising and in particular to children. The United States of America is the only country in this study that has more of an emphasis on a statutory regulatory approach to advertising through the Federal Trade Commission. The other five countries in this study have more reliance on the self-regulatory approach. A true assessment of the impact of the regulatory approaches needs to be undertaken before a judgement may be made on the better system to adopt. The United States is also the only country that has a separate monitoring body for the regulation of advertising to children. Again an impact assessment will establish the effectiveness of this approach. It may however be concluded that all countries in this study have a similar standard for regulating advertising to children. While the issue of advertising to children may not have surfaced in public debate of developing countries with the same intensity as that of the developed world, attention is paid to the issues as may be reflected in the self regulatory approaches of the developing world.

All six countries have made reference to the vulnerability of children and the need for their protection in their self-regulatory initiatives. It may be argued on the basis of limited evidence that these provisions may have been forced onto these countries by virtue of their basing their codes on that of the ICC. The self-regulatory mechanisms are however within the framework of acceptable advertising to children.

Some differences may be observed in the compliance levels of the countries examined. This observation will have to be examined through a careful assessment of the complaints in each country. An examination of the nature of the complaints, the source and the outcome will deliver a good comparative assessment.

At the heart of the differences between the countries researched, lies the difference in the access to and availability of resources. In countries where resources are scarce, their allocation will compete with other needs such as health, education and the provision of infrastructure, which tend to enjoy a greater focus from government. The development of a set of national values as contained in a country's constitution is also a vital indicator. In the United States of America where individual rights predominate, the public at

large are more likely to take up issues such as wrongful advertising than would be the case in the developing world.

It is therefore possible to conclude on the basis of this assessment that South Africa, Brazil and India have acceptable frameworks for the regulation of advertising to children as those of their more developed counterparts the United States, the United Kingdom and Australia. The foundations are in place in these countries for the implementation of acceptable advertising to children.

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# **Assessing Members' Perceptions of Team Cohesiveness in a Public Service Department**

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## **Abstract**

Teams play an integral role in organisational growth and its use has expanded dramatically to meet competitive challenges. However, teams need to be cohesive in order to be successful. This study assesses team cohesiveness, based on seven dimensions, in a team based police service department. A simple random sample of 61 members from different teams was drawn from a District Police Station, which is dependent on highly cohesive teamwork. Data was collected using a self-developed questionnaire, which was statistically assessed, and analysed using descriptive and inferential statistics. The results reflect team members' perceptions of their team's cohesiveness and recommendations are made to enhance these dimensions used to determine team cohesiveness.

## **Problem Statement and Objectives**

To what extent are the teams in the public service department cohesive and how can we enhance their teams' cohesiveness?

In order to develop and maintain a high level of efficiency and effectiveness, employees need to work together. This need is even more

compelling in the Police Service where employees need to co-ordinate their roles in teams to effectively combat crime. Based on one department of the Police Service, this study aims:-

- To determine team members' perceptions of how cohesive their teams are based on setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and managing obstacles.
- To assess the interrelationships amongst the dimensions used to determine team cohesiveness (setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and managing obstacles) respectively.
- To evaluate the influence of the biographical variables (age, gender, race, level of education, position occupied) on team members' perceptions of the cohesiveness of their teams; and
- To recommend, based on the findings of the empirical analysis, strategies that may be adopted to enhance each of the dimensions used to determine team cohesiveness (setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and managing obstacles).

### **Literature Survey**

The manner in which groups of people work together towards accomplishing goals is an issue of longstanding interest in organisational and managerial environments. A strong trend in management strategy in recent years has been to reorganise the workforce into teams. Groups and teams are fundamental to human existence. The increasing popularity of team-based organisational structures reflects the belief that teamwork can achieve outcomes that could not be achieved by the same number of individuals working in isolation. A recent study of 60 South African companies by Productivity Development showed that 38 percent had moved towards team-based organisations as compared to around 65 per cent in the US (Hellriegel, Jackson & Slocum, 2001).

Sulon (1997) defines a team as a set of people working together in an orderly, systematic way to form one unit. Kirkman (2000) defines a work team as a group of individuals working independently toward common goals and whose members are mutually accountable for task accomplishment. According to Kirkman (2000), what winning teams have in common is the ability of each member to make his or her team members better. Furthermore, researchers (Henkin & Wanat, 1994; Guzzo & Dickson, 1996; Cotterrell, 1996) found that team based work arrangements bring about improved organisational performance, especially in measures of efficiency and quality. Teams are useful in performing work that is complicated, complex, inter-related and of a greater volume than one person can handle (Nelson & Quick, 2003). However, the creativity and productivity of a team depends on its cohesiveness.

According to Eys, Hardy, Carron and Beauchamp (2003: 66), cohesion is

a dynamic process which is reflected in the tendency for a group to stick together and remain united in the pursuit of its instrumental objectives and/or for the satisfaction of member affective needs.

Hence, team cohesiveness is the strength of group members' desires to remain in the group and, their commitment to the group (Gibson, Ivancevich & Donnelly, 1994); it is the 'interpersonal glue' that binds the members of a group together (Nelson & Quick, 2003). Eys *et al.* (2003) found that team cohesiveness is directly related to team performance, collective efficacy and group norms. Likewise, Nelson and Quick (2003) and Spector (2000) found that cohesion enables a team to exercise effective control over its members in relation to its behavioural norms and standards. Employees operate better as individuals if they consider themselves to be part of a well-functioning supportive team to which all are happy to belong. As committed participants in the team, they are more productive, communicative, trusting, motivated and loyal (New Zealand Management, 2001: 11). Team cohesiveness is influenced by group size (Gibson, Ivancevich & Donnelly, 1994; George and Jones, 2000; Robbins, 2000; Luthans, 2002), similarity/diversity of group

members (George and Jones, 2000; Luthans, 2002; Bunderson & Sutcliffe, 2002; Hamilton, Nickerson & Owan, 2003; Nelson & Quick, 2003), competition with other groups (George & Jones, 2000; Luthans, 2002; Ammeter & Dukerich, 2002; Nelson & Quick, 2003), success (Gibson, Ivancevich and Donnelly, 1994; George and Jones, 2000; Luthans, 2002; Nelson and Quick, 2003) and exclusiveness of the group (George & Jones, 2000; Nelson & Quick, 2003).

According to the New Zealand Management (2001: 11), the ideal cohesive self-supporting team displays the following features:

- The atmosphere is informal, comfortable and relaxed.
- There is a great deal of discussion in which everyone participates.
- Team members listen to each other attentively and every idea is aired.
- The goals of the team are well understood and accepted by all.
- There is constructive disagreement and the group seeks resolution rather than domination of the dissenter.
- Decisions are reached by consensus.
- Criticism is frequent, frank and comfortable, with all members being free to express their personal feelings.
- When action is agreed upon, clear tasks are assigned and willingly accepted.
- Members share beliefs/values and seek each other's support and recognition.
- The team displays a united front.
- The leader does not dominate, nor does the group unduly defer to him/her.

Whilst team cohesiveness results in goal accomplishment when team and organisational goals are aligned (George & Jones, 2000), highly cohesive teams have very powerful dynamics, both negative and positive, that impact on performance (Luthans, 2002). Too much cohesiveness can be dysfunctional when team members waste time in chatting or when they engage in groupthink (Gibson, Ivancevich & Donnelly, 1994). George and Jones (2000) maintain that a moderate amount of cohesiveness is functional for the team and the organisation when it encourages members to participate and share information.

Numerous strategies are adopted to encourage team cohesiveness. Since an important part of forming a high quality team is shaping its spirit and heart, Bassin (1996) believes that human resource executives should encourage team cohesiveness by:

- Holding 'reflection' meetings at least quarterly.
- Ensuring that the game plan is short, measurable and public.
- Making developmental feedback a way of life.
- Creating employee policies and programs to support and reinforce team-based performance.
- Educating senior management on the need for role models of team-based behaviour.

Furthermore, the New Zealand Management (2001: 11) recommends that strategies to enhance team cohesiveness include promoting interaction between team members, clarifying and negotiating roles, stressing teamwork and ownership, providing leadership support, facilitating task accomplishment, acknowledging good work and keeping a management memo.

Taking cognisance of the literature, it becomes apparent that numerous dimensions impact on the cohesiveness of teams. This study assesses perceptions of cohesiveness of teams in a Public Service environment in terms of setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and managing obstacles.

### ***Setting Goals and Understanding them***

Successful teams translate their common purpose into specific, measurable and realistic performance goals (Spector, 2000; Robbins, 2000; Nelson & Quick, 2003). These goals should be the handiwork of everyone in the team, must be meaningful to team members (Weiss, 2002) and should be documented. Donahue (1996) maintains that if members have no input into goals, they are just a group and not a team. Furthermore, measurable goals transform groups of people into teams and drive behaviour and performance (Robinson, 1994: 160). Clear goals lead individuals to higher performance. They enhance the sense of meaningfulness of team members and create a

strong commitment to the team's mission (Leadership for the Front lines, 2000; Kirkman, 2000). In addition, clear goals energise teams, facilitate clear communication and help team members to remain focussed on getting results (Robbins, 2000). However, team goals must not only be precise but challenging too. Good teams put the performance of the group before individual goals; otherwise, people may not co-operate and work together if individual goals pit people against each other (Bragg, 2000). For any team to accomplish its goals, it must influence and regulate its members' behaviour. Effective teams channel their members' behaviour in the direction of high performance and the attainment of group and organisational goals (George & Jones, 2000). One of the important features of a cohesive team is that the goals must be well understood (Donahue, 1996; New Zealand Management, 2001: 11). A team's mission may seem obvious, but it is vital that each member understands the team's purpose, vision and goals in the same way (Thoman, 2000).

Goals must not only be clearly stated and prioritised but must also be regularly reviewed (Yeatts & Barnes, 1996; Fleming, 2001). Numerous researchers (Robbins, 2000; Bragg, 2000; Fleming, 2001) stress the importance of feedback and evaluating team progress towards the accomplishment of goals. Measuring and reviewing goals helps the team to maintain focus on what is important and to make decisions that would enhance the team's ability to heighten its performance. Equally important to setting common goals is to establish common rewards for the team as a whole (Bragg, 2000) and to celebrate small successes and milestones (Weiss, 2002; Messmer, 2003).

### ***Extent of Participation***

Participation takes place when management and employees are jointly involved in making decisions on matters of mutual interest, where the aim is to produce solutions to the problems which will benefit all concerned (Armstrong, 1992). In this way, participation allows employees to exert influence over their work and the conditions under which they work (Delbridge & Whitfield, 2001). When participating in teams, all team members get involved in decision-making and decisions are made by consensus or by majority vote. This results in team members feeling responsible for, and committed to, the decisions they have made, thereby

fostering the principle of collective responsibility (Cebrzynski, 2001: 56). Participation facilitates harmony in the team (Weiss, 2002) and enhances job satisfaction, where workload is perceived more as a challenge than a burden and is invigorating rather than oppressing (Elloy, Terpening & Kohls, 2001; Hamilton, Nickerson & Owan, 2003). In a cohesive team, team members engage in constructive disagreement, decisions are reached by consensus and the team displays a unified front (New Zealand Management, 2001: 11). Participation brought about by information pooling and problem solving capabilities tend to have a positive effect on the mutual relationships of team members and the effectiveness of joint outcomes (Gruenfeld, Mannix, Williams & Neale, 1996; Sulon, 1997).

### ***Communication***

In a team environment, communication is the exchange of information amongst team members with the goal of achieving mutual understanding not just to analyse a common problem or develop new aspects of shared knowledge and ideas, but to think together and bring about a sense of collective sensibility (Fenton, 1995). Therefore, communication in a team must include both the transference and the understanding of meaning (Robbins, 2000). Communication in teams is effective when it is open and honest, involves the exploration of concerns and alternative actions, when all members match their actions with their words and accept responsibility for the communication process (Sulon, 1997). Open communication results in increased confidence and even more interaction within the group such that discussions begin to focus more specifically on problem-solving tasks and on developing alternative strategies to accomplish the tasks (Gibson, Ivancevich & Donnelly, 1994). Kolb, Osland and Rubin (1995) believes that effective interpersonal communication in a team ensures that thoughts, facts and opinions do not go unheard and are not misinterpreted, as they have the potential to reduce the logical soundness of a decision. Robbins (1991) adds that the most critical communication skills are active listening and feedback. Clear communication and knowing how to get answers to questions are essential to helping teams work effectively (Staff Leader, 2002).

### ***Idea Generation***

Teams bring together experts with a variety of knowledge and backgrounds to generate ideas for new products and services (Hellriegel, Jackson & Slocum, 2001). Thus, team creativity can be defined as divergent thinking as reflected in the ability to produce novel and useful ideas and is the cornerstone of competitive advantage (Johar, Holbrook & Stern, 2001). Team creativity and innovation may be facilitated by challenging goals, structured group interaction, autonomy, a supportive environment (Paulus, 2000), the strength of interpersonal ties (Sethi, Smith & Park, 2002) and knowledge, skills, abilities and personal characteristics of team members (Robbins, 2000). Paulus (2000) emphasizes that one of the benefits of teamwork is enhanced creativity and idea generation, especially when the team engages effectively in idea evaluation when ideas or information are exchanged. Various techniques, such as, brainstorming, the Delphi process and nominal group technique may be adopted to increase the team's creative capability in generating ideas (Gibson, Ivancevich & Donnelly, 1994). Thompson and Brajkovich (2003) found that the more heterogeneous a team is, the more likely it is that the team will excel in all measures of creativity.

### ***Conflict Management***

Capozzoli (1999) views conflict as a situation of competition in which the parties are aware of the incompatibility of potential future positions and in which each party wishes to occupy a position which is incompatible with the wishes of the other. Team conflict, from a global perspective, is the tension between team members due to real or perceived differences (Dixon, Gassenheimer & Barr, 2002). According to Robbins (2000), conflict can be functional when it supports the goals of the group and improves its performance and dysfunctional when that conflict hinders group performance. Conflict management is an appropriate goal because maintaining conflict at a manageable level is a desirable way to encourage a work team's growth and development (Hellriegel, Jackson & Slocum, 2001) and to keep it viable, self-critical and creative (Robbins, 2000). When a team suppresses this conflict, it takes longer to become cohesive, and the team risks that it may never gel. Without disagreement it is difficult to get commitment and cohesion. Conflict is a sign of a healthy team if it occurs at

the right time. It indicates that the team is processing through important and emotionally charged issues instead of avoiding them (Reinertsen, 2000: 62). Productive conflict resolution involves learning how to disagree over issues and situations such that an altered understanding of the situation occurs, coming up with a solution that can benefit the entire team and strengthen the efficacy among team members (Alper, Tjosvold & Law, 2000; Dixon, Gassenheimer and Barr, 2002), thereby enhancing overall performance. Various researchers (Gibson, Ivancevich & Donnelly, 1994; Brooks, 2001; Harvard Management Communication Letter, 2000; Robbins, 2000) have suggested strategies that may be adopted to effectively manage conflict in teams. What is important about these techniques is being able to differentiate between the circumstances in which particular styles are the most suitable for achieving the most desired outcome, including achieving the team's objectives and bringing about positive intra-team interactions (Dixon, Gassenheimer & Barr, 2002).

### ***Interpersonal Relations***

Teamwork demands consideration for the feelings, styles and sensibilities of other team members. Hence, a conscious effort should be made to develop intergroup relations and manage the emotional component within teams to ensure that team members do not feel humiliated, insulted or castigated (Kennedy, 2001). Critical to a team's initial development is mutual acceptance, trust and emotional comfort. Members must believe in the integrity, character and ability of each other as this will result in co-operative team member relations. When individuals value their membership in the team and find it rewarding to work collaboratively with their team members, they may expend greater effort, thereby developing a sense of belonging and commitment. Straw (1995) found that improved problem solving capabilities tend to have a positive effect on the mutual relationships of team members. In addition, diversity plays an important role in interpersonal relations within a team. According to Straw (1995), the aspiration in composing a team is to strike just the right balance between homogeneity and heterogeneity, that is, members should have a variety of talents perspective, yet be similar enough that they can understand and co-ordinate with one another.

### ***Managing Obstacles***

Teams are plagued by numerous problems relating to team members' perceptions of trust (Kirkman, 2000), team members' cultural values (Kirkman, 2000), team members' tolerance for change, communication barriers due to language and culture differences (Govindarajan & Gupta, 2001), groupthink (Spector, 2000), social loafing (Luthans, 2002; Nelson and Quick, 2003), unclear mission (Longenecker & Neubert, 2000), failure to communicate as a team, gender differences (Thoman, 2000), lack of recognition (Longenecker & Neubert, 2000), inadequate training and skills development and lack of project management skills and, lack of sufficient senior management support and commitment (Drew & Coulson-Thomas, 1996). Recognising such barriers and enabling factors is but a first step. Executives need to determine which barriers are likely to prove most intractable in their own organisations, what tools are available to help, how effective these are and where best to direct scarce resources and precious time (Drew & Coulson-Thomas, 1996).

Teams are the way to build strong and effective organisations for the future. The synergy chain process will help organisations to build high performing teams (Nelson & Quick, 2003). However, effective teamwork does not occur simply by mandate, nor does it occur overnight but requires a cohesive team, a supportive corporate culture, certain management and interpersonal skills and practice (Wetlaufer, 1994).

### **Research Methodology**

#### ***Participants/ Respondents***

A sample of 61 team members from different teams was drawn from a police station based on the north coast of Durban using a simple random sampling technique. The sample size was considered to be suitable to obtain some idea of the cohesiveness within the teams at the police service. The adequacy of the sample for the computation of Factor Analysis was further determined using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (0.712) and the Bartlett's Test of Sphericity (251.493;  $p = 0.00$ ), which respectively

indicated suitability/adequacy and significance. The results indicate that the normality and homoscedasticity preconditions are satisfied.

### ***Measuring Instrument***

Data was collected using a self-developed, closed-ended, precoded questionnaire comprising of two sections. Section 1 incorporated biographical data, using a nominal scale, relating to age, gender, race, level of education and position in company. Section 2 measured the perception of employees of the cohesiveness of their teams based on seven dimensions using a 1 to 5 point Likert scale ranging from strongly disagree (1) to strongly agree (5):-

- **Setting goals and understanding them** involves assessing the extent to which all team members are involved in setting team goals, the quality of goal setting and whether there is a clear understanding of the goals of the team by everyone.
- **Extent of team member participation** measures the extent to which team members are involved in decision-making, their extent of participation and the degree to which all team members are treated equally.
- **Communication** measures whether team members communicate openly and honestly with each other and the extent to which effective communication prevails within the team.
- **Idea generation** determines whether team members are focused and energetic and are able to build on each other's ideas.
- **Conflict management** assesses how effectively conflict is managed in the team.
- **Interpersonal relations** determine whether good interpersonal relations exist among team members.
- **Managing obstacles** identifies obstacles that the team encounters and assesses the measures that the team takes to overcome these obstacles.

The questionnaire was designed based on recurring themes that surfaced when conducting the literature review on team cohesiveness. This ensured face and content validity. Furthermore, in-house pretesting was adopted to assess the suitability of the instrument. Pilot testing was also carried out using 16 subjects, selected using the same procedures and

protocols adopted for the larger sample. The feedback from the pilot testing confirmed that the questionnaire was appropriate in terms of relevance and construction and adhered to the principles of wording and measurement. However, a cover page of the rationale of the study was included based on request for more information on the need for the study. To ensure clarity of instructions and purpose of the study, and to establish suitable rapport, the questionnaires were personally administered.

### ***Statistical Analysis***

The validity of the questionnaire was assessed using Factor Analysis. A principal component analysis was used to extract initial factors and an iterated principal factor analysis was performed using SPSS with an Orthogonal Varimax Rotation. Seven factors with latent roots greater than unity were extracted from the factor loading matrix and only items with loadings  $>0.5$  were considered to be significant. Furthermore, when items were significantly loaded on more than one factor, only that with the highest value was selected. The seven factors identified confirm the seven dimensions used in this study to determine the perceived cohesiveness of teams. The reliability of the questionnaire was determined using Cronbach's Coefficient Alpha, the value of which was 0.8633. This alpha coefficient indicates a very high level of internal consistency of the items and hence, a high degree of reliability. It also reflects that the dimensions reliably determine team cohesiveness.

Descriptive statistics, using frequency analyses, percentages, mean analyses and standard deviations were utilised to assess employee perceptions on the extent to which their teams are cohesive in terms of the dimensions. Inferential statistics were used to assess the perceptions of team cohesiveness and the influence of the biographical data on team cohesiveness. Inferential statistics used to test the hypotheses included correlation, analysis of variance (ANOVA) and t-test. Results were evaluated at the 1% and 5% levels of significance.

## Data Analysis

### *Perceptions of the Cohesiveness of Teams Based on Key Dimensions of the Study*

Descriptive analysis was undertaken to assess perceptions of members on the cohesiveness of their teams based on the key dimensions of the study (Table 1):-

**Table 1:** *Descriptive Statistics – Perceived influence of key dimensions on team cohesiveness*

<b>Dimension</b>	<b>Range</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Variance</b>
Setting goals	18	18.49	3.25	10.55
Extent of participation	15	18.38	3.40	11.57
Communication	14	18.72	2.99	8.97
Idea generation	15	18.39	3.06	9.38
Conflict management	15	18.51	3.12	9.75
Interpersonal relations	12	20.16	2.46	6.07
Managing obstacles	11	17.52	2.94	8.62

From Table 1 it is evident that employees believe that the dimensions determining the cohesiveness of their teams, in descending level of effectiveness, are:-

- Interpersonal relations (Mean = 20.16)
- Communication (Mean = 18.72)
- Conflict management (Mean = 18.51)
- Setting goals (Mean = 18.49)
- Idea generation (Mean = 18.39)
- Extent of participation (Mean = 18.38)
- Managing obstacles (mean = 17.52)

Figure 1 graphically presents team members' perceptions of the various dimensions determining their team's cohesiveness. The upper segment of each bar indicates the area of improvement needed.

**Figure 1:** Perceptions of key dimensions determining team cohesiveness (% of fulfilment and % of improvement)

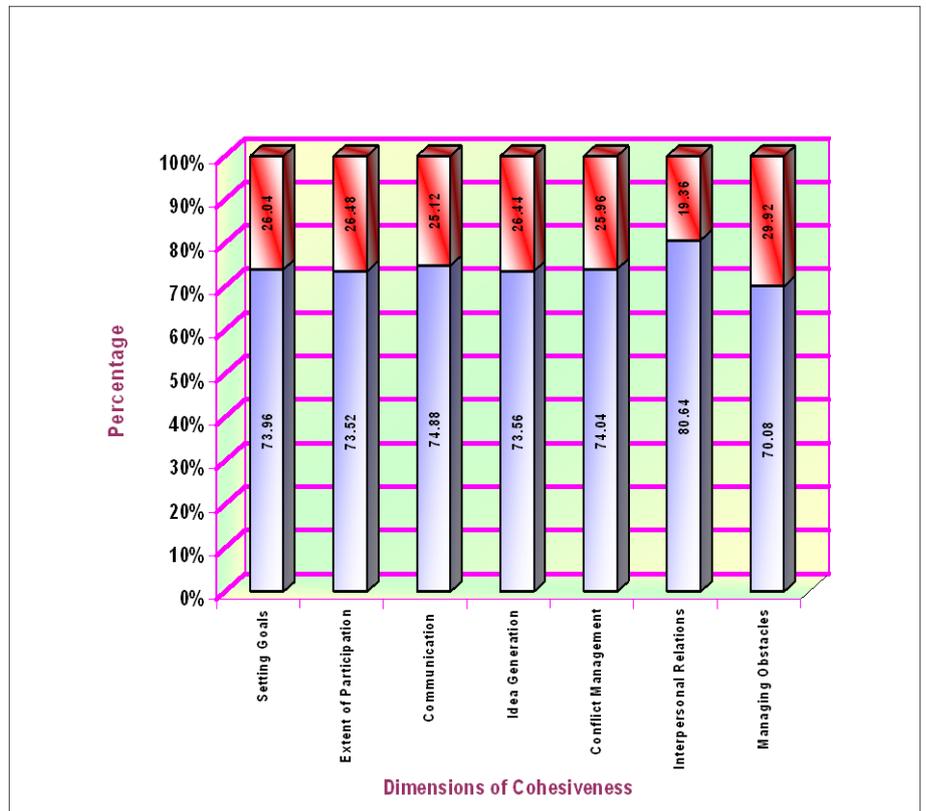


Figure 1 indicates that the dimensions of team cohesiveness need varying degrees of improvement, which in descending level are:-

- Managing obstacles (Perceived accomplishment = 70.08%, improvement = 29.92%)

- Extent of participation (Perceived accomplishment = 73.52%, improvement = 26.48%)
- Idea generation (Perceived accomplishment = 73.56%, improvement = 26.44%)
- Setting goals (Perceived accomplishment = 73.96%, improvement = 26.04%)
- Conflict management (Perceived accomplishment = 74.04%, improvement = 25.96%)
- Communication (Perceived accomplishment = 74.88%, improvement = 25.12%)
- Interpersonal relations (Perceived accomplishment = 80.64%, improvement = 19.36%).

### ***Hypothesis 1***

There exists significant intercorrelations amongst the key dimensions of the study determining team cohesiveness (setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relationships and managing obstacles) respectively (Table 2).

**Table 2:** *Intercorrelations amongst the key dimensions used to determine team cohesiveness*

	<b>SG</b>	<b>EP</b>	<b>C</b>	<b>IG</b>	<b>CM</b>	<b>IR</b>	<b>MO</b>
<b>SG</b>	1.000						
<b>EP</b> <sub>r</sub> <b>p</b>	0.592 0.000*	1.000					
<b>C</b> <sub>r</sub> <b>p</b>	0.379 0.003*	0.382 0.002*	1.000				
<b>IG</b> <sub>r</sub> <b>p</b>	0.493 0.000*	0.603 0.000*	0.559 0.000*	1.000			
<b>CM</b> <sub>r</sub> <b>p</b>	0.093 0.475	0.198 0.126	0.464 0.000*	0.570 0.000*	1.000		
<b>IR</b> <sub>r</sub> <b>p</b>	0.113 0.388	0.100 0.444	0.521 0.000*	0.378 0.003*	0.654 0.000*	1.000	

<b>MO r</b>	-0.040	-0.135	-0.002	-0.088	0.154	0.193	
<b>p</b>	0.761	0.299	0.987	0.499	0.236	0.136	1.000

\*  $p < 0.01$

**Key for Table 2:**

**SG** - Setting goals and understanding them

**EP** - Extent of participation

**C** - Communication

**IG** - Idea generation

**CM**- Conflict Management

**IR** - Interpersonal relations

**MO**- Managing obstacles

Table 2 reflects the following significant relationships amongst the dimensions of the study used to assess team cohesiveness at the 1% level of significance:-

- Between setting goals and the extent of participation, communication, and idea generation respectively.
- Between extent of participation and communication and idea generation respectively.
- Between communication and idea generation, conflict management and interpersonal relations respectively.
- Between idea generation and conflict management and interpersonal relations respectively.
- Between conflict management and interpersonal relations.

However, no significant relationships exist between:-

- Setting goals and conflict management and interpersonal relations respectively.
- Extent of participation and conflict management and interpersonal relations respectively.
- Managing obstacles and setting goals, extent of participation, communication, idea generation, conflict management and interpersonal relations respectively.

Hence, Hypothesis 1 may be partially accepted.

Table 2 indicates that the employees perceive their teams as being cohesive and effective in idea generation which correlates significantly with

all the dimensions including conflict management, except managing obstacles. In addition, the greater the intercorrelations amongst the dimensions, the greater the degree of team cohesiveness. In the same vein, Table 2 clearly indicates that the team is not cohesive enough in managing obstacles.

### **Hypothesis 2**

There is a significant difference in the perceptions of team members varying in biographical data (age, gender, race, level of education, position occupied) regarding the key dimensions determining team cohesiveness (setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and managing obstacles) respectively (Table 3 and Table 4).

**Table 3: ANOVA – Age, race, position occupied, education and perceptions of team cohesiveness based on key dimensions**

<b>D</b>	<b>Age</b>		<b>Race</b>		<b>Position occupied</b>		<b>Education</b>	
	<b>F</b>	<b>p</b>	<b>F</b>	<b>p</b>	<b>F</b>	<b>P</b>	<b>F</b>	<b>p</b>
<b>SG</b>	0.581	0.630	3.668	0.017**	0.086	0.967	0.125	0.945
<b>EP</b>	0.476	0.700	2.170	0.101	0.303	0.823	0.421	0.738
<b>C</b>	0.954	0.421	0.204	0.893	0.953	0.421	1.145	0.339
<b>IG</b>	0.151	0.929	0.132	0.941	0.776	0.512	1.678	0.182
<b>CM</b>	0.874	0.460	1.207	0.315	4.389	0.008*	1.308	0.281
<b>IR</b>	0.871	0.461	1.043	0.380	5.248	0.003*	3.873	0.014**
<b>MO</b>	0.307	0.820	0.177	0.911	0.273	0.845	0.605	0.615

\* p < 0.01

\*\* p < 0.05

**Key for Table 2 Dimensions (D):**

**SG** - Setting goals and understanding them

**EP** - Extent of participation

**C** - Communication

**IG** - Idea generation

**CM**- Conflict Management

**IR** - Interpersonal relationships

**MO**- Managing obstacles

Table 3 indicates that team members in the various age groups do not differ significantly in their perceptions of the dimensions used to assess team cohesiveness (determined by setting goals and understanding them, extent of participation, communication, idea generation, conflict management, interpersonal relations and obstacles) respectively. Hence, hypothesis 2, in terms of the influence of age, is rejected.

Furthermore, Table 3 indicates that team members from the various race groups differ significantly in their perceptions of how cohesively the team engages in setting goals and how well they understand them. No other differences show significance. In addition, it is clear from Table 3 that team members occupying varying positions differ significantly in their perceptions of conflict management and interpersonal relations respectively within the teams. No other differences show significance. Table 3 also indicates that team members with varying levels of education differ significantly in their perceptions of the interpersonal relations within the teams. No other differences show significance. Hence, hypothesis 2, in terms of varying positions, the influence of race and levels of education, may only be partially accepted.

**Table 4:** *t*-test – Gender and perceptions of team cohesiveness based on key dimensions

<b>Dimension</b>	<b>t</b>	<b>p</b>
Setting goals	0.823	0.368
Extent of participation	9.060	0.004*
Communication	3.663	0.060
Idea generation	4.229	0.044**
Conflict management	0.118	0.733
Interpersonal relations	3.922	0.052
Managing obstacles	0.025	0.874

\*  $p < 0.01$

\*\*  $p < 0.05$

Table 4 indicates that there is a significant difference in the perceptions of males and females regarding the extent of participation and idea generation respectively within the team. However, there is no significant difference in the perceptions of males and females regarding the remaining dimensions determining team cohesiveness. Hence, hypothesis 2, in terms of the influence of gender, may only be partially accepted.

### **Answers to Research Questions**

The results indicate that the team members perceive the team as fulfilling the dimensions determining team cohesiveness in varying degrees. Based on team members' responses, the higher the mean score value on each dimension used to determine team cohesiveness, the greater the degree to which that dimension is perceived to exist. The mean score values were then ranked with the highest mean being 1 and the lowest mean being 7.

### ***Setting Goals and Understanding them***

With regards to team members' perceptions of setting goals and understanding them, 91.9% of the employees (68.9% agreed, 23.0% strongly agreed) indicated that regular feedback to team members is absolutely essential but was not taking place sufficiently within the team. According to New Zealand Management (2001: 11), one of the important features of a cohesive team is that the goals of the group are well understood and accepted by all. Similarly, a study undertaken by Fleming (2001) reflects that team goals need to be understood by all team members, established by the team, modified and regularly reviewed. Yeatts and Barnes (1996) believe that goals need to be clear, specific and measurable in order to promote team cohesiveness. Leadership for the Front Lines (2000: 3) found that if team members are not committed to common goals and do not have clarity about team goals, team cohesiveness would be jeopardised.

### ***Extent of Participation***

The frequency analyses indicate that 83.7% of the subjects (60.7% agreed, 23.0% strongly agreed) indicated that fundamental to team cohesiveness is each team member knowing his/her personal tasks and objectives but this was inadequate within their teams. Yandrick (2001) cautions that teams

would not be cohesive when employees work independently much more than interdependently. Similarly, Delbridge and Whitfield (2001) found that in a car assembly plant in Canada, only two thirds of workers reported being actively involved in making decisions at work and that it was limited to one's own work area or to perform a job in one's own way thus, limiting the sharing of ideas and hindering team cohesiveness.

### ***Communication***

In terms of the extent of communication within the teams, the frequency analyses indicates that 82% of the team members (60.7% agreed, 21.3 % strongly agreed) indicated that good communication between themselves and team members is an essential ingredient and was taking place. Furthermore, 83.6% of the subjects (57.4% agreed, 26.2% strongly agreed) believed that regular team meetings, which were taking place, are important for team cohesiveness. In addition, 82% of the employees (57.4% agreed, 24.6% strongly agreed) reflected that mutual acceptance and regular feedback were critical to their team's cohesiveness. Similarly, Sulon (1997), McCowen (1989), Staff Leader (2002) and Kanter (2001) emphasize the importance of clear communication and stress that teams stumble when they become so internally focused on their task that they neglect communication.

### ***Idea Generation***

The frequency analyses indicates that team members perceive that sharing and exchanging of ideas amongst team members enhances team cohesiveness. There was no consensus amongst respondents that team members shared ideas with each other. Spector (2000) believes that groups are superior to individuals in generating ideas or solutions to problems. Similarly, Thompson and Brajkovich (2003) found that teams from diverse backgrounds excel in all measures of creativity. Contrary to this, Paulus (2000) believes that groups that have heterogeneous knowledge sets may not fully explore their full range of ideas. Paulus (2000) revealed that sharing and exchanging ideas does not change the relative degree of production loss experienced by a group.

### ***Conflict Management***

In terms of perceptions of conflict management within the team, the frequency analyses reflect that 82% of the team members (54.1% agreed, 27.9% strongly agreed) indicated that open discussion among team members is an essential ingredient and was occurring within their teams. Capozzoli (1999) stresses that productive conflict resolution involves learning how to disagree over issues and situations and coming up with a solution that can benefit the entire team. Alper, Tjosvold and Law (2000) found that how team members manage their conflict can affect not only their sense of efficacy in dealing with conflicts, but their overall team performance. Alper, Tjosvold and Law (2000) deduced that teams that relied on competitive conflict were found to exhibit low levels of efficacy and reduced group performance thereby, making the team less effective. Miner (1992) found that the expression of strong emotions and opinions by group members tends to have a counterproductive effect on the generation of ideas due to inadequate conflict management.

### ***Interpersonal Relations***

The results reflect that employees believe that their teams have effective interpersonal relations which is reiterated in the frequency analyses. In terms of perceptions of interpersonal relations within the teams, the majority of the team members (86.9% - 63.9% agreed, 23% strongly agreed) indicated that trust is an essential ingredient and that team members are perceived as being trustworthy. Similarly, Nelson and Quick's (2003) study reveals that once team members establish a comfortable level of mutual trust and acceptance, they can focus their attention on the work of the group, thereby enhancing team cohesiveness. Furthermore, the frequency analyses in this study reflects that 93.5% of the team members (57.4% agreed, 36.1% strongly agreed) reflected that co-operation amongst their team members enhances team cohesiveness. In addition, 91.8% of the employees (57.4% agreed, 34.4% strongly agreed) believed that commitment to team tasks and, openness and honesty within their teams enhanced their team's cohesiveness. Research by Tierney (1999) indicates that when involved in quality relationships with team peers, individuals are more inclined to expand their role boundaries, enhance their level of behavioural involvement, and subjugate their needs for

those of the group and hence, enhance interpersonal relations. However, according to the Harvard Management Communication Letter (2000), interpersonal conflicts happen, and they must be dealt with. Fogel (1995) found that relationships in teams break down due to factors associated with the balance of control. In this regard, Capozzoli (1999) found that team members may challenge the leader, or they may isolate themselves from team discussions and this would hamper team cohesiveness.

### ***Managing Obstacles***

The results indicate that managing obstacles is a major function in the police service department yet it is perceived as requiring the greatest degree of improvement and thus, clearly calls for drastic attention. The frequency analyses in this study indicate that 80.4% of the team members (57.4% agreed, 23.0% strongly agreed) mentioned that knowing and focusing on the team's mission is an essential ingredient for managing obstacles, thereby enhancing team cohesiveness but that it was not taking place. Thoman (2000) found that when teams effectively leverage their differences and overcome obstacles, team effectiveness is enhanced. However, Govindarajan and Gupta (2001) found that unless obstacles such as differences in assumptions and beliefs in diversity are addressed, the cohesiveness of the group is likely to suffer. Similarly, Robbins (2000) believes that cross-cultural factors have the potential for increased communication problems and poses as an obstacle to team cohesiveness.

### ***Impact of Biographical Data***

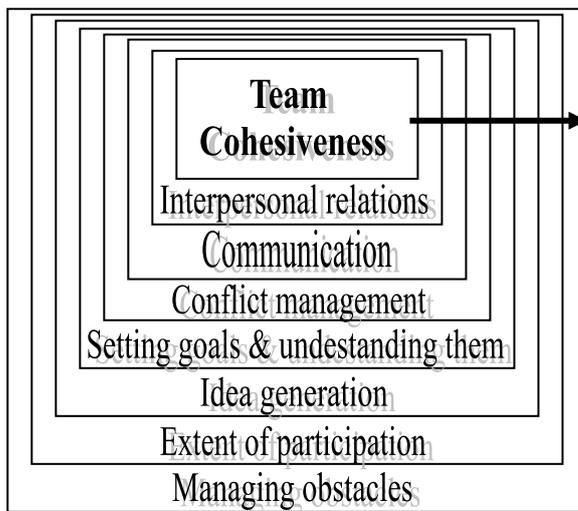
The study revealed that age does not influence perceptions of the dimensions used to determine team cohesiveness. Whilst, Sulon (1997) also did not find any relationship between age and team cohesiveness, Aquino, Townsend and Scott (2001) observed a relationship between age and extent of employee participation in teams. Furthermore, in this study it was found that race does influence perceptions of cohesiveness in setting goals. Similar findings were obtained by Aquino, Townsend and Scott (2001). In addition, from this study it was deduced that position occupied does influence perceptions of conflict management and interpersonal relations used to determine team cohesiveness. However, Sulon (1997) found that occupation does not influence team cohesiveness. This study reflected that level of education

does influence perceptions of interpersonal relations used to determine team cohesiveness. Sulon (1997) found that education does not influence team cohesiveness. In addition, in this study it was observed that gender does influence perceptions of the extent of participation and idea generation used to determine team cohesiveness. Similarly, Janssen, Van De Vliert and Evert (1999) found that gender affects the extent of participation in teams.

## Recommendations

It is clear that the dimensions of the study determine team members' perceptions of team cohesiveness. Team cohesiveness forms an integral part of all team functioning. It enables interaction amongst different types of people and motivates individuals towards achieving personal and team goals. Cohesive teamwork is the key factor in ensuring that teams are successful and that team members are able to work well together. Figure 2 indicates the extent to which team members believe that the dimensions used to determine team cohesiveness are being met within their teams.

**Figure 2:** *Dimensions determining Team Cohesiveness*



As one moves from the innermost segment of Figure 2 to the outermost segment, the perception of team members that the dimension determining team cohesiveness is satisfied diminishes and the level of improvement needed increases. Based on this, recommendations and guidelines are provided below, in descending order of improvement needed, in ensuring the effective management of each of the dimensions so as to enhance team cohesiveness:

With regards to managing obstacles:

- Create a climate within which members can challenge long-standing, outdated practices.
- Give rewards to groups/individuals that are equitable and consistent with performance.
- Develop clarity of the nature/purpose of tasks and reinforce this regularly with the team.
- Develop sense of pride among team members, for example, by giving challenging tasks, recognition of performance, feedback, guidance, responsibility for decision-making.
- Hold regular team building exercises so that male and female team members get to know and respect one another.

With regards to extent of participation:

- Everyone must be involved in team activities and decisions – encourages ownership of company goals.
- Assign personal tasks/objectives that are aligned with team goals/objectives. Evaluate on a regular basis.
- Develop clear understanding of importance of task role and contribution to team.

With regards to idea generation:

- Encourage information sharing (within teams, across branches and provinces).
- Create diverse teams – different expertise.
- Provide challenging tasks and objectives that will encourage creativity.
- Provide salient rewards for outstanding ideas and valuable input.

With regards to setting goals and understanding them:

- Clear, positive communication is needed – ensures team members fully understand team's goals.
- Regular team meetings ensure regular feedback and identification of discrepancies towards goal accomplishment.
- Evaluation sessions ensure that all team members have the same understanding of team goals and objectives.
- Encourage team members' agreement with team goals.

With regards to conflict management:

- Develop team members' conflict management skills. Hold conflict/stress management workshops.
- Encourage open and honest discussions amongst team members.
- Assess symptoms as this helps to resolve conflict in the team early.

With regards to communication:

- Constant communication is essential – regular meetings ensure face-to-face interaction.
- Develop ways in which team members get to know each other better.
- All team members should accept responsibility for the communication process.
- Adopt an open door policy to encourage employees to speak to superiors/team leaders so as to improve trust and reduce stress.
- Quarterly feedback sessions should be held with team members to discuss problems and exchange relevant information.
- Encourage peer coaching, information sharing and developmental feedback in teams.

With regards to interpersonal relations:

- Develop trust within teams by displaying integrity, loyalty, competence, consistency and openness.

- Members must work together, nurture open, honest communication and be committed.

The survival and success of the Police Services in particular, and organisations in general, are dependent upon cohesive teamwork, which should be an ongoing process as teamwork forms an integral part of providing effective services. Furthermore, the effectiveness of Police Services depends highly on cohesive teams to combat crime and ensure the safety of citizens in the country. Likewise, the aforementioned recommendations and guidelines will enable the police service department and similar team-based organisations to improve team cohesiveness, thereby ensuring organisational survival, growth and development.

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# **Perceptions of the Measurability, Importance and Effects of Work Equity on Job Satisfaction and Work Motivation: An Exploratory Study of the Utility of Equity Theory**

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S. Perumal**

## **Abstract**

Adams' Equity theory (Adams, 1965) suggests that employees' perceptions of equity or inequity stem from individual comparisons with salient referents of individual personal-referent perceptions of work inputs to outcomes ratios. Although the theory has proven to be generally correct in showing that employee motivation is affected by the perceived ratio of work inputs to outcomes, there are several aspects that have not been sufficiently articulated (Cosier & Dalton, 1983; Robbins, 1994:457).

Using a cross-sectional correlation research design consisting of a sample of academics specifically aimed at exploring input equity perceptions and effects, preliminary findings indicate that:

- Roughly half the respondents felt it was not possible to measure (define and weigh) academic workloads accurately and,
- Respondents who felt that equity in workload was important (equity sensitives) also felt that inequities in work loads affected the job satisfaction and motivation of work colleagues.

Possible implications of these exploratory findings in terms of the original input/outcome model and the more recent model propounded by (Huseman, Hatfield & Miles, 1987) are discussed. The findings tentatively suggest that the precise ways in which particular individuals define and weigh inputs in themselves may have a bearing on the satisfaction and motivation of equity sensitive employees in a specific work locality.

### **Key Concepts**

Equity theory, ratio of inputs to outcomes, benevolent, norm of equity, entitlements, equity sensitives, job satisfaction, work motivation equities, equity theory, equity effect.

### **Introduction**

Although Adams equity model has attracted a large amount of interest among management theorists and the fundamental behavioural predictions of the theory have been supported (Duchon & Jago, 1981; Folger, 1977; Vecchio, 1981) its basic premise of individual definitions and weightings of specific input and outcome ratios compared with referent(s) have not been fully explicated (Robbins, 1994). The basic thrust of the current study is aimed to shed light on how individuals in a homogenous work environment (i.e. with employees doing qualitatively similar work) regard the substance of the work they do as : quantifiable and measurable in terms of the comparative equity importance

in work inputs and perceived inequity in inputs' effects on job satisfaction and work motivation.

### **Literature Review**

Adams equity theory (Adams 1963, 1965) focuses on the issue of fairness and equal treatment in organizations and the effects of perceptions of equities and inequities in inputs and outputs on specific workplace behaviour:

The key to equity theory is the ratio of inputs to outcomes. Inputs include all factors (education, effort, experience etc). that a person perceives as relevant in obtaining some return. Outcomes include all factors seen to be returns on the individual's job investment. The value of the exchange to the individual, then, is a function of the outcomes to input ratio. It is from this ratio that the formulation of equity and inequity arises (Cosier & Dalton, 1983:312) .

Adams theory suggests that people working in organizations form notions of the fairness or otherwise of their treatment in a four step process (Moorhead & Griffin, 1998). Employees first assess how they perceive themselves to be treated by the firm. Second they form a view of how another or others with whom they measure themselves are treated by the firm. Third they compare their particular circumstances with a referent that might be a specific individual or some persons or a generalized group which leads to specific perceptions of equity or inequity. Finally, feelings of inequity or equity may lead (depending on their type and intensity) to specific behavioural outcomes

The theory maintains that an individual in a situation of equity, where the ratio of perceived inputs to outcomes is seen to be in equi-

librium with a referent's inputs to outcomes, will maintain the status quo so long as the individual's inputs to outcomes and those of the referent don't change. There are six general methods whereby individuals try to reduce feelings of inequity of the type delineated by the Adams' equity model (Moorhead & Griffith, 1998). These can be listed as follows:

- The individual may change his or her inputs.
- The individual may change his or her outcomes.
- The individual may change his or her perceptions of their personal circumstances that have a bearing on their feelings of inequity.
- The individual may change his or her perceptions of the referent's inputs or outcomes
- The individual may change his or her perception of a valid referent.
- The individual may disengage entirely from the situation generating feelings of inequity

The basic focus of empirical tests of the theory have tended to be restricted to payment;

... dealing with only one ratio, between pay (hourly and piece rate) and the quality or quantity of worker output given overpayment and underpayment (Moorhead & Griffin, 1998:147).

Empirical support for the theory has been good in underpayment situations and equivocal in overpayment circumstances (Cosier & Dalton, 1983).

Adams theory has been criticised on a number of fronts; In particular, Cosier and Dalton (1983) and Robbins (1994:457) suggest that the theory does not fully deal with:

- The dynamics of equity and inequity; i.e. when, how and why ratios of inputs to outcomes change over time.
- How employees define inputs and outcomes and,
- How employees combine and weigh their inputs and outcomes to derive totals.

Vecchio (1982), Cosier and Dalton (1983) have criticised the theory because it does not take account of time and relies on a static view of equity. They (Cosier & Dalton, 1982) suggest, for example that the effects of inequity may diminish over time and that this aspect needs to be reflected in the model. Or, an individual's circumstances may radically change suddenly thus affecting feelings of inequity. For example, feelings of inequity may become more poignant because of major and unanticipated expenditure.

Perceptions of equity/inequity may also be affected by biographical factors. For example Carrell and Dittrich (1978) have indicated that gender, locus of control, spirituality and intelligence all have a bearing on feelings of inequity. And it has been suggested (Huseman, Hatfield & Miles, 1987) that people may have differential dispositions for feelings of inequity based on their 'equity sensitivity'.

Moreover the 'norm of equity' which assumes that individuals are equally sensitive to comparative equity in their input/outcome ratios, may not necessarily be the case (Leventhal 1976) , particularly as regards outcomes' distributions which can be measured in terms of:

- Individual contributions vis-a-vis their input/outcome ratios (the equity rule).
- Individual needs (the needs rule).
- Individual equality irrespective of input (the equality rule).

In this regard, a novel perspective of equity theory has been devised (Huseman, Hatfield & Miles, 1987) whereby three types of individuals with differential sensitivities towards equity have been identified. As (Huseman, Hatfield & Miles, 1987:223) put it:

- (a) Benevolents, those who prefer their outcome/input ratios to be less than the outcome/input ratios of the comparison other;
- (b) Equity Sensitives, those who conforming to the traditional norm of equality, prefer their outcome/input ratios to equal those of comparison others; and
- (c) Entitleds, those who prefer their outcome/input ratios to exceed the comparison others.

More recently (Greenberg, 1990) found in an investigation of employee theft as a reaction to underpayment equity, that groups whose pay had been reduced had significantly higher theft rates compared to control groups whose pay had been unchanged. He also found a moderating effect in the adequacy of the explanation of the pay reduction- where the reasons for the pay cut were adequately and sensitively explained group theft rates were reduced commensurately. The findings generally supported equity theory's predictions of employee responses to underpayment situations.

Following the theoretical model suggested by (Huseman, Hatfield and Miles, 1987), according to (Allen, 2002), the latest view of the classical equity model suggests that it has its greatest predictive value of employee behaviour in cases focusing on equity sensitive groups.

The literature dealing with the concepts of job satisfaction and work motivation is voluminous and it is not the purpose of this paper to catalogue this in any detail. Working definitions that embrace the essential meanings of these concepts as used in this study are provided by Luthans (1998) and Moorhead and Griffiths (1998). Luthans (1998) defines motivation as behaviour that stimulates, energizes and directs individuals towards a desired goal.

Work motivation is therefore behaviour that stimulates individuals to perform in the job situation. Moorhead and Griffith (1998:602) define job satisfaction as:

Luthans (1998) asserts that motivation is the process that arouses, energizes, directs, and sustains behaviour and performance. That is, it is the process of stimulating people to action and to achieve a desired task. The extent to which a person is gratified or fulfilled by his or her work.

### **The Problem Statement**

The classical theory of equity has been found to be generally useful as an explanatory model however, it has been found to be practically wanting in predicting general employee behaviour (Allen, 2002). In line with these stated concerns, the current study explores the issue of how employees define and weigh work inputs per se and investigates the effects such definitional and weighing behaviour have on the job satisfaction and work motivation of employees. Specifically the study investigates whether perceived differences in the equity of job inputs, when compared with generalised (non-specified) referents' inputs, have a bearing on individual levels of satisfaction and motivation in the work situation. In order to do this effectively, the investigation focuses on a sample of academics' perceptions of the measurability, importance and effects of perceived generalised referents inputs' equity on job satisfaction and motivation.

A core difficulty in the practical implementation of the Adams equity model has been the fact that individual definitions of inputs/outcomes and referents are highly specific and dynamic, and that specific weightings attached to particular feelings of inequity are variable from person to person. In an attempt to surmount these difficulties, the current study attempts to measure individual perceptions of

workload equity (inputs) in a relatively homogenous work setting (i.e. where individuals are doing qualitatively similar work and where referents are, therefore, clearly specified). Equity sensitive individuals are regarded as those individuals who feel that their inputs (workload) can be effectively defined and measured and who regard input equity as important. The study also explores the perceptions of equity sensitive individuals vis a vis the effects of input inequities on job satisfaction and work motivation in the workplace.

The study is limited to an assessment of perceived behavioural effects of input inequity and does not consider input/outcome ratios as such in the analysis. This limitation, however, is considered useful in that it allows a simpler, albeit partial, investigation of definitional (the feasibility of measuring input equity in a specific work locality), weighting (importance attached to input equity) and perceived outcomes of employee behaviour in a relatively homogenous work setting. The study is also limited by the small size of the sample (although reasonable representative of the population of academics in the School) and, because of this, it is recognized that only tentative conclusions can be obtained from the analyses.

## **Methodology**

The study utilises a correlation cross sectional research design. The statistical analysis utilized in the study incorporates descriptive statistics and correlation matrices. It adopts a quantitative approach but incorporates an open-ended (qualitative) section to the measuring instrument questionnaire). The questionnaire consists of three measuring instruments utilizing a five point Likert-type format ranging from 'strongly agree' to 'strongly disagree' that aimed to measure perceptions of:

- The possibility of measuring (defining) comparative academic workloads (inputs) accurately.
- The importance of attaining academic workload equity.
- The effects of academic workload inequities on job satisfaction and work motivation.

The questionnaire also incorporates an open ended question which aims to elicit respondents' feelings regarding the general merit/demerits of attempting to define, measure and implement workload equity in an academic environment. For example, items: such as: 'Any attempt at measuring equity in academic workloads is bound to fail'; 'Inequities in academic workload are of little concern to me personally' and; 'The job satisfaction of academics in the School is largely a matter of equity in work load distribution among academic staff members'; aim to measure equity measurement (Equmes), equity importance (Equimport) and equity effects (Equeffect) respectively. Each scale was subjected to Cronbach Alpha tests of internal consistency and the coefficients obtained are indicated in Table 1:

Scale Name	Number of items	Cronbach Alpha Coefficient
Equmes	5	0.854
Equimport	5	0.840
Equeffect	5	0.666

**Table1:** *Cronbach Alpha coefficients of the measuring instruments*

Table 1 indicates that both the Equmes and Equimport scales attain a high level of internal consistency, while the internal consistency of the Equeffect scale is considered acceptable for purposes of an exploratory study utilizing a small sample. To test the construct validity

of the scales the data was exposed to a factor analysis utilising a varimax rotation to obtain a simple structure. Although the Kaiser-Meyer-Olkin MSA was middling to poor (MSA=0.475), given the size of the sample and the fact that Bartlett's Test of Sphericity ( $p=0.000$ ) suggested that significant relationships between the variables was evident, it was decided to proceed with the analysis. Four components emerged from the rotated component matrix using principle components analysis as the extraction method and quartimax with Kaiser normalization as the rotation method. The four components explained 78.85% of the variance with components 1, 2 and 3 explaining 29%, 24.5% and 13.2% of this respectively. Three interpretable components emerged from the analysis corresponding to the three scales, with items loading under each of the components in the expected manner. The fourth component loaded most prominently (0.727) on the Equeffect measuring instrument's item 4: 'The job satisfaction of academics in the School is largely a matter of work in work load distribution among academic staff members' which expresses the underlying dimension of this component most strongly. However, this item also loads 0.332 on component 2 where it is more readily interpretable alongside two other items from this scale (Equeffect) which load 0.638 and 0.824 under this component. Initially the questionnaire was sent electronically to all permanent academic staff members in the School with the intention of obtaining a census of all 50 odd members rather than a sample. However, non response led ultimately to obtaining 25 useable questionnaires. This is considered a reasonably representative sample of academics in the School. To ensure anonymity, the questionnaires were sent electronically by the School secretary to each permanent academic staff and returned to her either electronically or as hard copies. Hard copies were made of the electronic versions by the secretary before transferring them for data analysis. The questionnaire was also subjected to scrutiny by the University Ethics Committee before being released for use in the investigation.

## Findings

Tables 2-6 give the findings of the statistical analyses involving descriptive statistics of measurements of statistical indices of central tendency, dispersion and distribution and percentage distributions of the three measuring instruments. The inferential statistics utilizing product moment correlation matrices are displayed in Table 6. Table 2 indicates the findings of the descriptive statistical analyses for the three measuring instruments.

		Equmes	Equiport	Equeffect
<b>N</b>	Valid	25	25	25
	Missing	0	0	0
	Mean	16.2800	18.1600	16.6000
	Median	16.0000	19.0000	18.0000
	<b>Mode</b>	15.00	18.00 <sup>a</sup>	18.00
	Std. Deviation	4.01580	4.19007	3.78594
	Variance	16.127	17.557	14.333
	Skewness	-.496	-1.020	-.729
	Std. Error of Skewness	.464	.464	.464
	Kurtosis	1.822	1.088	.567
	Std. Error of Kurtosis	.907	.902	.907
	Range	20.00	17.00	16.00
	Minimum	5.0	7.0	7.00
	Maximum	25.00	24.00	23.00

a. Multiple modes exist. The smallest value is shown

**Table 2:** Descriptive statistics of the measuring instrument scores

The total maximum possible score for each of the three individual measuring instruments was 25 with a minimum possible score of 5. Table 2 indicates that the mean scores for the Equmes, Equiport and

Equeffect instruments are 16.2, 18.1 and 16.6 respectively. Note that the range of actual scores for respondents approximates the total possible range of the instruments. Standard deviations for each of the scales are indicated in Table 2 as: 4.0 9 (Equmes), 4.1 (Equimport) and 3.7 (Equeffect). Each of the three measuring instruments is also negatively skewed with Equimport being the most pronounced in this respect. Tables 3-5 indicate the percentage distributions of respondent scores on the three measuring instruments. Table 3 gives the percentage distribution of scores for the Equmes instrument.

		Frequency	Percent	Valid Perc	Cumulative Percent
Valid	5.00	9	4.0	4.0	4.0
	11.00	2	8.0	8.0	12.0
	13.00	1	4.0	4.0	16.0
	14.00	1	4.0	4.0	20.0
	15.00	6	24.0	24.0	44.0
	16.00	3	12.0	12.0	56.0
	17.00	4	16.0	16.0	72.0
	20.00	4	16.0	16.0	88.0
	21.00	2	8.0	8.0	96.0
	25.00	1	4.0	4.0	100.0
	Total	25	100.0	100.0	

**Table 3:** *Percentage distribution of the Equmes measuring instrument scores*

Table 3 indicates that approximately 28% of the respondents scored 17 or more on this scale (mean= 16.2) indicating that they felt that workload (input) work equity could be effectively defined and measured. Around 20 % felt that workloads could not be effectively

measured and a further 52% were uncertain in this regard. Table 4 gives the percentage distribution of scores for the Equiport measuring instrument.

		Frequency	Percent	Valid Per- cent	Cumulative Percent	
Valid	7.00	1	4.0	4.0	4.0	
	11.00	2	8.0	8.0	12.0	
	12.00	1	4.0	4.0	16.0	
	16.00	1	4.0	4.0	20.0	
	17.00	2	8.0	8.0	28.0	
	18.00	5	20.0	20.0	48.0	
	19.00	3	12.0	12.0	60.0	
	20.00	5	20.0	20.0	80.0	
	22.00	1	4.0	4.0	84.0	
	23.00	2	8.0	8.0	92.0	
	24.00	2	8.0	8.0	100.0	
	Total		25	100.0	100.0	

**Table 4:** *Percentage distribution of the Equiport measuring instrument scores*

Table 4 shows that about 50% of the respondents scored 19 or more (mean=18.1) thus indicating that they regarded comparative workload (input) equity important. These respondents were regarded as input 'equity sensitive'. Sixteen percent did not regard comparative workloads as important and were therefore not 'equity sensitive'. However, no attempt was made to ascertain whether such equity insensitive respondents included benevolent and/or entitled sub-groups as this was considered outside the scope of the investigation. Table 4 indicates that around 32% of the respondents were uncertain about the importance of equity in workload distributions.

Table 5 indicates the Equeffect measuring instrument scores' percentage distribution.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 7.00	1	4.0	4.0	4.0
10.00	1	4.0	4.0	8.0
11.00	1	4.0	4.0	12.0
12.00	1	4.0	4.0	16.0
13.00	1	4.0	4.0	20.0
15.00	2	8.0	8.0	28.0
16.00	5	20.0	20.0	48.0
18.00	6	24.0	24.0	72.0
19.00	2	8.0	8.0	80.0
20.00	2	8.0	8.0	88.0
21.00	1	4.0	4.0	92.0
22.00	1	4.0	4.0	96.0
23.00	1	4.0	4.0	100.0
Total	25	100.0	100.0	

**Table 5:** *Percentage distribution of the Equeffect measuring instrument*

Table 5 indicates that 52% of respondents scored 18 or more (mean=16.6) on this measuring instrument which suggested that they regarded comparative workload equity as having a bearing on the job satisfaction and work motivation of colleagues in the School. About 28% of the respondents were undecided and a further 20 percent felt that inequities in workload had no effect on the job satisfaction and work motivation of their colleagues.

The qualitative findings comprised a number of evoked responses from individuals who had specific comments to make. In

terms of above and below the mean scores for Equmes and Equimport, four and three out of the six respondents respectively who made qualitative comments, felt workload equity among academics could be effectively defined and measured, and were equity sensitive. All qualitative respondents scored above the mean on the Equeffect measuring instrument and indicated in their qualitative commentary that they perceived a connection between inequities in workload and job satisfaction, work motivation and research productivity.

Specific examples are:

‘The merit (of the equity workload initiative) lies in the perception of staff. They should not believe that their workloads can be manipulated based on who is the Head or that people’s workloads will be higher or lower based on the degree of ‘influence’ they exert in the management of the School. For this reason we should attempt a fair system of workload allocation.’

‘It is necessary to encourage a conducive (sic) work environment to promote research and publications.’

‘Junior staff members should not be made to feel the pinch for senior academics who demand less workloads-this is one of the issues that contribute to low morale.’

‘Merits: motivated staff. Demerits: none’ and,

‘Workload equity should be established soonest as this correlates with academic staff satisfaction at work. There is, however, major inequality in the workload as of present.’

Although there was some ambivalence regarding the possibility of effectively measuring academic workloads reflected in some below mean scores on the Equmes measuring instrument and there appeared to be a number of equity insensitive individuals who made qualitative comments, in all the above cases inequities in workload were seen to negatively affect the job satisfaction and work motivation of colleagues

One response clearly indicated a non-equity sensitive individual; ‘competence to do the job is of greater impact and concern than inequities in workload’ This particular individual scored considerably below the mean scores on the Equiport and Equeffect measuring instruments (actual scores 11 and 13, mean= 18.1 and 16.6 respectively). This finding supports the view (in conjunction with the construct validation process afforded by the factor analysis) that the instruments are valid and are able to measure what they purport to measure.

A correlation analysis was conducted in order to ascertain the interrelations between the scores of the three measuring instruments. The associations between the instruments’ scores are shown in Table 6.

		Equmes	Equiport	Equeffect
Equmes	Pearson Correlation	1	.354 *	.391 *
	Sig. (1-tailed)		.041	.02
	N	25	25	25
Equiport	Pearson Correlation	.354 *	1	.574 *
	Sig. (1-tailed)	.041		.001
	N	25	25	25
Equeffect	Pearson Correlation	.391 *	.574 **	1
	Sig. (1-tailed)	.027	.001	
	N	25	25	25

\* Correlation is significant at the 0.05 level (1-tailed).

\*\* Correlation is significant at the 0.01 level (1-tailed).

**Table 6:** Correlation matrix of measuring instruments’ scores

Table 6 indicates Pearson correlations of measuring instruments’ scores. The matrix indicates that Equmes and Equiport scores correlate significantly ( $r=0.354$ ,  $p < 0.05$ ) and that scores between Equmes

and Equeffect correlate significantly ( $r=0.391$ ,  $p<0.05$ ). Table 6 also shows that Equimport and Equeffect scores significantly positively correlate ( $r=0.574$ ,  $p<0.01$ ).

### **Discussion of the Findings**

The findings of the descriptive statistical analysis indicate that a specific percentage of respondents felt that:

- Workload equity could be effectively defined and measured;
- Comparative workload equity and inequity was important and,
- Inequity had effects on job satisfaction and work motivation.

Although only 28% of the respondents felt with some conviction (above mean scores) that academic workload equity could be effectively defined and measured, a further 24% were neutral in this regard. In other words, roughly half the respondents felt that the effective definition and measurement of workload equity was or may be possible. Only 20% of respondents felt that it was not possible to measure workload equity effectively,

Roughly half the respondents felt both that workload equity was important and that inequity had an effect on job satisfaction and work motivation.

The qualitative analysis, broadly speaking, corroborates the quantitative analysis and suggests, in particular, that workload inequities were seen as a reason for the poor motivation and job satisfaction of fellow academics. Although some of the qualitative comments were associated with individuals who had not scored above the mean on the Equimport measuring instrument and who, therefore, might not be regarded as equity sensitive, all commentators scored above the mean on the Equeffect measuring instrument. This suggests that although some

individuals might not be equity sensitive themselves, they were nevertheless aware of the effects of workload inequities on colleagues' job satisfaction and work motivation.

The correlation analysis underlines the association between the Equimport and the Equeffect measuring instruments. The positive and significant association between these variables underlines the association between individuals who perceive comparative workload equities as important on the one hand, and, on the other hand, those who perceive the effects of input inequity on job satisfaction and motivation among academic colleagues. In other words the findings suggest that persons who regard workload equity as important also recognize its negative effects on behavioural outcomes. The fact that around 50% of respondents scored above the mean on both Equimport and Equeffect instruments also suggests that it is mostly equity sensitive individuals (i.e. those that regard it as important) that associate inequities in inputs with negative behavioural effects.

Although these findings must be regarded as tentative, given the small size of the sample, these inferences can be made on the solid foundation of reliable and valid measuring instruments.

### **Conclusion and Recommendations**

The investigation is exploratory and has attempted to expose the perceived measurability, importance and effects of workload inequity in a relatively homogenous work environment with people doing qualitatively similar work and where group referents were relatively clearly identifiable. No attempt was made to test the efficacy of Adams theory as such and the ratios of inputs to outcomes were not directly considered. However, the study is able to suggest that individual perceptions of definitions and measurement of inputs and the perceived importance

of comparative input equity have a pronounced effect on perceived negative behavioural outcomes in a specific work locality.

Further research could gainfully be directed towards exploring the effects of perceived inequities in outcomes (rewards) in their own right in a homogenous work setting such as that provided by academic work, and once these two aspects ( inputs and outcomes) have been defined and measured and the perceived affects they have on work motivation and job satisfaction, established separately, the additional effect perceived inequities of ratios of inputs to outcomes and those of referents could be tested in a multiple regression statistical framework. In this way it should become possible to establish the effects not only of inequities in inputs' referents and outcomes' referents per se, but also the effects of ratios between individual inputs and outcomes and their referents as a more comprehensive test of the comparative explanatory salience of Adams original equity model.

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# Action Research: The Participative Researcher or Experiential Approach<sup>1</sup>

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## **Abstract**

There is an increasing interest in action research in business and management studies. This is due to a number of drivers, an important one being that increasing numbers of degree candidates find it very convenient and advantageous to conduct their research in their experiential employer's organisation. This provides relative ease of access to interesting situations from which business and management lessons may be learned. In these circumstances, the action researcher is actually playing the role of a consultant to his/her experiential organisation. There are a variety of different approaches to experiential training and it is important for the action researcher to understand which of these are appropriate to action research. After closely examining the stages and components of action research, this paper focuses on some of the details of how the actual research work or experiential training could be performed by considering the methods outlined in a work entitled *21st Century Process* (2001), Adams and McNicholas (2007), Van Aken (2004) and Baskerville and Pries-Heje (1999). The paper suggests how such research can be pursued in a rigorous manner and how the researcher can ensure that s/he realises the learning experience and thus the objectives of the research.

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## **Keywords**

Action research, experiential training, degrees, experiential choices, process experiential consultancy, effective action and learning

## **1. Introduction**

Interest in the academic research process in the field of business and management studies has grown strongly in recent years. One of the main drivers is that universities have increasingly expanded their degree offerings to include an experiential learning/training module of as part of certain qualifications. Although such degrees are described as ‘taught degrees’ they frequently include a research project as one of the requirements. The scope of work required from the student varies, but frequently involves some original research. In addition, many universities, technikons and business schools have a final-year capstone project in their undergraduate degree programmes. Such a project is often focused on a practical research question, which can be quite a demanding task.

The increase in interest in research has led to various books on subjects related to ‘How to write your project’ or ‘How to survive your dissertation’, etc. (Becker 1986; Becker, 1998; Leedy & Omrod, 2007; Blumberg *et al.*, 2005; Huff 1998). Although these sources are useful, in our experience, few of them really address the most pertinent research issues. As a result, the quality of research presentations for projects and mini-dissertations at bachelor’s degree level is frequently questionable.

A significant number of students in business management supplement their formal studies with some practical experience. To this end, they may hold a full-time position for at least six months in a commercial or industrial workplace or possibly in a public sector organisation. These may often be large-scale organisations, because in general, only larger organisations are able and prepared to accommodate experiential learners by offering them practical experience and possibly even paying their tuition fees. Experiential students often find their employer’s organisation a convenient environment in which to undertake the research project required for the practical component of their studies. The question arises as to whether the student is

able to find an appropriate research problem or question within the workplace that lends itself to this type of research?

In most instances students do find such a problem and they produce project reports that are synergistically useful both to their employers and for personal study. In the process the student is effectively working as a consultant and his or her experiential organisation has, in terms of the research, become the 'client'. This is a different relationship from the student's normal *modus operandi*, and it requires special understanding and skills on the part of the student. This is not a trivial matter, as there are various different ways in which experiential training is understood by organisations and the student needs to be clear as to what is actually required of him or her by the employer and by the academic organisation. Due to the nature of experiential training, the requirements of the workplace and those of the milieu of formal stuffy may differ, yet this must not be permitted to reduce the integrity of the research requirements of the degree programme. Furthermore, this work is done in a single organisation, *viz.*, the student's experiential employer, and may thus, in some sense, be viewed as a single case study. In such situations the student needs a working knowledge of the particular kind of research required for the project in hand.

Succinctly, the resulting project reports sometimes lack academic or scholarly focus and our objective in this paper is to point out how a scholarly focus can be improved while synergistically retaining practical value for the employer.

## **2. Experiential Training**

Experiential training should provide real-world workplace exposure to activities and procedures in an organisation. Any knowledge, insights, or skills gained from the experience should be linked to that organisation's mission and specific business challenges. The experiential training should be conducted in such a way that it helps accelerate a student's learning curve. Experiential training is based on the fact that true learning requires considerably more than the content presented in training manuals. In fact, the experience itself is where the most effective learning takes place.

Experiential training allows the student to learn about learning and be clear about the objectives (Caudron, 2000).

The above supports the concept that action research (AR) – to be discussed in the next section – can support students in their experiential training endeavours. AR combines a substantive act with a research procedure, it is an action disciplined by enquiry. The professional can thus become a reflective practitioner (Smith, 2001) because knowing-in-action helps the experiential trainee to absorb the relationship of theory to practice.

### **3. Action research**

#### **3.1 Background: The Dichotomy between Science and**

#### **Action**

In order to achieve the twin objectives of producing scholarly research while retaining a practical focus, it is useful for the student to understand a particularly relevant research paradigm – commonly referred to as Action Research (AR) – and be able to apply it effectively.

Although AR is a highly effective framework for achieving these twin objectives of academic rigour and experiential relevance, it has its critics. Until recently many academics took the view that AR has much to do with action and little to do with research (Naslund, 2002). Zmud (2005) argues that with the multi-domain pervasiveness of technology, Information Systems (IS) research should be salient to other fields of research. In this context, AR can be directly applied to IS research within the workplace, and relevance of AR to IS is further addressed in this article.

As stated, the concept of AR has not been embraced wholeheartedly by academics. There has been the notion, possibly connected to Plato's ideas in his *Republic*, that there were essentially two separate worlds – the world of the philosopher and that of the king. The king is the person of action and his domain is quite distinct from the realm of thought, where the philosopher resides. The combination of these two domains was considered problematical. Indeed, there is good reason to support this point of view. It is not trivial to bring together the mindset of knowledge and reflection with the

propensity to action. Thus the action researcher needs to be simultaneously deeply involved with the project, while absorbing detail to reflect on the situation and thus to extract knowledge from the experience, as well as benefiting from experiential training.

It was perhaps at least in part this type of thinking that underpinned the criticism that rigorous knowledge could not be created from general experience but rather could only be established if the process of its creation was to comply with the scientific method espoused by the natural sciences. Thus the scientific method was considered the only way to obtain valid research results.

It was perhaps, at least in part, this type of thinking that underpinned the criticism that rigorous knowledge could not be created from general experience but rather could only be established if the process of creating it complied with the scientific method espoused by the natural sciences. Thus the scientific method was considered the only way to obtain valid research results. But this view has been amended over the past few decades. Medawar (1986), who is undeniably one of the 20<sup>th</sup> century's most distinguished scientists, posits that 'there is indeed no such thing as "the" scientific method. A scientist uses a very great variety of exploratory stratagems'.

Taking this idea further, Feyerabend (1993) argues that there are so many different ways of approaching science that it is better to recognise that there is really no scientific method at all. Thus Feyerabend's thinking is often encapsulated in the expression 'anything goes', which he argues as follows:

To those that look at the rich material provided by history, and are not intent on impoverishing it in order to please their lower instincts, their craving for intellectual security in the form of clarity, precision, 'objectivity', 'truth', it will become clear that there is only one principle that can be defended under all circumstances and in all stages of human development. It is the principle: anything goes.

In a similar vein Habermas (1993) notes that the whole arena of science has actually shifted over the past few decades. His comment (Habermas (1993), 'Now we think more tolerantly about what might count as science' may in one sense be seen as an indication of how much more open science has become to new ideas and new methodologies. On the other hand, some scientists would argue that what has happened is that the scientific profession has become much more frank about their so-called methods. One of the more honest and amusing accounts of the scientific method is provided by Wikipedia. (2005): 'One contemporary philosopher, Abraham Kaplan, when asked to define the scientific method, answered that the "scientist has no other method than doing his damndest".'

It is clear that early definitions of the scientific method, which emphasised objectivity and truth, have been exposed as a gross simplification of how research actually functions. In fact, seeing science as being simply a process of objectively seeking the truth is now perceived to be largely a myth. As Gould (1992) notes: 'I believe that science must be understood as a social phenomenon, a gutsy, human enterprise, not the work of robots programmed to collect pure information.'

Understanding science and research methods in this way has opened up an opportunity for a new method such as AR (Mårtensson & Lee, 2004) which, in the view of the authors, has a meaningful role to play in IS research in the workplace.

### **3.2 Definitions and Origins of the Action Research Process**

The action research approach (Baskerville, 1999; Baskerville & Preiss-Heje, 1999; Cohen, de Villiers, 2005; Manion & Morrison, 2000; Zuber-Skerrit, 1992) emanates from the behavioural sciences and encompasses a variety of research and intervention methods. It originated in action-based social psychology, as founded in the 1940s by Kurt Lewin of the University of Michigan, who contended that complex real social events could not be investigated under laboratory conditions (du Poy & Gitlin, 1998; Wood-Harper, 1985). AR was used independently at the Tavistock Clinic to study post-WW2 social disorders among veterans (Baskerville, 1999). It has also become an accepted approach in the educational domain, where Zuber-

Skerrit (1992) defines it as inquiry by higher-education academics into problems of students learning. Its participative, practitioner-researcher approach lends itself to general educational research and educational technology, where an evolving intervention or artefact is investigated over several cycles. However it is appropriate for inquiry into, and for investigating the introduction of, technologies in any organisation.

Aiming to bridge the gap between research and practice, AR encompasses action outcomes and research outcomes (Dick, Passfield & Wildman, 1995). Commencing with the identification of a problem or situation that calls for action, AR functions as a change agent. We consolidate characteristics of AR mentioned by Baskerville (1999), Dick, Passfield and Wildman (1995), and du Poy and Gitlin (1998), and describe AR as being:

- ✓ Cyclic: iterative steps recur in a longitudinal time frame, generating knowledge to inform further action.
- ✓ Participative: clients, end users and researcher collaborate in close partnership as co-researchers; or as practitioner-researchers examine their own work. Where stakeholders are full participants in the research process or where practitioners serve both as subject and researcher, one refers to participative action research.
- ✓ Qualitative: it tends to operate more via verbal aspects than by numbers.
- ✓ Reflective: critical reflection on the process and outcomes is vital to each cycle, and is used in designing subsequent steps, interventions and events.
- ✓ Responsive: it reacts and adapts flexibly to the findings from each previous cycle.

In a parallel from the professional disciplines, Smith (2001), using Schön, defines reflective practice or reflection-in-action as the professional artistry that occurs when skilled practitioners tackle work-related activities, going beyond rigid rules of inquiry, and generating new rules in situations that are uncertain and unique. Furthermore, the reflective practitioner is both

a participant in the process and a critic who observes and analyses. Similarly, AR aims both to improve practice and to advance knowledge.

### **3.3 Research Processes and Methods**

Zuber-Skerrit (1992) terms the four repetitive processes undertaken in each cycle as plan, act, observe, and reflect. The mega process comprises a series of cycles that feed into each other. Action research is accordingly less an event and more an ongoing process. It employs or integrates methods from both the experimental and naturalistic (interpretivist) traditions, yet is consistent with naturalistic inquiry in that all research occurs within its natural context (du Poy & Gitlin, 1998).

A broad variety of data collection methods may be used, provided that they are appropriate to the inquiry in hand. Multiple data collection methods may be used in a single study to triangulate the findings. Methods commonly used are experimentation, surveys and interviews, observation, etc.

### **3.4 The Epistemology, Relevance and Rigour of Action Research**

Action research has an interpretivist ethos, incorporating social enquiry based on the views and interpretations of the participants, all regarded as equals, making it an emancipatory process, while also incorporating the researcher as participant. It is a holistic, not a reductionist, approach, which includes ethnographic enquiry and works from an ideographic standpoint, promoting the uniqueness of each setting (Baskerville, 1999). When AR originated, the precise collection of quantitative data was emphasized and there was less focus on qualitative research skills. In due course, it was recognised that AR operated under a different epistemology and, although it can be less rigorous in design and methodology than other approaches, it is acknowledged as a participative research process that generates reliable knowledge and makes theoretical contributions. AR can be distinguished by its operation over a longitudinal time framework of several cycles and by the in-depth involvement of researcher as participant. In many cases it focuses more on refinement of existing processes, situations or products than on new developments. Certain AR projects do not attempt to construct theory, models or principles to guide future work, but this is not consistently the case.

With regard to the rigour and validity of an AR process, Kock (2004), mentions three potential ‘threats’. First the issue of control: while the natural environment, as opposed to a lab setting, is one of AR’s benefits, the researcher will not have complete control over this environment and its subjects. To counteract this, Kock suggests that data collection and analysis can be based on the units-of-analysis method, where the units are defined before research commences. Second, he refers to the contingency threat: as a change agent, the researcher has access to a large body of data, which may be ‘broad and shallow’ and thus complex to analyse, because its rich context makes it difficult to separate components relating to particular constructs. This can possibly be addressed by the integration of grounded theory, which involves the identification of categories and relationships between them, and groups the inter-related categories into theoretical models. Third, the close involvement of the researcher can lead to subjective bias in interpreting the data, a factor that can be mitigated by multiple iterations of the AR cycle to support cumulative collection of predefined data (Kock, 2004).

Recently there has been mounting criticism that the more traditional approaches to academic research have not satisfied the community of practitioners; they may well have produced rigorous results, but findings have possibly not been as relevant as they could have been. In fact, the past few years have seen a substantial increase in the call by the business community for more relevant research. It has become clear that rigour in academic research is not enough and that without specific relevance the output of academics and academic institutions is of little value. In fact, this was acknowledged many years back by Wittgenstein’s (1969) article, stating that knowledge is in the end based on acknowledgment. This may in turn be interpreted as anticipating the need for researchers to be cognisant of the requirements of their communities; however it is clear from the on-going debate on this issue that many academics have failed in this respect.

In this situation, the spotlight turns to action research. As an academic research paradigm, the AR approach can deviate substantially from traditional academic research methodological thinking. AR is based on the assumption that we can often learn more by focusing on the ‘action-net’ (actor network) – how actors, or participants, engaged in the same or different projects may share a common narrative (Czarniawska-Joerges,

1997). Joint understanding (by both researcher and stakeholders from the organisation) of that narrative is often the key to learning and thus enabling change. Whereas some interpretivist research design may be seen as being related to or at least derived from the traditional academic research method of the natural sciences, AR is really quite different. Baskerville and Preiss-Heje (1999) capture this in their succinct statement, that ‘to an arch-positivist, it [AR] should seem very unscientific’.

But in reality, AR has many of the characteristics of the type of research conducted by physical and life scientists. It is empirical. It is both interventionist and observational. While it is experimental, it can also accommodate a multivariate situation. AR, in fact, may be considered to more closely resemble a laboratory situation than any other business and management studies academic research approach.

AR qualifies as academic research because when used correctly it offers a viable framework that allows something of theoretical value to be added to the body of knowledge. To clarify what this means it is necessary to consider the main characteristics of academic research. To be accepted as rigorous academic research in the business and management studies’ field, any piece of research work needs to be:

1. clearly articulated as a question;
2. framed within the body of current theoretical knowledge;
3. conducted with appropriate observational and analytical procedures;
4. expressed as a convincing and reflective argument; and
5. clearly demonstrated to have practical management validity and utility.

If these criteria are met, the research may well have a sound claim to be regarded as both rigorous and relevant.

### **3.5 Application within IS**

IS research has been characterised by lack of relevance (Keen, 1991; Westfall, 1999; both cited by Baskerville, 1999). Myers (2004) proposes that AR is a valid research approach for applied fields. Baskerville (1999) asserts

that AR generates highly relevant research results due to its basis in practical action, aimed at explicit problem solving while also informing theory. In the previous decade, however, Trevor Wood-Harper had already set out to address the tensions between theory and practice and the confusion that existed between traditional scientific research and the more sociological approaches, by introducing AR to the IS community as a purely research methodology with his landmark paper, *Research Methods in Information Systems: Using Action Research* (Wood-Harper, 1985). In the 1980s, AR techniques were applied by Peter Checkland in systems analysis, as he developed soft systems methodology. AR is increasingly used for scholarly research in IS. Baskerville (1999) advocates it to inquire into the complex and multivariate nature of IS's social setting, using:

- joint goals of solving practical computing problems and expanding scientific knowledge;
- collaborative performance, which enhances the competencies of all participants;
- an emphasis on action and change orientation in social settings.

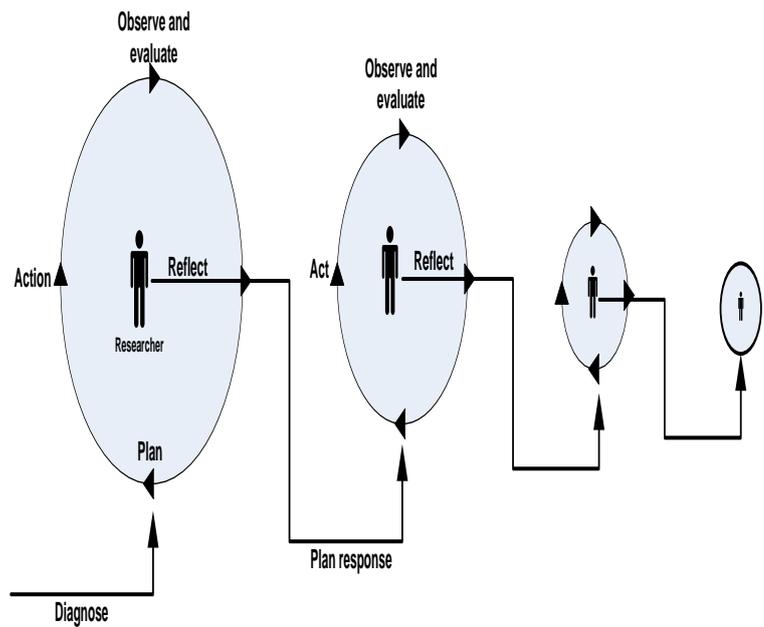
Baskerville lists various forms of IS action research: prototyping, soft systems methodology, action science, participant observation, fieldwork, and process consultation. Implicit within these is the investigation of problems and evolving solutions in their context of use, which will be discussed explicitly by the present authors (Section 4).

### **3.6 Systematic, Iterative Stages**

Action research can be graphically depicted as a spiral, but the model developed by one of the present authors and shown as Figure 1, is a series of cycles which close in as a solution is attained. The researcher occupies a central, participative, and influential position. This model forms a useful framework to guide and monitor the progress of a research project. Variants can be custom-built for particular applications as appropriate.

Several of the researchers *cited* in this section advocate iterative cycles of AR research, feeding into change and re-development. However, the context of the present study relates to research conducted in short-term projects, such as those associated with blocks of experiential learning. In

such situations multiple iterations may be precluded and the research process must be based on a 'compressed' variant of action research.



**Figure 1** *Action research model* (synthesized by de Villiers, 2005)

#### **4. Relevance and Rigor**

In the past few years there has been increasing pressure on business and management studies to accept AR as a method for academic research. The reason for this is that there has been mounting criticism that the more traditional approaches to academic research have not satisfied the community of practitioners; they may well have produced rigorous results, but findings have possibly not been as relevant as they could have been. In fact, the past few years have seen a substantial increase in the call by the business community for more relevant research. It is now clear that rigour in academic research is not enough and that without specific relevance the output of academics and academic institutions is of little value. In fact, Wittgenstein's (1969) states that knowledge is in the end based on

acknowledgment. This may in turn be interpreted as anticipating the need for researchers to be cognisant of the requirements of their communities; however it is clear from the on-going debate on this issue that many academics have failed in this respect.

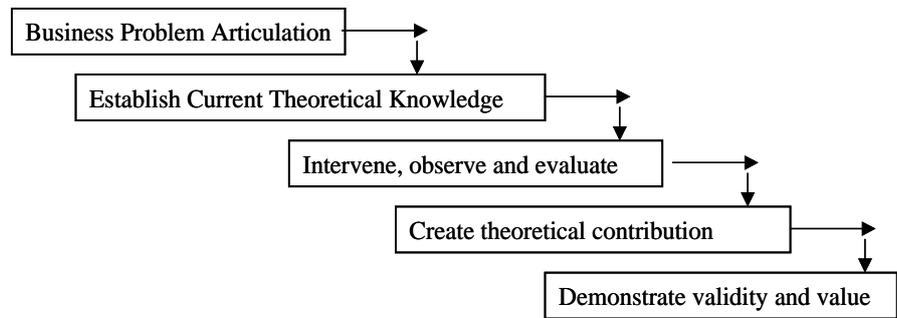
This type of thinking about the inadequacies of the traditional approach to business and management research has created a real opportunity for AR.

#### *4.1.1 Applying Action Research within Business and Management Studies*

In the past few years there has been increasing pressure on business and management studies to accept AR as a method for academic research. Section 3.4 considered the issues of relevance and rigour within research approaches and then reviewed AR in this light, noting the recent calls by the business community for more relevant research. Rigorous research alone is insufficient; direct contextual relevance is essential. Academics need to pay cognisance to this requirement. This type of thinking about the inadequacies of the traditional approach to business and management research has created a real opportunity for AR.

#### *4.1.2 Conceptualising the AR Process in the Business Context*

AR works through a process of theory discovery that involves the solving of a problem through a specific intervention in a working organisation, and which is conducted in collaboration with members of the staff. The focus of AR is on problem-solving that leads to organisational learning. From a conceptual point of view, AR may be described in terms of five high-level stages as defined in Figure 2; these are clearly equal to the five requisites of action research described which relate respectively to the five requisites of academic action research described at the end of Section 3.4.



**Figure 2:** *The five high-level conceptual stages of AR*

The first of these activities is the articulation of the problem. Thus AR will always have a set of specific business objectives both in terms of solving a problem as well as in terms of learning. Initial identification of the problem will come from the client (either a manager or an employee). The second step involves understanding the state of the current theoretical knowledge in a particular field of study.<sup>2</sup> This obviously requires a detailed literature survey.

The third step involves planning and conducting the intervention or ‘action’ in the workplace in order to solve a problem or take advantage of an opportunity. It compresses the plan-act-observe-reflect processes named in Section 3.3 and shown in Figure 1 into a single comprehensive step. This step will also incorporate observation of the intervention; data collection and the evaluation of its results, which should inform and feed back into the action by introducing refinements (note the feedback loop in Figure 1). Here

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<sup>2</sup> The process consultant does not have to be an expert in a particular functional area. In fact, Schein (1969, 1987) argues it is best if that is the case, as functional knowledge may sometimes obscure understanding of the processes occurring between organisational members. This is similar to the case of Argyris (1993), where the consultant should go armed with an understanding of Argyris’ theory of learning. Thus the theoretical background of the researcher/consultant could be in the arena of facilitation and interviewing.

the researcher-participants will not only be involved in the work of the intervention but are also required to stand back from their actions, distancing themselves, reflecting and behaving as pure researchers. Theoretical concepts are key to achieving objectivity and ethical boundaries are vital.

The fourth activity comprises the action researcher's converting this experience into a contribution to the body of knowledge, which is, making a contribution to theory. Here the important skill is the ability to generate or extend theory from the experiences encountered during the AR.

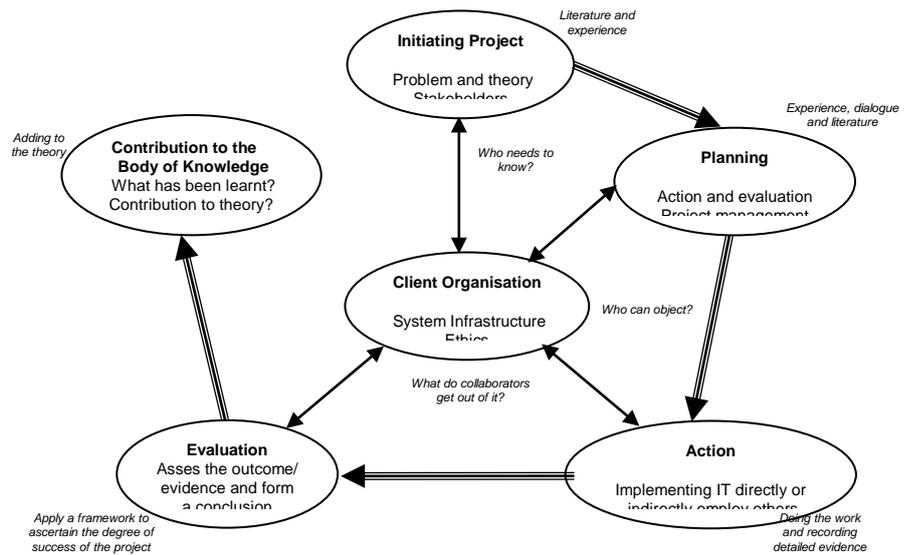
The fifth step is to demonstrate that the contribution made to the body of theoretical knowledge is in fact valid and useful to the practising community. The validity and the usefulness of the new theoretical contribution are conferred through the evaluation of the research findings, an evaluation over and above the evaluation of Step 3. It is undertaken primarily by the participants in the AR programme. Of course the validity and the usefulness of the new theoretical contribution may be further endorsed by the acknowledgement of the wider community.

It is this combination of action and of the subsequent creation of knowledge that makes AR so useful in the field of business and management research, especially for experiential students who can simultaneously work and research in their experiential training employers' organisations.

#### *4.1.3 The Five Sets of Activities of an AR Project*

The five high-level stages described above may also be viewed in terms of five sets of detailed activities of an AR project. These are: Initiating the Research Project, Planning the Research Project, Participating in the Action, Evaluating the Action and Presenting the Contribution. These five sets of detailed activities are described in Figure 3.

It is important to emphasise that action research cannot be conducted without the collaboration of a number of project stakeholders and thus it is important to take the necessary time and give the required attention to obtain the support of these stakeholders. These individuals will make important contributions to the design of the project and to the actual work or action, as well as to the evaluation of the result of the intervention.



**Figure 3:** *The five sets of detailed (low-level) activities in the AR Process*

In the light of the features and models of the AR process described in this article, we now return to the problem in hand, namely the specifics of the research project to be undertaken by students as a capstone to their studies in business and management. This project should:

- be based on a sound and rigorous research methodology; but should also
- hold relevance to the workplace environment in which it is conducted.

We propose five sets of detailed activities of an AR project to be conducted by project students. The activities are practical and application-oriented, but are in line with the ethos and methods of action research and are, respectively:

1. Initiating the Research Project;
2. Planning the Research Project;
3. Participating in the Action;
4. Evaluating the Action; and
5. Presenting the Contribution.

These sets of activities are depicted in Figure 3 and outlined in the subsections following.

#### *4.1.4 Initiating the Research Project*

Two different activities need to occur during this stage of AR. These are setting the specific business objectives of the intervention and defining the research question that this activity will help answer. Although these are very similar issues, they are nonetheless different. The research question will focus on a problem or opportunity currently of concern to the organisation in which the researcher is working. It should be a problem within the direct responsibility or ambit of the researcher. In AR, the researcher will normally obtain a wide range of views from colleagues about the problem and will draw on these views when formulating the question. It is for this reason that AR is sometimes seen as a democratic or empowering approach to research (Lindgren *et al.*, 2004). Of course, like many other research projects in business and management research, defining the research question is most effectively achieved when the practical problem being addressed is framed by reference to the researcher's broader working experience, as well as knowledge of the relevant academic literature.

At this stage of the research process it is useful for the researcher to clarify such issues as who actually needs to have the question answered and what exactly will be achieved by knowing the answer. It is important for the researcher to be completely open with all the stakeholders, and hidden agendas would be ethically questionable.

#### *4.1.5 Planning the Research Project*

Having established the research question, the next stage is to decide on the particular intervention or action that will be used. There may be several ways in which the researcher could attempt to solve the problem identified by the research question. The implications of each of these possible interventions need to be thought through and a choice has to be made. Once the approach to solving the problem has been selected, the detailed planning of the AR may begin.

What this amounts to is creating a detailed project plan where all the activities or work elements are described. The approach here is very much the same as that which is used in standard project management techniques. However, there is another dimension to this stage besides simply planning the business intervention. During this stage the evaluation approach to be used should also be selected and plans should be implemented to use it. In AR the evaluation of the projects will normally involve the views of several of the organisation's staff who are involved in the project. This is another dimension of the democratic nature of AR.

#### *4.1.6 Participating in the Action*

In this stage the researcher performs the activities that are required of the intervention. This is the practical business and management equivalent of what the natural scientist does in the laboratory. Here the researcher may actually do the work himself or herself or s/he may simply manage the work being done. But in either event, it is during this stage of the research programme that the action takes place.

This stage may take hours or days or in some cases even weeks or months. What is important here is that the action carried out should be carefully observed and noted by those involved, and recorded in an unbiased way. Of course in the multivariate work of business and management, it may not be possible to observe all the detail of precisely what is being done and the organisation's reaction to it. The more comprehensive the observation and recording of the intervention, the more likely that interesting results will be revealed. The researcher needs to be continually aware that he or she can

easily be plagued by the problem of selective perception that could result in only reporting those aspects of the intervention which support the research objectives. Knowingly omitting evidence to suit a particular argument may invalidate the research and is, of course, ethically questionable.

It should be noted that to obtain useful research evidence from these 'actions' it is not necessary for them to achieve their original business objectives. In fact, even if the intervention completely fails, the research could still be considered a success (Henfridsson & Lindgren, 2005).

#### *4.1.7 Evaluating the Action*

The evaluation of the action or the intervention will have been previously discussed and consensus reached. Whatever the approach, the researcher needs to be cognisant of the views of all the stakeholders in the research. It may not be easy to obtain consensus from the various stakeholders, and this stage of the AR project can be quite challenging if not actually problematical. However, the evaluation stage of AR research is considered to be critical in obtaining valid results and therefore needs to be performed with considerable care. The output of this stage of the research is the main 'raw material' from which to compile the final conclusions and thus add something of value to the body of knowledge.

#### *4.1.8 Presenting the Contribution*

The final stage of AR involves the researcher's presenting a reflective and strongly convincing argument that he or she has been able to use the experience to develop an academic contribution. It is here that the creativity of the researcher comes into play in that the researcher needs to synthesize his or her understanding of the data, evidence or experiences obtained from the research process. Here the researcher leaves the mere observable facts behind and develops a contribution to business and management theory, and then presents his or her findings. No matter how sound the rest of the research, it will have little impact if at this stage the researcher cannot present a convincing argument.

One of the characteristics of a convincing contribution to the body of theoretical knowledge is that the researcher has carefully reflected on all the possible interpretations of the findings of the work. This is not a trivial matter and normally requires the researcher to engage in a detailed discourse with both the corporate stakeholders and possibly other appropriate academic researchers.

#### *4.1.9 The Action Researcher as an Experientially Trained Person*

Having established the stages that an AR project would involve, we now examine some of the detail of how the actual research work or experiential training could be performed by considering the methods outlined in a work entitled *21st Century Process...* (2001). This author provides us with an explicit enunciation of how the AR researcher can be effective in the mode of experiential student or 'researcher', providing firm boundaries that should govern the 'contract' that the researcher forms with the organisation. However, any discussion of action research would be incomplete without reference to the work of Adams and McNicholas (2007), Cady and Caster (2000), McKay and Marshall (2001), and Agyris and Schön (1978). We therefore may start with a consideration of the contribution made by van Aken, and argue that, for the experiential researcher, the method proposed by *21st Century Process Consultation* is more feasible.

## **4. Conclusion**

The impact of action research on experiential training is an area that has not previously received much attention, yet there is a lot to be learned from its proponents. An understanding of the interplay of the various forces unleashed by action research and experiential training in traditional societies can help organisations find solutions to modern problems. Action research on experiential training can:

- Effect positive and negative impacts on old problems;
- Help to emphasize lessons learned by experientially trained students being broadened; and

- Underline the best research methods to complement experiential training.

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# On the Value of Survey-Based Research in Finance

Ashley Frank

## Abstract

The survey method is in wide use; its development and application influence the social sciences profoundly. Still the acceptance of the method is far less in Finance than other business disciplines. Many do not consider the technique equal to other types of original research and circumscribe a complimentary, if any, role to it. This paper posits that this disjunction arises due to differences between academic approaches to finance from that of practitioners. Editors screen survey papers more rigorously as they report that poor execution or analysis of results often affect the quality of such papers. This paper offers three principles for increasing its reliability: survey narrowly defined constructs formed outside of or existing prior to theory; only describe a hypothesized variable as driving a result where sound prior theoretical arguments for that relation exist; limit the unit of analysis to the sample frame.

**Keywords:** survey research, academic/practitioner-dichotomy, reliability

## Introduction

The survey method is probably one of the most common approaches employed in the social sciences in order to empirically study the

characteristics and interrelations of psychological and sociological variables. According to Pinsonneault and Kraemer (1993), survey research has three distinct characteristics: First, the purpose of the survey is to produce quantitative descriptions of some aspects of a population under study. Second, it asks people structured and predefined questions as the main approach to data collection. Third, researchers typically collect data about a fraction of the study population in such a manner as to be able to generalize the findings to the population as a whole. Survey research would then be the most appropriate method if the researcher requires information that is unavailable and wants to generalize those findings to a larger population. Kerlinger (1986) described its development and application in the twentieth century as having 'profoundly influenced the social sciences'. Rea and Parker (1997) describe survey research as having become a widely used and acknowledged technique in many disciplines. Although the method has gained considerable credibility from its widespread acceptance, that acceptance appears to be greater in some business disciplines than in others. Some have criticized the method (Marsh 1982; De Vaus 1992) and in particular its usefulness in the study of accounting and finance has been questioned (*c.f.*, Young 1996). Roberts (1999) lists the main criticisms as being that the method: just collects masses of data and provides nothing of theoretical value; is too restricted because of the limitations of highly structured questionnaires; contains data with so much measurement error that it is quite unreliable and its validity extremely low; and, cannot adequately establish causal connections between variables.

Casual observation suggests that those in marketing and management appear to embrace the use of surveys to a greater extent than in finance. If this observation is correct, those using this research technique in finance follow a path less well-trodden than that used by most of their colleagues. There exists a lingering doubt, especially among several senior academics about the reliability of information derived from a relatively few respondents purporting to represent the whole. In fact, there are several academic programmes in finance where students are not trained in survey research as part of their curriculum at all, teaching the technique being seen as inconsistent with current practice. This paper is concerned with evaluating the survey method of research in the context of adding to knowledge in finance. It first considers the disjunction between academics and

practitioners as a source of doubt over the utility of the method. It goes on to ask the all-important question of what makes for a worthwhile research method and ends by suggesting how the survey method may be bolstered so as to be considered both relevant to practitioners and reliable by academics.

### **The Finance Academic vs. the Practitioner**

In a rather imaginative allegory Percival (1993) highlights the differences between the academic (turtle) approach to finance from that of practitioners (frog). He created a series of frog-ponds, dominated by frogs and which were sought out by tadpoles wishing to be successful in their lives in the pond. While there are several such frog-pond schools, except for a few 'frogs in residence' who gave lectures intermittently, the training was provided in the main by turtles. Nobody knew why this was so, but it had always been that way. The turtles adopted a 'normative' style of teaching tadpoles to be frogs, helping them learn what frogs should do rather than what they actually did, in their attempt to teach the tadpoles how to think. The turtles at all the frog-pond schools, strangely enough, taught the same theory, that about what fish should do in a pond, believing that the best way to learn about frog-ponds was to understand fish-ponds. While the tadpoles wondered why they were taught about fish rather than frogs, the turtles shrugged them off: believing that they knew best; that fish were more interesting than frogs; that the tadpoles were showing how naïve and ignorant they were by questioning this theory that so many eminent turtles had developed over the years; and, which had been supported by numerous fish studies.

The theory assumed 'rational' behaviour, although the tadpoles often pointed out that frogs did not behave the way the theory said they should. While the turtles acknowledged this as a great source of puzzlement, they felt it too complicated to understand, urged the tadpoles not to let that distract them from the learning of the theory and, offered that, after all, it was only important that the 'lead/marginal' frog behaved rationally. The tadpoles wondered why the turtles didn't just ask the frogs why they behaved the way they did, but the turtles thought this too naïve and unscientific a question since the frogs would not be able to explain, in any rational way, why they behaved the way they did. In the context of the

theory, the frogs' reasons just wouldn't make sense, making it questionable whether the frogs really understood their motives themselves! If the turtles couldn't understand frog behaviour, how could the frogs possibly do? Hence the tadpoles were convinced to remain true to a theory that so many eminent turtles had developed over the years and not let what appeared to be facts cause them to deviate from a commitment to sound theory. The problem is that the turtles were teaching tadpoles about frogger (corporate financial management) by presenting the observations and studies of fish (financial investors).

Weaver (1993), extended this analogy by pointing to the reality that most frogs feel they were 'beaten up' by turtle terrorists who stalked the pond looking for tadpoles and (and even frogs) to criticize, (even young turtles occasionally feel the wrath of older turtles). Sometimes, when wondering into a frog grouping, turtles too are made to feel uncomfortable, as if trapped on a highway of finance. Turtles are bilingual, understanding and speaking both turtle and frog languages. However, when a theoretical concept is too difficult to explain in the foreign frog language, the turtle is more comfortable in Turtlese. Turtlese is an acceptable language since the tadpoles are convinced they need to be bilingual to understand the turtles. The problem is that only a few turtles or tadpoles ever interpret Turtelese (mathematical discussion) into Froggese (financial implications) or Princeese (business implications).

Some tadpoles (finance majors) develop into frogs (practicing corporate finance professionals), others are devoured by other creatures (professions) that surround the pond, while a few of them, by some quirk of nature, turn into turtles. However, most of the creatures that permeate the pond are not frogs at all, but rather toads (accountants). Despite their eminent reputation these CA-carrying toads have never been tadpoles at all, having only learnt fish theories or the ways frogs should behave through very condensed executive seminars. Thankfully most of them venture only a leg into the pond, never plunging into the water completely, lest they'd drown!

The world of Toaddom is very different from that of Frogdom. Toads know numbers, having grown up on and eater regular portions of it. They have been schooled in a discipline of little theory and many rules, although

frogs understand that, in the pond, things are never as smooth as they seem. Sometimes there are warts which toads don't acknowledge or appreciate, or competing theories, each having a legitimate interpretation. Even a theory as fundamental as the cost of capital is susceptible to a wide range of mechanical approaches and assumptions - each permutation registering a different result, with there being no singly correct theory. Frogs learn to consider many permutations and recognize the degree to which a material difference may underlie the result. While frogs recognize how silly the false sense of accuracy that two decimal places gives in financial statements, toads are usually confused about why something so fundamental as the cost of capital cannot be calculated precisely. Even the turtles cannot agree, as shown by the different computations of Table 1, on which fish theory (cost of capital) is correct. A firm's weighted average cost of capital is, after all, calculated as:

$$WACC = (E/V) \times R_E + (D/V) \times R_D \times (1 - T_C) \quad (1)$$

where  $T_C$  is the corporate tax rate,  $E$  the cost of its equity,  $D$  the cost of its debt while  $E/V$  and  $D/V$  refer to the percentages of the firm's financing that is by equity and debt (their relative capital weightings *i.e.*,  $V = E + D$ ) respectively.

**Table 1:** Multiple Methods and Permutations for Calculating the Cost of Capital

Cost of Debt	Cost of Equity	Capital Weighting
Historical or Historical and Projected or Projected or Marginal (Market Rate)	Dividend Growth Model or Capital Asset Pricing Model or Arbitrage Pricing Theory	Current Book or Projected Book or Targeted – Co. specific or Targeted – Industry wide or Market

Toads and frogs both aspire to be future princes (senior managers) or future kings (chief executives). While the practice in most advanced estuaries saw only frogs grow up to be princes, in South Africa, an estuary

dominated by privilege and protection granted to toads of a certain colour, makes this different.

In academia the primary focus is on models whereas in practice it is on the assumptions that go into those models. In presenting capital budgeting, financial modeling and ratio analysis *etc.* to a finance class, academics are interested in teaching analytical techniques. Hypothetical textbook examples guide the discussion of assumptions, allowing the academic to focus on the underlying method and models. Assumptions are used to support the general analytical techniques without too much concern for a generalized discussion about those assumptions. Practitioners on the other hand, knowing that the power of a model doesn't lie in its technique or even sometimes in the answer, want to scrutinize assumptions before making yes or no decisions, rather than be overly concerned with the financial modeling technique.

Weaver (1993) holds that there are numerous types of turtles living in a pond, just as there are numerous facets of finance. He maintains that it is appropriate for some finance academics to do 'cutting edge' theoretical research, for that is after-all how the profession develops, but insists that it is just as appropriate for academics to engage in empirical survey based research. In his experience he finds that the results of these tend to be more readily understandable and the conclusions drawn can appreciably enhance business decisions. He would have financial practitioners be surveyed more often and the results published. Academics need to acknowledge (rightly or wrongly) that items other than those captured by the models, such as the preferences of senior managers, may be major factors influencing, for instance, the capital structure of corporations. Following this recommendation would offer several potential benefits, *e.g.*, the evidence from properly designed surveys could be useful in empirically validating conceptual hypotheses and the relative usefulness of various theories; and, a continuing dialogue between academics and practitioners could be helpful in designing research agendas, courses and programmes. In short, turtles should be tolerant of frogs, especially since most frogs are actually toads living a frog's life – finance practice can contribute meaningfully to finance theory and *vice versa*.

It is probable that while much consensus exists between both academics and practitioners on the value of assessing the state of practice in finance by surveying or asking practicing executives, most academics would caution against an over-reliance on wisdom received from financial practice due to its limitations. Aggarwal (1993) argues that information derived from surveys 'is likely to be inadequate for many purposes, and, in many cases flawed and unreliable'. He advances five reasons why survey researchers interested in understanding forces underlying financial practice are likely to encounter a healthy dose of skepticism.

First, it may not be appropriate, due to strategic, cost and legal reasons, for finance executives to divulge the reasons for and details of their actions and decisions. Dixit and Nalebuff (1991) offer that in a competitive environment (and especially one that is oligopolistic in many industries) it may not only be beneficial to conceal real intentions and strategies but also to engage in some bluff and misrepresentation. Jensen and Meckling (1976) in seminal work on agency theory that is primary to much understanding of finance, offer that similar considerations apply to managerial behaviour motivated by personal gain, especially when it is against the best interests of shareholders. Also, financial markets are driven by information which Akerlof (1970) has shown is not only not costless but has strategic uses and may, according to Aggarwal (1991), have political costs. Managers and many investors, due to the preferential access to strategically important information they often have, face moral hazards in their decisions. Other value-maximizing investors have to infer the nature of that preferential asymmetric information. A large body of research in finance (*c.f.*, Thakor 1989) has arisen in assessing signaling and contracting issues under these conditions. The trading of assets in an auction market (Grossman & Stiglitz 1980) and even the negotiating of mergers and acquisitions (Aggarwal & Navratil 1991) are examples of financial practices that involve the strategic uses of costly information. In these cases, reliance on managerial assertions would clearly be inadequate for understanding such practices. While these kinds of limitations may be reduced or even eliminated through the passing of time, Rasmusen (1989) has shown that there are many other cases where strategic and competitive considerations permanently limit the usefulness of managerial experience available to researchers. In any event, depending on

managerial declarations limits the academic ability to analyze and understand the many instances of unethical and illegal business behaviour.

Second, financial executives may not be fully aware of or agree on all the (real) reasons for the strategies and actions of their corporations. Executives often react to competition or economic conditions without necessarily appreciating all the underlying forces. Financial practice contains many examples of this including traders reacting to bid-ask spreads and trading volumes and, mergers and acquisitions motivated by managerial hubris (*c.f.*, Roll 1986) and sincerity cannot substitute knowledge and truth. There may also be differences of opinion between executives, business units and subsidiaries regarding the reasons and motivations for company strategies and actions. Without theories and concepts it would be quite difficult to assess and distinguish between various, often divergent, views. Surveying some or all the executives involved in a decision would simply not be adequate in such cases.

Third, in order to obtain reliable and representative information on corporate practices one would have to survey a representative number of executives at a senior level, gaining access to whom may be a difficult if not impossible task. Given the relative value of executive time most surveys are usually delegated to the lowest feasible level for answer. This makes personal interviewing much better but attendant costs impact sample size, causing questions about reliability in describing general corporate practice to be raised.

Fourth, since financial practice changes constantly in response to changing priorities (*e.g.*, leveraging up or down) and to dynamic and competitive demographic, tax and regulatory environments, surveys of practice would date quickly. Given the difficulties and expense involved in updating survey-information these are not likely to be undertaken by academics, since surveys would generally only be repeated if they can generate cash returns. Kay (1991) names this as a reason most corporate practice surveys are conducted by those firms that sell financial services, such as consulting firms and money centre banks. The results of such surveys are published and are widely available and while they may be useful for financial managers, most of those periodic surveys add little or nothing to

our understanding of the concepts that underlie the corporate practices reported.

Fifth, in order to make any kind of meaningful interpretation of empirical evidence, the use of an appropriate theory and conceptual framework is essential. This need is even more pronounced in surveys of corporate practice since they are more likely to offer data that may not be internally consistent. Survey responses between companies and even within a company may be contradictory. For instance, in surveying corporate credit practices, the sales department might prefer easing a policy for which the treasury department would rather see higher standards imposed, assuming that credit risk could be better sustained by a financial intermediary. In order to understand and resolve such inconsistencies, theories of financial intermediation based on preferential information and relative information processing costs would be necessary.

Gordon and Howell (1959) raised the more important point that appropriate theory and conceptual frameworks are much more valuable in providing guidelines for adapting to the ever changing nature of finance and its environment than surveys of current practice could ever be. Hence the orthodox academic view is that finance theory and practice can contribute to each other if the theory is tested against practice but that finance theory must be developed independently of what managers say they do, especially since it appears quite difficult to accurately assess that behaviour.

Baker and Mukherjee (2006) conducted a survey of 50 finance journals currently accepting manuscripts and publishing more than once a year. They divided these journals into two groups, 15 'core' and 35 'non-core' finance journals and, asked the editors of those journals for their views on survey research. 25 of the 50 editors responded, with a marginally greater response (53.3%) coming from the 'core' journals. The authors conducted an analysis of the inaugural year of the journals, which revealed no distinctive difference between journals with responding versus non-responding editors. Thus, while a potential of non-response bias exists, the authors believe that their findings are representative (or at least suggestive) of the beliefs of the editors surveyed. Although none of the journals surveyed had an established policy regarding the publication of survey based research, none of the 'core'

journals indicated that it should be considered equal to other types of original research. Editors of 'core' journals believed that survey-based research should play either a complimentary (66.7%) or no role (33.3%) in the finance literature and a significant minority all the editors ('core' and 'non-core'), reported screening such manuscripts more rigorously.

Although all of the editors surveyed indicated that survey-based research adds value, a major conclusion from this study was that while publication outlets in both 'core' and 'non-core' finance journals are available for this type of research, many finance journals have published few, if any, articles based on the approach. Overall, the publication of survey research in finance was such relatively infrequent events that finding a journal that published, on average, one survey research article a year, was uncommon.

The most highly ranked strengths of the survey method were that it produces data unavailable from other sources, followed by its ability to suggest new avenues for further research. Still, the editors identified four major weaknesses as the difficulty of generalizing results, non-response bias, adverse selection problems and, respondents who might not be fully knowledgeable to answer a question. Importantly, Baker and Mukherjee (2006) acknowledged that there are methods available for handling all of these weaknesses. 'Thus survey research is not innately flawed but sometimes results in poor quality research because of poor execution by researchers'. One of their editors noted that 'many authors fail to apply rigorous survey-design techniques and therefore fail to elicit meaningful data', while another wrote that 'many of the survey based papers that I have seen undermine themselves with poor analysis of results'.

## **What Makes for 'good' Empirical Research?**

As finance is a multi-faceted discipline, there is no single way to deal with various questions and to test the hypotheses that confront researchers. Finance academics choose between two broad paths – theoretical and empirical – to help provide a clear understanding of research issues. Ultimately though, as Ramirez *et. al.* (1991) state: 'a major aim of both theoretical and empirical finance research should be to aid the financial

decision maker'. The criticism that some turtles are more concerned with the sophistication and elegance of their theories, models and statistical techniques than with actually providing material that helps decision-makers is unfortunately often deserved. However, this is not to say that those eminent turtles doing 'cutting edge' research do not produce knowledge that helps the profession develop. On the contrary advances in finance theory such as portfolio, agency and asset pricing have helped improve professional practice, but that theory still needs to be subjected to empirical tests. If it is found inconsistent with empirical evidence, that should spur researchers to revise the theory. Gathering information necessary to conduct empirical research involves several alternate paths, with the most common means of data collection in finance research being secondary data. This consists of compiling and analyzing data that has already been collected and that exists normally in a publicly available and usable form. Others collect primary data directly from those under study. Survey research involves soliciting self-reported verbal information from people about themselves, which in our allegory would see the turtles asking the frogs about their behaviour. In conducting empirical research, Bruner (2002) notes

The task must be to look for patterns of confirmation across approaches and studies, much like one sees an image in a mosaic of stones.

What Bruner suggests regarding mergers and acquisitions applies just as readily to other finance areas.

The debate about the usefulness of survey research is part of a wider discussion over the complexities associated with empirical research methods. Brownell (1995) admits that these complexities are never reported or even hinted at in the research itself, nor is there typically any explanation as to why effort is devoted to the particular methodological issues reported. In order to determine the usefulness of survey research we are required to take on a particular view of empirical research (Shields 1997). This requires that we be concerned with the extent to which attention has been paid to the traditional maxims of scientific method. Those criteria, consistent with the positivistic philosophy, help us decide just what a 'good' research method

is<sup>1</sup>. Researchers within this philosophical world-view argue that it is attention to these criteria that distinguishes the knowledge gained from science from 'ordinary knowing'. The most important difference between these two forms of knowledge is 'the extent to which scientific studies are on the alert for biased conclusions' (Kidder & Judd 1986).

Critical readers and research reviewers scrutinize the applicability of the theory and the tools that are used to test it. The concern is for how authors represent theoretical relations between constructs, how variables that emanate from a study's theory and hypotheses are constructed and how rigorous methods are applied to test hypotheses. Confidence in a particular theory or hypothesis is directly influenced by its ability to withstand empirical attempts to falsify it. Hence if opportunities for the introduction of biases in collected observations are not minimized, it will be difficult to place confidence in research findings and the informativeness of the study will be very limited.

In order to determine just what constitutes 'good' empirical research we must focus on two important questions: First, is the method appropriate for the research question being posed? Second, is sufficient attention being devoted to the three aspects that are commonly used to assess research conducted within a positivistic epistemology, *viz.*, construct, internal and external validity. These two questions are of-course inter-related and each of the criteria takes on a slightly different meaning depending on the methods used and, differs in importance, depending on the purpose of the study. Still, the importance of these criteria should be pervasive in every one.

Most research methods textbooks present the crucial first step in research as being one of choosing an interesting research question. How interesting the question will be depends on the state of the art at that point in time. Once the research question is determined, the method arises. Methods are meant to be means to an end not an end in themselves. Logically then

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<sup>1</sup> Philosophers and social theorists have had much debate over what constitutes science and the scientific method (*c.f.*, Bernstein 1976; Feyerabend 1975). In this paper science is defined positivistically. There are, of course alternate views of science and alternate criteria for evaluating what makes up 'good' science (*c.f.*, Chua 1986; Golden-Biddle & Locke 1993).

one should determine appropriate means once ends are clearly defined. Given the range of methods available, most research texts would advocate a deliberate choice process where several methods are considered before one is chosen. Finally, because research is seen as moving rationally in this linear two stage process (first choose the research question/end and then the method/means) the first criterion used to judge a piece of work is whether the research method fits the question. While this may seem simple enough, there are however strengths and weaknesses to any method and the researcher must, out of necessity, make trade-offs when designing the study.

In attempting to empirically measure abstract, theoretical constructs, less than perfect proxies must be used. Imperfect proxies mean there is always the possibility of them affecting tests of hypothesized relations. The discriminating ability and power of the research is affected then, not only by the quality of the underlying theory and statistical analyses, but also the nearness to which the proxies measure theoretical constructs. This concept of construct validity comprises three components (Nunnally 1978): Specifying the domain of observables related to the construct (telling the researcher which items to measure and evaluate in the second component); determining the extent to which observables validly or reliably measure one or many constructs (the empirical investigation to establish relations among the items measured); and, determining the extent to which measures of the constructs produce predictable results (establishing whether measured constructs are correlated with arguably related well-understood constructs).

In addition to having high construct validity, the evaluation of empirical work requires consideration of two other validity criteria. For a study to have high internal validity, it must be possible to be able to assert that variations in the dependant variables are either due to or a result of variations in the independent variable(s). There is then confidence in dismissing competing or alternate explanations for the results observed. This criterion was developed specifically in the context of experimental research (*c.f.*, Campbell & Stanley 1966; Cooke & Campbell 1979), where, since it is designed to provide evidence to support propositions about causal inference, it becomes critical to ensuring that competing explanations for observed relations can be eliminated. External validity, on the other hand, is

concerned with the ability to generalize the results, particularly the causal relations, of the study to and across populations of other people, places, times or contexts. The ability to extrapolate from a particular data set to the target population or other populations of people (population validity), settings or environments (ecological validity) and times (temporal validity) is seen as a desirable attribute of empirical research.

## **What Place then for the Research Survey?**

A summary model of the survey method is useful in determining its utility. Surveys differ from other social science research methods due to their form of data collection and the method of analysis. While the literature covers all aspects of the model, finding a concise 'recipe' for how surveys should be undertaken is rare. Either single aspects are covered in much detail without regard to the picture as a whole or the complete survey is only briefly described. All would agree that surveys should allow the relations between variables of interest to be studied rigorously. While the method was used solely as a fact-finding mechanism about a population in finance contexts, all was well. It is only when the method attempted to use sophisticated sampling techniques and statistical analyses to allow inferences to be drawn about the population that academics became nervous. After all, the data analysis does differ from that of conventional experimental research. Surveys contend that there are 'naturally occurring' variations between variables to be found, while conventional empirical research would create the variation either through manipulation or intervention (De Vaus 1992). The problem then, is that statements about relations between variables are not as robust as they are in secondary data experimental research, immediately creating an internal validity problem.

Moreover, because surveys attempt to adopt a broad scope by involving many cases for which data are collected about the same specific characteristics (or variables) that, by necessity, limits its ability to collect 'in-depth' data related to one or a small number of cases. Surveys all too often trade off depth for scope. However, in attempting to establish causal connections no statistical techniques are available to 'prove' causal relations from cross-sectional data. Importantly, academics are concerned about the degree of measurement error possible in the answers of respondents. In

particular there may be correlated measurement errors (*i.e.*, deviations from true scores that relate to deviations in other measures being analyzed). Andrews (1984) maintains that a major source of correlated error in survey data is methods effect - an effect that arises because the same method is being used to derive the measures. This inherent measurement error has the effect of decreasing construct validity.

The primary argument for a survey method is that it provides a cost-effective manner of collecting a large quantity of 'generalisable' data. However, survey research is best used to capture 'simple' constructs whose meanings are standardized and widely shared and problems arise when they are used in order to capture more complex constructs that are capable of taking on multiple shades/layers of meaning. There is therefore concern as to whether the method allows the construct of interest to be adequately captured. This is often demonstrated by a researcher's inability to find a correlation between different sets of responses, within the sample, to measures designed to represent the same construct.

In defining a recipe for sound finance research it would be helpful to begin by seeking out the preferences or opinions of participants on simple constructs that are formed outside of or exist prior to any theory. Areas that could be so assessed are corporate decisions surrounding investment, financing or dividend policies as well as issues related to investment and portfolio management practice, particularly around behavioural finance. Developing narrow constructs in these particular areas would enable the researcher to be clear about what data is being collected and why it's of importance to the study, before the data collection. The more convincing a study's measure of construct validity, the less prone critics would be to seek to attribute results to specific conditions that are unlikely to be repeated.

The second thing that should be done, concerns internal validity. In one sense, internal validity can never be achieved in many surveys as all the variables are measured simultaneously. Covariation does not imply causality, because while a resulting model may argue for a particular causal linkage, there is always the possibility of that relation running the other way, or even that unmeasured variables may explain the observed relations. Since it is not possible to rule out alternate plausible explanations for results, researchers

should ensure that they only describe the hypothesized variable as driving the results where sound prior theoretical arguments for that relation exist.

Finally, although surveys suggest a degree of external validity in that their findings have relevance to corporate practice, care should be taken as to how those findings are generalized from the sample to a target population. It would be wise simply to limit the unit of analysis to the sample frame. Generalizing to broader populations or settings (*e.g.*, different employee classifications, industry sectors or national contexts) is problematic. If a generalization were to be required, replications of the study within the broader population that shows similar results are necessary.

## Conclusion

The reality is that survey research is sometimes the only technique for gathering data and can thus offer unique insights about some research issues. In order to properly understand the value of surveys in finance it is helpful to think of them as being the research equivalent of the case study. Johnson (1994) defines a case study as an enquiry which

investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident.

Like the case study, survey research is able to offer evidence in support of a theory, usefully validating conceptual hypotheses empirically. It can also provide information on financial practices within specific contexts, particularly where that practice deviates from that which is theoretically envisaged. Gaining a better understanding of what the practice is and why it differs can help in the instruction on the difference between good practices and bad ones, in turn, helping learn more relevant and practical concepts and techniques. Unfortunately, also like the case study, it is difficult to distinguish out what is unique to the sample being considered with what is common practice, the degree to which the survey can relate to the general position being limited. Finance theory and practice can best serve each other if, though the theory be tested against practice, it be developed independently of that practice. Understanding the limitations of surveys

should help us use it most appropriately – as a tool that can add to the body of knowledge of the subject while not necessarily advancing its theory.

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# **The Matrix Method of Literature Review**

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## **Abstract**

In this contribution we document the concept matrix method of literature review that could be used as conceptual scaffolding at the beginning of a problem-based research project when the researcher's knowledge about the subject is finite and her/ his ignorance about it is more or less infinite. The concept matrix provides a means to systematise the process of literature review, thereby ensuring that a literature review does not become a subjective process stitching a patchwork quilt of references, or the unilateral cherry picking of references that supports one's point of view, while ignoring references that present contrary points of view.

## **Key Concepts**

Concept, concept matrix, epistemology, knowledge, literature review, matrix analysis, problem-based research

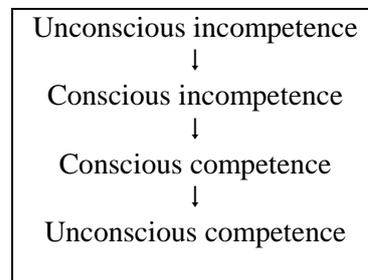
## **Introductory Remarks**

Matrix analysis of one sort or another has for the past century been used in a variety of disciplines to summarise complex aspects of knowledge

generation and to provide an eagle's eye perspective of them. Examples are formal probability theory (Popper 1959), linguistics (Chomsky & Halle, 1968; Quirk *et al.*, 1974; Chen & Wang, 1975, Lass, 1984), psychology (Fox *et al.*, 2001) and in communication science (Rugbeer (Y), 2004, Reddy 2004). The focus of this article, *the matrix method of literature review*, was popularised as a research tool in the health sciences by Garrard 1999, later reprinted as Garrard 2004. We have adapted Garrard's method somewhat to extent it to other disciplines and to make it more flexible from an epistemological point of view.

The matrix method of literary review protects the reviewer against ignorant assumptions about the research theme at a stage that s/he is the most vulnerable due to lack of knowledge about the topic under investigation. This of course relates to the conceptual domain of knowledge known as epistemology.

From an epistemological vantage point it is self evident that research mostly begins at a stage of total ignorance about the topic under investigation, progressing to a realisation of the extent of one's ignorance, to a stage of limited knowledge about it, and if one persists, to a stage of expert knowledge of the topic. All problem-based research therefore begins with ignorance, because conducting research about known subjects would be like reinventing the wheel. We propose the following four-phase knowledge competency continuum:



**Figure 1:** *Levels of competency when completing a conceptual task*

- *Unconscious incompetence*: being unaware of something, its relationship to other things, and how it can be used in conjunction with other things.
- *Conscious incompetence*: becoming aware that one does not know what can be known.
- *Conscious competence*: beginning to surmise, envisage and hypothesise the nature of something, its relationship to other things, how it can be used, but not yet being able to use it as intended.
- *Unconscious competence*: achieving an expert level of knowledge of something and its relationship to other things, how it can be used, and having achieved such a level of command of using it, that one can conceptualise it as forming part of newly understood events, and being able to utilise it without consciously focussing one's attention on it, so that one can focus one's attention on the general interrelationship and interaction potentials between that thing and other things.

The matrix method of literature review is a powerful and practical research tool that forms the initial scaffolding to help researchers sharpen the focus of their research and to enable them to rapidly progress from the initial state of conscious incompetence to the stage of conscious competence as outlined above.

### **Forms of Matrix Analysis**

Taking *Encyclopaedia Britannica* (2004) as point of departure the prototypical matrix can be characterised as a kind of a conceptual framework in table or grid format, consisting of a rectangular array of symbols that are arranged in rows and columns to form a symbolic set which, when used together as a set, enables a researcher to make conclusions about non-obvious relationships that exist between entries on the table. Where a row and column intercept in a matrix, one has a cell that contains a particular datum that contributes to the overall interpretive potential of the matrix. Matrices contain verbal information, quotes, summarised text, extracts from notes, memos, standardised responses and, in general, data integrated around a point or research theme that makes sense. In the main, matrices contain information about and explain aspects of research, and allow the researcher

to get a quick overview of data related to a certain point. In this very sense they serve a similar purpose to that of tables employed in quantitative research (Sarantakos 1998:359). Because matrices are powerful interpretive tools, they are currently being used in a wide variety of disciplines such as physics, engineering, economics, statistics, mathematics, logic, cryptography, linguistics, communication science, health science and information science.

### ***Matrix Analysis in Physics***

The term 'matrix' entered scientific discourse early the 20<sup>th</sup> century when Werner Heisenberg formulated his theory of Matrix Mechanics, which postulated infinite matrices to represent the position and momentum of an electron inside an atom. According to this theory one would only be able to probabilistically calculate either the position or velocity of an electron in orbit around the atomic nucleus because at any given instant it could occupy any position on the matrix. This meant that it was impossible to mathematically calculate the precise location of an electron on its set wavelength orbit around the atomic nucleus. This insight was formalised in 1927 as the uncertainty principle, which stated that it is impossible to simultaneously specify the precise position and the momentum of any sub-atomic particle in its orbit around an atomic nucleus because the orbit exists as an array consisting of an infinite number of rows, each row consisting of an infinite number of quantities. Popper (1980 [1959]: 326-348) demonstrates how matrix analysis has been used since early in the 20<sup>th</sup> century in formal probability theory.

### ***Matrix Analysis in Linguistics***

Chomsky and Halle (1968) and Lass (1984) extensively use matrix analysis to demonstrate that arrays of phonemes can be ordered and analysed in terms of shared and differing articulatory features. Quirk *et al.* (1974: 447) use semantic matrices to analyse shared semantic features in English maximisers like 'fully, thoroughly, totally' and 'absolutely,' and on pp. 982-1004 use matrix analysis to analyse the distribution of semantically negative English prefixes and suffixes. Chen and Wang (1975) use matrices to demonstrate

how phonological changes have diffused throughout the lexicons of different Chinese dialects over the course of several millennia.

### ***Matrix Analysis in Communication Science***

Under the entry 'cryptography' Encyclopaedia Britannica (2004) shows how matrices are used during the encoding and decoding of ciphers for the purpose of covert communications. Rugbeer (2004) uses concept matrix analysis to determine which semantic features English deception words share, and why clusters of particular words are used during particular forms of deception. Govender (2004) uses concept matrix analysis during the analysis of the subjective perceptions of arbitration officials regarding the root causes of conflict between aggrieved educators in KwaZulu-Natal, South Africa, and their employer, the KwaZulu-Natal Department of Education, as well as to analyse the subjective recommendations of the arbitration officials to improve arbitration procedures.

### ***Matrix Literature Review in Health Science***

Garrard (1999 [2004]) presents a coherent and easy to follow methodology for medical professionals to assist them to regularly and systematically review current medical scientific literature as part of medical best practice. Garrard's review procedure is designed to help medical researchers, clinicians and health care professionals to identify relevant literature, to organise and critically evaluate it, and to synthesise and incorporate major new research findings and the results of clinical trials as the basis for medical research design, and to help them to make decisions about the most efficacious treatment and care of their patients.

After defining the basic principles of literature review, Garrard explains how an information management plan ought to be designed prior to actual research so that facts abstracted from sources can be properly organised and analysed. Garrard finally explains how the review matrix ought to be used to synthesise and thematically index the contents of various sources in relation to the problem under review.

Using the method popularised by Garrard (1999) in the health sciences, and acknowledging Garrard (1999) in their list of references, Pongjaturawit and Harrigan (2003: 189-194) use a six-page matrix to review

literature on parent participation in the care of hospitalised children, under the concept matrix headings, *Author, Purpose, Design/ sample, Measurement and Results/ country*. Similarly, Jintrawat and Harrigan (2003: 86) use a brief matrix to review literature regarding the beliefs of Thai mothers about the causes of acute respiratory illness among their children, under the concept matrix headings *Author, Type of illness, Categories of beliefs of illness causation and Causes of illness*.

### ***Matrix Literature Review in Informatics***<sup>1</sup>

Alavi *et al.* (1989) provide a twenty-year status review of Management Information Systems (MIS) research, based on the systematic comparative analysis of 792 articles from seven core journals for specific IS themes. From these comparisons they developed a classification framework that subdivided articles into non-empirical and empirical ones, and that encompassed sub-sub-classifications for non-empirical and empirical articles. By way of example, their sub-classifications of empirical articles distinguished articles that focused on objects such as types of systems, products and installations, and articles that focussed on events and processes such as laboratory experiments, field experiments, field studies, case studies, surveys, etc. Alavi *et al.* (1989) show that in two-year periods stretching from 1968 to 1988 there was a steady rise in articles with an empirical as well as a non-empirical research focus, with slightly more non-empirical articles than empirical ones having been published in each two year period, with the exception of the last two year period, 1986 to 1988, when the trend was reversed.

Webster and Watson (2002: xiii) state that since the 1970s the study of Information Systems (IS) has progressed from developing classification systems, of which Alavi *et al.* (1989) is a good example, to the development of conceptual frameworks. Webster and Watson (2002) further note a paucity of literature review articles in IS, which they ascribe to the youth of

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<sup>1</sup> We are using *Informatics* as cover term for Information Systems & Technology (IS&T), Information Systems (IS), Management Information Systems (MIS), Information Communication Technology (ICT) and Computer Science (CS).

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the field and ‘the complexity of assembling a review in an interdisciplinary field.’ Webster and Watson (2002: xvii) show that literature reviews traditionally are either concept-centric or author-centric, and propose the use of a concept matrix in which the presence and absence of particular research themes are traced throughout groups of articles. In this approach the articles are listed below one another in the leftmost column of the matrix, with concepts A, B, C, D ... being listed at the head of subsequent columns so that for each article the presence of a particular concept can be marked with a right tick (✓) in the appropriate cell of the matrix. The use of such a concept matrix enables the researcher to directly establish at a glance, which articles deal with a particular research theme, enabling the researcher to explicitly identify, classify and assess facts thematically, rather than infer them indirectly from memory of articles read in isolation of one another.

### **Three Cases of Problematic Literature Reviews that Could Have Benefited from Matrix Analysis**

The cases presented below are examples of misappropriating literature that the authors experienced as supervisors. It is a small sample that demonstrates that students, if not advised properly, can lose track of what they need to do.

#### ***Case One***

The student was a doctoral candidate and could not determine when to stop his literature review and ended with a literature review of 180 pages. When the supervisor requested that the student cut this down, the response was ‘You tell me what to cut out.’ The student belonged to the conscious incompetence branch of the competency quadrant. This student should never have been accepted for a doctoral study.

#### ***Case Two***

The student was another doctoral candidate who argued that he was using grounded theory to inductively generate a new theoretical framework from collected data because he could not find enough literature to review on his topic. The supervisor agreed that the grounded theory approach could be

appropriate if the research theme falls within an emerging field of knowledge generation. However, to the surprise of the supervisor he soon thereafter received a literature review of 100 pages of theory from the candidate. The supervisor then pointed out that the grounded theory approach would be inappropriate because the student had found more than enough theoretical literature to review. The student clearly was not aware of the appropriate conditions for using grounded theory, which placed him in the unconscious incompetence stage of conceptual competency. The supervisor argued that the student should not use grounded theory and that he should reduce the theory to at least 45 pages.

### ***Case Three***

The business student started a proposal and was advised to use headings. He used some headings and when advised to list specific headings, argued that he would slot it into the introduction. The student's supervisor eventually could not make out head or tail of the unsystematic literature review that was presented.

## **Building a Concept Matrix to Organize and Constrain a Literature Review**

How a matrix is to be constructed is a process that relates more to the personal creativity, proficiency and originality of the researcher than to rules and principles. Miles and Huberman 1994: 240-241 state that there are no *correct* matrices, only *functional* matrices. Researchers should keep in mind that they will have to modify earlier versions of literature survey matrices as their understanding of their research topic grows.

Figure 2 below provides a sample concept matrix:

Theme: Using Information Communication Technology to deliver e-Education

References	Concepts												
	e-Learning	e-Rate	Digital Divide	e-Readiness	Odyssey Project	Technology acceptance	TAM	Digital Inclusiveness	Multipurpose Community Centres	ICT for Development	E-Schools	Smartphones	m-Learning
Averweg (2005)						✓	✓						
Baylor <i>et al.</i> (2002)													
Boss (2002)					✓								
Bridges.Org (2005)			✓	✓									
Buthelezi <i>et al.</i> (2005)								✓					
Chasa (2003)			✓										
Chen <i>et al.</i> (2008 sic)													✓
Cradler (2003)	✓	✓											
Demetriadis <i>et al.</i> (2003)					✓								
Dumas (2004)												✓	
Easton <i>et al.</i> (2000)			✓										
Federal Comm. Commission		✓											
Economist Intelligence Unit (2002)				✓									
GCIS (2001)								✓					
Guerhazi (2003)			✓										
Hall <i>et al.</i> (2004)												✓	
Harris (2002)	✓												
Hargittai (2002)			✓										
Hoffman <i>et al.</i> (1998)			✓										
Hu <i>et al.</i> (2003)							✓						

Figure 2: Section of a concept matrix

As can be seen above, the layout of the concept matrix is straightforward. In the leftmost column the references to be reviewed are listed in abbreviated Harvard style. The head of each column displays concepts that have been derived from the problem statement of the research project. If a concept is discussed in a particular reference a tick is placed in the appropriate cell. This approach enables the researcher to conduct a critical comparative literature review of all references listed under each concept. This approach emancipates the reviewer from the tyranny of being trapped within a particular reference, and from merely providing general paraphrases of references. It also enables supervisors to establish at a glance that only relevant literature is being reviewed and captured in the bibliography because references that do not appear on the concept matrix may not form part of the literature review and may therefore not be included in the bibliography.

## **Discussion and Conclusion**

The literature review involves a qualitative content analysis of available information already published in some form. It can be a study of the research object alone, with the aim of collecting information about its structure, process and relationships, increasing the familiarity of the researcher with the research object and establishing the credibility of the project. In addition, it can consider previous research, attempting to link it with the study currently planned. It may also be geared towards a historical or comparative analysis of the issue in question so the current study can be placed in a historical context. Finally, it may review a theory of methods and techniques most suitable for the study, simply by looking at the ways other researchers have approached the topic, and by evaluating their suitability and effectiveness (Sarantakos 1998: 129).

Punch (1994: 93) writes that without adequate training and supervision, the neophyte researcher can unwittingly become an unguarded projectile bringing turbulence to the field, fostering personal trauma (for researcher and researched), and even causing damage to the disciple.

There are many cases where students have attempted to conduct a literature review (see some previous section) but many failed and their studies therefore failed as well. O'Neill in Wellington *et al.* (2005: 89) states that conducting a literature review is a bit like climbing your way up a pyramid, where the total area at any particular point in the climb represents the search area for the review at that particular moment in time. You start in the largest area at the bottom and slowly move upwards, all the time refining and narrowing your searches, as you move from incompetence to competence.

Wellington *et al.* (2005: 87) state that reviewing the literature involves searching, collecting, prioritising, reading with a purpose and seeking out key issues and themes, and then presenting and discussing these critically. The aims of a literature review are:

- To establish which of the problems identified for solution by means of empirical research have been solved by other researchers so that they can be removed from the research equation
- To give readers a clear idea of the nature context of one's research
- To convince the reader of one's knowledge of the field

- To build a case for the empirical part of one's study

If one looks at the way novice researchers attempt to survey literature, it seems that the supervisor has failed to acquaint the student with the different phases for conducting a proper literature review. The first phase is where many students get stuck and remain – they cast about collecting data with no defined problem statement from which they extract keywords to serve as filter for the identification of relevant literature. They read each reference in detail rather than using abstracts and summaries to establish relevance, and they start summarising the literature with no plan in mind, and end up with a document without a proper layout, showing no coherence and progression, and in many cases ending up perpetrating intentional or unintentional plagiarism because they have not kept track of the sources of the ideas that they jotted down so that, even if they wanted to, they cannot properly acknowledge their sources. This is the first and probably the worst case scenario. In our view it reflects a mindstate of unconscious incompetence.

The next phase is when students begin to appreciate how little they do know of the topic, but they set out without a plan and write unsystematically without knowing where they must stop creating pages upon pages of copious notes. They rely on the supervisor to tell them what they must leave out. We call this phase conscious incompetence. The next phase is conscious competence. In this phase the student becomes aware of the fact that s/he is coming to grips with the major references that relate to the problems under investigation. Due to the student's newfound confidence is sometimes difficult for the supervisor to properly advise the student what to, leading to disagreements about what should be included in the literature review and what should be left out and often leading to unfounded mistrust on the side of the student.

The final phase is where the student has become a true researcher. This stage we refer to as *unconscious competence*. The student creates a proper problem statement and extracts key concepts from it that s/he then uses to search for refereed literature to be used in the literature review. By using key concepts derived from the problem statement, the *problem statement itself becomes the filter* that ensures that only literature relevant to the problems under investigation forms part of the review. This method also enables the researcher to determine to what extent problems that s/he has identified have been solved by other researchers, enabling the researcher to

remove solved problems and *reformulate the original problem statement, the research objectives and the research questions*, the latter which forms the basis of particular more detailed questions posed to respondents in research instruments like questionnaires and interview schedules.

The researcher generates content for the concept matrix by surveying *only the abstracts and summaries of references*. Once the appropriate literature to review has been identified the researcher commences with the literature survey proper, which entails a critical analysis of each reference to identify potential solutions to the problems under investigation. The critical analysis of individual references should be followed by a critical comparative analysis of all references that are listed under a particular concept, to establish differences of opinion, converging opinions and consensus among experts under review.

In this approach to literature review the researcher systematically reads each article, considers the validity of what is being read, and thereafter classifies the reference thematically. The importance of using this method is that the student must realise that s/he cannot use everything in an article but should instead concentrate on those aspects that relate to the problems under investigation.

The key concepts on the matrix therefore become the key concepts embedded in the headings in the literature review. The concept matrix enables the researcher to subject all literature to critical comparative analysis. The references that have been ticked on a particular column of the concept matrix are subjected to critical comparative analysis in the thesis. The concept matrix also enables the researcher to establish at a glance whether s/he has identified enough references under each concept.

The researcher can order each column of the matrix in different ways to foreground different aspects of the knowledge contained in it. The matrix can be reorganised according to:

- Publication date, demonstrating longitudinal aspects of the topic (*time-ordered matrix*)
- Table rows containing verbal information about the view of role occupants on a specific issue of the project (*role-ordered matrix*)
- Integrated data on a summative index or scale, thus organising several components of a single, coherent variable (checklist matrix)

- A central theme (*conceptually clustered matrix*)
- Outcomes and dependent variables (*effects matrix*)
- Present forces that are at work in particular contexts showing processes and outcomes (*site dynamics matrix*)
- A series of events displayed in any possible order (*event listing*)
- A field of interrelationships between dependent and independent variables, describing causal connections between them (*causal network*) (Sarantakos 1998: 360)

Wellington *et al.* (2005: 83) state that in writing about the literature, you are adding to it, by creating links, drawing attention to particular issues and contributing your construction of the 'story' to be found in existing research.

It is a long and 'rigorous' road for a researcher to progress from unconscious incompetence to unconscious competence. The supervisor will have to be patient and has to ensure that the student keeps a proper record (the matrix) of the process. The matrix should be added as an appendix into the dissertation. The student cannot move directly from unconscious incompetence to unconscious competence but has to follow each stage the sequence of understanding shown in Figure 1.

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# Those Who Can, Do, and Those Who Cannot, Teach

**Johan van Loggerenberg**

## **Abstract**

The paper explores the relationship between universities and industry and the opportunities available to academics doing research in Information Systems (IS) field in the event of creating and maintaining a successful relationship. In order for such a relationship to stand any chance of success, both parties have to benefit explicitly or the relationship will not be sustainable. It is therefore important to understand the differences and similarities that exist between universities and industry. In this respect the driving forces, focus areas, management styles, metrics, rewards and penalties of universities and industry are explored for similarities and differences. The analysis of a typical day in the life of the IS academic and a day in the life of a Chief Information Officer (CIO), is used to highlight the differences between a typical IS academic (representing university IS teaching and research) and a typical IS practitioner (representing people practising IS in industry). In order for research to be valuable to industry, research needs to be relevant not only in terms of time but also in terms of content and has to be written in a way which is accessible and understandable by the IS practitioner. The dilemma these requirements pose to the IS researcher, is explored in the paper by re-examining the issue of rigor in research versus the relevance. Reference is made to several academic articles on the subject. The paper attempts to identify ways in which the two 'worlds' of university and industry can be brought closer together without the IS academic having to sacrifice his/her primary goal of doing research, but, at the same time, to also address the needs, expectations and requirements of the IS practitioner. Opportunities for research and the

resultant publication of academic articles stemming from this 'symbiotic relationship' are explored. Reference is made to successes of the department of Informatics at the University of Pretoria in its attempts to create and foster a closer relationship between its academics and industry practitioners.

**Key terms:** Information Systems (IS), IS Researcher, IS Practitioner

## **Introduction**

The view IS practitioners have about academics in the field of IS, is often one of scepticism regarding the ability of academics to 'make it' in the world of IS practice. The implication of the quote used for the title of this paper, is that the reason why academics are in the teaching profession is that they would not be able to successfully practise IS outside of Academia. Senn (1998) quotes a sceptical CIO as follows:

If I want to know what works or what is being tried, I'll pick up the phone and get a hold of my counterpart in other companies... With few exceptions, the academic IS community doesn't have a clue.

This view is potentially created as a result of IS practitioners either simply not understanding what academics are trying to say or that whatever academics are actually saying may be totally irrelevant to the IS practitioner. Robey and Markus quote a practitioner saying: 'From a practitioner's point of perspective, academic writings are literally unreadable' (Robey & Markus, 1998: 8). Sears and Pickler (in Benbasat and Zmud, 1999) put it even more strongly:

Journal and Review seem written by academics looking to impress their fellow academics with their ability to use polysyllabic jargon to confuse and obfuscate.

Westfall puts the shoe on both feet: 'IT is managed by people who don't understand it, and understood by people who don't manage it' (Westfall, 1999). Of course, the possibility must exist that there may have been cases where a person has indeed been more 'successful' as an academic than as a practitioner, but to generalise would be unfair and wrong. After all, practitioners and academics require different skills to be successful.

Much of the perception could be as a result of how IS practitioners view the deliverables and knowledge of IS academics. These outputs are mainly students graduating from universities and research published. Many IS practitioners are of the opinion that graduate intakes have to be 're'-trained before they become productive. Little of what gets published by IS academics is read by IS practitioners for a variety of reasons which will be explored later in this article. Davenport (1997) light-heartedly remarks when writing about IS practitioners: 'Curled up with Information Systems Research lately?'

Irrespective of what the reasons that gave rise to the perception may be, the fact that IS practitioners may have such a view of IS academics, is enough reason for the any IS academic to give some serious thought to the matter. The objective would not be to prove the perception incorrect as this would purely be to adopt a defensive position. Far more should it be an attempt to bridge the gap between two worlds that may be quite different to one another, but two worlds which share the same field of interest and focus. Instead of developing in isolation and each serving its own selfish interests, they could work more closely together for the benefit of both. Robey and Markus (1998: 14) warn that both parties stand to lose if they don't work together.

### **Research Design**

This research re-examines the individual roles of the IS academic and the IS practitioner and the relationship between them by combining what researchers have said about the subject with the researchers own experience. Many examples exist in practice where these two groups function quite independently from one another, seemingly without much of a problem. This

research addresses the problem of whether these two groups indeed need one another by taking a theoretical approach. It surveys the literature to examine the role and function of the IS academic and re-introduces the rigor vs. relevance debate. By contrasting the worlds of the IS academic and the IS practitioner, a deeper understanding is obtained. It concludes by looking at an instance of where IS academics and IS practitioners work closely together and explores the benefits of such a relationship.

### **The World of the IS Academic**

Before an attempt can be made to bridge the gap between the world of the IS practitioner and the world of the IS academic, it is necessary to take a closer look at these two worlds. For simplicity sake, the world of the IS practitioner, will be called 'industry' and the world of the IS academic will be called 'university'. The names of these categories must not be interpreted to be too narrowly. 'university' must be interpreted to include any institution of higher education and 'industry' to include any form of business other than the business of education and form of non-profit organisation.

The first dimension to be analysed, is the environmental factors driving the world. Industry is mainly driven by very strong market forces based upon the economic laws of supply and demand. There is almost without exception a strong motive for creating wealth for the owners (shareholders) of the business. Even though other entities (stakeholders) are acknowledged and specific business efforts are directed to meet their objectives (eg. in terms of the environment), these are mostly given lower priority than the wealth creation goal.

Until very recently, universities could afford to be far more internally focused than their industry counterparts. Competition between different universities has been and still is weak, relative to their industry counterparts. Residential universities mostly attracted students from their geographical location (convenience), or as a result of a specific niche carved out by them in terms of language, beliefs and/or values. Customers of universities (students) have traditionally been far less demanding than customers of industry and, as a result, universities can afford to be more inwardly focused than industry.

The second dimension for analysis, is that of results. Industry is mainly measured on financial success. The metric used for this measurement is simple, unambiguous, clear and regularly reported in the annual financial statements. Public companies are scrutinised by the public and the investment community and industry watchdogs (auditors) ensure, as far as is possible, that high standards are applied so that comparisons can be made with relative ease. Less emphasis is placed on how these results have been achieved (within accounting practices and corporate governance principles); as long as profit and other objectives have been achieved. The process is therefore secondary to the results.

It is less clear how success is defined for and by universities. Some universities quote the number of registered students as a measure of success, whilst other seem to be quite satisfied to measure their success in being a niche player with a relatively low number of students. Research output (quantity and quality) seems to be recognised between universities as a measure of comparison, but it is doubtful if this is necessarily recognised by prospective students or their parents (i.e. the public). In whichever way universities measure their own success, or how the public measures success of universities, there is no standardised measurement similar to the one found in industry.

The biggest differences between universities and industry are probably found in the management style prevalent at each. If a particular management style is practised long enough, it usually gives rise to a specific culture found in the organisation. One could therefore say that the culture of a university differs substantially from the culture typically found in industry.

Although many companies may deny this, the style most used by industry, leans very heavily towards autocracy whereas the style used by universities is more of a democratic nature. Language used in industry Executive Committees and Boardrooms is mostly to the point and direct whereas language used at universities is more indirect and evasive. Fierce arguments, often spiced with strong words, are not uncommon in industry, whereas politeness and respect for opposing views is more common at universities. Interestingly enough, it would seem that conflict at universities

is more personal in nature than in industry, at least from the author's experience.

Good personal performance in industry is usually in some or other form of financial reward and symbols representing success is commonplace. Failure in industry is usually dealt with severely and could either take the form of outright dismissal, or being moved sideways to the company's 'Alcatraz' from where the only way to escape is resignation. Good personal performance in universities is rewarded through recognition by peers and authorities whilst little seems to be done regarding underperformance.

Although the differences describe above are gross generalisations and very much based on the experience of the author, any person having been exposed to both worlds, intuitively recognise that there are some real differences. One must also acknowledge that there are always exceptions to any generalisations. What is important is to note that the world in which the IS academic lives and the one in which the IS practitioner lives, are vastly different. The objectives, the principles, the practices, even the values and the ethics, can be significantly different.

Yet, the discipline of Information Systems is the same in both worlds. The IS academic studies the discipline in order to understand it better. The IS practitioner must practice it every day. The discipline of IS is the binding force between these two worlds.

### **The World of the IS Practitioner**

The focus of the IS practitioner is on operational service delivery activities. Very few companies nowadays are not entirely dependent on the flawless functioning of its IT infrastructure at least during working hours, but in many cases on a 24x7 basis. The days of having more than enough in the IT budget have long gone and the IS practitioner, like the rest of the business is constantly expected to 'do more with less'. As a result of the focus on operational issues, the IS practitioner finds little time for longer term planning and still less time to undertake the necessary IS research that has to go into such planning.

IS service providers play an important role in the lives of IS practitioners and the performance of these service providers is, in many

cases, a direct reflection of the company's perception of the performance of its IT department. Very often IS practitioners have to rely heavily on the 'research' done by Service Providers, published in so-called White Papers to keep them abreast of what is happening. Many IS practitioners realise that these documents are sometimes biased towards certain products and that the 'research' that went into the document is rather shaky, but still accept it in the absence of something better.

IS practitioners work long hours and spend long periods away from their families, but is mostly adequately rewarded in terms of attractive salary packages and other 'perks'.

IS academics are also faced with a substantial workload. Student numbers have increased over the last years and a hundred or more students in post-graduate classes, has become the norm rather than the exception. Preparing for lectures, presenting the lectures (sometimes repeating the lecture in another language), answering students' queries in person and via email and the marking of assignments, tests and examinations, translate into many hours. Apart from teaching, the IS academic is also expected to undertake research, leading to the publication of articles in accredited Journals. 'Publish, or perish' is the maxim.

The third component of the IS academic's task, is to be involved in 'Community Service'. This component takes on a variety of forms, ranging from getting involved in voluntary community upliftment initiatives to paid consulting work in an attempt to enhance what is generally considered to be a meagre salary package.

The priority given by IS academics to the three components varies, but in most cases teaching takes priority. Lecture times are fixed and as a result, takes the highest priority in most IS academic's lives. Answering long queues of students' queries is also something which cannot be delayed for any length of time and takes second place. Third place is usually shared by research and 'community service' and priority is often dictated by the financial needs of the family more than anything else.

An argument often used by IS academics actively engaged in private consultation, is that it benefits the university and the students in the sense that it provides the person with industry experience which can be applied in

either teaching or the classroom. Whilst this is true in many cases, it is not always found to be the case. A fairly popular way for a number of IS academics to earn an extra income, is by marking examination and/or test papers for other academic institutions. It is difficult to appreciate how this could significantly benefit one's own university or students.

Some IS academics, however, do get involved in industry. Whilst some of this activity may be of a commercial nature mainly benefiting the individual, others definitely are aimed to learn more about industry and to obtain first hand experience of problems and opportunities faced by IS practitioners.

Likewise, some IS practitioners get involved in academia, leading to what is sometimes referred to as the 'Reflective Practitioner'. Davenport (1997) acknowledges this, but calls them 'an endangered species'. A number of IS practitioners managed to complete their PhD's despite the pressures of work. Some of these and others are involved in part-time lecturing, or acting as external examiners.

## **Opportunities for IS Academics and IS Practitioners Working Together**

IS academics and IS practitioners are essentially working in the same discipline, namely the field of Information and Communications Technology (ICT). However different the university and industry environments may be, IS academics and IS practitioners face the same challenges in terms of the discipline.

IS academics are primarily interested in the theory underlying the discipline whereas IS practitioners primarily apply the theory in practice. The one aims for understanding the fundamentals; the other aims to put it to best use in business.

Although different, these are like to the two sides of the coin. The one cannot be separated from the other. They feed on one another; providing input into the other and assessing the output in order to gain better understanding. Unlike the Yin and the Yang, both components experience growth in the process. One does not grow at the expense of the other.

Is there a precondition for this symbiotic existence? The answer lies in relevance. The IS academic would be interested in the work of the IS practitioner as long as what the IS practitioner is doing, is relevant to the IS academic and vice versa.

### **Relevance in IS Research**

The debate in terms of relevance versus rigor in research has been a long-standing one in IS. Business Schools faced this criticism in the 1950's when it was said that management education was 'devoid of intellectual content' (Robey & Markus, 1998:7). This led to a bigger emphasis on more rigorous research, but with the result that in the 1980's, Business Schools were then criticised of being irrelevant!

Not surprisingly, the field of Information Systems also experienced the criticism that IS research was 'not relevant, reachable, or readable' to IS practitioners (Senn, 1998: 23). Several articles on the subject appeared in 1998 in a single edition of the Information Resources Management Journal on the subject. Robey and Markus (1998) point out that careers and respect in academic institutions depended on the ability of scholars to publish their research in peer-refereed journals that are well-known for rigorous research, but that these journals were seldom read by IS practitioners. Other, non-peer-reviewed publications (typically White Papers prepared by vendors) 'stepped in with timely reports on the practical implications of numerous emerging technologies' (Robey & Markus, 1989:8). They argue that rigor and relevance are not mutually exclusive and coin the term 'consumable' research to mean a combination of both. The intent with this kind of research is that it is more digestible to IS practitioners, yet academically rigorous.

A similar debate took place the following year in the prestigious flagship of academic IS Journals, MIS Quarterly. Various articles by renowned authors appeared (Applegate, 1999; Applegate and King, 1999; Benbasat and Zmud, 1999; Davenport and Markus, 1999; Lyytinen, 1999; Lee, 1999; Kavan, 1998). It was clear from this that the 'big guns' of the academic world, were taking notice of the issue.

Davenport (1997) identified the need for universities and industry to take hands. He convincingly argues the case for business to take an active

interest in what is taught by universities and to assist in shaping the courses in order to obtain a more suitable product for their businesses, but also encouraged academics to 'make contact with the real world' (Davenport 1997). He quotes examples in the medical and legal fields where this has been achieved with much success.

In the article, he identifies two possible reasons for the weak relationship between IS practitioners and IS academics, namely the career and promotional system in use at many universities and the desire to be respected by their peers (Davenport, 1997). He argues that academics strive so hard to be recognised and respected by their peers for their rigorous research, 'that most of us have lost all relevance to the business community' (Davenport, 1997).

Benbasat and Zmud (1999) agree with the views of Davenport. They argue that rigor and relevance are not mutually exclusive. 'Relevancy does not imply that research needs to be carried out in a less rigorous fashion'. According to them, much of the problem can be blamed on the way researchers write their articles, such as a 'scholarly' tone and lengthy 'homages to the "literature"'. Although they appreciate the problem that much of the time of academics goes into teaching, they point out that academics need to spend time with IS practitioners in order to gain firsthand exposure to the problems they are facing.

Davenport and Markus (1999), reflecting on the article of Benbasat and Zmud, agree with their views, but feel that they could have gone further. They again make the point earlier made by Davenport in 1997 regarding the examples of academics in medicine and law who are quite active in their industries. They point out that academic journals are seldom read by IS practitioners, and that 'hybrid business-academic' journals, such as Sloan Management Review have a much higher subscription than, for instance, MIS Quarterly. This implies that IS practitioners attach more value to these publications than the accredited IS research journals. They make a plea to IS academics to support these 'hybrid' IS journals.

In the same article, Davenport and Markus (1999) point out that IS Consultants have to a large degree, taken the place of academics by publishing in journals such as McKinsey Quarterly and others. Although the

research which appears in these journals is not always of a high standard, IS practitioners gain more from them than from the academic journals.

Lee (1999), at the time of the article the editor-in-chief of *MIS Quarterly*, reacts to the view of Davenport regarding the examples of medicine and law by pointing out that these disciplines 'are not natural sciences, but professions'. He argues that the goal of inquiry into professions, is totally different from the goals of inquiry into natural science. He quotes Kuhn to point out that for IS researchers to find their research topics in industry, 'they might succeed only in explaining what practitioners are already doing'. Lee is not convinced that only what IS practitioners consider to be relevant, needs to be relevant. In fact, he calls for some research to be done regarding relevance itself.

Westfall (1999), taking into account the debate a few months earlier in *MIS Quarterly* and by quoting many other articles as well, wrote a passionate 'relevance manifesto'. In this article he takes a scenario planning approach to the problem of relevance vs. rigor and concludes that the real aim of academics should be to shape and deliver properly prepared graduates for industry.

Denning (2002:19) argues that obtaining funding for research would become easier if the projects proposed for funding add value to the funding organisation. He points out that the academic research performed at most universities has little regard for the practical side of IS (read as: relevance) while applied research is really what is required by industry. Academic research has a window of 20 to 50 years and applied research one of 2 to 5 years, according to Denning.

Although nothing matching the intensity seems to have been published on the topic since the 1999 debate, no clear winner has emerged. Much of the criticism expressed by Benbasat and Zmud, Davenport and others would still be true today, despite the 5 years that have passed since then. It can be argued that the debate may have initiated publication of the *MISQ Executive*, aimed more at the IS practitioner.

Institutions of Higher Education will always have their own research goals and good arguments can be made out why rigor is essential and why not all rigorous research is necessarily directly relevant to the IS practitioner.

That is the nature of research. Relevant concepts from pure research will always filter through to the IS practitioner via White Papers, or through channels where IS academics do have close links with industry.

It would therefore seem that it is left to individuals and Schools of IT to decide for themselves where they stand on the issue. The fact that not much is published about the issue lately, may be an indication that the right of the individual is recognised and accepted by all and sundry, bringing harmony and creating a peaceful environment where the focus is on other, probably more important issues.

## **IS Research at the Department of Informatics at the University of Pretoria**

Since its inception in 1989, the department of Informatics at the University of Pretoria has always valued a close relationship with industry. Not only have some staff members successfully involved themselves in consulting or other roles in industry, but IS practitioners have regularly been involved in classes as guest lecturers.

By implication and deliberate choice, the department decided that it wanted to be relevant in terms of curricula and research while at the same time maintaining the necessary high standards for research. Over the years, a number of interactions between university and industry took shape.

Graduate curricula include a 4th year level 'internship' of 560 hours in the B.IT course and 3rd year B.Com students have to complete a systems development project for which they have to find the requirements outside of the university environment. Some of these projects have astounded IS practitioners who are invited to attend a 'project day' when students get a chance to 'show off' their projects to peers, staff, vendors and industry. Some even took the projects they did in their graduate studies and started businesses with the aid of the 'IT Coachlab', an incubator for ideas funded jointly by the university and industry.

IS practitioners, having appropriate post-graduate qualifications, are used extensively as guest lecturers, but also as external examiners and moderators.

An Advisory Committee, consisting of senior IS practitioners, has been in operation for many years to advise the School of Information Technology (the departments of Computer Science, Informatics and Information Science). This Committee advises the School on various aspects such as course curricula, duration, staff matters and relevance in general. It is chaired by the Dean of the Faculty to demonstrate the importance the university attaches to this initiative.

The department also has formal relationships with businesses. One company sponsors a Chair in the department and another provides funding for prizes for best-performing students and subsidises staff attending overseas conferences. These relationships are highly valued and the efforts have lately been intensified to include regular exchange of information, focused research, identification of research topics for post-graduate students and staff members. One member of staff is a standing member of a senior management decision-making forum of one of these businesses. More businesses have been targeted and it is expected that the number of relationships will increase in the very near future.

As a result of the interaction with industry, the department has become quite well known in business circles. This led to a healthy stream of students registering for post-graduate courses. More than 100 students are currently enrolled for the B.Com (Hons) course and 72 are in the M.IT course. Industry is encouraged to suggest research topics for these large numbers of students. The result is research topics that are relevant to industry with the academic staff making sure that research standards are maintained.

Industry willingly contributes to a prize giving ceremony to best-performing students at a gala-event. The benefit to students is that they get publicly recognised and rewarded for hard work, but it also puts them in direct touch with potential employers. The benefit to industry is a healthy source of recruits.

The purpose of these interactions is to ensure that the department remains in touch with what takes place in industry. The opportunities for

research that have been identified with the interaction to date, are both astounding and encouraging. The benefits to the businesses are clear and their appreciation is reflected in the enthusiasm they show in involving the department in their problems and challenges.

## **Conclusions**

IS academics are often criticised by their practitioner peers that they are in academia because they were not (or would not be) able to 'make it' in industry. 'Those who can, do', it is often said, 'and those who cannot, teach'.

This quote is a crude generalisation, blatantly unfair and mostly said tongue in cheek, but at the same time, an element of truth is probably present. There is a real danger that an IS academic can isolate himself so far from the practical world that nobody takes any notice of what he does, say or write. One would not have to look far to find an example. At the same time, it must be said that there is a risk that IS practitioners know dangerously little about the fundamentals of the IS discipline.

The solution proposed is a closer relationship between the IS practitioner and the IS academic. There is clearly room for synergy. The IS practitioner can learn much from the IS academic and likewise, the IS academic can learn a lot from experiences of the IS practitioner. There is potential for a symbiotic co-existence between these two. What makes it perfect, is that both camps benefit enormously.

It may even be possible to envisage a day when the ICT industry, in working together, is eventually recognised by business as truly professional and truly adding value to their businesses. As long as we function in isolation from one another, this goal will elude us. Only if we work together, we will be able to take our rightful place on the podium.

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# **Academic Research and Management Practice: Is the Relevance Gap Closing?**

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## **Abstract**

Over the last decade, there has been much debate in academic research circles bemoaning the fact that management practitioners are not using the academic research being produced in universities. These debates have focused on the research rigour and relevance debate and on the need for new forms of social organisation for the production of management knowledge encapsulating concerns about the structure of business schools, the nature of management education and the conduct of research. Yet, despite this debate and the clamour for increased relevance, the amount of funding that academics are attracting directly from business is continuing to decline. The purpose of this paper is to stimulate debate on these issues.

## **Introduction**

In the recent past there has been an appreciation in the business strategy literature, typified by Nonaka and Takeuchi (1995), that knowledge is an essential, non-imitable element of a firm's competitive strategy. Government policy all over the globe has increasingly focused on 'knowledge transfer' from universities to businesses as a policy goal and universities being in-

creasingly exhorted to develop effective partnership relationships with businesses to capitalise on, exploit and transfer the knowledge being created in universities in order to enhance the competitiveness and productivity of businesses. While these initiatives are focused much wider than the transfer of management knowledge, and often focus on transferring and then exploiting technology to return revenue back into an under-funded higher education system, one might expect that the adoption of the outputs of the academic research being carried out in schools should lead to the improvement of the competitive position and improve the productivity of businesses assuming, of course, that university-produced research outputs are relevant, applicable and capable of being implemented.

Despite this hope, experience would lead us to feel that this transfer of management knowledge is not taking place. Indeed, there is evidence to suggest that academic research has had, and continues to have, little effect on management practice (see Ford *et al.*, 2005; Brannick and Coghlan, 2006; Keleman and Bansal, 2002; Tranfield and Starkey, 1998; and, Starkey and Madan, 2001). These concerns are far from new and there are references going back to the early 1980s expressing concerns that academic research had had 'little effect on the life of organizations' and that more effort needed to be applied to achieving 'greater utilization of organizational research' (Beyer, 1982: 588 *cited in* Vermeulen, 2005: 978). Ghoshal (2005) even went as far as to suggest that bad management theories were actually destroying good management practices. Academic research, as currently enacted, seems to have a considerable 'utilisation problem' and a low level of 'face validity' among practitioners. As Rynes *et al.* (2001: 340) argue, executives rarely turn to academics or their research findings to solve problems and academics rarely turn to practitioners when they are trying to frame research questions or 'for insight when interpreting their results'. Despite these concerns, Rynes *et al.* (2001: 342) also identify a paucity of empirical research on why the gap has been created and is being sustained.

The purpose of this paper is to assemble some thoughts about academic research and, in particular, to explore the 'relevance gap' by examining the impact of academic management research on management practice; to discuss the nature of academic research; and, to discuss how changes in

universities may be affecting academic research; to review the recent debate about the modes by which management knowledge is produced. The paper concludes with a short discussion about some of the structural issues that seem to be perpetuating the academe-practice gap.

### **The Impact of Academic Research on Practice**

It is incontrovertible that academic research had had much less impact on management and organisations than the array of fads, half truths, self-laudatory accounts of business leaders and plausible sophistry that can be found in the bookshops of airports all around the world. While fads have the ability to pervade the world of management practitioners, more traditional management research does not. Some might argue that some of the fads that have been adopted have an academic parentage (for example, the business process re-engineering movement, followed by re-engineering the corporation and, finally, re-engineering management (Champy, 1995) have some academic provenance) but this commodified research has, we argue, been transformed by the process of commodification into a form of plausible sophistry that is too easily ingested by a cadre of managers who lack the critical skills effectively to evaluate either the validity of the claims the research makes or the potential organisational damage that populist material of this type can bring about. Unfortunately, on the re-engineering theme, the popular and business press has several examples of firms re-engineering themselves completely out of existence. Too many managers seem to think that 'if it worked there, then it will work here' not being able to see the context-dependence of much of this research. The point remains: fads have a much greater mimetic capacity than more robust forms of academic research. This view is reinforced by Van Aken (2004: 220) who concludes that 'management fads, scorned by academics' seem to have had much more impact on management actions than the output of mainstream academic researchers. Others, using Pettigrew's rigour-relevance concerns (Pettigrew, 2001) have argued that academics have been more concerned with clearing the rigour hurdle than they have the relevance hurdle (van Aken, 2004: 223; van Aken,

2005: 19) mainly because academic career paths are structured to place more value on rigour than on relevance. Some might even argue that some academic researchers have no intention of even trying to clear the relevance hurdle as they regard the world of practice with some disdain.

Our concerns about these issues have become more pronounced recently following our involvement with our university's Research Committee. Information presented to the research committee using data has shown that the amount of funding coming into academic research from private sector organisations has declined since 1995/6 and has still continued to decline in recent years despite the relevance gap receiving significant attention by academic management researchers since the late 1990s.

If one examines the decline in '1995/6 currency' then the decline is even more severe. If academic researchers were closing the 'relevance gap' with managers in the private sector then surely the private sector would see academic research as something from which they could generate competitive advantage and the economics of self-interest would take over. Clearly, there is either a very limited market for academic research as it is currently visualised by the private sector or the market is failing for some, as yet, unclear and unspecified reason. The two other sources of funding (the public sector and Science and Technology) have shown different trends from that of the private sector particularly since 2002-3. The increase from the public sector is more difficult to explain. Some suggestions are made later on in this paper. The fact that there is a GBP10 billion market for consultancy in the UK (Wensley, 2007) somewhat destroys the myth that there is no market for management knowledge (or what passes for management knowledge). In 2004/5, the amount of funding from the business sector to university-based academic researchers amounted to less than 0.1% of consultancy industry turnover (Wensley, 2007).

Why should this be so? At the ABS research conference in March 2007, Robin Wensley, Director of the Advanced Institute of Management, raised several concerns about 'academic research' (Wensley, 2007). He *cited* evidence drawn from within the ESRC that showed that academic research had the lowest success rate of any discipline in bidding for 'response mode'

research funding and a higher proportion of research bids that were rated as 'problematic'. As an occasional reviewer, we can concur with this assertion having found academic research proposals often to be somewhat under-theorised with indifferently developed methodologies. Wensley also *cited* evidence from the 2001 Research Assessment Exercise to reveal that while 3% of economists were in the two lowest research rated categories, this increased to 20% in management and business. He mentions evidence going back to the mid-1960s indicating that the funding councils of the time saw management research as having 'particular difficulties' though it was not entirely clear what these particular difficulties were.

Perhaps the reason why the business sector does not fund more academic research is because academic research is perceived by them not to be very good? Is it because academic management researchers and management practitioners have different and perhaps even incommensurable frames of reference (see Rynes *et al.*, 2001: 341) in respect to what constitutes management knowledge in general and operationalisable management knowledge in particular? It may be that academics value the academic reputation system and value their desire to make progress within it as more important than producing research that resonates more strongly with the practitioner reputation system. It may be that the market is not failing: it may be that academic management researchers are just not responding to an unambiguous market signal from one of its stakeholders (especially management practitioners in the private sector) perhaps because they put other stakeholders' interests or their own self-interest ahead of management practitioners. It may be that private sector management practitioners in particular do not see the value of more academic, theory-driven research because of the way that they have been socialised by the management education processes they have been through. Perhaps Ms and Ds that emphasise the 'how to' over the 'why so', war stories over theory and 'doing over thinking' are to blame? Perhaps Ms and Ds and deliverers on M and D programmes that are detached from research are perpetuating a vicious circle?

Interestingly, while recent evidence suggests (Worrall & Cooper, 1999) that the proportion of managers with an M-degree was about the same

in both the public and private sectors (11%), managers in the public sector were twice as likely to have masters' degrees or doctorates from other disciplines (24%) than were managers in the private sector (12%). Does this mean that managers in the public sector (who generally have higher levels of certificated education than managers in the private sector) might be more receptive to 'academic research' than managers in the private sector? On the other hand, Weick (2001: s71) argues that the relevance gap is 'as much a product of practitioners wedded to gurus and fads as it is of academics wedded to abstractions and fundamentals. But why are they wedded to populist gurus? Other critical management scholars in discussing the relationship between the producers and consumer of management knowledge have raised questions about the portability of academically-produced management knowledge into practice implying that practitioners are often only receptive to knowledge that reaffirms or reinforces their existing beliefs (Carter & Jackson, 2004). Whatever the cause, or causes, of the relevance gap or the portability/receptivity gap there seems to be clear evidence that the gap between academic management researchers and management practitioners is widening and not narrowing (Hodgkinson *et al.*, 2001) and that this may be particularly problematic when the quality of management is often characterised as not particularly inspired given the productivity differentials that exist between businesses globally.

There is evidence to suggest that these gaps are wide and are widening further but little good research to explain why these gaps exist and what can be done to close them: it is clear that we need more relevant, rigorous and operationalisable research here. Essentially what is needed is a body of theory that will explain why these gaps exist and have persisted and a body of theory that will help to identify how to close these gaps. As we shall argue later, pragmatic academic research needs to integrate both the 'why' (theories to develop understanding – episteme or 'disinterested understanding') and the 'how' (theories of action to guide effective implementation – techne or craftsmanship). Arguably, in many cases academics have focused on the why much more than they have focused on the how. While academics tend to value why over how, practitioners tend to value how over why: in many cases practitioners do not care why but they do need to know how!

## Is there Something Peculiar about Academic Research?

Having been involved with research organisations like the National Research Foundation (NRF), the British Academy of Management (BAM) and the Association of Business Schools (ABS) since the early 1990s, we have heard many presentations about the relevance gap, about developing more effective relationships with practitioners and about academia having to contribute more towards enhancing the competitiveness of the economy. In this vein, it is interesting to read Donald Hambrick's 1993 presidential address to the American Academy. He likened academic research to George Bailey, the central character in Frank Capra's film 'It's a Wonderful Life'. In the film, George is about to commit suicide when an angel (Clarence) takes him back to see the void that there would have been if George had never existed. As Hambrick disparagingly concluded, after applying the same test to academic research, 'we will find out that things might have worked out very well without us' (1994, p. 11). So why has academic research failed to make an impact on the world of practice despite the research outcomes it produces and the huge number of students who now take business and management at undergraduate level and the large number of Ms and Ds who have passed through our collective portals?

Our questions are: is there any such thing as 'academic research' over and above research in the disciplinary domains that underpin management and is there a coherent body of academic research literature? A review of the 2001 RAE (Geary, *et al.*, 2004) revealed that around 1,580 different journals were *cited* within the business and management unit of assessment ranging from the mainstream to the downright obscure. Bessant *et al.* (2003: 62) concluded that in the 2001 RAE, the business and management 'Unit of Assessment' (UOA) covered a wider range of disciplines than any other UOA. It is clear that academic research is an umbrella term that has within it disciplines such as economics, sociology, psychology, and, 'management sciences'; which embraces subject domains such as marketing, strategy, accounting and finance, human resource management, and, information management; and has embraced a wide range of methodological stances ranging from econometrics, through action research to critical ethnography. It is

clear that management is a highly differentiated field which Tranfield and Starkey (1998: 345) label as 'heterogeneous and fragmented' and a field that 'operates no single agreed ontological or epistemological paradigm'. Pettigrew (2001: s63) does not see management as a discipline but as 'a confluence of different fields of enquiry'. Perhaps this is one of our more fundamental problems. As Hatchuel (200: s34) has argued, within a renewed model of academic research, there is a need for a clearer 'scientific identity' for academic research 'differentiating it from social and economic studies'. This also resonates with van Aken's (2004, 2005) view of management as a 'design science'.

These problems are also confounded by other distinctions. First, it is important to distinguish between business and academic research and research that is conducted within schools; and, second, it is important to distinguish between research about management and research for management. There are many questions about the social organisation and location of research in universities. Over the recent past, it is undeniable that universities have become more 'managerial' and issues of structure and about the changing location of power have become more predominant (Bryson, 2004) in an increasingly hard financial climate. Increasingly, economics departments, industrial sociology departments, organisational psychology groups within larger psychology departments and many other disciplinary-based and relatively small-scale academic units have (often forcibly and with resistance) been relocated within business schools – 'the cash cow' of the university system (Starkey *et al.*, 2004: 1521).

While the creation of an environment where multi-disciplinary and trans-disciplinary can take place is not necessarily a bad thing. Coalitions and alliances seem to develop more effectively 'bottom up' and organically rather than from units grudgingly being co-located spatially but not spiritually as an outcome of a top down management review usually designed to reduced costs or to make the organisational chart look tidy. Additionally, there has been a shift in the locus of power in many universities (especially the former polytechnics/technikons) away from more collegial forms of governance structure where power is more diffuse and distributed to more managerial forms which are more hierarchical and where power is more

concentrated within a cadre of elite academic managers most of whom have jettisoned their publishing/research careers in their quest to acquire status. These shifts have done much to reshape the milieu in which academic (and other) research takes place particularly when they have been coupled with initiatives designed to increase what is known as 3rd Stream Funding. Third Stream Funding is that which is derived directly from business especially from the exploitation of knowledge generated from within the University and in partnership with external businesses. It is often seen as a way of topping up university finances given the continuing erosion of teaching and research funding.

Universities have been put under increased pressure to generate this form of funding as teaching and research funding has come under considerable pressure as government funding for teaching in particular has failed to keep pace with inflation, student numbers have increased and the number of teaching staff has failed to keep pace with the increased number of students. These trends have led to an intensification of academic work with, in many cases, increased teaching loads reducing the ability of academics to undertake research either at all or at the highest level of quality. Bessant *et al.* (2003: 64) in their review of the 2001 RAE noted that there are huge tensions in universities between teaching, research and practical experience and concluded that 'nowhere in the higher education sector is this tension more evident than in business and management'. It is somewhat paradoxical that as universities have been put under pressure to generate more funding directly from business, the amount of funding that business schools are attracting from businesses has actually declined both absolutely and relative to other sources of funding. Clearly, institutional factors such as these have a major effect on some academic's capacity to do research.

### **Research about Management or Research for Management?**

A second area of debate is the difference between research about management and research for management. While some academics might value the contribution their research could or does make to management practice, there

is also a clear core of academic researchers, particularly those of a more critical persuasion, who are more concerned to deconstruct and critique management than to support it. A strong theme in much critical academic research is to focus on the victims of management and their emancipation. It is hard to see how many practitioners would engage with the research of the overwhelming majority of critical management researchers some of which is linguistically and conceptually impenetrable and some of which, to quote Martin Parker (2002), is 'against management'. Whether some managers would actually benefit from reflexively deconstructing what they are doing and what their value systems actually are and are leading them towards is, however, another point entirely.

A paper by van Aken (2004: 219) begins with the premise that there are 'serious doubts about the actual relevance of present-day academic research as developed by the academic community'. He argues that academic research needs to adopt the paradigm of the 'design sciences' which are built on field-tested, technological rules. However, he is concerned that much theoretical work is 'too reductionistic and hence too broad or too trivial to be of much practical relevance' (221) – hence the utilisation problem. Van Aken then contrasts management with other applied fields such as medicine and engineering, in which the integration of theoretical research within practice is, he asserts, much better developed. He argues that in medicine there is a distinction between the theoretically-grounded knowledge production process designed to improve our understanding and the development of theories focused on problem-solving which engender the transfer, adoption and implementation of that knowledge into medical practice. While there is a distinction between laboratory-based science and clinical practice this should not be taken to imply that these are distinct and non-interacting as there distinct advantages to be gained between the joint working of both groups and the co-production of knowledge between groups as clinicians provide evidence of the effect of interventions back to the laboratory based groups which, in turn, might enrich existing theory or identify new paths for investigation or identify new problems or 'reframe' old problems. This pattern of organisation does not exist in the academic research domain although there are examples of this form of social organisation of academic research

in Sweden and France (Hatchuel, 2001; Starkey & Madan, 2001).

Increasingly, in the field of medicine, cross, inter, multi or transdisciplinary groups are being created – perhaps focused on specialisms such as oncology - which erode professional and disciplinary boundaries and create a more co-operative mode of knowledge production that fuses together those who ‘do the laboratory science’ with both clinical practitioners and social policy professionals facilitating the flow of feedback, learning and reflexivity. This is the embodiment of Mode 2 knowledge production as outlined in Gibbons *et al.* (1994) and discussed in Tranfield and Starkey, (1998) and by Eden and Huxham (1996) in their work on action research where it is seen as imperative that research and situated learning are embedded with action or change processes. Mode 1 research is defined as the ‘traditional mode’ of knowledge production in which knowledge is produced often from a single disciplinary perspective and with little emphasis on its adoption and deployment. Huff (2000: 288) characterised Mode 1 ‘discipline based, university centred, and dominated by highly trained individuals’; it is ‘primarily cognitive, carefully validated by peer review, and applied later, by others, if it is applied at’. Some of the distinctions between Mode 1 and Mode 2 research are shown in Table 1 which has been adapted from Keleman and Bonsal (2002) and augmented with material drawn from Gibbons *et al.* (1994), MacLean *et al.* (2002) and Huff (2000).

Van Aken (2004:235) argues that

the relevance problem of academic management research can be mitigated if description-driven research, resulting in what may be called Organization Theory, is complemented by prescription-driven research, resulting in what may be called Management Theory.

This reflects Tranfield and Starkey’s (1998: 346) assertion that academic research is not only about ‘knowing what’ but also about ‘knowing how’. Beer (2001:59) argues that a key factor that prevents the development of us-

able knowledge is that a ‘split’ exists between those who develop ‘substantive management theory and those who practice and study how knowledge can be implemented and organizations changed’. Van Aken’s distinction between substantive theories and theories of action is clearly important and a challenge that few management researchers seem to have effectively addressed. Exceptions to this criticism are provided by Hatchuel (2001) who defines a model of ‘intervention-research’ based on a negotiated partnership arrangement between researchers and the host organisation. Here problems are historically and contextually embedded in an organisational setting but the prime aim of the researcher is to locate these problems within a more academically grounded context. In the French and Swedish organisations he describes, a research capability is developed in these organisations as a direct result of their structured engagement with academic researchers. Hatchuel (2001: s38) argues that significant cultural change occurs in host organisations which means that ‘managerial choices, endeavours and evaluations can be progressively designed with increased scientific awareness’ and that ‘there is no better method to reduce misleading mimetic behaviour, blind compliance to gurus or fashion in management practice’. Modes of working of this type do not seem to exist in the UK: perhaps they should.

<i>Aspect</i>	<i>Mode 1</i>	<i>Mode 2</i>
Research boundaries	Single discipline, impermeable, paradigmatic conformity	Transdisciplinary, permeable
Stakeholders and audience	Academics often within a prescribed discipline and often a much smaller sub-field of ‘experts’	Academics and practitioners
Aim	Production of new knowledge, theory building, adding to the base of disciplinary knowledge, replicability, validity Production of enduring knowledge	To gain insights that are useful and usable to practitioners and society at large Production of solutions Production of transient knowledge

<b>Outcome</b>	Basic and applied research	Applied and applicable research
<b>Organisation</b>	Often individualist Research agenda set autonomously Hierarchic Substantial commitment to extant bodies of knowledge	Team based Externally defined research agenda Heterarchic, networked
<b>Dissemination</b>	Peer reviewed journals controlled by other academics, well defined and institutionalised channels, single and limited public	Transfer into practice, practitioner-oriented journals, dissemination often through professional bodies, multiple publics

<i>Aspect</i>	<i>Mode 1</i>	<i>Mode 2</i>
<b>Usage</b>	Production precedes consumption May never be used to support practice Potential use does not influence research design	Simultaneous production and consumption: knowledge production and diffusion are interlinked and may be multi-modal
<b>Orientation</b>	Elitist, exclusive	Pluralist, participatory
<b>Evaluation criteria</b>	Excellence as determined by peers, disciplinary norms and quality audits (e.g. the RAE)	Applicability, perceived usefulness by research users and contribution to practice by practitioners

Validation	Validation through peer review and publication	Validation in use
Methodology	Defined by the academic discipline	Plural and defined by the research context, often emergent

*Table 1: Mode 1 and Mode 2 research compared*

A major corollary of the move to Mode 2 knowledge production is that its social organisation is completely different from the form of social organisation that underpins Mode 1 knowledge production. Many of the aspects of the social organisation of Mode 2 knowledge production run counter to the current social organisation of academic management research. Transdisciplinary research could be valued highly although almost all the research submitted was constrained to the traditional disciplinary silos found in most schools. It seems unlikely that the transdisciplinary challenge will be met by schools given that the assessment panel is organised very much on the traditional divisions that still reflect the functionalist structure and mode of operations of most schools (e.g. marketing, strategy, and human resource management). The key point to emerge is that the move to more co-operative processes of management knowledge production is being held back by institutional inertia in both universities and business organisations and by cognitive inertia among academics and practitioners. As Ghoshal (2005: 88) argues, ‘the only alternative to any form of ideological absolutism lies in intellectual pluralism, which is likely to lead to both better research and to broadened usefulness’.

### **The Social Organisation of Academic Research and Management Education**

Not only does the move to Mode 2 knowledge production have implications for the social organisation of research, it also has implication for the design of schools and the design of management education programmes. If the medical analogy is taken further, this would imply that schools should adopt

the organisational model of medical schools and become what some have called 'Professional Schools'. There has been some debate of late about the future of schools. Pfeffer and Fong (2002) have forecast the end of the school and Starkey *et al.* (2004) have sought to rethink the business school. Murray (2006:10) has warned that business schools educate new generations of managers who ignore the academy because it cannot offer coherent evidence based enlightenment and argued that managers want 'research to be enmeshed in action' but that this is resisted by academics. The essence of Pfeffer and Fong's (2004) argument is that schools should be assessed in two fronts, their contribution to the production of academic research and their contribution to management education. The authors argue that schools fail on the research front as they neither deliver rigour nor relevance and, according to Starkey *et al.* (2004: 1522), they fail on the teaching front because they have conspicuously failed to 'generate critical thought and enquiry about business and management'.

Consequently, Starkey *et al.* (2004: 1523) argue that there is a need to reinvent business schools 'geared to developing skills in reflective, collaborative and analytical thinking as well as action mindsets that enable managers to negotiate the complex tensions that exist between the conceptual and the concrete'. This will require new forms of school organisation that focus on the co-production of knowledge as schools form partnerships with businesses to focus on the issues that businesses themselves consider relevant not on the issues that academics think practitioners should focus on. Other writers have suggested that schools should seek to create a breed of 'professional' managers who practice forms of 'evidence-based management' that are common in the medical profession. Contra Murray (2006), Rousseau and McCarthy (2007: 84) argue that 'contemporary managers and management educators make limited use of the vast behavioural science evidence base relevant to effective organizational practice'. While one might not question their 'relevant to' thesis (Murray 2006, does, however, question the 'relevant to' thesis), one might be legitimately concerned about whether behavioural science research is actually accessible to, and then implementable by, practi-

tioners because of the lack of what van Aken terms complementary ‘management theory’.

The new form of school advocated by Starkey and Madan (2001) and Starkey, Hatchuel and Tempest (2004) does not sit well with the form of many schools both in the teaching and research styles of academics nor in the learning expectations of students who, from personal experience, seem to have acquired an increasingly instrumental and often minimalist approach to their own education as the educational system has itself been commodified. Certainly, the configuration of most schools does not look remotely like the ‘new agora’ that Starkey *et al.* (2004) and Nowotny *et al.* (2001) see as a form of organisation where multiple stakeholders and participants in knowledge production ‘co-mingle’. While this is easily said, it is not easily delivered due both to the ‘cognitive inertia’ of many participants and because it would require the radical transformation of the academic recognition system. In this new system of values, high quality practitioner-orientated research would be valued as highly as that published in top rated academic journals and academics would be able to progress their careers based on their contribution to practice coupled with their contribution to the development of their specialisms though, under Mode 2, they may have to take a more eclectic and inclusive approach from those working in single discipline arenas (Starkey & Madan, 2001).

What is surprising is that the management literature on these issues – especially the creation of the new agora – never mentions the impact of new and emerging technologies on the increasing ability of currently disparate stakeholders to co-mingle as a virtual community of practice to develop new knowledge and share different perspectives. Perhaps this can be explained by inertia and also because academics might feel that they are losing control over the educational experience and the ‘educational dynamic’ that they have controlled in the past. Perhaps some might see the end of ‘academic magistracy’ as a problem as new players become more influential in the management knowledge production system. Under the existing Mode 1 regime it is academics themselves, through the peer review regime, who decide what constitutes knowledge, what is worthy of being published and what can

enter the academically-approved public domain (even if that public may be very small and self-selecting).

### **The Rigour - Relevance Issue Pursued**

The discussion so far has focused on issues such as rigour and relevance and the adoption of different research styles (or modes of knowledge production) which have different forms of social organisation that collide with some highly institutionalised practices and values in both academia and practice. Some of the emerging issues are addressed in Table 2 where, following Hodgkinson *et al.* (2001), a two-by-two table (ubiquitous in management publications) is developed in which research is categorised based on the level of theoretical and methodological rigour (high/low) and the level of practitioner relevance (high/low). Again, following Hodgkinson (2001), research is categorised into four types labelled 'puerile' (low relevance/low rigour), 'populist' (high relevance/low rigour), 'pedantic' (low relevance/high rigour) and 'pragmatic' (high relevance/high rigour). While populist research addresses the 'issues of the moment' as defined by practitioners there is a clear concern that some of the 'research' conducted in this field may have been stimulated primarily by the availability funding and not by scientific enquiry: consequently, it may fail to pass muster when compared against the methodological and theoretical standards demanded in the 'pedantic' quadrant. The pedantic quadrant is characterised by many of the criteria associated with Mode 1 (see Table 1 earlier) which, some might argue, are being perpetuated by a highly traditional and well institutionalised academic recognition system and research quality assessment exercises such as the RAE which, like many other performance/quality management systems of its type may have distorted the very thing it set out to measure.

<p><b><i>'Popularist'</i></b>                  Consultancy?                  Epistemic drift                  Publishable in practitioner journals                  Fads, sophistry?                  Inappropriate solutions to pressing problems                  Doxa</p>	<p><b><i>'Pragmatic'</i></b>                  Problem-solving focus                  Theoretically robust                  Academic &amp; practitioner collaboration                  Mode 2 characteristics                  Unlikely to be published in "top" journals?                  Episteme and techne</p>
<p><b><i>'Puerile'</i></b>                  Addressing irrelevant problems with inadequate theories and methods</p>	<p><b><i>'Pedantic'</i></b>                  Accessible to the few                  Targeted on the few                  Mode 1 characteristics                  Main aim to be published in the "top" journals                  RAE oriented                  Episteme</p>

**Table 2:** *A typology of research (adapted from Hodgkinson, Herriot & Anderson, 2001)*

Arguably, in the pursuit of relevance, more academic research (but not all academic research) should be trying to reposition itself within the pragmatic quadrant where the focus is clearly on developing theoretically and methodologically robust solutions to urgent managerial problems ideally by academic researchers working closely with practitioners to achieve what *Gibbons et al.* (1994) would call knowledge production 'in the context application'. However, Starkey and Madan (2001:16-20) identify that significant institutional, structural and cultural changes are needed to bring this about: they argue for 'business education reform'; the move towards inter-

disciplinarity; the restructuring of academic institutions to improve knowledge exchange and dissemination; the creation of new cross-disciplinary, impact-focused journals; the development of new measures of 'academic impact'; and, the creation of academic/practitioner forums to facilitate co-mingling and the co-production of knowledge.

While many have seen the advantages of these new formations, others have counselled against too radical a shift having concerns that quick response research to end-user funded, short term issues of the moment might lead to 'epistemic drift' (Tranfield & Starkey, 1998: 350) and a damaging move towards 'populist science' (Hodgkinson, 2001: s43) as these funding opportunities distort the behaviour of academic researchers and also the type (rigour?) of research that is conducted: this is a real risk but one that can be countered by developing a portfolio approach to management research which values and rewards both basic and applied management research and contains the structures and knowledge production processes that can deliver pragmatic research. Ghoshal (2005) *cites* Boyer (1990) who defined four kinds of scholarship: the scholarship of discovery (research); the scholarship of integration (synthesis); the scholarship of practice (application); and, the scholarship of teaching (pedagogy). Perhaps business schools have lost sight of the need to take a more balanced and integrated view of these four scholarships and our key challenge as academics is to learn how to (re)unite research, synthesis, application and pedagogy into a more coherent whole. By (re)uniting these four scholarship, Ghoshal (2005: 87) argues that we would 'build management theories that are broader and richer than the reductionist and partial theories we have been developing over the last 30 years' which Ghoshal sees as 'bad management theories' that have destroyed 'good management practices'.

### **Some Concluding Comments**

In common with Gibbons (1994), our view is that Mode 2 should co-exist with Mode 1 and should not be seen as a replacement. Not only should theory inform practice, practice should inform theory. Achieving this is, how-

ever, far from trivial as it will require radical shifts in the social organisation of academic research, of the value systems that structure academic research and of the funding regimes that drive it. It will also require a radical reshaping of management education if future managers are to be socialised into engaging in the co-production of management knowledge. As researchers who have always sought to engage with management practice, we can attest to the fact that the potential for learning and personal development by an academic conducting applied research is considerable but disengagement from theory and theory building would mean that the 'applied research' work we do could no longer be called academic.

There are real risks for academics if they fail to engage their core stakeholders in more collaborative forms of research. Hodgkinson *et al.* (2001: s42), for example, comment on a 'worrying trend' which confirms not only a wide but a widening gap between academics and other stakeholders which, if current trends persist point towards 'the demise of university academics as key stakeholders in the knowledge production process' as, for example, consultancies and perhaps even IT-enabled virtual knowledge production environments colonise the gap that academics have failed, or been unwilling, to occupy. Hodgkinson *et al.* (2001), like Pettigrew (2001) see the wholesale adoption of Mode 2 research as problematic and unlikely to close the relevance gap and urge us to move towards undertaking pragmatic research which is high in theoretical and methodological rigour and high in practitioner relevance using a blended research model that combines the strengths of Mode 1 and Mode 2 – or, as Ann Huff (2000) labelled it in her presidential address to the Academy of Management - Mode 1.5. Perhaps a subsequent paper to this one could be labelled 'In search of Mode 1.5' - the characteristics of which are very unclear from Huff's (2000) paper.

While the heated debates that surrounded academic research around five or six years ago seem to have abated, issues about how academic research should develop persist and remain unanswered: 'academic research' is still seen as problematic in many quarters. The relevance-rigour debate seems not to have been answered, if indeed, the rigour-relevance question was the right question to address in the first place. Academic careers are still being made following the tenets of a Mode 1 world: it is still publishing in

'top journals' that counts. Attracting research funding (from funding councils such as the ESRC/NRF or charitable bodies such as the Leverhulme Trust) is seen by many academics to be more prestigious than attracting research income directly from the end users of academic research. In the world of management education, while there are sporadic debates around the design of M and Ds often focusing on the M and D dissertation as the prime evidential element of the research component of the M and D, little seems to have changed. In our experience, it is rare to see an M and D dissertation that passes muster as a robust piece of academic research with many of them falling unambiguously into the 'populist' quadrant of Hodgkinson *et al.*'s (2001) model: some, unfortunately too many, also seem to display the characteristics of the 'puerile' quadrant.

In our opinion, far too large an element of Ms and Ds address the 'how to' rather than the 'why' with the M and D experience of many students being more akin to training in the use of technique rather than to management education using reflexivity and conceptualisation. In our view, a 'professional school' of the type outlined by van Aken (2004) and Hatchuel (2001) needs to have a far better blend of thinking and doing than many programmes particularly those at the lower end of the M and D esteem continuum. Far too many M and D candidates seem to see the M and a D as a salary and status enhancement tool than an educational and developmental experience. Despite attempts to digitise the educational experience, it is also our view that we are many years away from a 'new, IT-enabled agora' that allows multiple stakeholders in academic research to co-mingle virtually and, by so doing, share existing knowledge and develop new knowledge and insights. What is very disconcerting is that much of the research cited here about the relevance of academic research to practice was produced, largely through the activities of British Academy of Management, in the early 2000s: since that flurry of activity calling for more practitioner-relevant research, the volume of research funding going into schools from the private sector has continued to decline. If we are exhorting our students to pursue more evidence-based research, as Rousseau and McCarthy (2007) exhort us to do, we wonder what that piece of evidence is telling us?

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Contributors must submit *one computer-generated and three double-spaced printed copies* of the manuscript. The computer-generated copy may be on double density stiffie in Word Perfect 5-6, Word for Windows 6 or ASCII. If accepted for publication, 10 original off-print copies of the article will be returned to the author after publication.

Manuscripts should range between 5000-8000 and book reviews between 500-1000 words. However, longer articles may be considered for publication.

Attach a cover page to one manuscript containing the following information: Author's full name, address, e-mail address, position, department, university/ institution, telephone/ fax numbers as well as a list of previous publications.

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