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*Alter*nation

**Interdisciplinary Journal for the Study of the
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Southern Africa**

Emerging Trends in Management, Informatics and Communication in a Digitally Connected World

Guest Editor
Rembrandt Klopper

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Acknowledgement of Reviewers

We wish to acknowledge the participation of the following reviewers in the production of this issue of *Alter*nation.

Editorial

Rembrandt Klopper

*Alter*nation Special Edition 5 of 2012 contains fifteen contributions. It is the first of two volumes on the theme *Emerging Trends in Management, Informatics and Communication in a Digitally Connected World.* A comprehensive assessment will be provided in the editorial of the second volume. Picking up from some trends in previous *Alter*nations, this volume also adds new themes to this growing area of study.

Wilfred I. Ukpere argues that capitalism, which was considered to be triumphant during the rise of global economics, is now seen as a casino economy of speculation that has failed humankind, having failed to provide solutions to problems such as unemployment, inequality, oppression, poverty, food shortages and economic crises. This argument provides a background for the next article which is equally critical of the excesses of the capitalist system. In their contribution, Ben-Piet Venter and Faan Louw conclude that in South Africa, mission statement development is disconnected from implementation. The reason is that companies seem to use public relations to manipulate customers in a cynical manner for chasing profits, rather than to build long-term customer value. Departing from another excess of the global financial crisis dating to 2008, Huibrecht and Johan van der Poll begin new exploratory research on business interruption insurance policies. These are policies that would indemnify insured persons for the loss of profits and continuing fixed expenses. It is also a form of insurance that has become essential since the financial crisis.

Turning to the workplace, Nicolene Barkhuizen, Sonia Swanepoel and Julie Ermakova relate the concept 'satisfaction' to job satisfaction. Their main focus is to empirically determine the relationship between personality traits and job satisfaction among South Africa retail store managers. This is followed by a focus on postgraduate supervisors' perceptions of their roles. Krisha K. Govender and Shaun Ramroop developed a model through which they address this matter with special reference to the supervisors' levels of

organizational socialization, the organizational climate in which they supervise and the quality of postgraduate research. Rubeshan Perumal, Sadhasivan Perumal and Msizi Mkhize again focus on BEE-based transformation in the South African Accountancy profession and Lindiwe Dhlamini, Teresa Carmichael and Jennifer Croll on South African action plans to empower women.

Renier Steyn reports the results of empirical research that compares the Human Resource practices of ten South African companies. He shows that it is problematic to effectively correlate Human Resource Practice with employee attitudes on a generic HR model. This is followed by another empirical study. In her survey, Stainbank shows that the current format of narrative financial reporting used in Rwanda is not suitable, showing that respondents recognise the need to improve corporate reporting by regulating the accounting profession and by adopting the International Financial Reporting Standards.

Turning to Higher Education, Silvester Oluput and Manoj S. Maharaj provide a comparative analysis of innovation support models at South African Higher Education Institutions. They find that Higher Education Institutions use more than one indicator as performance measure. Izak J. Oosthuizen, Petrusa du Toit, Sam Lubbe and Rembrandt Klopper propose using Action Research to solve everyday problems in South African classrooms and Amanda Ngidi and Brian McArthur present the results of an empirical analysis of how Students at UKZN use e-books compared to purchasing paperbound textbooks. Many of the respondents indicated that they preferred downloading free e-books from the Internet rather than purchasing e-books.

Bongani Diako, Sam Lubbe and Rembrandt Klopper report the results of exploratory research to establish the degree of readiness of South African senior citizens for electronic banking. They conclude that senior citizen bank customers who have access to electronic services and products are ready for electronic banking.

Finally Rembrandt Klopper proposes a framework for integrating cognition, speech acts and communication for content analysis. This is important for researchers wanting a more coordinated and considered approach to their content formulation and presentation in research.

These are initial perspectives. More developed ones will follow in the upcoming issue currently in production.

End of an Orthodoxy and Resurgence of a Complementary Economic Pattern:
A Position Paper

Wilfred I. Ukpere

Abstract
Triumphant capitalism, which heralded the dawn of globalisation, made neo-liberalists proclaim the death of socialism, along with its positive variants namely, free education, minimum wage, employment creation, health care, and so on. However, the perceived triumph of a single orthodoxy seems to have demoted growth of global prosperity. For example, more than 1.1 billion people across the globe are poor, while more than 3 billion of the global populace have drifted deeper into poverty and more than a billion people across the globe are starve regularly. The current state of affairs has increased the rate of global crimes, which is reflected by the scale of congested jails. A casino economy of speculation has currently failed humankind. Indeed, current failure of capitalism to address wider problems of humankind such as unemployment, inequality, oppression, poverty, food shortages and economic crises, will resurrect the question as to whether socialism is indeed dead as proclaimed by neo-liberals. Thus, since a single (triumphant capitalist) orthodoxy has failed to address those mounting problems that have excluded a majority of humanity from participating in sharing global prosperity, the assertion that socialism is dead, has become redundant and, the possibility of a vibrant complementary and comprehensive economy pattern is imminent.

Keywords: Automation, capitalism, cooperative economy, socialism, single orthodoxy, unemployment

Introduction
Triumphant capitalism, which heralded the dawn of globalisation, made

popular voices proclaim the final extinction of socialism. A few years ago the present author was cautioned by a colleague at the Cape Peninsula University of Technology that his statement could be 'dangerous', when he asserted:

> There could still be the possibility of a complementary relationship between capitalism and socialism. The silent moments of a particular system should not be construed as the end of that system. Otherwise, a battle-line could be drawn, and it may as well not be incongruous to assert that, 'positive socialism' lurks at the corner waiting to mock the circumstantial, inexplicable fall of capitalism (Ukpere 2007:81).

In another peer-reviewed academic engagement, Professor Amadu Sesay seems to concur with Professor Rust's reservation when he queried:

> Would violent conflict, terrorism and intensification of anti-globalisation demonstrations not be the natural fall-out of the uneven or lopsided gains of capitalism rather than revival of positive socialism as predicted in the study? Would the predicted resurgence of positive socialism enact another ideological confrontation between capitalism and socialism as claimed in the study? This is clearly an implausible assumption (Sesay 2007:1-2).

The scepticism then of these eminent scholars may not be incredible, since the ovation was high for capitalism as the only goose that laid the golden egg (Maxim 2001).

Hence, almost in concordance with earlier predictions, socialism was irrevocably declared dead. Dahrendorf (1990:38) has stated:

> The point has to be made unequivocally that socialism is dead and that none of its variants can be revived for a world awakening from the double nightmare of Stalinism and Brezhevism.

Giddens (1994:52) has averred: 'the idea of burying socialism has become a reality'. Sklair (2002) has noted: 'By the early 1990s, ruling groups in all the countries of Eastern Europe had abandoned communism and were trying, in a variety of ways, to insert themselves into the capitalist global system'. Slabbert (1996:1) has announced:

> The Russian bear is dead and buried. Floundering in its wake is a confederation of states, desperately trying to come to grips with a market economy …. Two of the mourners at the funeral, comrades Marx and Lenin, were seen wearing expressions of astonished embitterment, disillusioned by the fading out of one of the world's primary ideologies (socialism).

Turner (2001: 4) has observed:

> The late 1990s and first half of 2000 marked the apogee of a sort of market triumphalism, a confidence - at least among the Western elites - that capitalism, and in particular, American free market capitalism, was the universal answer to economic problems.

Moreover, in the United States and some other capitalist nations, the triumph of capitalism was greatly celebrated. In a powerful jubilation, Martin Anderson, then head of President Ronald Reagan's transition team and top advisor to Reagan during the early years of his administration, in a speech at the conservative Philadelphia society, lamented:

> [W]e in America are not as euphoric as we ought to be given what has just transpired. The West had won the cold war. Capitalism was fully vindicated. The theories of Ludwig von Mises and Fredrick A. Hayek, two premier economists who defended the free market system and predicted that socialism will fall (die), had been confirmed in practice. The world has had a demonstration, albeit at great and unnecessary cost, of the hopelessness of socialism. So why are we not cheering? Why are there so few celebrations? (Machan 1994:68).

Finally, an enthusiastic Francis Fukuyama added to the hype by positing that the triumph of capitalism over socialism marked the end of history (Maxim 2001).

The social connotation of the above assertions implies that the world is left with no other alternatives but to freely accept the total and final eclipse of socialism by American free market capitalism, which means that those positive moral incentives of socialism such as free education, minimum wage, employment creation, social welfare and general wellbeing, social

security, unemployment benefits, government housing constructions, progressive taxation, old age allowances, to mention a few, become relics of a bygone era to be confined to the dustbins of history, while profit becomes the icon of the modern economic world, leaving quality of life and labour a casualty of global cutthroat competitions (Matthews 1998). Indeed, great successes that have been achieved in the USA, Britain and other nations that have profitably utilised the capitalist system and the demise of nations that have embraced its alternatives, gave a powerful credence to the notion that neo-liberal capitalism was the best option to adopt by nations that seek progress (Martin & Schumann 1997; Sklair 2002). In this vein, Sassoon (1996:648) has observed:

> by the 1990s, it even proved too difficult to defend the gains thus far achieved by European socialism: the welfare state, full employment, and trade union rights; the first was in danger, the second had become a thing of the past, and the third were severely curtailed.

Problem Statement
Capitalist globalisation has failed woefully.

Objectives
The objectives of this paper are:

- To promote a complementary and comprehensive economic pattern; and
- To postulate the need to resuscitate capitalism with all possible positive socialist variants.

Literature Survey
Triumphant Capitalist Woes
Within a single (neo-liberal) economic system, global poverty has proliferated to a record level. According to the Chronic Poverty Report (2005),

> More than 420 million people are trapped in chronic poverty. They experience deprivation over many years, often over their entire lives,

and commonly pass poverty to their children. Many chronically poor people die prematurely from health problems that are easily preventable. For them poverty is not simply having a low income: it is about multidimensional deprivation – hunger, under-nutrition, dirty drinking water, illiteracy, having no access to health services, social isolation and exploitation. Such deprivation and suffering exists in a world that has the knowledge and resources to eradicate it.

It is estimated by the World Bank that more than 1.1 billion people across the globe live in extreme poverty (Sachs 2005). More than 3 billion of the global populace have drifted deeper into poverty; another 8 million people die each year because they are too poor to survive and almost a billion lives are in danger of starvation in a world that is capable of managing the deplorable situation (*Time Magazine* 2005:26). In Uganda, which is one of the hallmarks of capitalist globalisation in African, poverty seems to have become a generational curse. '*Obwaavu obumu buba buzaale, Abaana babuyonka ku bazadde baabwe, ate nabo nebabugabira ku baana* – Some poverty passes from one generation to another as if the offspring sucks it from the mother's breast' (Group of Disabled Ugandan Women, quoted in The Chronic Poverty Report, 2005). Global capitalism has by all means accelerated and institutionalised poverty, and the current level of poverty across the globe is endemically unnatural (Klein 2003). Charles Darwin (cited in Kowalski 2000:3) once forewarned: 'If the misery of our poor be caused not by the laws of nature, but by our institutions, great is our sin'.

The increase in the rate of global poverty is reflected well in the widening divide between rich and poor. The United Nations (n.d.) reported that, 'the world's poorest 2.5 billion people … have a collective income roughly equal to the collective wealth of the world's richest 225 billionaires'. In 1990, Steve Ross, CEO of Times-Warner was paid the highest corporate executive salary of $78.2 million, which was the same year that *605* employees of Times-Warner were retrenched into poverty. The payment to Ross would have covered the salaries of all discharged workers for two and a half years (Cohen 1992:30). Across the globe, the *casualisation* of employment relations and voluntary retirement packages to workers has intensified the scourge of poverty in most societies. In South Africa, the income level of the lowest stratums of society has relatively declined, and the disparity in economic status has expanded mainly because the poor have been

left behind (Adams *et al.* 2006). The United Nations Development Report declared, 'The income disparity between the top 20 percent and bottom 20 percent of the world's population is now 150 to 1, double what it was 30 years ago' (Clarke 1999). Therefore, under the guise of a single orthodoxy, the problem of global inequality has become obvious for reappraisal.

Technological innovations within capitalist modes of operation have become the culprits of outsourcing, re-engineering and retrenchment, the corollary of which is endemic unemployment, inequality and poverty (Anderson & Brenton 1998). On an international level, it is the exception rather than the rule to identify companies, which have not suffered from the effect of retrenchment. Consequently, retrenchment is a vicious cycle- purchasing power is eroded and goods cannot be sold, which leads to further retrenchments in order to maximise returns (The Chronic Poverty Report 2005).

Additionally, increasing retrenchment and unemployment within capitalist global systems have accelerated the pace of global crimes. Indeed, there is a positive functional relationship between retrenchment, unemployment and crime. Rising unemployment increases the number of idle persons and, hence the number of criminals (Chinonso 2007). As the crime rate increases in any society, investors become increasingly less confident. Decreased economic growth leads to a higher level of unemployment, while the unemployed, unable to make a living, turn to crime (Bendix 2005:493). It can therefore be asserted that, as unemployment decreases, the crime rate will decrease but the problem lies with fuelling necessary economic growth, while crime prevails. Crime affects every aspect of society and business. Therefore, companies, which are quick to retrench workers without considering the social effects that it may have, may be acting irresponsibly and will in the end, suffer the consequences of increased crime and economic recession (Bendix 2005:493).

While the evidence is not definitive, several studies of criminal behaviour within a capitalist dispensation have linked it to inequality, which points to the fact that high rates of crime are associated with falling income. The demography of criminality reflects a group that has endured the largest losses in real earnings such as young, under-graduate males. Surveys of inner cities show that many youths currently perceive crime as more lucrative than work (Freeman 1995 cited in Matthews 1998:384). The crime rate has persisted around the world owing to the large number of men and women who have lost their jobs. A saying goes that 'an idle mind is the devil's

workshop'. Hence, most qualified workers who lost their jobs as a result of global competition, after staying at home for some time doing nothing, begin to think of other ways to move on in life. Indeed, to be sure, one best simple option left to them in the face of nothing, is crime (Matthews 1998:384). In America, the stronghold of capitalism, crime has skyrocketed to a record level, to an extent that in California, which is the seventh-largest economic power on earth, expenditure on prisons has overtaken the entire educational budget (Martin & Schumann 1997:9). For example, more than 28 million Americans have fortified themselves inside safeguarded housing estates, while majority of them now spend much money on private guards as their government does on the police. Moreover, growing global unemployment could be a reason why one could find some university graduate criminals presently in Nigeria. These are able-bodied persons who are willing and ready to work after attending university for years as well as year of national service, but are without jobs (Chinonso 2007). Even some previously employed graduates may have to face the wind of competition, which capitalist global forces have unleashed, and it seems that the only way out for corporations to respond to these putative global forces, is mainly via further retrenchments and unemployment (Bloch 1998; Scholte 2000). Hence, frustration has led youths to crime. Presently, about 90% of arrested criminals state that a main reason why they engage in crime, is hunger (Matthews 1998:384). In addition, the growing number of graduates that are unemployed around the world, have increased the rate of some sophisticated crimes such as money laundering, drug trafficking, human trafficking, terrorism, bank and lottery fraud (popularly known as 419 amongst Nigerians or 420 amongst Indians), child labour and women trafficking, to name a few. Other lower cadre crimes, which are particularly found in South Africa, include armed robbery, rape, child abuse, prostitution, pick-pocketing, shop-lifting, car hijacking and hijacking of cash-in-transit vehicles (Hughes 2007).

Currently, the South African Correctional Services have complained of congested jails around the country owing to rising levels of crime within the country (*Mail & Guardian* online 2008). In India, the congestion at the Tehar jail in New Delhi, as well as other jails in places around the country, has eroded the justice system of most inmates that are awaiting trial. Tens of thousands of innocent victims are dumped in most Indian jails only to be declared innocent after 10 years of languishing and wasting away in the jail for an alleged crime, which would have carried a 3-year sentence, if found

guilty (Asian Human Rights Commission in News 26 August 2006). The Kirikiri jail, also known as Ayoko-city, in Lagos, Nigeria, is another notable example where congestion of inmates, in addition to poor hygiene factors, has become critically alarming (Amnesty International 2008). In the USA, as mentioned earlier, expenditure on prisons owing to an increasing number of criminals, can be comparable to some states' national budgets (Martin & Schumann 1997:9). However, in spite of the huge expenditures, there are still reported cases of congested jails, and no one seems have an answer to the global trends of congested jails. One crucial contributing factor could be global job shocks and unemployment.

Ironically, some western capitalist governments and corporations have reaped from the benefits of congested jails in the form of cheap and forced labour (Singh & Zammitt 2003:23). For example, the requirement for prisoners and youths in detention to work for meagre pay, is normal in the capitalist vicinity of the USA. Prison inmates in the USA comprise over 1 million, while more than half a million are in local country jails (Singh & Zammitt 2003:23). There are uneven numbers of Black and Latino persons, who were arrested, in most cases, for minor offences and probably as a type of social control (Freeman 1995; Martin & Schumann 1997). Prisoners are forced to work in factories, particularly clothing factories that have located their operations in prison sites, where they have a captive pool of cheap labour. An estimate in 1998 stated that prison labour produced over 280 products, which was worth over \$9 billion and replaced about 400,000 jobs, which were otherwise done by the normal workforce in the US (Singh & Zammitt 2003:23). A number of harsh disciplinary measures and other penalties are imposed if prisoners refuse to work. Prison labour is less than the minimum wage and after deduction for taxes, room and board and victims' compensation, the pay may be only \$60 a month for a nine-hour day (Singh & Zammitt 2003:23). This also has detrimental implications for consumer spending within a capitalist global system. In this vein, Kowalski (2000:9) has opined:

> Those who by fate or artifice, end up in key positions, squander the resources of the planet in their pursuit of personal, political, or chauvinistic fantasies, while the greater mass of men lead lives of perpetual irrelevance. Is this an admirable way for human race to conduct its business?

Furthermore, the woes of a single orthodoxy have accelerated owing to its frenzied 'casino economy' of speculation, which became a rule of prudence within a global capitalist dispensation. In fact, a growing increase of Foreign Direct Investment (FDIs), (for some time now), cannot be compared with the enormous increase in the short-term movement of speculative funds (Went 2000). Rapid increase in capital movement across the globe is volatile to exchange and interest rates. Previously, more than 90% of exchange transactions in the world bore some relation to productive investments, while less than 10% was for speculative purposes. However, recently, there have been changes to this tenor. For example, 90% of the trillions of dollar transactions in the world's foreign exchange market are in speculative form, while merely 10% of this amount is utilised for investments in goods and services. Towards this development, Martin and Schumann (1997:47) have stated:

> What happened on the money market follows largely comprehendible dynamics that was actually made possible by the governments of major industrialised countries themselves. In the name of the doctrine of salvation, through totally free markets, since the early 1970s, they have systematically striven to tear down all barriers, which once allowed cross-border flows of money and capital to be regulated and, therefore, controlled. Now, like the sorcerer's apprentice, they complained that they are no longer in control of the spirits that they and their predecessors called into being.

Currently, about twenty million US families participate in stock-exchange roulette and have invested at least in one of the 6000 and more speculative funds, which juggled with as much as 6 trillion dollars worldwide. Twenty years ago 75% of private savings in the US was held in savings accounts or fixed-interest securities, but presently, as in Europe, proportion has turned right around and in the 1990s three-quarters of savings were speculated on stock exchange markets globally (Martin & Schumann 1997:167). The scale of financial speculative activities has led some sections to assert that the capitalist global system is a financial system. This assertion is difficult to dispute, since daily turnover on international currency exchanges, which was $500 billion in 1990, rose to an average of $1200 billion per day by 1994, increased to about $1500 billion per day by 1988 and

swelled to $3.2 trillion in 2007 (BIS 1999; Finfacts 2007). Despite accelerated international traffic in money and global banking activities, credit needs of billions of people and millions of small businesses remain unattended to (Barnet & Cavanagh 1994). Indeed, financial markets are the most globalised sector within the global economy, and new markets in financial derivatives, which were previously considered as gambling in several countries, have taken a forefront in recent times. In 2005 a historic record of 9.9 billion derivative contracts was transacted on exchanges worldwide (World Federation of Exchange 2005 - May 2006).

Alan Greenspan, Federal Reserve Chairperson (who is currently speaking-out about the need for more state intervention to regulate the free market (Socialistworkeronline 2008), had previously stated that development of increasing financial derivatives, has been the most significant event in finance during the past decade (Went 2000). Some of these derivatives are unregulated and traded 'over-the-counter' (OTC). The aggregate value of OTC derivatives, which was $169.7 trillion in 2003, rose to $596 trillion in 2007 and surged to 683.7 trillion in 2008 (Bank for International Settlement 2008). OTC derivative trading involves enormous risks for the stability of international financial systems, as the near-collapse of the hedge fund, Long Term Capital Management, illustrated in 1998. According to Robinson (2004:40),

> This dominance of speculative financial flows over productive capital reflected the hegemony of transnational finance capital in the age of globalisation and its frenzied 'casino capitalism' activity in recent years, and gave an illusion of 'recovery' in Latin America, an illusion that was cracked by the 1994 - 1995 Mexican Peso crisis, and then shattered by the Argentina crisis that exploded in December 2001.

This speculative capital cannot be used to build factories or to create jobs owing to the fact that companies are not interested in making long term investments by using funds that can be swiftly accessed. In addition, the risk that such 'hot' money brings with it makes long term investments in a developing country even less attractive (Stiglitz 2001:66). Speculative investments have the worst effects for industrial expansion and job creation. However, brokers are not in support of the regulation of this trading owing to the huge profitability derived from it. Went (2000:15) noted that the main

effects of this 'financialisation' of the global economies are, amongst others, short term thinking in respect of financial markets; macroeconomic instability owing to increasing volatility; and a bias policy towards protecting the value of financial assets rather than expanding outputs. Bhagwati (2004:443) has forewarned:

> The freeing of capital flows in haste, without putting in place monitoring and regulatory mechanisms and banking reforms, amount to rash, gung-ho financial capitalism. It can put nation states at risk of experiencing massive, panic-fed outflows of short term capital funds, which would drive their economy into a tailspin.

The easy freedom for speculative capital to hover across the globe, at will, was the culprit of the 1994-1995 Mexican Peso crises, 1997-1998 South East Asia economic crises and, could well be blamed for the current global economic meltdown.

The current economic crunch was triggered by a crisis in the US 'subprime' mortgage market. High interest mortgages were speculatively purchased by individual who cannot even afford the normal mortgage rates. Within a short-run, these individuals defaulted in repaying their debts. This problem was compounded by the fact that subprime debts has been sliced, repackaged and sold to other financial institutions across the globe (Robinson 2008:2). Therefore, when these individual started defaulting, it was difficult to predict who would end up being saddled with bad debts. This sparked panic in the financial markets. Banks that previously lend money to each other suddenly stopped in order to reduce the accumulation of bad debt. Speculation from shareholders and investors also fuelled the panic. Finally, one after another, the big banks admitted that they were stuck with bad debt linked to the subprime collapse (Robinson 2008:2). De Grauwe (2008:1) has observed that the failure of the US Federal Reserve under Greenspan to react to the bubbles in the stock and housing markets helps to explain the financial excesses and the subsequent economic crisis. Presently millions of people have been affected by the current capitalist global economic crisis, which is posed to downgrade an entire generation to economic idleness. For example, in the USA, the rate of unemployment at the end of 2008 rose to 7.2%, which is the highest record in 16 years. Indeed, more US workers lost their jobs last year than any year since the 2nd World War, with employers retrenching 2.6

million posts and 524,000 in December alone (BBC New, 9 January, 2009). In South Africa, more than 300,000 people lost their jobs in 2009, which is in addition to the more than 112,000 workers that have been retrenched since November 2008 (Philp 2008:1). In Britain, anxiety disorders have currently infiltrated workplaces, as more than one in 10 workers fear that the economic meltdown could cost them their jobs in months to come (TUC in BBC News, 27 August, 2008). This concern is not farfetched, since from April to June 2008, around 60,000 British workers were laid-off, and unemployment figures rose to 1.67 million, while the number of people claiming unemployment benefits in July, rose by 20,100 to 864,700 (BBC News 13 August 2008). Growth has decreased over the past 15 years in more than 100 countries and, almost a third of the world's people have dramatically reduced the incomes of 1.6 billion people. The declines are unprecedented, since it exceeds, in duration and in depth, the Great Depression of the 1930s. More than 1 billion people (around 35 percent of the world's work-force) are either jobless or underemployed. Even in First World countries, more than 100 million people live below the poverty line, more than 30 million are unemployed and more than 5 million are homeless (Tsikata 2001). The United Nations (2008) has reported that the number of people currently living in hunger rose by about 50 million worldwide (SocialistWorkeronline 2008).

Currently, it seems as if the world has degenerated to the pre-socialist world of the 19th century, when organisations exploited labour to generate profit for absentee owners, and when companies demanded premium charges for their products, while at the same time, paying slave wages and retrenching their workers. Global workers, who are paid a mere percentage of what their true labour is worth, find it hard to even patronise fake products in the market (Hilfiker 1998). The owners, non-working profiteers, sacrifice even human health and the environment in their quest for excessive profits. In general, owners who do not actively participate in the operations and perform no function other than parasitism, are guaranteed the right to profit while human beings do not even have a guaranteed right to subsistence (Kowalski 2000:11). The current situation is reflective of the number of goods, which languish in warehouses owing to a lack of purchasing power in the hands of a majority namely, workers as consumers. Herein echoes the words of former American President, John F. Kennedy, in 1962: 'Consumers, by definition, include us all. They are the largest economic group … affecting and affected

by almost every public and private decision … but they are the only important group … whose views are often not heard' (cited in Oginni, 2002:1). However, the truth remains that, to disregard human (consumer) potential, is to commit productivity suicide. From another angle, O'Brien (cited in Sewell 2005:1) lamented:

> The history of mankind shows that from the beginning of the world, the rich of all the countries have been in permanent state of conspiracy to keep down the poor of all countries, and for this plain reason- because the poverty of the poor man is essential to the riches of the rich man. No matter by what means they may disguise their operations, the rich are everlastingly plundering, debasing and brutalising the poor. All the crimes and superstitions of human nature have their origin in this cannibal warfare of riches against poverty. The desire of one man to live on the fruit of another's labour is the original sin of the world. It is this, which fills the world with faction and hypocrisy and has made all past history to be what Gibbon so justly described – a record of the crimes, absurdities and calamities of mankind. It is the parent injustice from which all injustice springs.

Thus, the current failure of the capitalist system to address wider problems of humankind such as unemployment, inequality, oppression, poverty, food shortages and, finally, economic crises, will surely resurrect the question as to whether socialism is indeed dead and buried, as asserted by neo-liberals. More than that, since single (triumphant capitalist) orthodoxy has failed to address those mounting problems that have excluded a majority of humanity from participating in sharing global prosperity, the assertion that socialism is dead, has become redundant, and the possibility of a vibrant complementary and comprehensive economy pattern is imminent.

Renaissance of Positive Socialist Variants

Based on elucidated capitalist woes, it would be difficult to fully support an assertion that socialism is dead. As long as there are increasingly massive armies of unemployed and their supporters who, in their struggle, would use the rule of law to achieve control over means of production in order to

provide a humane environment through the conscious intervention and regulation of the invisible hands of the market, there would surely be ideologues such as socialists. Their logic may appear faulty and their willingness to use all possible means towards humane end may appear perilous, but they will always be around poking and prodding for a more humane civilisation (Brett 2004). Previously, existence of a socialist option compelled the West to advance the welfare state and to view the less fortunate with greater sympathy and compassion (O'Neil 1994:131). Moreover, existence of an alternative political and economic ideology created a kind of balanced world equation, in the sense that the excesses of capitalism were for several decades checkmated by socialism and vice versa. For instance, most of the Third World presently would not have been liberated from colonial servitude without the great vivacity of socialism (Sandle 1999). Socialism was really able to achieve a lot in comparison with capitalism. At least placing a man in space, development of the iron and steel industry, a drive towards more humanistic reduction of inequalities in different countries and regions of the globe and protection of national interests as opposed to trans-national interests, were all socialistically nurtured (Dhar 1999). Thus, it is apparent that socialism has, from time immemorial, been an ideological framework, which was adopted when the need to address some kind of imbalance in societies arose. Socialism is indeed a way of life, which focuses on bringing about change, if needs be, within a given scenario for the betterment of society. Indeed, from primitive periods to the modern epochs, the emphasis of socialism has always been to turn a bad social situation into a better one (*Dictionary of the History of Ideas* 2003). No wonder in the 19th century it became the only weapon in the hands of labour to redress and address capitalist exploitative methods of production. According to Alexis de Tocqueville (cited in ILO 1995:10), conditions of workers in the 19th century, could be likened to a vision of hell. This was a type of situation that socialists would not stand akimbo watching, but must (like to) oppose.

However, within the current dispensation, when socialism is mentioned, many people may prefer to construe it as a Soviet bloc state-built type of socialism, which was in most cases a reflection of the negative images of Stalinism. Some would even prefer to qualify personalities such as Adolf Hitler as a socialist, or recapitulate the history of Anabaptist Munster under the rein of Jan Bockelson (O'Neil 1994:119). In reality, this is merely a myopic way of reasoning. Acts of individuals purporting to be socialists

should not erode collective conscience of what socialism means. The fact that some elements have used socialism towards their egocentric actualisation does not simply mean that all the variants of socialism were actually defective. Socialism was not only a product of the Soviet bloc as it was widely perceived; it was also adopted under different names and umbrellas in Britain, Sweden, Norway, Yugoslavia, India and several other nations, as an instrument of welfarism and empowerment (Hersh & Schmidt 1996:3; Lynn *et al.* 2002:797). Thus, socialism amounts to a better platform to address those issues pertaining to the equilibrium or disequilibrium within society. It emphasises that the earth's resources should be distributed fairly rather than by what the unjust Smithian methodology of invisible hand distribution suggests, that has led to social and economic exclusion of the greater majority of humanity (and of course, the current global economic crisis) (King 1996). Based on this premise, it stressed on the active governmental role in management of the resources of people, in order to minimise the divide between the excluded and included within society. 'State socialism, as well as social democracy, considered the state as a defensive instrument against the corrosive effects of laissez faire capitalism' (Hersh & Schmidt 1996:4). Hence, socialism, in practice, bridges the gulf between the wealthy and the poor by introducing welfare programmes such as progressive taxation, free education for all, adequate housing for people and old age pension schemes, while placing emphasis on employment creation, minimum wage, union's right to organise, good industrial relations and a better quality of work life (Seth 1994).

Nevertheless, through all forms of propaganda mechanisms and slogans, within a capitalist global system, the world has been made to believe and accept that socialism has been exterminated from the surface of the earth, and that none of its variants can be revived within putative capitalist dispensation. This is an argument that the present author refuses to harmonise with, simply because capitalism has, from time immemorial, lost the confidence of reassuring the global populace that the benefit of a single economic and market system could be properly dispersed (Went 2000; Sklair 2002). The current economic meltdown and growing industrial protests/actions across the globe of the negative side effect of a single economic system, is a reflection of the above view. In concordance with the author's belief, McGiffen (2002) has remarked: 'The apparent triumph of a single orthodoxy does not appear to have accelerated the growth of global prosperity'.

Hence, socialist influence will last beyond the demise of the Sovietempire (O'Neil 1994:131). Therefore, as opposed to neo-liberal views, history has just begun, and the positive aspects of socialism can neither be ignored nor proclaimed to be dead and buried, because to bury socialism in its entirety, would mean to bury unionism; to bury socialism would be to bury industrial democracy and economic empowerment; to bury socialism would be to bury government regulation and interventions; to bury socialism would be to bury harmonious industrial relations; to bury socialism would in fact be to bury all alternatives to the present world of exploitation, poverty, inequality, squalor and disease, unnecessary deaths and hopelessness. In that sense, socialism is neither dead nor buried, but lurks in every corner of our societal being. In fact, socialism is still very much alive in Cuba and has brought a huge academic developmentalism to that part of the world, to the extent that even the United States of America sources doctors from Cuba. In Venezuela, socialism, which is in full-force, has helped to boost employment and a reduction in the level of disparity within society. Moreover, the government of Venezuela has taken control in regulating activities of most of the foreign corporations in their huge oil sectors. This measure has helped them to monitor environmental standard practices of most corporations in Venezuela, in addition to making sure that the local workforce is not exploited (Socialist Voice 2005). In South Africa, the socialist side of the tripartite alliance had previously threatened to stand alone in the previous election owing to rising unemployment, inequality and poverty under the Thabo Mbeki-led administration, which seemed to favour the capitalist class at the expense of South African's majority- the poor. However, his former deputy and current president, Jacob Zuma, seems to have been favoured for singing and dancing the tune of the alliance (Ukpere 2007).

During his last tenure as president of the USA, George Bush (an ardent capitalist), seemed dazed between capitalism and socialism before the G20 talks, on the global economic crisis, at the World Economic Forum. He euphemistically promoted the failed (global capitalist) project, while acknowledging the relevance of government intervention (although in a capitalist flavour), namely the $700 billion 'bail-out' (BBC News 27 September, 2008). Earnestly, the Bush bailout simply amounted to added salt to injury, since the costs of putative bailout was borne by workers (the major tax payers). Hence, from an angle, one could conclude that business losses are socialised, while capitalist profits are privatised.

Imagine Joe the plumber handing over his hard-earned tax dollars to the CEO of AIG on the premise that the investors, speculators and bankers are too big to fail. When a worker loses his daily pay betting on lottery, he cannot ask for food from the state, especially with the dismantling of the welfare system. But now governments are handing out corporate welfare to the rogues whose excess and greed is the immediate cause of the financial meltdown (Pittsburgh Indymedia 2009).

Conversely, it takes a courageous personality to speak the bitter truth (irrespective of how it sounds) in order to change the status quo. This is precisely what new American president Barrack Obama has done and continues to do. In his victory speech, Obama (2008:2) echoed: 'to tonight,…change has come to America!'. Indeed, that may mean a change from dogmatism to pragmatism; from myths to reality; poverty to affluence; sorrow to joy; recession to recovery; and obstinacy to listening. In fact, it signifies a true change from the blind rules of the invisible hand of the market forces to a visible hand of proper (government) management of economic forces. Furthermore, Obama (2009) emphasises the necessity of a $775 billion people-directed stimulus plan, which is projected to create more than 4 million jobs by way of investment in education, construction, health care facilities, protection of American jobs, and so on. These are indeed positive socialist variant. Therefore, these variants, if in fact dead (as previously claimed), have been resurrected.

Research Methodology

The paper is a meta-analytical study, which relied on secondary data. It is a qualitative study, which is based on conceptual analysis, theory building, literature reviews and emic perspectives (author viewpoint). The research also made use of exploratory methodology. Exploratory studies are typically conducted for the following reasons, namely to satisfy the researcher's curiosity and desire for better understanding; to test the feasibility of undertaking on more extensive studies; to develop the method to be employed in any subsequent study; to explicate the central concepts and constructs of a study; to determine priority for future research; and to develop a new hypothesis about an existing phenomenon.

In their view, Selltiz, *et al.* (1965 cited in Babbie *et al.* 2001:53-54) emphasise three methods by means of which exploratory research may be conducted namely, review of the related social science and other pertinent literatures; survey of people who have particular experience of the problem to be studied; and an analysis of 'insight stimulating' examples.

Exploratory studies usually lead to insight and comprehension rather than the collection of detailed, accurate and replicable data. Since this research intends to explore a wider phenomenon, exploratory methods were deemed fit for the research. It was necessary to follow open and flexible research strategies and to utilise methods such as detailed literature reviews, views of experts and authorities in the area of inquest, which has led to insight and comprehension. Exploratory and descriptive methodologies were adopted because the research was not an empirical study. Being a non-empirical study, the research placed more emphasis on philosophical analysis, conceptual analysis and theory building/literature review. Hence, the research was not based on any given sample of the universal population, less control was exercised and existing data on related topics were utilised.

Analysis and Conclusion

In summary, capitalist globalisation has failed woefully. Hence, the only hope left, is a renaissance of positive aspects of socialism, which would resuscitate capitalism. Therefore, a complementary and comprehensive ideological order is urgently required within the current global crisis because it is only determined government action, which is orchestrated by a strong sense of true nationalism that can limit the worst effects of the current global economic meltdown. Therefore, the furry of capitalism should be tempered by all necessary positive aspects of socialism. This is not to postulate the mixed economic system of the 1960s and 1970s because even then there was a competitive, but not complementary relationship between the two ideological orders. The difference between the previous ideological set-up and the current one, which the present author is referring to, is that instead of competitive ideological orders, there should be a complementary and comprehensive one. In concordance with the author's view, Turner (2001:20) has previously stated:

the belief of capitalism and economic development helped generate

the ideas, as well as the prosperity, which characterises the developed world today, but, en route, they generated the inequality and insecurity, which almost blew up this post facto progressive path, but capitalism was only saved by the emergence in the late 19th and 20th centuries of a countervailing force, which many capitalists opposed: a state powerful enough to redistribute economic opportunities and to provide collective goods, and intellectually competent enough to absorb and apply Keynes's intellectual revolution- a state, which was the product of ideas and political will, rather than a natural and automatic product of capitalist system itself.

Therefore, the state cannot continue to be a passive onlooker of economic mismanagement and industrial cacophony because humans, in search of peace and progress, have surrendered their sovereign identity to the state. The state is, indeed, a fine product of human civilisation, and should be the authoritative supreme power- the actual sovereign, which should formulate and execute the will of the people, while stimulating private initiatives towards the full actualisation of capisocism.

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Strategic Intent and its Implementation: Mission Impossible?

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Abstract

Are mission statements losing their lustre? Do companies use their mission statements as primary guiding force for developing and implementing customer-focused strategies, enabling them to deliver superior customer value while at the same time maximising their profits? Do companies create shared value for their customers (societal needs) while at the same time creating profits? Does the mission statement fulfil its additional role as foundation of corporate culture? Questions such as these provide the impetus for this paper, which uses Structural Equation Modelling to establish a causal link between mission statements and organizational behaviours aimed at building and delivering customer value. It finds that mission statement development is disconnected from its implementation in South Africa, where companies seem to use communication techniques such as public relations to manipulate customers in a cynical manner for chasing profits, rather than to build long-term customer value.

Keywords: communication, customer value, implementation, mission statement, strategic intent

1. Introduction

Companies worldwide are enjoying increased media attention for perceived malpractices and for generally ignoring good ethical standards in manufacturing and marketing. Perceptions that companies today choose short term profit above long-term value are increasingly expressed. These

perceptions persist and grow in spite of promises of superior customer value as encapsulated in mission statements. This introduces the question whether the mission statement as strategic tool is still useful. Desmidt, Prinzie and Decramer (2011) researched literature showing that mission statements do indeed still matter, but also find that there is insufficient empirical information about the effects of mission statements. This paper intends to contribute empirical insight to this shortfall against the background of organizations in South Africa who seem to be failing the promises implied in mission statements. It unfolds in three parts. Firstly, it presents a brief overview of literature on mission statements. Secondly, it develops an *a priori* model that shows the theoretical relationships between mission statement development and organizational outcomes. Thirdly, it uses Structural Equation Modeling (SEM) to empirically examine the reality in the South African context, based on data gathered from top companies in South Africa.

2. Literature Review

Designing and implementing a mission statement that positively influences organizational performance over the long term has been under discussion among scholars and managers ever since its introduction by Drucker (1974), who saw mission as the foundation of corporate strategy development and implementation. Recently, however, scholars and practitioners have started to question the deceptively simple concept of mission. Sidhu (2003:443) sees the influence of mission on organizational performance as 'an article of faith' and mentions an 'erosion of managerial confidence in mission statements'. He partly blames academics who have given little or no attention to mission implementation while generating much research on mission development, function, and role. In some cases, mission seems to be used primarily to create shared expectations from employees and customers, and not as strategic tool. Literature on the topic of mission statements is rich with problems, and may be grouped together into three main categories: terminology, content, and implementation.

There is uncertainty about mission statement terminology and definition. Kantabutra and Avery (2010) argue that the concept is not clearly defined. Leuthesser and Kohli (1997: 59) show different variations such as 'statement of purpose, value statement, corporate philosophy, corporate

creed', all used to name 'mission statement'. The fact that the term has so many synonyms may point to its usefulness, although it seems to be without specific focus. Hooley, Cox and Adams (1992) also call for clarification of terminology and definition, showing that this uncertainty has lingered for many years.

The content of mission statements also poses problems. Mission statements differ in content and effects on strategy (Sidhu 2003; Williams 2008), and external perceptions of it differ from internal intentions implied in such statements (Hooley *et al.* 1992). Bart (1997) points to a lack of managerial guidelines for drawing up mission statements. Hooley *et al.* (1992) discuss large variations in the composition and implementation of mission statements, and identify differences between practice and theory, how mission statements are formulated and what they contain, as well as the way in which mission statements are implemented.

The link between mission statement development and its implementation seems problematic. Scholars and managers find few direct associations between mission content and performance (Pearce & David 1987; Peyrefitte & David 2006; Zheng, Yang & McLean 2010). It is unclear why the mission statement is a valuable strategic management tool (Bartkus, Glassman & McAfee 2006) and there seems to be limited empirical evidence that would support the value of mission statements (Cravens, Greenley, Piercy & Slater 1997; Pearce & David 1987). Empirical evidence linking strategic planning positively to organizational performance is dichotomous at best (Bart 1997; Rudd, Greenley, Beatson & Lings 2008). This problem is partly attributed to the fact that financial performance is typically measured to the exclusion of other performances implied by the mission statement (Crotts, Dickson & Ford 2005). Sidhu (2003) shows that managers are not alone in struggling with mission statement development and argues that mission statement implementation received little if any scholarly attention.

It is the implementation of mission statements that enjoys particular attention from Desmidt *et al.* (2011: 480), who find that, while the mission statement still has academic relevance, the focus of research needs to shift to empirical enquiry into the causal relationships between mission statements and organizational benefits, since empirical research may identify those factors that are 'enhancing or hampering the effectiveness of mission statements'.

Despite problems articulated in literature and briefly discussed earlier

in this paper, the mission statement still matters (Hirota, Kubo, Miyajima, Hong & Park 2010:1147). Academic literature on mission statements and related subjects such as vision, strategy, and long range planning is unanimous in agreeing that the mission statement doubtlessly provides direction to the organization and its stakeholders. Pearce (in Palmer & Short 2008:455) states that the mission statement provides 'unity of direction' and creates 'shared expectations' among employees. It guides organizations in taking responsible action to ensure sustainable growth and profitability. Abell (2006) sees a mission as a short expression of the organization's fundamental purpose, and argues that it should be expressed in terms focusing on customers. To him, strategic alignment should be outward and inward-directed. He sees customer value as the result of processes, not single organizational entities or decisions. Customer value is the natural result of leadership contributing to partnerships between all actors in the supply chain, creating higher customer value while lowering costs – activities that all flow from the mission statement.

Mission is a strategic tool clarifying the business of an organization and articulating what it should be (Campbell & Yeung 1991; Stone 1996). Mission statements, the foundation and starting point of organizational planning (Bart 1997; Cochran, David & Gibson 2008; Sidhu 2003) are variously described as enduring (Cochran *et al.* 2008; Hooley *et al.* 1992), broadly defined and something that distinguishes organizations from others (Hooley *et al.* 1992). While adapting to changing environments, organizations adhere to values embedded in mission statements which simultaneously provide focus and articulate outcomes sought by those organizations (Sha 2009). Toftoy and Chatterjee (2004) also see mission as the cement of the organization's employee commitment establishing the values directed at a shared company goal. To them, mission should additionally reflect the organizational image. Mission establishes and maintains key values or attitudes towards customers, among others.

This is a challenge to managers in a world where environments are increasingly complex and unstable. To add to the challenges facing managers, society expects organizations to do more than make a profit. Galbreath (2009) argues that top management needs to anticipate social issues that may have an effect on strategy, and to plan accordingly. He differentiates between the organization's explicit responsibilities such as return on investment, legal operations and job creation on the one hand, and society's implicit

expectations of business such as labour and environmental standard-bearing on the other. One of the ways in which this explicit/implicit gap is bridged is through Corporate Social Responsibility (CSR). Lee, Fairhurst and Wesley (2009) state that CSR in organizations is increasing in importance with organizations seeking to integrate social and environmental concerns into their day-to-day operations. This aspect of CSR resonates with the social and environmental metrics implied by the Balanced Scorecard (BSC) as well as triple bottom line reporting calling for a balance between social, financial, and environmental concerns as articulated in the King II Report and elaborated on in King III in South Africa (Baker 2010). The King reports (as well as the anticipated King IV Report) argue for a strong role for internal auditing, and call for balanced measurements of organizational activities limited not only to financial reporting. Lee *et al.* (2009) show that CSR is finding a foothold in culture and strategy formulation, and suggest that CSR has positive influences on corporate performance. An important finding of their research is that CSR initiatives, if successfully communicated, may contribute to the organization's overall competitive advantage – thereby showing that a social conscience may yield tangible corporate performance results. CSR has been the traditional responsibility of the public relations or communication departments in organizations, a responsibility questioned by Porter and Kramer (2006). To them, CSR could be a major driver of the success of organizational mission statement implementation. If CSR is integrated well into the fabric of the organization, and if it is communicated effectively, it may contribute greatly to the fulfilment of strategic intent. Short-term financial gain should be balanced with the requirements of long term value creation as encapsulated in the strategy and as implemented throughout the organization. Communication should, according to them, play the role of catalyst in creating such long term strategic value.

Cochran *et al.* (2008) also propose that communication is an important aspect of mission implementation, and emphasize the practical nature of mission as a foundation of strategic management. Effective communication is a crucial element in mission development and implementation and a communication analysis should be included in the mission development stage. Ineffective communication in turn is detrimental to the implementation of the BSC approach (Chen & Jones 2009). They find that employees do not accept the BSC readily, mostly attributable to a lack of communication which leads to incorrect perceptions. They show that

customer satisfaction is a leading indicator of financial performance, but question whether the BSC approach has sufficiently developed information and organization capital to achieve customer satisfaction. They emphasize the importance of communication in order to help employees understand requirements of the BSC approach, and to understand its benefits, which in turn aids in motivating employees to adapt their behaviour accordingly. Panda and Gupta (2003) also recommend that the mission should be communicated effectively throughout the organization and to all stakeholders. They propose the development of communication networks specifically aimed at communicating the organization's mission.

Communicating the mission effectively is included in the BSC approach, which is seen as a mechanism that could help management to turn strategy into action, chiefly because of the fact that it employs financial as well as non-financial measures, and because it emphasizes the link between strategy and operations (Crabtree & DeBusk 2008). Kaplan and Norton (2001), originators of the BSC approach, warn that successful strategy depends on the effective communication of that strategy throughout the entire organization.

However, while the BSC approach has yielded results that are not only positive but also consistent, little has been said about the processes driving these results (Thompson & Mathys 2008). They propose an Aligned Balanced Scorecard (ABSC) that enhances the BSC. This might address problems in the BSC that relate to: 1) lack of central processes, 2) lack of understanding of the alignment of scorecard items, 3) a need to measure those activities that are relevant to mission statement implementation, and 4) a need to understand how the organization's strategy affects BSC elements (Thompson & Mathys 2008). The ABSC emphasizes processes driving organizational performance. Zheng *et al.* (2009) agree with these authors, and cite a lack of understanding of those mechanisms that help to translate plans into outcomes. These authors, like Thompson and Mathys (2008), argue for the use of knowledge management (including organizational learning) as a strategy for implanting strategy, and see knowledge management as an antecedent to organizational effectiveness and an intervening mechanism between planning and effective outcomes. White (2010) emphasizes that management's intentions and high stakeholder involvement are essential to successful strategy creation. Strategic performance measurement systems (SPMSs) such as the BSC may influence strategy formulation even though

they are intended to measure (aspects of) strategy implementation, argue Gimbert, Bisbe and Mendoza (2010). They find empirical evidence supporting their hypothesis that SPMSs impact not only on strategy implementation, but also on its formation, suggesting a form of feedback from output stage to input stage. Berry, Coad, Harris, Otley and Stringer (2009) identify communication as problematic and propose research into control systems measuring, inter alia, communication effectiveness in the BSC process. The development of more effective communication is directly in line with what is called for by the Symmetry Theory developed originally by Grunig and Grunig (Sha 2009). Symmetry in communication deals broadly with the willingness of organizations to change themselves while simultaneously striving '*to change its stakeholders*' (Sha 2009:300).

Crotts *et al.* (2005) recommend a mission audit as the starting point for aligning organizational actions with promises implied in the mission. They argue that such an audit will benefit an organization in which its activities are well-aligned with its mission and propose that management should audit every organizational activity to ensure that a single message is sent to employees and customers alike. This is one of the core functions of organizational communication. Hirota *et al.* (2010:1135-1136) underline the importance of communication when they describe the mission statement as: *'a tool to articulate the management's beliefs, convictions, perspectives and approaches in regard to the firm's purpose, social responsibility and achievable inspiring goals'.* Since the mission statement may have an effect on the behaviour of employees (Bart 1997) such an audit may help to improve organizational performance. It becomes clear that effective communication may well act as a catalyst for mission statement implementation throughout the organization. Bartkus, Glassman McAfee (2004) strongly suggest that mission statement implementation should pay heed to its role in communicating direction, assisting in control, guiding decision making, and motivating employees.

While academics agree on the importance of mission statements, and devote much attention to its construction and development, implementation receives little attention (Bart 1997). To Bart, behavioural performance measures should be linked to mission statement drivers such as common purpose, creating shared values and inspiring employees. He calls for more research into motives driving mission statements. Guo, Duff and Hair (2010) find that shared values and customer orientation are antecedents of

commitment which, in turn, leads to positive organizational results. Sidhu (2003) likewise argues that prevailing scepticism about mission statements results from lack of agreement among scholars about core components of mission statements and a lack of attention to the process of mission statement implementation. He supports Bart (1997) in calling for more empirical research into the link between mission statement and performance. More research is needed to understand the intervening mechanism that explains how organizational strategy (including mission) affects the effectiveness (that is, outcomes) of organizational actions (Zheng *et al.* 2010). In addition, Williams (2008) argues that more exploration is needed in finding the causality between mission statement development and performance.

Thus, while mission statements may be losing their attractiveness to managers and scholars owing to terminological confusion, disagreement about content, and lack of proof of its effectiveness, it has not yet been discarded completely, since there is compelling evidence that mission statements do improve organizational performance. The problem at this stage is that there is not much empirical enquiry into the links between mission statements and organizational benefits, as Desmidt *et al.* (2011) point out.

Empirically exploring mission statements and understanding their role in South African organizations is the main aim of this paper. It examines mission statements in top South African companies.

3. An *A Priori* Model

The literature review provided several insights on the role of mission statement, communication, implementation, and measurement. These insights are found in four major stages:

Mission: The successful organization is profit-oriented, while not losing sight of its long-term strategic intent, which is formulated and motivated by its mission statement.

Communication: The successful organization provides communication structures and processes that are sufficient to communicate the mission to all stakeholders inside and outside the organization, feed relevant customer information to all departments, assist in building positive

customer perceptions, and act as a catalyst for successful mission statement implementation.

Implementation: In carrying out its various tasks to ensure customer value, the organization takes care to control the implementation of mission statements by carrying out regular and thorough checks to ensure successful mission statement implementation.

Measurement: The successful organization uses correct and relevant measurement tools to ensure that the implementation of mission statements remains relevant to organizational goals (BSC and CSR).

The starting point of mission implementation is the long term strategic view of the organization itself and its short-term profit outlook, which is balanced by a socially responsible orientation. Our *a priori* model, based on the assumptions discussed above, is proposed in **Figure 1** below. This model aims to illustrate the effects of mission statement on organizational strategy, and is therefore named the 'Mission effects model'. Directed arrows are used to show the direction of causality.

Figure 1: *A Priori* Model
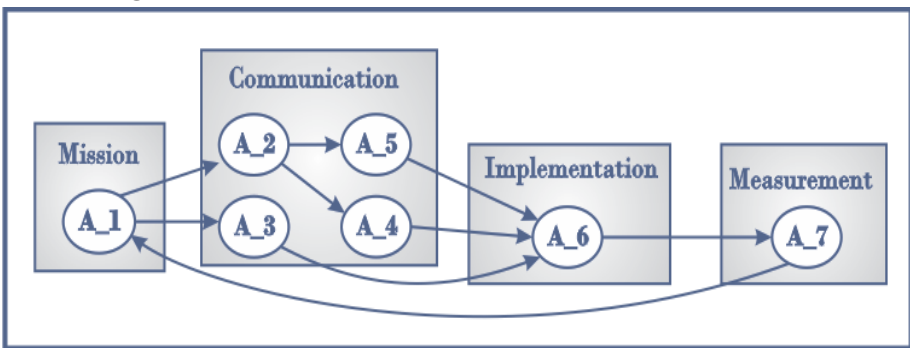
The various components of the *a priori* model above, ranging from A_1 to A_7, are explained as follows:

- A_1: Mission development
- A_2: Communicating mission

- A_3: Organizational view of customers/customer perception
- A_4: Actual customer perception
- A_5: Public relations activities
- A_6: Implementation of mission
- A_7: Measurement and feedback of results

4. Methodology

Using the model outlined here, we constructed a questionnaire with questions aimed at addressing each of the components of this model. The questionnaire was distributed by e-mail and data collated. During June and July 2010, the questionnaire was sent to senior and top managers of large South African companies and multinationals operating in South Africa. About 7 000 interviewees were identified. Just more than 2 000 responses were received of which 1 200 were judged as usable.

The questionnaire was based in large part on the questionnaire used by Venter (2009), which we regarded as a pilot study. The questionnaire was fine-tuned to fit the *a priori* model, which was tested using a very small sample. A research agency made several recommendations, resulting in a shorter and more compact questionnaire that would yield a higher response rate given that it was sent out in e-mail format. After refining some of the questions, it was pilot-tested by e-mail. The pilot test yielded a few small issues that were solved before it was finally sent out to respondents. The final questionnaire contained 48 Likert-scale type questions ranging between 1 (strongly disagree) and 7 (strongly agree). The questions were designed to establish the opinions of managers in large South African companies and multinationals operating in the country. These questions addressed topics ranging from consumer knowledge and perception to strategic and operational issues.

The database used for the analysis yielded a Kaiser-Meyer-Olkin measure (Kerns 2007) of sampling adequacy of 0,8498 and indicates a degree of common variance which is described as meritorious. That is, if a factor analysis is used, the extracted factors will account for a substantial amount of the variance. **Table 1** shows Cronbach's alphas of the different latent variables identified by factor analysis. It should be remembered that Cronbach's α may over- or underestimate reliability (Raykov 1997; 1998).

Table 1: Cronbach's Alphas for Estimated Latent Variables

	Raw alpha	std. alpha	G6(smc)	Average r	mean	sd
A_1	0.9	0.9	0.88	0.71	3.0	1.4
A_2	0.68	0.68	0.63	0.35	3.2	1.1
A_3	0.67	0.68	0.61	0.36	2.8	0.9
A_4	0.85	0.86	0.76	0.76	2.6	1.2
A_5	0.62	0.65	0.56	0.38	2.2	0.91
A_6	0.8	0.8	0.73	0.56	3.4	1.4
A_7	0.69	0.69	0.65	0.37	3.1	0.59

Source: Own calculations

Structural equation modeling (SEM) has become the technique of choice for researchers in behavioral sciences (Hooper, Coughlan & Mullen 2008; Hox & Bechger 1998). First of all it tries to validate the measurement model (CFA) and then fit the structural model (Garson 2010). SEM attempts to best represent the underlying theory based on data. The typical use of SEM is to generate a model for which only a tentative model serving as the theoretical construct has been extricated from theory. SEM is thus used to test causal relationship as predicted by means of theory using a set of variables to demonstrate the fitness of the hypothesized model using a number of goodness of fit statistics (Chang 2010).

The strength of SEM is that it enables researchers to distinguish between direct and indirect relationships between variables (measurement model) and to estimate relations among latent variables in the structural model. The estimated relationships do not imply causality (Suhr 2006). Causality is established in the theoretical construct or model and tested with SEM. The flexibility of SEM allows the modelling of complex data structures which was impossible with traditional regression techniques. SEM is based on an *a priori* theoretical construct, the collecting of the appropriate data, the regression or path coefficients between latent variables or factors, and the types of covariance between the observed variables. The challenge is to 'fit' the data to the theoretical construct (Hooper *et al.* 2008; Hox & Bechger 2006).

The ideal sample size required for estimating SEM is 20 respondents for each parameter estimated in the model. Maximum likelihood estimation

produces good results, but requires large sample sizes, usually more than 400 cases (Hox & Bechger 2006).

Two types of variables are used in SEM. Firstly, those variables measured by means of a questionnaire and latent variables which are implied and not measured. A latent variable is usually defined by the common indicators used to construct it (Suhr 2006). Latent variables are used when it is not possible to measure variables directly (Valuzzi, Larson & Miller 2003). The parameters of SEM are regression coefficients, variances and covariances among variables and latent variables.

An *a priori* model based on the underlying theory tests for a specific hypothesis and, when deemed to fit the data, the estimated coefficients can be interpreted. There are many goodness-of-fit measures, each measuring different aspects of fit. The following tests are often recommended (Zhu, Walter, Rosenbaum, Russel & Raina 2006):

The overall chi-square statistic tests the null hypothesis that the theoretical model fits the data. The chi-square statistic is sensitive for large sample sizes and will consistently reject the null-hypothesis of a good fit when using a large sample size.

The root mean square error of approximation (RMSEA) should be smaller than 0,05. The RMSEA is concerned with how well the given model approximates the theoretical model.

The Bentler/Bonnet non-normed Fit Index (NNFI) should exceed 0,9 and a statistic greater than 0,95 is considered a good fit (Hox & Bechger 1998).

Bentler's Comparative Fit Index (CFI) should exceed 0,9 and a statistic of greater than 0,95 is considered a good fit (Hox & Bechger1998).

The Root Mean Square Residual (RMSR) should not exceed 0,05 to ensure a good fit.

Modification indices are used to guide the improvement of the fitted model, which allow for the addition of parameter that will improve the fit or deletion of not-significant parameters (Hox & Bechger 1998). Modification indices should be used with care as long as they can be justified theoretically. The theoretical model is used as the basis for data analysis, which then yields modification indices, which are used in turn to improve the fit of the data model. After each modification, a new theoretical construct must be verified.

SEM is criticized for its assumption of normality and sample size and causal interpretation. Correlation does not imply causality. Normality of data

is a problem, which can only be solved statistically. Sample based indicators require rather large samples, thus increasing the cost of research. The best conclusion possible from SEM results is that that the theoretical construct is corroborated by the data (Hox & Bechger 1998).

CFA is used as a first step to assess the proposed measurement model in an SEM (Garson 2010). Many of the rules of interpretation regarding assessment of model fit used in SEM apply equally to CFA. CFA differs from SEM because in CFA there are no directed arrows between latent variables only. CFA is called the measurement model, while the SEM with its relations between latent variables (with directed arrows) is called the structural model. In CFA, hypotheses are tested based on prior theoretical notions, between latent variables (Garson 2010).

The CFA model statistics are reported in **Table 2** (See **Appendix A**). Statistics like the CFI, LTI and SRMR are well within the range of acceptability. The RMSEA is just outside the critical point of acceptability (<0.05). The large number of observations (1200) will bias the Chi-square statistics and should be ignored. In general it is possible to conclude that CFA confirms that the indicators are sorted into workable latent variables.

Table3 (See **Appendix B**) reports the different regression coefficients, types of variance and types of covariance among variables used in the CFA analysis. All of the estimated coefficients are statistically significant, which is further confirmation that the measurement model is working fairly well.

Table 4 (See **Appendix C**) depicts the test-statistics for the SEM. All statistics are within the acceptance ranges, except the reported chi-squared statistics, but this a typical problem experienced with SEM modelling when large sample sizes are used. In general, these results confirm that the obtained SEM is fitting the data reasonably well.

The SEM is the structural model searching for relations between latent variables (with directed arrows). An SEM cannot draw causal arrows or explain causal ambiguities (Garson 2010). Theoretical insight and judgment by the researcher is needed, especially when the structural model is estimated. Theoretical insights now provide important guidance on causal relationship as indicated in the literature review.

Table 5 (see **Appendix D**) reports the different regression coefficients, types of variance and types of covariance among variables used in the SEM analysis. All of the coefficients are statistically significant, which

is further confirmation that the measurement model is clearly statistically significant and useful.

5. Results

The final structural model that was estimated using SEM, based on the *a priori* model already discussed, using directed arrows, is illustrated in **Figure 2** below. The broken arrows represent the a priori model, while the solid arrows represent results in the estimated SEM.

Figure 2: Estimated SEM Model
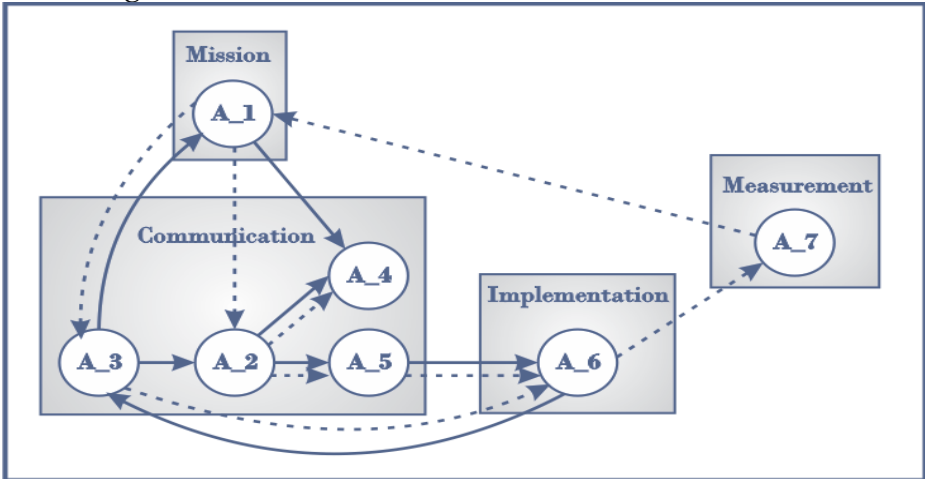
The estimated model in **Figure 2** above differs significantly from the postulated theoretical model. The estimated model shows that customer perception information rather than mission statement drives organizational activities. That is, a customer satisficing model is followed. The data suggest that customer perception information drives mission statement implementation, but that mission statement implementation does not drive customer perception knowledge. South African companies all do have mission statements, and do pay some attention to the mission (at least by ensuring that it is written and communicated). It seems as if the mission statement is used more as a necessary checklist item rather than the

motivational and direction-giving force that it potentially could be. Positive results from mission statement implementation are largely ignored as is evident from the fact that mission statement outcomes are not measured. Positive results from mission statement implementation are therefore largely lost. A further concern is that mission statement development is not influenced by measurement results (such as BSC), that is, there is no feedback from measurement to mission. This reflects negatively on the ability of South African organizations to align their short run financial gains with long run customer value creation.

Estimated results suggest that the mission is not communicated effectively as there is no link between A_1 and A_2. Communication of the mission is strongly driven by customer perception information (A_3). Although the mission is definitely communicated to internal and external stakeholders, it is not based on strategic intent, but rather some customer perception information. Communication seems to be one-directional and is used to burnish the organization's reputation and its actions. Communication is therefore used chiefly as a tool of persuasion and possibly manipulation, thereby giving credence to accusations that public relations is involved in spin doctoring rather than genuine information sharing.

Customer perception information (A_3) and not mission statement (A_1) forms the critical pivot in the estimated model. Customer perception information is driven by implementation (A_6); production not customer value drives customer perception information which in turn drives mission (A_1) and communication of mission (A_2). Customer perception information, so critical to the customer-focused organization, is used to shape customer perceptions about product and price, thereby indicating a production- and selling-driven focus in South African organizations. This would invariably result in customer perceptions being shaped for purposes of persuasion and not meaningful value-creating dialogue.

In the eyes of South African organizations, customers do not understand their products, have unreasonable expectations, and are not sufficiently informed. This viewpoint of the customer, jaundiced as it is, is at a far remove from a genuine customer focus. The accusations against South African companies reflected in so many media therefore seem to be true: the customer is the source of profit, and should be manipulated to provide maximum profit at minimum effort to the organization. CSR alone may not correct this problem. This alarming view of the customer as irritation may

well explain the cynical behaviour of organizations that treat customers as if they were lambs to be slaughtered and not partners in the process of value creation.

Given that the data so far points to a one-directional use of communication as manipulation it is perhaps not surprising that the data show public relations to be a welcome partner, but a partner that can be used to protect the organization from bad press and to manipulate customers and other stakeholder groups. Public relations it seems is a welcome spin doctor, but is not seen as a partner in the value creation process.

Mission statements in South Africa do not act as compelling force but rather as an item on a checklist. Communication regarding the mission statement with all stakeholders is not controlled through measurement, showing that mission statement implementation is a low priority. Organizations in South Africa have no clear profit orientation, view customers with jaundiced eyes, and use communication to manipulate customers and other stakeholders rather than engage them in meaningful dialogue resulting in superior value for all.

The absence of links implied in the *a priori* model from A_6 to A_7 to A_1 is a cause of major concern. This suggests that South African organizations are not learning organizations. They do not, in the main, use their performance measurement metrics (such as BSC) to fine-tune their mission statements, which once again confirms that short term financial gains are much more important than long term customer value creation.

A customer satisficing model for mission statement implementation is designed to keep the customer reasonably happy without providing the promised service or product as implied in the mission. Communication adopts a two-faced role of convincing customers about product/service quality, and to convince them that what they received, although not as promised in the mission, is still satisfactory. This is manipulation of the customer and not true value creation.

6. Conclusions and Recommendations

In light of the problems associated with mission development and implementation discussed in the introduction of this paper, it is not difficult to understand the problems identified in the previous section.

The South African consumer is clearly not the most important

concern to organizations. While all organizations do have mission statements, and while they do seem to go to some lengths towards implementing them, full measurement of the effects of mission statement as a primary guiding force for developing and implementing customer-focused strategies is non-existent.

Communication between organizations and their customers (as well as other stakeholders) is based only on one-directional persuasion aimed at extracting profit, and not on creating real stakeholder value. Indeed, the only stakeholder whose interests are wholly served is the shareholder.

The most significant observation is that Measurement (A_7) is not linked to any mission-related activity (mission, communication, implementation, measurement) showing clearly that South African companies do not pay attention to ensuring that the mission is properly implemented. There is a definite disconnection between mission statement and its successful implementation, thus supporting the notion that the mission statement seems to lose its lustre or was never really part of strategic management. Without a genuine managerial effort to ensure proper alignment of organizational values with a strong customer focus, it is clear that the customer, at least in South Africa, is not yet king.

Managers will therefore benefit from an audit of mission implementation in their respective organizations in order to establish to which degree they fail to implement their mission statements. Should they discover a similar disconnection between mission statement and implementation, they would be well-advised to take corrective action to ensure maximum strategic benefit.

It is recommended that further studies of this nature be repeated with the objective to increase understanding of why measurement fails to play a significant role in realizing strategic intent. An important element of this research must be based on improved data collection, especially the design of more appropriate questionnaires used for typical SEM analysis. It is also important to understand why implementation plays such an all-important role in South African organizations. South African companies may have reversed the good order of mission driving implementation to that of implementation driving or ignoring mission. Estimating the impact of the King Reports on business practices is of utmost importance, and should be done urgently. Are organizations capturing the essence of recommendations in these reports, or are they merely doing the minimum required, amounting to so much window

dressing? International comparative studies would also yield important information on these essential issues.

The mission statement in the firm must play the role for which it is designed. If it is merely used as a compliance tool, then it will not deliver intended effects to the organization. In such a case, the problem needs to be addressed by management. The failure of managers to use mission statements as intended may result from two sources: firstly, the deliberate use of the mission statement as a spin doctoring tool, and secondly, a lack of knowledge about mission statements and mission implementation. The latter problem is easy to solve through additional training and education. The former problem is quite complex and may not be easily solved, especially because it would require managers to change their attitudes.

Creating long-term customer value is the victim of short-term financial gains in South Africa. In the process of subjugating real customer value to shareholder value, the mission statement is relegated to the role of supporting actor in organizational management. Indeed, in South Africa, mission statements have lost their lustre, and mission development and implementation have become, in that country at least, a true Mission Impossible.

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Appendix A

Table 2: CFA Results – Model Statistics

Item		Statistic
Model converged normally after 66 iterations using ML		
Minimum Function Chi-square		495.106
Degrees of freedom		104
P-value		0
Chi-square test baseline model:		
Minimum Function Chi-square		7975.003
Degrees of freedom		136
P-value		0
Full model versus baseline model:		
Comparative Fit Index (CFI)		0.95
Tucker-Lewis Index (TLI)		0.935
Loglikelihood and Information Criteria:		
Loglikelihood user model (H0)		-32749.5
Loglikelihood unrestricted model H(1)		-32501.9
Akaike (AIC)		65597.028
Bayesian (BIC)		65846.442
Root Mean Square Error of Approximation:		
RMSEA		0.056
90 Percent Confidence Interval	0.051	0.061
P-value RMSEA <= 0.05		0.023
Standardized Root Mean Square Residual:		
SRMR		0.046

Appendix B

Table 3: CFA Results – Coefficient Estimates

Variable	Estimate	Std.err	Z-value	P(>|z|)	Std.lv	Std.all

Latent variables:						
f1 =~						
sd7	1				1.097	0.702
sd6	0.982	0.064	15.383	0	1.077	0.656
sd10	0.741	0.055	13.355	0	0.813	0.508
se2	0.67	0.05	13.462	0	0.735	0.514
f2 =~						
sb6.1	1				1.396	0.877
sb7.1	0.953	0.027	34.957	0	1.33	0.806
sb8.1	0.972	0.024	40.36	0	1.357	0.879
sc6.1	0.912	0.025	35.951	0	1.273	0.82
f3 =~						
sb3.1	1				1.391	0.762
sc3.1	0.551	0.062	8.861	0	0.767	0.457
f4 =~						
se5.1	1				1.284	0.908
se4.1	0.74	0.031	24.083	0	0.95	0.839
f5 =~						
sa5.1	1				0.901	0.734
sa4.1	0.66	0.04	16.659	0	0.595	0.646
sa3.1	0.738	0.056	13.189	0	0.665	0.47
f7 =~						
sb2.1	1				1.148	0.807
sb1.1	0.941	0.042	22.33	0	1.08	0.832
Latent types of covariance:						
f1 ~~						
f2	0.329	0.057	5.766	0	0.215	0.215
f3	-0.192	0.067	-2.868	0.004	-0.126	-0.126
f4	0.182	0.052	3.476	0.001	0.129	0.129

f5	0.209	0.042	4.93	0	0.211	0.211
f7	0.397	0.052	7.621	0	0.315	0.315
f2 ~~						
f3	0.58	0.077	7.505	0	0.299	0.299
f4	0.586	0.061	9.547	0	0.327	0.327
f5	0.513	0.051	10.161	0	0.408	0.408
f7	0.801	0.063	12.727	0	0.5	0.5
f3 ~~						
f4	0.846	0.076	11.071	0	0.474	0.474
f5	0.436	0.058	7.465	0	0.348	0.348
f7	0.597	0.07	8.557	0	0.374	0.374
f4 ~~						
f5	0.639	0.05	12.672	0	0.552	0.552
f7	0.527	0.055	9.593	0	0.358	0.358
f5 ~~						
f7	0.619	0.049	12.611	0	0.599	0.599
Latent types of variance:						
f1	1.203	0.109	11.032	0	1	1
f2	1.949	0.104	18.747	0	1	1
f3	1.934	0.239	8.079	0	1	1
f4	1.649	0.1	16.553	0	1	1
f5	0.812	0.068	11.965	0	1	1
f7	1.318	0.092	14.384	0	1	1
Residual types of variance:						
sd7	1.237	0.084	14.707	0	1.237	0.507
sd6	1.538	0.092	16.779	0	1.538	0.57
sd10	1.897	0.09	21.087	0	1.897	0.742
se2	1.506	0.072	20.982	0	1.506	0.736
sb6.1	0.586	0.035	16.629	0	0.586	0.231

sb7.1	0.955	0.047	20.201	0	0.955	0.351
sb8.1	0.544	0.033	16.491	0	0.544	0.228
sc6.1	0.793	0.04	19.737	0	0.793	0.328
sb3.1	1.394	0.213	6.547	0	1.394	0.419
sc3.1	2.227	0.11	20.197	0	2.227	0.791
se5.1	0.353	0.061	5.827	0	0.353	0.176
se4.1	0.38	0.036	10.637	0	0.38	0.296
sa5.1	0.696	0.049	14.12	0	0.696	0.462
sa4.1	0.493	0.027	18.085	0	0.493	0.582
sa3.1	1.561	0.071	22.086	0	1.561	0.779
sb2.1	0.703	0.057	12.367	0	0.703	0.348
sb1.1	0.52	0.048	10.747	0	0.52	0.308

Appendix C

Table 4: SEM Results – Model Statistics

Item		Statistic
Model converged normally after 88 iteration using ML		
Minimum Function Chi-square		316.324
Degrees of freedom		95
P-value		0
Chi-square test baseline model:		
Minimum Function Chi-square		7975.003
Degrees of freedom		136
P-value		0
Full model versus baseline model:		
Comparative Fit Index (CFI)		0.972
Tucker-Lewis Index (TLI)		0.96
Loglikelihood and Information Criteria		
Loglikelihood user model (H0)		-32660.1
Loglikelihood unrestricted model (H1)		-32502

Akaike (AIC)		65436.25
Bayesian (BIC)		65731.47
Root Mean Square Error of Approximation		
RMSEA		0.044
90 Percent Confidence Interval	0.039	.049
P-value RMSEA <= 0.05		0.965
Standardized Root Mean Square Residual:		
SRMR		0.035

Appendix D

Table 5: SEM Results – Coefficient Estimates

Variables	Estimate	Std.err	Z-value	P(>|z|)	Std.lv	Std.all
Latent variables:						
f1 =~						
sd6	1				0.872	0.531
sd7	1.036	0.075	13.912	0	0.904	0.579
sd10	1.016	0.098	10.362	0	0.886	0.554
se2	0.929	0.089	10.428	0	0.81	0.569
f2 =~						
sb6.1	1				1.392	0.875
sb7.1	0.952	0.027	34.88	0	1.324	0.805
sb8.1	0.974	0.024	40.186	0	1.355	0.879
sc6.1	0.911	0.026	35.69	0	1.267	0.818
f3 =~						
sb3.1	1				1.332	0.737
sc3.1	0.574	0.065	8.827	0	0.765	0.456
f4 =~						
se4.1	1				0.893	0.796
se5.1	1.5	0.071	21.051	0	1.34	0.95

f5 =~						
sa3.1	1				0.591	0.418
sa4.1	0.937	0.077	12.152	0	0.554	0.604
sa5.1	1.53	0.138	11.092	0	0.905	0.741
f7 =~						
sb1.1	1				1.083	0.836
sb2.1	1.05	0.049	21.238	0	1.137	0.8
Regressions:						
f1 ~ f3	-0.125	0.036	-3.512	0	-0.191	-0.191
f2 ~ f4	0.22	0.052	4.194	0	0.141	0.141
f2 ~ f7	0.762	0.077	9.906	0	0.593	0.593
f3 ~ f4	0.525	0.063	8.346	0	0.352	0.352
f4 ~ f5	0.84	0.089	9.48	0	0.556	0.556
f5 ~ f1	0.224	0.04	5.607	0	0.33	0.33
f7 ~ f5	2.456	0.36	6.831	0	1.341	1.341
Residual types of covariance:						
sd6 ~ sd7	0.496	0.083	5.987	0	0.496	0.193
sb6.1 ~~ sb1.1	0.069	0.025	2.815	0.005	0.069	0.034
sb3.1 ~~ sb2.1	0.154	0.051	2.999	0.003	0.154	0.06
se2 ~~ se4.1	0.22	0.04	5.539	0	0.22	0.138
se2 ~~ se5.1	0.185	0.048	3.854	0	0.185	0.092
se2 ~~ sa4.1	0.135	0.031	4.374	0	0.135	0.103
sb3.1 ~~ sa4.1	-0.138	0.036	-3.812	0	-0.138	-0.083
sb7.1 ~~ se4.1	-0.081	0.022	-3.685	0	-0.081	-0.044
se2 ~~ sa5.1	0.109	0.041	2.623	0.009	0.109	0.063
se2 ~~ sb8.1	0.055	0.039	1.419	0.156	0.055	0.025
se2 ~~ sc6.1	0.082	0.042	1.961	0.05	0.082	0.037
se2 ~~ sb6.1	0.041	0.04	1.024	0.306	0.041	0.018

se4.1 ~~ sa5.1	0.12	0.023	5.183	0	0.12	0.088
sa3.1 ~~ sa4.1	0.159	0.034	4.657	0	0.159	0.122
f5 ~~ f7	-0.482	0.113	-4.271	0	-0.753	-0.753
f3 ~~ f5	0.196	0.038	5.129	0	0.249	0.249
f2 ~~ f7	-0.224	0.074	-3.049	0.002	-0.149	-0.149
Residual types of variance						
sd6	1.938	0.109	17.755	0	1.938	0.718
sd7	1.623	0.099	16.393	0	1.623	0.665
sd10	1.773	0.098	18.108	0	1.773	0.693
se2	1.369	0.078	17.53	0	1.369	0.676
sb6.1	0.593	0.036	16.7	0	0.593	0.234
sb7.1	0.95	0.047	20.176	0	0.95	0.351
sb8.1	0.541	0.033	16.397	0	0.541	0.228
sc6.1	0.797	0.04	19.763	0	0.797	0.332
sb3.1	1.495	0.2	7.478	0	1.495	0.457
sc3.1	2.229	0.111	20.131	0	2.229	0.792
se4.1	0.461	0.038	12.044	0	0.461	0.366
se5.1	0.192	0.075	2.55	0.011	0.192	0.097
sa3.1	1.653	0.075	22.121	0	1.653	0.825
sa4.1	0.536	0.029	18.631	0	0.536	0.635
sa5.1	0.672	0.052	12.924	0	0.672	0.451
sb1.1	0.506	0.051	9.872	0	0.506	0.301
sb2.1	0.726	0.06	12.166	0	0.726	0.359
f1	0.751	0.106	7.056	0	0.988	0.988
f2	1.458	0.091	16.027	0	0.753	0.753
f3	1.419	0.206	6.877	0	0.799	0.799
f4	0.565	0.041	13.938	0	0.708	0.708
f5	0.33	0.053	6.192	0	0.945	0.945
f7	1.404	0.314	4.474	0	1.197	1.197

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Depreciation: A Contentious Issue in Business Interruption Claims

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Abstract

Policy Wording may be clear with regards to incorporating savings and reducing the amount claimed with such savings during Business Interruption (BI) losses, however there is an on-going debate in this regard. Opinions differ whether or not depreciation could be the subject of savings when a BI claim is calculated. Depreciation forms part of the definition of a Standing Charge as per the BI Policy, however, the question arises whether depreciation ought to be viewed as a charge or an expense, and whether it is payable or not. The answer may depend on the meaning, purpose and origin of the financial term: book entry. It is plausible that an understanding of depreciation as a book entry may obviate a decision as to whether a BI claim should be based on the Additions or Difference Basis.

The insured party wants to be in a similar position after a claim settlement, had the BI not occurred. This view provides the motivation for this paper: Without the said clarity, an insured party could be severely prejudiced; hence the policy wording may need to be written in a first-order logic notation to allow for the formal reasoning about such clauses.

Insurance policies and depreciation subject literature were reviewed, and discussions with insurance claim consultants undertaken. The preliminary conclusion is that whenever depreciation is viewed as an insured expense, it will not be a saving when an asset is destroyed, since the remaining carrying amount will be claimed in the Statement of profit and loss and other comprehensive income (SPLoCI). Depreciation may not be viewed as an expense or charge payable as it does not have cash consequences, rather a fund may be created to replace an asset. This paper is the start of

exploratory research and further work needs to be undertaken to arrive at an internationally accepted conclusion.

Keywords: Automated reasoning, business interruption, depreciation and funds, first-order logic, savings or standing charges

Introduction

Business interruption insurance policy wording is often unclear when the aspect of depreciation needs to be addressed. Such ambiguity results in much uncertainty when insurance companies assess the loss an insured party may incur based on a business interruption. Insurance companies are of the view that depreciation needs to be provided for when a business is interrupted and therefore it leads to a saving in standing charges when not provided for (Bailii 2011). However, insurance claim consultants/loss adjusters and the insured suggest it is to the detriment of the insured when depreciation is deducted from the claimable amount (Fivaz & Ogle 2010). According to Boudreaux, Rao, Underwood and Rumore (2011) the deduction of depreciation from a BI claim is a violation of the concept of indemnity because the settlement will be less than the operating cash flow if the incident had not occurred.

Depreciation is a book entry based the systematic allocation of the depreciable amount of an asset over its useful life (IASB 2011). A book entry may be defined as: 'An entry that does not have a real (eventual) cash effect on assets or liabilities of the entity and is subject to reversal in certain instances' (van der Poll 2003; Strauss 2003). From the above definition it is deduced that one of the most important characteristics of a book entry is that it does not have cash consequences.

Deducting depreciation from a claim or not remains a contentious issue: On the one hand the insurance company takes the viewpoint that whenever a company ceases to charge for depreciation in their financial statements, a saving of expenses is incurred. Hence, the claim is reduced by the amount of depreciation that would have been provided for (Bailii 2011). Steeple (2007) on the other hand is of the opinion that the charge for depreciation may be viewed as a standing charge rather than an expense payable from gross profit and should therefore not be deducted from the claim as a saving.

The layout of the paper follows: Our research questions are stated next,

followed by a discussion of depreciation and the writing off or scrapping of an asset from an accounting point of view. Some approaches, viewpoints and uncertainties with regard to depreciation are presented and the main contribution of our work follows thereafter. Amongst other, we provide a decision chart of options to be taken when a business interruption takes place and we consider a number of scenarios for calculating a business interruption claim. The paper concludes with an analysis and some pointers for future work in this area.

Research Questions

Our main research question (RQ) is:

What is the effect of depreciation in the case of a Business Interruption (BI) claim?

The sub questions are:

1. In the case of a BI, should depreciation be deducted form the amount claimed? (RQ1)
2. What is the effect on depreciation in the case of a partial or complete destruction of an asset? (RQ2)

Literature Survey

Depreciation from an accounting point of view

The standard treatment of depreciation is to spread the original cost of a fixed asset over the useful life of the asset by debiting the depreciation charge account with the 'expense' and crediting the accumulated depreciation account (ACCA 2008; IASB 2011). Below is the book entry as reflected in the financial records of a company (While there are various methods to calculate depreciation, coverage of these are beyond the scope of this paper):

Debit   Depreciation charge
Credit   Accumulated depreciation

When a fixed asset is destroyed, for instance by fire, the company

needs to remove the fixed asset from its Statement of Financial Position (SFP) and the fixed asset register, since they will no longer be able to use the asset. The standard procedure will be to credit the non-current asset account with the cost of the asset and to debit the asset disposal account. Furthermore, the accumulated depreciation account is debited with the accumulated depreciation of the asset and the asset disposal account will be credited with this amount, leading to a loss on the SPLoCI with regard to the scrapping of the asset (ACCA 2008).

Cost of Asset:
> Debit   Asset disposal account
> Credit   Non-current assets at cost

Accumulated Depreciation to the Point of Disposal:
> Debit   Accumulated depreciation account
> Credit   Asset disposal account

The loss on the SPLoCI may be viewed as *accelerated depreciation* since the company has to deduct the carrying amount (the balance of the cost of the asset) once off and not over the lifespan of the asset.

Different Approaches, Views and Uncertainties

In this section we present a number of different views attributed to depreciation and consider various questions that ought to be asked in an attempt to arrive at a plausible conclusion on how to treat depreciation in a BI claim.

Different Viewpoints on Depreciation

A different view on depreciation is the creation of a fund for the replacement of fixed assets. When acquiring fixed assets, companies have the choice to use either internal or external funds available to them. Internal funds are funds that are raised within a company. According to Donleavy (1994) the term funds in accounting has a limited meaning and is used to refer to net working capital, although for many people the term funds equates with cash.

Internal funds earmarked for a specific purpose are, since they are hidden in the working capital, often used to instead fund the normal operating

activities of a company. Depreciation is deducted as an expense in the SPLoCI even though depreciation does not represent an outflow of cash. Therefore, the current assets are overstated in the working capital with the amount of accumulated depreciation, since the amount reflected by the bank includes the amount earmarked for the future replacement of the asset. Van der Poll (2003) argued that an internal fund should be classified separately from the working capital and that such a fund should be used for the replacement of fixed assets. Accounting for Management (2011) describes a practice called the depreciation fund method which also suggests the creation of a fund for the replacement of an asset through the charging for depreciation.

Wilson (1974:248) stated that,

> ... the sum of depreciation and retained earnings (i.e. the cash flow) is an important source of finance …. If depreciation allowances exceed the current level of capital expenditure, they may add to working capital, and eliminate the need for short-term borrowing. On the other hand, if depreciation allowances are exceeded by capital outlays, it may have the effect of depleting working capital, or requiring the company to borrow.

This coincides with the idea that arguably, one of the best ways to fund the replacement of fixed assets may be the creation of internal funds through the depreciation charge.

Correia, Flynn, Uliana and Wormald (2011) also suggest the creation of a depreciation fund because expenses such as depreciation and deferred taxation do not represent a flow of funds from the company. Actual funds like depreciation are assumed to be used to replace existing assets. Since depreciation may have as an outcome the creation of an internal fund for the replacement of fixed assets at the end of their lifespan, the insured may need to insure depreciation as an insured expense.

Depreciation does not have cash consequences for the company, i.e. the bank balance is not affected by the book entry as is the case with other expenses in the SPLoCI. For example, when depreciation is written off over, say, a ten-year period (10% per annum), the company enjoys the benefit of a lower profit and thereby a reduced taxation. The retained earnings are decreased as well as the shareholders' interest. After 10 years the company

has to replace the asset using the fund that was created. However, if no fund for replacement (i.e. no internal fund reserve) has been maintained during this period, the company is faced with the reality of making use of external funding which may turn out to be an expensive venture. But if an internal fund is in place, and it is cheaper to replace the asset from this fund rather than the external fund, the company would benefit. If the company is not compensated for depreciation, they may not be in the same position they would have been, had the BI not occur.

Question with Regard to Depreciation and BI Claims

The question to be asked when a claim is calculated for a BI is whether the fixed asset was destroyed in totality, or could it be repaired and used again? If the asset was completely destroyed a company needs to discontinue depreciation on the asset because it no longer exists. However, the company would write off the carrying amount of the asset to remove the asset from their financial records and this may be viewed as an accelerated depreciation, leading to a loss on the income statement of the company with regard to the asset. However, if depreciation is counted as an insured expense, the company ought to be compensated for this loss.

If the asset was not destroyed and could be repaired, the company has to continue providing for depreciation and, therefore, the depreciation as an insured expense is to be added to the net profit to calculate the amount to be claimed.

Example 5.1

Table 1 shows how a fixed asset is removed from the financial records of a company once it becomes unusable to the company or ceases to exist, e.g. it is destroyed by fire. For example, when the asset was bought it cost the company R1 000 000 (say). Depreciation is provided for on a straight line basis at 25% per annum (R250 000). Suppose when the asset is 3 years old, it is destroyed in a fire. At that stage the accumulated depreciation is R750 000 and the carrying amount R250 000. To remove the asset from the financial records the following book entries need to be made: the asset account is credited with the original cost of R1 000 000, the accumulated depreciation of R750 000 is debited and the balance of R250 000 will be reflected in the

income statement as a loss to the company. This loss of R250 000 may be viewed as an accelerated depreciation and is, therefore, an increase in the expenses of the company. Had the fire not occurred, the R250 000 would have been charged as depreciation in the following year. The table shows the original cost, accumulated depreciation, carrying amount and the book entry when the asset is destroyed.

Table 1: Removing a fixed asset from the financial records of a company

Original cost	Accumulated depreciation	Carrying amount
R1 000 000 (Dr Asset account)	(R750 000) (Cr Accumulated depreciation)	R250 000 (Balance reflected on the SFP)
Book entry when the asset is destroyed		
(R1 000 000) (Cr Asset account)	R750 000 (Dr Accumulated depreciation)	R250 000 (Dr Asset disposal account on SPLoCI)

So far we covered the actual accounting for depreciation and the book entries representing the removal of an asset. We also covered the view that the charge for depreciation may be used to create a fund for the replacement of fixed assets since there is no actual outflow of cash from the company. Next we consider some further viewpoints on the treatment of depreciation in BI claims, starting with the opinions of the CILA (Chartered Institute of Loss Adjusters).

Viewpoint of CILA on Depreciation

The CILA takes a somewhat neutral approach on the matter of how depreciation needs to be treated in a BI claim in the sense that they do not side with any particular party. That said they do, however, appear to side with the insured, viz.

> The question of whether or not depreciation should be regarded as a saving is not black and white. Although from a strict accounting

perspective there may be an argument that it is indeed clear cut, this ignores the fact that, by taking depreciation as a saving, an Insurer is, in effect, depriving the Insured of cash that would have ordinarily accumulated in the balance sheet at the end of the maximum indemnity period, on the basis that this asset has been replaced by an equivalent asset (CILA 2011:1).

In view of the fund that is created earmarking the cash for the replacement of an asset, it follows that the Insured may indeed be deprived of cash (van der Poll 2003).

A New Zealand Perspective

Fawcett (2009) acknowledges there may be complications with BI insurance claims. They write that depreciation does not vary directly with turnover or output and it ought to be never listed in a BI claim as an uninsured expense. Again this may be interpreted as siding with the Insured, i.e. the wording of BI policies may need to be updated to include depreciation as an insured expense.

The Viewpoint of Steeple Insurance Claims Consultants

Steeple Insurance Claim Consultants were asked to give their opinion on whether depreciation should be treated as a saving under the provision of the Standard Multimark III policy wording. According to Steeple (2007) the Multimark policy states that insured standing charges are listed in the policy. Therefore, if depreciation is not listed it will not be viewed as a standing charge. They further claim:

> Depreciation is not a payment out of the coffers of the business. It is a book entry which debits the depreciation ledger account … and which credits the relevant asset account, thereby reducing the value of the asset in the books of the business.

We as authors agree with this view as is confirmed by van der Poll's (2003) and Strauss' definition of a book entry in the introduction above.

Another challenge in the wording of some BI policies is the use of the word *payable*. It states that if there is a saving in the '***charges and expenses of the business payable out of gross profit***' the claim should be decreased (Santam 2011). According to Websters (2011) payable is defined as: '*Subject to or requiring payment especially as specified*'. Note, however, depreciation cannot be payable – it is merely a book entry. Steeple (2007) concur that in the case of the *difference basis* approach, any reduction a company has during the indemnity period ought not to be viewed as a saving for the purposes of determining a loss caused by a BI, simply because depreciation is not 'payable' out of the gross profit. Depreciation is a charge deducted from the gross profit to calculate the net profit. Next we consider the case of a company that experienced a BI after some of their assets were destroyed by fire.

The Case of Synergy Health

In this section we present some rulings put forward by a court of law in the business interruption case experienced by a company called Synergy Health (UK) Limited. The full case may be viewed in Bailii (2011), but for the purposes of this paper we present rulings #251 – 253 verbatim and thereafter propose an accounting synthesis for each. Our discussion follows a pattern (Heer & Agrawala 2006) in which we pose the ruling made by the court, followed by a summary of the ruling and there after our synthesis of the ruling.

Synergy Health (UK) Limited (Synergy Health 2011) is a company offering linen management to the health sector. There was a fire at their branch in Dunstable in which their machines were destroyed and they subsequently registered a claim for damages incurred. During a recent court case between Synergy Health Limited and five insurance companies (Bailii 2011) the following were put forward by the court.

[Ruling #251 in Bailii (2011)]: 'The second issue of principle in relation to the business interruption claim concerns the extent to which depreciation not deducted as a consequence of the fire should be brought into account as a saving, reducing the amount of the indemnity to which Synergy is entitled under the policy. The point arises in the following way. In relation to the machines at Dunstable, the financial statements at Synergy showed depreciation over the projected life of the machines'.

Summary of ruling #251
This ruling agrees with the viewpoint that since a saving of expenses has incurred, depreciation ought to be deducted from the claim of an insured.

[Ruling #252 in Bailii (2011)]: 'Synergy ceased to make a deduction in its accounts for depreciation of plant and machinery at Dunstable after the fire. The defendants submit that if Synergy does not give credit for what might be described as the cessation of depreciation, for the period until new machines were installed and depreciation resumed in subsequent accounting periods, Synergy will recover an indemnity for more than its actual loss in respect of business interruption. This is for the simple reason that, had the fire not occurred, Synergy could not have earned its gross profit (by reference to which any indemnity under the business interruption section of the policy is calculated) without having the use of the machines, in respect of which a sum of depreciation would be deducted from the gross profit in each accounting period'.

Summary of ruling #252
This ruling states that because a saving occurred when the company ceased to provide for depreciation, their claim will be higher at the insurance company than the actual loss they incurred because of the business interruption.

[Ruling #253 in Bailii (2011)]: 'It seems to me that, as a matter of principle, this analysis is unanswerable and plainly correct. On that basis, to the extent that, during the Indemnity Period, the deduction in respect of depreciation ceased to be made, that was a saving against what would otherwise have been the charges and expenses of Synergy's business. It follows that, in principle, that saving should be off-set against any claim under the business interruption section of the policy, unless the wording of the policy requires some different conclusion'.

Summary of ruling #253
The court ruled that because of the saving of expenses based on the cessation of depreciation, the amount of depreciation should be deducted from the amount claimed by the insured.

Synthesis of the Summaries
Following a natural deduction argument, the summary of the three rulings in

essence state the following (Wos 2006):

(1) The insured has a saving in expenses, since they ceased to provide for depreciation.
(2) *Therefore* the insured will have a higher claimed amount from the insurer.
(3) *Therefore* the insured ought to deduct the depreciation from the claimed amount.

In logical notation we may formalise the semantics of the above three statements as formula (2.1) below (statement (1) implies statement (2) and together they imply statement (3)), viz:

$$[(1) \rightarrow (2)] \rightarrow (3) \qquad\qquad (2.1)$$

The value in formalising natural language statements and their consequents (the *Therefore* clauses above) into a formula like (2.1), is that one may reason formally about the validity of the statements as well as determining whether a statement logically follows from another one (Harrison 2009). This process may furthermore be automated, yielding clear benefits.

Depreciation as an Insured Expense

Business interruption insurance provides two ways whereby cover may be provided to an insured party: the *additions basis* and the *difference basis*. The wordings pertaining to the limited loss in gross profit of these two ways are reflected in Appendix A (Santam 2011). The definitions of difference and additions base are essentially the same except for the following:

'… less any sum saved during the indemnity period in respect of such of the …'
- **charges and expenses** of the business **payable** out of gross profit (Difference basis)
- insured **standing charges** (Additions basis)

'as may **cease or be reduced** in consequence of the Damage'.

In the instance where an insured makes use of the *difference basis* the insurance company will deduct the sum saved during the indemnity period in

respect of charges and expenses payable. This raises the question of what does payable mean in this context? Farlex (2011) defines payable as being '*subject to or requiring payment especially as specified*'. Depreciation is not payable; it is merely a book entry to comply with the systematic allocation of a depreciable amount of an asset over its useful life as suggested earlier. Therefore, depreciation may not be deducted as a sum saved during the indemnity period as it does not comply with the definition of payable. This answers our 1st research question (RQ1) above.

The *addition basis* refers to a saving in the standing charges of a company which is reduced or ceases to exist. Wordingplus (2011) defines a standing charge as the,

> expenses which do not change in direct proportion to changes in sales (i.e., fixed and semi-fixed costs such as taxes, rent and insurance). The definition of Standing Charges specifically excludes ordinary payroll and therefore, ordinary payroll is not insured unless a specific extension of cover is selected to include it.

Fawcett (2009) argues that depreciation does not vary directly with turnover or output and should therefore be viewed as an insured expense. This is also claimed by Cloughton (1991) that the decrease in turnover does not have an effect on the amount of depreciation provided and therefore depreciation needs to be an insured expense. Although depreciation is not specifically mentioned as a standing charge one needs to determine whether it may be included in this definition.

Depreciation does not have cash consequences and is, therefore, added back in the Statement of Cash Flows of companies as it is a non-cash flow item (Sowden-Service 2010). If depreciation is not payable, does not have cash consequences and does not fall under the definition of a standing charge unless specified, the question arises whether depreciation will have any effect on the calculation of the gross profit during the indemnity period. It is suggested to clarify this uncertainty, policy wording needs to be adjusted to specifically address depreciation and how to deal with it. Note that Fawcett (2009) agrees with this solution as pointed out in the New Zealand perspective. Therefore, when policy wording is changed to include depreciation as an insured expense, it will also not be deducted from the insurance claim, confirming our earlier answer to RQ1. Next we synthesise

the above discussions and viewpoints into a decision diagram depicted in Figure 1.

Decision Diagram of Options

The crucial question is whether the insured asset has been destroyed completely, or whether it can be fixed or repaired. This then determines whether any further charge for depreciation should occur or not. Figure 1 provides the detail.

Figure 1: Decision diagram for depreciation
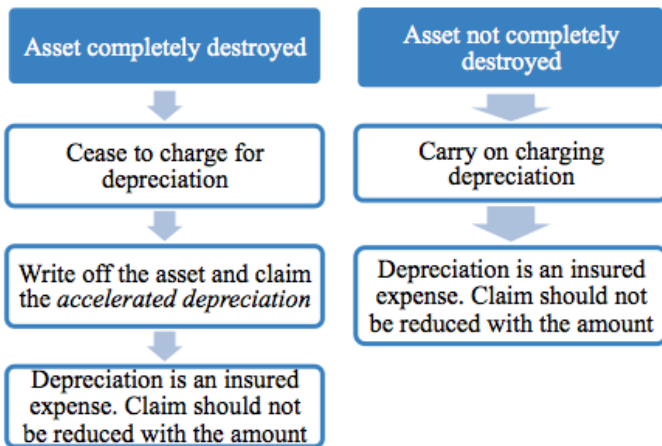
Figure 1 classifies depreciation to be an insured expense that ought not to be deducted from the claimed amount, irrespective of whether the asset has been partially or completely destroyed. This answers our 2nd research question (RQ2).

Scenarios with regard to BI Claims

Fawcett (2009) indicated in an example how a company will be in the same position after a BI claim than without the claim. This scenario is illustrated in the *first* calculation in Figure 2. In the *second* example the writing off of an asset is included in the books of the insured and in the claim. Again the loss without a BI taking place and after a claim was made, reconciles to the same amount. In the *third* example the insured did not take the effect of the write-

off of an asset into account and it appears that the insured remains in a similar position. However, if the insured realises afterwards that they excluded the amount written off (*accelerated depreciation*), they lost R500 000 due to the business interruption (*fourth* calculation). Therefore, clients of insurance companies need to be made aware of the correct treatment of a destroyed asset.

Figure 2: Some BI Scenarios

	Standard	Actual	Reduction	Reconciliation
Example for Brett Fawcett (Fawcett, 2009)				
Sales	12,000,000	8,400,000	3,600,000	8,400,000
Material	8,300,000	5,810,000	2,490,000	5,810,000
Gross profit	**3,700,000**	**2,590,000**	**1,110,000**	**2,590,000**
Wages	(2,200,000)	(2,500,000)	300,000	(2,500,000)
Depreciation	(250,000)	(250,000)		(250,000)
Rent	(150,000)	(150,000)		(150,000)
Salaries	(500,000)	(500,000)		(500,000)
Wages admin	(225,000)	(225,000)		(225,000)
Other	(412,000)	(352,000)	(60,000)	(352,000)
Total expenses	**(3,737,000)**	**(3,977,000)**	**240,000**	**(3,977,000)**
Net operating profit	**(37,000)**	**(1,387,000)**	**1,350,000**	**(1,387,000)**
			Claim	1,350,000
			Loss after claim	**(37,000)**

Figure 3: Some BI Scenarios (Continued)

	Standard	Actual	Reduction	Reconciliation
Including write off of asset in calculation				
Sales	12,000,000	8,400,000	3,600,000	8,400,000
Material	8,300,000	5,810,000	2,490,000	5,810,000
Gross profit	**3,700,000**	**2,590,000**	**1,110,000**	**2,590,000**
Wages	(2,200,000)	(2,500,000)	300,000	(2,500,000)
Depreciation/Write off assets	(250,000)	(500,000)	250,000	(500,000)
Rent	(150,000)	(150,000)		(150,000)
Salaries	(500,000)	(500,000)		(500,000)
Wages admin	(225,000)	(225,000)		(225,000)
Other	(412,000)	(352,000)	(60,000)	(352,000)
Total expenses	**(3,737,000)**	**(4,227,000)**	**490,000**	**(4,227,000)**
Net operating profit	**(37,000)**	**(1,637,000)**	**1,600,000**	**(1,637,000)**
			Claim	1,600,000
			Loss after claim	**(37,000)**

Figure 4: Some BI Scenarios (Continued)

If a company did not claim for the write off of an asset in the claim				
	Standard	Actual	Reduction	Reconciliation
Sales	12,000,000	8,400,000	3,600,000	8,400,000
Material	8,300,000	5,810,000	2,490,000	5,810,000
Gross profit	**3,700,000**	**2,590,000**	**1,110,000**	**2,590,000**
Wages	(2,200,000)	(2,500,000)	300,000	(2,500,000)
Depreciation/Write off assets	(250,000)		(250,000)	-
Rent	(150,000)	(150,000)		(150,000)
Salaries	(500,000)	(500,000)		(500,000)
Wages admin	(225,000)	(225,000)		(225,000)
Other	(412,000)	(352,000)	(60,000)	(352,000)
Total expenses	**(3,737,000)**	**(3,727,000)**	**(10,000)**	**(3,727,000)**
Net operating profit	**(37,000)**	**(1,137,000)**	**1,100,000**	**(1,137,000)**
			Claim	1,100,000
			Loss after claim	**(37,000)**

Figure 5: Some BI Scenarios (Continued)

If a company did not claim for the write off of an asset in the claim				
	Standard	Actual	Reduction	Reconciliation
Sales	12,000,000	8,400,000	3,600,000	8,400,000
Material	8,300,000	5,810,000	2,490,000	5,810,000
Gross profit	**3,700,000**	**2,590,000**	**1,110,000**	**2,590,000**
Wages	(2,200,000)	(2,500,000)	300,000	(2,500,000)
Depreciation/Write off assets	(250,000)	(500,000)	250,000	(500,000)
Rent	(150,000)	(150,000)		(150,000)
Salaries	(500,000)	(500,000)		(500,000)
Wages admin	(225,000)	(225,000)		(225,000)
Other	(412,000)	(352,000)	(60,000)	(352,000)
Total expenses	**(3,737,000)**	**(4,227,000)**	**490,000**	**(4,227,000)**
Net operating profit	**(37,000)**	**(1,637,000)**	**1,600,000**	**(1,637,000)**
			Claim should have been	1,600,000
			Real claim	(1,100,000)
			Loss after claim	**500,000**

Revisiting the Research Questions

Our main research question and two sub questions were given earlier. With respect to the main main research question, the effect of depreciation on a BI claim was discussed above with reference to the accounting point of view and various other viewpoints. The verdict of a court case was also presented.

Our 1st sub research question (RQ1), namely whether depreciation should be deducted from a claimed amount was answered above in the context of an insured expense: Depreciation ought not to be deducted from a claimed amount.

The 2nd sub research question (RQ2) pertaining to a partial or complete destruction of an asset was answered in Figure 1: In both cases the claim should not be reduced with the depreciation amount.

Analysis and conclusion

In this paper we investigated depreciation as a book entry in accounting and suggested that the write-off value of an asset be called accelerated depreciation. The suggestion was also made that the charge for depreciation ought to be addressed in the form of an internal fund for the replacement of assets. This may result that a saving in expenses deducted from a claim by the Insurer when depreciation ceased may be to the detriment of the Insured. If depreciation is viewed as an insured expense and the Insured pays an increased premium based on this, the Insured should be compensated for the insured expense of depreciation and not penalised because they ceased to provide for depreciation. An investigation into policy wording which surrounds expenses payable or a saving in insured expenses was also undertaken. To this end it is clear that insurance contracts ought to be drawn up with due care. Writing parts of a contract in a formal notation may alleviate some of the said problems.

The contribution of the paper is that depreciation should be viewed as an insured expense and that an internal fund ought to be created to finance the replacement of fixed assets when the need arises. A number of research questions were posed around these ideas and were answered on the strength of the investigations and discussions presented in this paper.

Future Work

A number of viewpoints on the treatment of depreciation in the case of a BI claim was considered. While we made some recommendations in this regard,

it is not suggested that these proposals be an indication of an internationally accepted treatment of depreciation in BI claims. More research needs to be undertaken on all aspects of depreciation and insurance policies to arrive at an acceptable standing which could give clear guidance on how contentious issues should be treated. Such standing should not be to the detriment of either the Insured or the Insurer. Once these resolutions have been implemented, case studies have to be conducted over time to determine the success of these recommendations.

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Appendix A - Santam (2011) BI Policy Wording

Item 1 Gross Profit (difference basis)
The insurance under this item is limited to loss of gross profit due to:

a) **Reduction in turnover** and
b) **Increase in cost of working**

And the amount payable as indemnity hereunder shall be

a) **in respect of reduction in turnover** the sum produced by applying the rate of gross profit to the amount by which turnover during the indemnity period shall, in consequence of the Damage, fall short of the standard turnover.
b) **in respect of increase in cost of working** the additional expenditure necessarily and reasonable incurred for the sole purpose of avoiding or diminishing the reduction in turnover which, but for that expenditure, would have taken place during the indemnity period in consequence of the Damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided

less any sum saved during the indemnity period in respect of such of the charges and expenses of the business payable out of gross profit as may cease or be reduced in consequence of the Damage, provided that the amount payable shall be proportionately reduced if the sum insured in respect of gross profit is less than the sum produced by applying the rate of gross profit to the annual turnover where the maximum indemnity period is 12 months or less, or the appropriate multiple of the annual turnover where the maximum period exceeds 12 months.

Item 1 Gross profit (additions basis)
The insurance under this item is limited to loss of gross profit due to:

c) **Reduction in turnover** and
d) **Increase in cost of working**

And the amount payable as indemnity hereunder shall be

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c) **in respect of reduction in turnover** the sum produced by applying the rate of gross profit to the amount by which turnover during the indemnity period shall, in consequence of the Damage, fall short of the standard turnover.

d) **in respect of increase in cost of working** the additional expenditure necessarily and reasonable incurred for the sole purpose of avoiding or diminishing the reduction in turnover which, but for that expenditure, would have taken place during the indemnity period in consequence of the Damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided

less any sum saved during the indemnity period in respect of such of the insured standing charges as may cease or be reduced in consequence of the Damage, provided that the amount payable shall be proportionately reduced if the sum insured in respect of gross profit is less than the sum produced by applying the rate of gross profit to the annual turnover where the maximum indemnity period is 12 months or less, or the appropriate multiple of the annual turnover where the maximum period exceeds 12 months.

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Do Personality Factors Predict Job Satisfaction?

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Abstract

Consumer goods retailing is a fast-moving and results-orientated industry and, as such, places high demands on people occupying managerial positions in the retail stores. The objective of this research was to determine the relationship between personality traits and job satisfaction of South Africa Retail Store Managers. Although relationships between personality traits and work related behaviours have been frequently investigated, there were very few studies conducted for the occupational class of retail store managers. A cross-sectional survey design was used with a purposive selected sample taken from managers (N=95) of South African Retail Stores. The 15 FQ+, Core Self-Evaluations Scale, Job Diagnostic Survey and a Job Performance Questionnaire were administered. Results indicated that Extraversion, Emotional Stability and Core Self Evaluations are statistically significant predictors of Job satisfaction. One of the primary limitations affecting the results is the sampling approach. It must also be noted that responses collection are subject to the response error that is usually present in the studying utilising questionnaires as a primary means of collecting data. Furthermore sampling was not controlled in respect of the race group of the participants, thus making it impossible to make comparisons between such groups. The findings of this study provided other retail organisations some insights into identification of those personality traits that predict job satisfaction of the store managers. The research identified important

personality traits may be identified during the recruitment and selection process to predict future success of retail store manager candidates.

Keywords: Personality traits, job satisfaction, retail management, extraversion, emotional stability, conscientiousness, self-esteem, self-efficacy, neurotism, and locus of control, Big five personality factors, job satisfaction, organisational behaviour.

Introduction

Consumer goods retailing is a fast-moving and results-orientated industry and, as such, places high demands on people across all levels in the business. Most importantly, however, it requires exceptional performance from people occupying managerial positions in the retail stores (Broadbridge 2002; Skakon, Kristensen, Christensen, Lund & Labriola 2011). Although relationships between personality traits and work related behaviours have been frequently investigated, there were very few studies conducted for the occupational class of retail store managers both within the international and South African context. Researchers find the trend very surprising provided the distinct nature of salesperson's duties and job responsibilities which entail multiple roles and functions, as well as high stress levels in comparison to employees in other professions (Brashear, Lepkowska-White & Chelariu 2003; Singh 1993; Skakon *et al*. 2011).

According to Lush and Serpkenci (1990), the store manager has a strong influence on achievement of organisational objectives, such as meeting sales target, making profit, maintaining high store standards, providing excellent service to the customers. Lush and Serpkenci (1990) further stressed that the store manager fulfil many roles such as a merchandiser, a salesperson, a financial officer, a marketer, and a supervisor of other employees. Such environment calls for the recruitment and selection function within organisations to find candidates that would fit well into the teams and perform to the highest expectations. Consequently, the ability to identify personality traits that determine future success of the job applicants as retail store managers is paramount in the process of candidates' selection.

Given that a number of studies (Bono & Judge 2003; Judge, Erez, Bono & Locke 2005; Morrison 1996; Van den Berg & Feij 2003) have shown

that the level of job satisfaction is partially determined by some of the personality traits, there is a need to find the personality traits that influence the job satisfaction of retail store managers. This study suggests investigating the relations of personality traits (*Extraversion, Emotional Stability, Conscientiousness, and Core Self-evaluations*) to *Job Satisfaction* for the occupational class of retail store managers in South Africa. The rationale for the study arouse from a belief that by using these personality traits as predictors of job satisfaction, the present study may contribute to optimisation of personnel recruitment and selection processes in the retail industry.

Theoretical Framework

Relation of Big Five Personality Traits to Job Satisfaction

Locke (1975) affirmed that many authors agree that job satisfaction is an emotional reaction to the work experience. He linked job satisfaction to the positive emotional experiences resulting from performing the job whereby positive attitudes towards one's job are associated with high levels of job satisfaction. Cranny, Smith & Stone (1992:1) similarly viewed job satisfaction as an affective reaction to one's job, arising from the incumbent's comparison of actual outcomes with those that are desired, expected, or deserved.

Wilson and Rosenfeld (1990) stressed that just as satisfaction can be defined in terms of positive experiences, dissatisfaction is associated with negative attitudes towards a job. Later, Chan, Pan and Lee (2004) provided a more generalised view of job satisfaction by moving away from linking satisfaction to positive or affective reactions alone and referring to it as an employee's *overall assessment of work-related experiences, which is influenced by individual values, ideals and beliefs*.

Davis (2004) pointed out that as such job satisfaction may be viewed as a multidimensional concept which includes a set of favourable or unfavourable feelings in terms of which employees perceive their jobs. Bowen, Cattell, Distiller and Edwards (2008) also referred to a review by Brunetto and Farr-Wharton where they identified the following components that may influence overall job satisfaction: the work itself, salary level, conditions of service, performance appraisal procedures, opportunities for

advancement, the nature and extent of supervision, and relationships with co-workers (Bowen *et al*. 2008).

As far as the relation of personality traits to job satisfaction is concerned, Van den Berg and Feij referred to a few studies showed that personality served as a determinant of attitudinal or affective job outcomes such as job satisfaction (Van den Berg & Feij 2003). For example, Judge, Higgins, Thoresen and Barrick (1999) in their longitudinal study found that the Big Five personality traits measured in childhood predicted job satisfaction in late adulthood. More specifically, it was confirmed in their study that Neuroticism is negatively related to job satisfaction (r=-0.22). However, this relationship became insignificant in a regression analysis when other Big Five traits were added into the regression equation (Judge *et al*. 1999).

The other results of their study showed that Conscientiousness nevertheless remained as one of the best predictors of job satisfaction (Judge *et al*. 1999; Salgado 1997; Furnham, Petrides, Jackson & Cotter 2002; Bowling 2010; Borman. Penner, Allen & Motowidlo 2001; Dalal 2005; and Organ & Ryan 1995). Conscientiousness was positively associated both with the intrinsic and with one of the extrinsic job satisfaction factors.

Van den Berg and Feij (2003) referred to a review by Judge, Heller and Mount where they showed that Extraversion is related to job satisfaction across the studies. Accordingly, Judge and Bono also reported a correlation between Emotional Stability and Job Satisfaction of 0.24 (Judge & Bono 2001).

Meeusen, Brown-Mahoney, van Dam, van Zundert and Knape (2010) utilised the MBTI's (Myers Myers–Briggs Type Indicator) personality dimensions to determine job satisfaction and found that the use of the MBTI for effective selection of Dutch nurse anaesthetists is questionable. They also found that four personality factors, comparable to the Big Five Model dimensions namely Extraversion, Conscientiousness, Agreeableness and Openness and concluded that the Big Five Model are more appropriate. This is confirmed by McCrea and Costa (1989) who found similar results.

Furnham, Eracleous, and Chamorro-Premuzic (2009) demonstrates that personality and demographic variables can be significantly related to both job satisfaction and motivation as defined by Herzberg *et al.*'s (1959) two-factor theory. Heller, Ferris, Brown, and Watson (2009) confirmed that

work personality was a good predictor of job satisfaction. This study differentiates between home and work personality.

Based on the aforementioned discussion, the following research hypotheses are formulated:

H1: *Emotional stability is a statistically significant predictor of job satisfaction*
H2: *Extraversion is a statistically significant predictor of job satisfaction*

Relation of Core Self-evaluations to Job Satisfaction

In terms of job satisfaction, Judge, van Vianen and de Pater (2004) believe that the core self-evaluations trait is the best dispositional predictor of job satisfaction. Judge and Bono (2001) found an average correlation of 0.32 between the four individual core traits and job satisfaction. However, when these individual traits are converted in one broad core self-evaluations factor, this correlation dramatically increases to 0.41 (Judge & Bono 2001). It can be concluded that the overall core concept is a more consistent predictor of outcomes rather than the individual traits. Furthermore, Judge *et al.* (2004) refer to a study conducted by Judge and Heller, which confirmed that core self-evaluations traits were more strongly related to job satisfaction than the Big Five traits or positive/negative affectivity.

Based on the aforementioned discussion, the following research hypothesis is formulated:

H3: *Core self-evaluations is a statistically significant predictor of job satisfaction*

Towards a Model for Personality and Job Satisfaction

In the light of the above discussion, the research proposes the following model relating personality traits and job satisfaction for retail store managers.

Previous research suggested a few models where the relationship between personality traits (including Core-self evaluations) and job satisfaction was mediated by other variables (Ilies & Judge 2004; Judge *et al.* 2005; Van der Berg & Feij, 2003). For example, Van der Berg and Feij found

Figure 1 – Resulting Model Relating Personality Traits, Core Self Evaluations, Job Satisfaction and Job Performance for the Occupational Class of Retail Store Managers
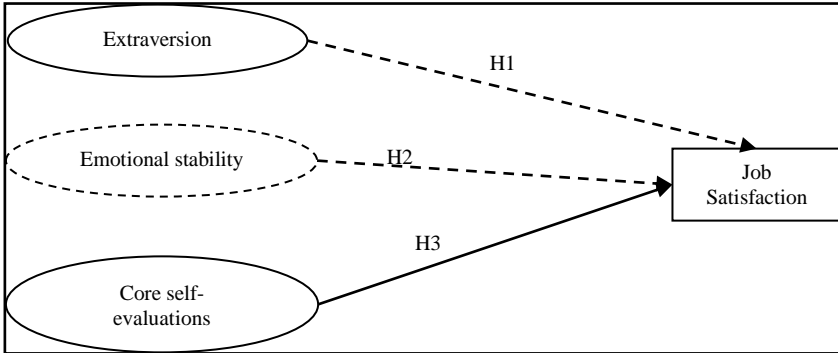
mediating effect of job satisfaction on the relationship between Extraversion and propensity to leave, and between Neuroticism and propensity to leave (Van der Berg & Feij, 2003). On the other hand, Judge *et al.* (2005) reported that Core self-evaluations were positively related to job satisfaction, which as shown by MacKenzie, Podsakoff and Ahearne (1998) was related to job performance (Abdel-Halim 1980; Iaffaldano & Muchinsky 1985; MacKenzie *et al.* 1998).

Method
A quantitative, ex post facto research approach was followed. A cross-sectional survey design was used to collect data and attain the research goals. This design is ideally suited to the descriptive and predictive functions associated with correlation research and to assess the interrelationships between the variables in the research (Shaunessey & Zechmeister 1997).

Sample
The participants of the study were store managers from one of the South African retail chains. A total of 147 questionnaires were distributed to a

purposive selected sample of Managers of all stores of this retail organization in Gauteng, Limpopo and Mpumalanga provinces. 95 questionnaires were returned which gives a 64.6% response rate. In this sample the majority of the participants were African (71.6%), while White and Coloured participants were represented by 22.1 and 6.3% respectively. Participants were primarily female (56.8%) and had an educational qualification of Grade 12 (62.1%).

Measuring Instruments

The 15FQ+ (Psytech, 1992), Core Self-Evaluation Scale (Judge, Locke & Durham 1997) and Job Diagnostic Survey (Hackman & Oldman 1975) were administered.

15 FQ+ Extraversion, Emotional Stability and *Conscientiousness* were measured by the 15 FQ+ Questionnaire. The 15FQ+ uses a self-report format and consists of 200 items. Respondents have to indicate on a three-point scale how closely the items describe their personal behaviour. The alternatives offered are 'agree', 'unsure' and 'disagree'. Cronbach's alpha reliabilities for a professional sample on the standard form ranged from 0.77 to 0.83 for the 16 traits and 5 broad factors. Similarly, test-retest reliabilities varied from 0.77 to 0.89 (The 15FQ+ Technical Manual, 2009).

Core Self-Evaluation Scale (Judge, Locke & Durham 1997): The Core Self-Evaluations Scale (CSES) was used for the purpose of measurement core self-evaluations trait. The CSES consist of 12 items and measure *Self-esteem, Generalised self-efficacy, Neurotism,* and *Locus of control* on a five-point Likert scale from 1 to 5, where 1 is 'strongly disagree ' and 5 is 'strongly agree'. Previous studies showed that an average alpha coefficient reliability of 0.84 (Judge *et al.* 1997).

Job Diagnostic Survey (Hackman & Oldman 1975): *The Job* Diagnostic Survey (JDS) contains 14 items that measure satisfactions along the following specific dimensions: *Pay* (2 items), *Job security* (2 items), *Social* (3 items), *Supervisory* (3 items); and *Growth* (4 items). The first four of these are Work Context Satisfaction, while Growth Satisfaction is related to intrinsic features of the job reflecting the degree to which a person is satisfied with opportunities for personal growth and development on the job. A seven-point response scale from 1 to 7 is used, where 1 is 'extremely

dissatisfied' and 7 is 'extremely satisfied'. Hashim (2012) found a Cronbach alpha equal to 0.933 for the JDS and Baker, Fitzpatrick and Griffin (2011) a Cronbach's alpha of 0.84.

Research Procedure

The Human Resource Director of one of the South African retail companies that provided respondents for this study was asked for permission to conduct the study and use the data. Self-completion questionnaires were distributed directly to store managers by post as well as administered during store visits and training sessions. A cover letter soliciting cooperation was attached to the questionnaires. The letter informed the participants about the aim of the study, stated that participation was voluntary and explained that results will be treated confidentially by the researchers. The questionnaires were coded to identify the stores and the store managers in charge of those stores, but were otherwise anonymous to ensure confidentiality. Respondents were asked to return the completed questionnaires in a sealed envelope provided, either to the person who distributed them, or directly to the researchers.

Data Analysis

The collected data was subjected to statistical analysis using SPSS (2011) to produce descriptive statistics, reliability and validity analysis of the measuring instruments, correlation coefficients, exploratory factor analysis for each construct, as well as other Linear Models, including Multiple Regression analysis. A 90% confidence interval level was used for all significance testing in this study. Goodness of fit measures such as chi-squared test, GFI, AGFI, NFI was used to evaluate how well the model fit the data (Tabachnic & Fidell 2001).

Results

Factor and Reliability Analysis

Prior to the testing of hypotheses, the psychometric properties of the Core Self Evaluation Scale (CSES) and Job Diagnostic Scale (JDS) were examined. These included the Kaiser-Meyer-Olkin (KMO) to determine the

sample adequacy and sphericity of the item-correlation matrix, exploratory factor analysis to discover and identify the dimensions of the measurements and reliability analysis using Cronbach alpha coefficients to give the measure of accuracy of the instruments and to determine how repeatable the results are. The Core Self Evaluation Scale and Job Diagnostic Scale obtained a Measure of Sampling Adequacy of 0,759, 0,838 and 0,900 respectively which according to the guideline of higher than 0.6 (Hair, Anderson, Babin & Black 2010) is adequate for factor analysis. Next, exploratory factor analysis using Principal Axis Factoring extraction method was performed on the measurements. Results revealed one underlying factor structure for the Core Self Evaluation Scale and Job Diagnostic Scale. The factors were labelled core self-evaluations and job satisfaction.

The descriptive statistics and reliabilities of the factor per measurement are reported in Table 1 below:

Table 1: Descriptive Statistics and Alpha Coefficients: CSES and JDS

Scales	Mean	SD	Skewness	Kurtosis	α
Core Self-Evaluations	3.300	8.398	0.045	-1.058	0.734
Job Satisfaction	5.170	13.025	-0.732	-0.112	0.881

Table 1 indicates that the Cronbach alpha coefficients compare well with the guideline of 0,70, demonstrating that a large portion of variance is explained by the dimension (internal consistency of the dimensions) (Field, 2009). No factor analysis was performed on the 15FQ + measure because of the small sample size. Based on the validity and reliability of the measurement in previous studies, the theoretical subscales of Extraversion, Emotional Stability and Conscientiousness were used for further analysis.

Testing of the Hypotheses

Hypotheses 1 to 3 were tested by means of linear regression analysis. The results are reported in Table 2 below.

Table 2: Regression Analysis between the Personality Types and Job Satisfaction

| Model	Unstan-dardised Coefficients		Standar dised Coeffic ients	t	p	R	R²	ΔR²
H1: Emotional stability is a statistically significant predictor of job satisfaction								
	B	SE	Beta			.304ᵃ	.093	.083
(Constant)	59.388	4.526		13.122	0.000			
Emotional Stability	.800	.260	.304	3.080	.003			
H 2: Extraversion is a statistically significant predictor of job satisfaction								
	B	SE	Beta			.101ᵃ	.010	.000
(Constant)	68.971	4.080		16.906	0.000			
Extraversio n	.102	.104	.101	.983	.328			
H 3: Core self-evaluations is a statistically significant predictor of job satisfaction								
	B	SE	Beta			.435ᵃ	.189	.181
(Constant)	45.759	5.917		7.734	0.000			
Core self-evaluations	.675	.145	.435	4.662	.000			

The results in Table 2 indicate:

- In terms of Hypothesis 1: Emotional stability is a statistically significant predictor of job satisfaction. Emotional stability however explains 9% of the variance in job satisfaction and is considered low. Hypothesis 1 is accepted.

- In terms of Hypothesis 2: There is no statistically significant relationship between Extraversion and Job Satisfaction. Hypothesis 2 is rejected.

- In terms of Hypothesis 3: Core self-evaluation is a statistically significant predictor of job performance. Core Self Evaluations

explains 19% of the variance in job satisfaction. Hypothesis 3 is accepted.

Having investigated the individual hypothesised relationships between the constructs, the next step was to estimate and overall model, which would include all the constructs and account for mutual interactions between them. Results indicated that the model did fit adequately to the data $\chi^2 = 2.2041$, $\chi^2 / df = 3$, GFI = 0,99; AGFI = 0,95; CFI = 0,95, NFI = 97 and RMSEA = 0,00.The model is given in Figure 2 below.

Figure 2 - Path Analysis Model with Standardised Estimates
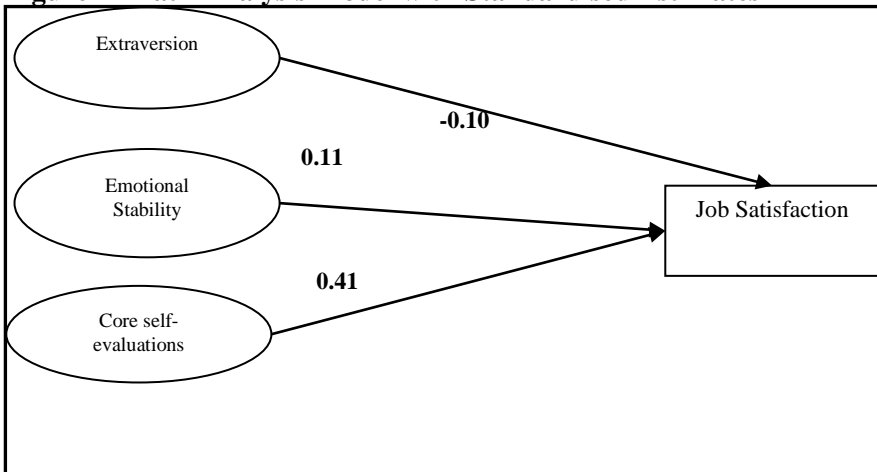
It should be noted that the relationship between Emotional stability and job satisfaction was significant when tested individually, yet a combined model produced a lower effect (0.11) thus indicating that Core-self evaluations play a dominant role in the relationship, as its addition to the model reduced the effect of Emotional stability. Since the two measures have a significant covariance (0.45 with a t-value of 0.45), it may be argued that only emotional stability has a marginal impact on satisfaction in the presence of Core self-evaluations. Perhaps this phenomenon could be explained by existence of strong associations between Emotional stability and Core self-evaluations as reported by Bono and Judge (2003). As an interpretation to

this fact they suggested a possibility that Core self-evaluations could include some measurement of emotional stability (Bono & Judge 2003).

Furthermore, it is evident that the effect of Extraversion on job satisfaction is also marginal, considering its low coefficient (-0.11 with t-value of -0.99). Since the individual regression of extraversion on job satisfaction also yielded insignificant results, but with a positive effect, the appearance of a marginal negative effect for this relationship in the combined model may indicative of the fact that the estimation procedure is adjusting for the combined positive effect of emotional stability and core self-evaluations.

Discussion

The purpose of the research was to investigate the relationships of personality traits (Extraversion, Emotional Stability, Conscientiousness, and Core Self-evaluations) and job satisfaction for the occupational class of store managers in the context of South African retail industry. The study attempted to address the management dilemma at hand and aimed to predict job satisfaction of retail store managers by analysing personality traits. The results of the research are discussed per hypotheses.

In terms of Hypothesis 1: *Emotional Stability is a statistically significant predictor of job satisfaction*

According to the simple linear regression analysis there is enough evidence to suggest that Emotional Stability positively affects job satisfaction. Conversely, since Neurotism is the opposite end of Emotional Stability, it may be said that there is enough evidence that Neurotism negatively affects Job Satisfaction. Thus, the hypothesis is not rejected. However, due to the fact that the proportion of variance in satisfaction explained by this variable is negligible, Emotional Stability cannot be considered as the determinant of job satisfaction. It can be concluded that Emotional Stability plays a role, but other factors need to be taken into account in order to explain changes in job satisfaction. This finding is corroborated by the one by Judge and Bono (2001) which also confirmed positive relationship between Emotional stability and job satisfaction, while Judge *et al.* (1999) found in their study that Neurotism is negatively related to job satisfaction.

In terms of Hypothesis 2: *Extraversion is a statistically significant predictor of job satisfaction*

The above hypothesis was rejected in the study. The regression's t-test revealed that no significant relationship can be established between Extraversion and job satisfaction. These results are contradictory to the findings by Judge, Heller and Klinger (2008).

In terms of Hypothesis 3: *Core self-evaluations is a statistically significant predictor of job satisfaction*

Enough evidence was observed not to reject the hypothesis. Regression analysis showed that there was a positive relationship between Core self-evaluations and job satisfaction. The reported r-square of this linear model was 0.19, which suggests that Core self-evaluation accounts for 19% of the variation in job satisfaction. A number of studies (Judge & Bono 2001; Judge *et al.* 2004; Judge & Heller in Judge *et al.* 2004) had also confirmed the positive relationship between Core self-evaluations and job satisfaction.

Implications for Managerial Practices

Selecting the right people in an attempt to fulfil the management needs inevitably requires psychological assessments at the onset of the process. The use of any instruments, as well as other ways of measuring job applicants against the objective criteria for specific jobs, such as structured and unstructured job interviews, case studies, role plays, reference checks, and bio-data, raises further questions pertaining to the objectivity, reliability and validity of such methods, especially in the South African context. The findings of this study provided other retail organisations some insights into identification of those personality traits that predict job satisfaction of the store managers. The study may also contribute to optimisation of personnel recruitment and selection processes as well as talent management strategies in retail industry.

Future Research

In order to address some of the limitations and gain further insight into the relationships between Core self-evaluations, job satisfaction and personality aspects in the South African context, future studies should attempt to collect a sample that is representative of more retail trade organisations in the country. A bigger sample would also enable the researchers to utilise more advanced

techniques of estimation, such as a Structural Equation Model (SEM). Such studies should be aimed at refining the conclusions drawn in this study and may explain differences between some of the findings contemplated in the literature review and empirical measurements presented in this document. It may further be suggested to investigate the differences in behaviour of retail store managers with different demographic characteristics, such as gender, race, age and educational background.

Combining different measurements of personality traits and dimensions such as MBTI, Discus, Big Five Model, 16-PF into a final model for job satisfaction. In addition more research that would apply the developed model to other industries and / or occupational classes in South Africa is needed in order to expand the body of knowledge on this topic.

Limitations

One of the primary limitations affecting the results is the sampling approach. This study used purposive sampling method, characterised by the use of judgment and a deliberate effort to obtain representative samples by including presumably typical areas or groups in the sample (Kerlinger & Lee 2000). Since the study focused on applying the theoretical models in the context of South African retail stores, store managers of one specific retail chain were approached. Although it may be argued that retail store managers may be expected to behave in a similar fashion, it is necessary to note that only managers of one organisation were subjected to the survey, which may play a role if the results are to be extrapolated to a wider retail audience.

It must also be noted that responses collection are subject to the response error that is usually present in the studying utilising questionnaires as a primary means of collecting data. Furthermore sampling was not controlled in respect of the race group of the participants, thus making it impossible to make comparisons between such groups. Most of the participants fell into the African race group, thus extrapolation to other race groups should be done with caution as it is not known if different race / ethnic groups exhibit different response or behavioural patterns.

Conclusion

In closing, the findings showed that the model suggested and empirically

tested in this study can be applied as a predictor of job satisfaction for the occupational class of retail store managers in the South African context. The results obtained in the study together with the recommendations for future research can contribute into optimisation of the recruitment and selection processes and employee retention strategies in the retail industry.

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Do Personality Factors Predict Job Satisfaction?

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The Postgraduate Research Supervisors' Perception of their Role, the Organizational Climate and Postgraduate Research Service Quality

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Abstract

Based on a thorough literature review, a conceptual model was developed, proposing relationships among the postgraduate (PG) research supervisors' perception of their role (RC), their level of organizational socialization (OS), the organizational climate (OC), and the PG research quality (PGSQUAL), as well as the overall research service satisfaction (SERVSAT). This study differs from most previous studies that explored service quality and service satisfaction only from the students' perspective.

The conceptual model was empirically evaluated by obtaining data through an electronic survey conducted among PG research supervisors in a large research university in South Africa and, fitting the data to the model using structural equation modelling. It was ascertained that OS is associated with (influences) OC ($p = .000$); OC is associated with PGSQUAL ($p = .040$); and PGSQUAL is associated with SERVSAT ($p = .000$). These findings imply that higher education management, especially those responsible for PG research must foster an environment which encourages and supports PG research, and that all personnel must be appropriately socialized.

However, contrary to what is espoused in the literature, no relationships were found between the following variables: OS and RC; RC and PGSQUAL; RC and OC. This may be attributed to the small sample size to which many statistical techniques, and model testing in particular are very sensitive.

Keywords: postgraduate research service quality, organizational climate, supervisors' role, organizational socialization, service satisfaction

Introduction

Enhancing the PG research experience will not only attract PG research students through 'word of mouth' and other means, but may contribute to successful completion of masers and doctorates (Sayed, Kruss and Badat, 1998). The interaction between the supervisor and PG research student is important in enhancing the service experience and, the supervisor is therefore key to the success of the PG students, since they must provide the expertise, time and support to foster in candidates the skills and attitudes of research, and to ensure the production of a thesis/dissertation of acceptable standard (Heath, 2002).

   Although most HEIs and their sub units (faculties and schools) have policies in place to 'regulate' the behavior of the various role-players (inter-alia, supervisor-supervisee) in the PG service encounter, the following questions remain: do the role-players clearly understand their roles; how do they acquire their perception of their role, what influences their perception of their role; and how does role perception influence the perception of the PG research service quality.

   In view of the aforementioned, and in an attempt to explore answers to the above questions, this paper reports on research undertaken among PG research supervisors of a large research university in South Africa.

Literature Review

The Postgraduate Research Service Encounter

Service encounters are recognized within the service quality research field as a key concept (Zeithaml & Bitner 2000; Dale 2003), since what happens during the encounter is important in understanding what affects the customers' perception of service quality. Understanding the service encounter has also been identified as a key challenge for service firm managers, having implications for service design, quality control, employee screening and training, and relationship marketing (Bitner, Boons & Mohr 1994; Mittal & Lasser 1996 as cited by Govender 1998). Hill (1995) stated that perceived

higher education (HE) service quality could be the product of a number of service encounter evaluations by students. Such encounters would be with administrators, lecturing staff, academic managers and other HE staff.

The importance of the human element in the service encounter cannot be overemphasized, since it can embed itself in several ways. For example, most service-production processes require the service organizations' personnel to provide significant inputs, both at the front-line of delivery and in those parts of the production process that are relatively removed from the customer (Keltner & Finegold 1996: 57-58).

By citing Bassnett (2003), Hair (2006: 9) postulates that supervisory relationship is very important in the PG research service encounter. In order to manage quality and build lasting relationships, it is important therefore to understand what happens in these encounters.

McAteer-Early (1992) asserts that the customers' perceptions of service quality are highly influenced by the quality of interaction between customers and personnel, and the quality of the interaction is a complex variable which may be affected by subtle factors of verbal and non-verbal communications between personnel and customers. Dann (2008: 333) also asserts that postgraduate research supervision is a complex service encounter drawing on the pedagogical structures of higher education and the interpersonal dynamics of highly customized service delivery.

Several researchers, inter-alia, McCormack (2004), Boud and Lee (2005 as cited by Dann 2008) identified the tensions between the students' expectations of the research degree and their lived experience of the process (expected experience and the reality of the supervision) as a contributing factor to thesis delays or dropout. McCormack (2004: 320, in Dann 2008) indentifies the gap between the expectations of the research process and the reality of the research experience as a primary factor in the non-completion of the student's thesis.

In PG research supervision, during face to face interaction between the student and supervisor, there are many opportunities for things to go wrong when the student and supervisor interact, and when both parties experience and respond to each other's mannerisms, attitude, competence, mood, language, etc. Thus 'incidents' occur each time there is interaction, and although some may be trivial, some may be 'critical' to a successful encounter. These 'critical incidents' according to Bitner, Booms and Mohr (1994) as cited by Govender (1998:44) are interactions that are either

'satisfying or dissatisfying' which provide an opportunity for the customers to form an opinion of the service quality.

According to the relationship marketing literature (see Christopher, Payne & Ballantine 1993, as cited by Govender 1998: 32) the practice of relationship marketing is most applicable to a service organization in which, inter-alia, the service customer controls the selection of the service supplier and there is on-going or periodic desire for the service on the part of the service customer. Thus, service encounters, such as that between the PG research student and his/her supervisor (and the institution) can be described as a 'relationship' based series of encounters, since each cannot be viewed as being discrete and in isolation of preceding exchanges. Thus the service experience is the sum total of the student's perception of all encounters (personal and non-personal) with the institution and its representatives.

Although some researchers such as De Beer and Mason (2009: 237) argue for a blended approach to research supervision, where much contact takes place on an electronic basis, and less on a traditional written or face-to-face basis, even if the personal contact is minimized, the students will develop perceptions of their electronic interactions which in turn will contribute towards their perception of the overall PG service experience. More recently there has been a wider acknowledgement that the totality of the student experience of an institution is a useful perspective to adopt in student satisfaction in marketing terms, since service quality is also connected to satisfaction with the performance of a service. In the context of this paper, satisfaction with the supervision service is just one aspect of the elements of the PG service experience, with the other being the perception of service quality.

The Postgraduate Research Supervisors' Role in the Research Service Encounter

Although there are many opportunities for things to go wrong (Govender 1999b: 93) during the service encounter, Lengnick-Hall, Claycomb, and Inks (2000) assert that 'active participation' is unavoidable in the case of human service organizations such as universities and other tertiary institutions.

Some researchers (Gremler *et al.* 1994; Bitner *et al.* 1995 as cited by Govender 1998: 45) have examined the service encounter from the employee's perspective. Since research supervisors are physically and psychologically 'close' to the PG student (customer), they serve a very

important role, and for many PG students, the supervisor is the 'university' and an embodiment of the service and quality of service.

Although the amount of day-to-day contact between the individual students and their supervisor(s) can vary dramatically, it is largely via this route that individual students have direct contact and are guided through their interactions with the administrative/academic functions of the institution (Cryer & Mertens, 2003: 93). Cryer and Mertens (2003: 94) further maintain that if supervisors have a responsibility, namely training of postgraduate students, they must also be given the appropriate tools (in terms of adequate training and support) to do their job effectively. These researchers further assert that without training in relevant supervisory and examining skills, it is inevitable that supervisors will fail to meet objectives in the manner that is expected of them.

Some researchers (Rust & Zahorik 1993) have postulated several reasons for poor service, and prime among them were: uncaring employees, poor employee training, negative attitude of employees towards customers, no customer service philosophy within the business, and employees not empowered to provide good service. Zeithaml and Bitner (1996:303) also emphasize that the failure to deliver services as designed and specified can result from a number of employee (human performance) factors, inter-alia, and ineffective recruitment of service-oriented employees, role ambiguity and role conflict among service employees and lack of empowerment.

The role theory perspective recognizes that in any interaction between the customer and the service employee (the service encounter), a number of rules must be observed (Solomon *et al.* 1985 cited by Govender, 2000:144). Kendall (1996: 64) asserts that role which is a basic unit of soci-allization, implies a social determinism. This implies that roles are assumed as a result of conditioning (socialization) by society. The implied importance of the concept 'socialization' on the service encounter, more especially on the role of the research supervisor necessitates further discussion.

Organizational Socialization and the Research Supervisor's Role Perception

Govender (1999c) cites Wagner and Hollenbeck (1996) who contend that socialization focuses on how individuals learn the beliefs, values, orientation, behaviours and skills necessary to fulfill their role and function effectively

within and organization's milieu. Organizational socialization (OS) is the process which would include, inter-alia, formal training programmes that teach employees the (technical) skills associated with performing their jobs, as well as informal, day to day interactions with employees, managers and customers.

The importance of the socialization of the service employee is further apparent due to the characteristics of services which differentiate services from products. For example, because services are intangible, in many cases, the only tangible evidence available to the customer to compare quality and performance is the contact person with whom they interact. Thus a workforce that is effectively socialized may help to ensure a higher degree of consistency of behaviour of contact personnel as well as a more consistent and hopefully higher level of service.

Several researchers (Lysonski 1982; Boshoff & Mels 1995; and Tait 1996, as cited by Govender 1998: 95) concur that role ambiguity has a negative influence on service quality, because it affects the service employee's performance that spills over to the perception of service quality. Researchers (Singh,Vebreke & Rhoads 1996, as cited by Govender 1998: 94) contend that when an individual has gained an appropriate understanding of his/her role and the roles of other members of the role set, it is possible to formulate accurate role expectations. Schneider and Bowen (1995: 77) concur that in order for the service employee to learn his/her role, and be able to form accurate role expectations, they must be socialized into the organization.

Although a great deal of conceptual and empirical work has been done regarding the socialization of employees of various organizations and its impact upon the employees and customers, the process on OS and its impact on the service encounter, more especially the PG research service encounter has not received much attention.

In view of the aforementioned and on the basis of the literature discussed above with respect to the PG service encounter, it is proposed that:

- P1: The organizational socialization (OS) of the PG research supervisor (RS) is associated with his/her role perceptions (RC).

- P2: The role (RC) as perceived by the research supervisor is associated with their perception of the research service quality (PGSQUAL).

- P3: The organizational socialization (OS) as perceived by the postgraduate research supervisor (OS) is associated with their perception of the research service quality (PGSQUAL).

Several researchers such as Jones (1986), Robbins, 1993 and Srinath, 1993 (as cited by Govender 1999:45) have argued that perceptions of the organizational climate (OC) are the result of organizational socialization. According to McNabb and Sepic (1995: 373), the process of organizational socialization, results in role learning and gaining an appreciation of the climate for service on the part of the individual. Furthermore, Kelly (1987: 88) asserts that since the interaction that takes place between the service organization, employees and customers during the service encounter (in many cases) cannot be clearly specified beforehand, the climate of the organization offers an *ad hoc* means of specifying the specific activities that should be carried out. Kelley (1987) cites Schultz (1982: 445) who explains organizational climate (OC) in terms of role theory and describes role ambiguity as a situation that arises when the employee's work role, that is, the scope and responsibility of the job and what others expect of him/her, is poorly structured and ill-defined.

In view of the aforementioned, the organizational climate literature will be briefly explored to ascertain if any association with the service experience variables could become apparent.

Organizational Climate for Research Service

The work performed by front-line employees' results in increased stress (Zeithaml & Bitner 1996: 307), because they try to meet conflicting demands from management and customers. Schneider and Bowen (1993) as cited by Davidson (2003:20) contend that management can potentially manage the employee's stress by establishing a climate in which the employees' desires to offer good service is made easier and encouraged. Thus the organization's overall 'climate for service', the atmospherics or feel of the setting is very important in shaping both customers' and front-line employee's attitude about the process and outcome of the service delivery.

Schneider, Wheeler and Fox (1992: 706) ascertained that aspects of the organizational climate (OC) relate to service excellence, and found a

relationship between service climate components and facets of customer satisfaction. LeBlanc and Nguyen (1997: 75) ascertained that service quality is 'tied to management's capacity to foster an organizational climate directed at serving the needs of customers'. Davidson (2003: 206) also asserts that any quality initiative that ignores an understanding of the OC is prone to failure, and he also argues that a good OC is a pre-requisite for any successful quality initiative.

Raza (2010:47) cites several research (Thompson 2003; Allen 2003; Volkwein & Zhou 2003; Johnsrud, Heck & Rosser 2000) and asserts that even though some research has been done regarding OC, there is scant research on OC as it pertains to higher education organizations, more specifically, research which links OC to the PG research supervisor's service quality perception.

Based on the above, it is postulated that:

- P4: The organizational socialization (OS) of the research supervisor is associated with their perception of the organizational (research) climate (OC).

- P5: The organizational (research) climate (OC) as perceived by the research supervisor is associated with their perception of their role (RC)).

- P6: The OC as perceived by the research supervisor is associated with their perception of the PG research service quality.

Service Quality and Service Satisfaction

The literature identifies 'apparent consensus regarding a fundamental distinction between service quality and service satisfaction' (Cronin & Taylor 1994: 126). Service quality is a long-term attitude, whereas consumer satisfaction with the service is a 'transitory judgement' made on the basis of a specific service encounter (Bolton & Drew 1991; Patterson & Johnson 1993, as cited by Cronin & Taylor 1994: 126). In contrast to the aforementioned, and for the purposes of this study, satisfaction was viewed as an overall (summative) perception of the service experience. Perceptions of service

quality are also developed as a result of a series of service encounters and each encounter produces a particular service experience resulting from satisfaction or dissatisfaction with the encounter.

In view of the aforementioned, this study also explored the association between the research supervisors' perception of the postgraduate research service quality and the overall service satisfaction by postulating that:

- P7: The PG research supervisors' perception of the research service quality is associated with their perception of the PG students' overall satisfaction with the service.

The Conceptual Model
The proposed associations (P1-P7) are captured schematically in Figure 1.

Figure 1: Associations Model
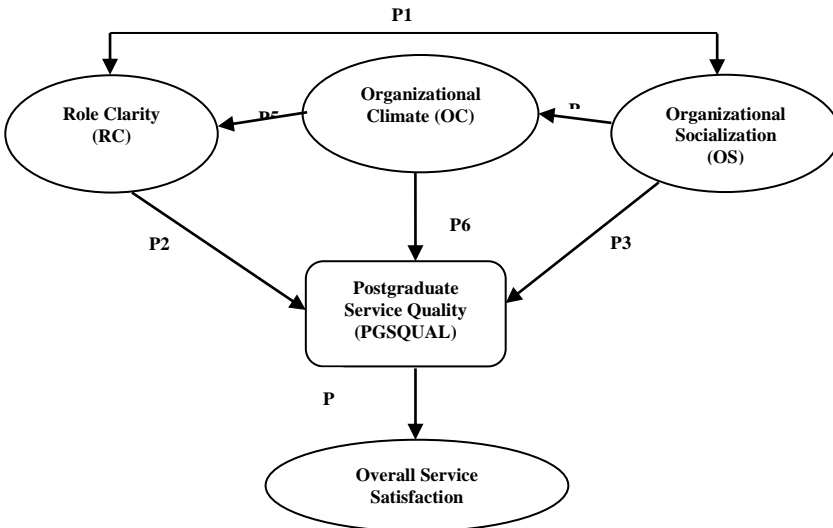
Research Method
In order to assess the conceptual model (Figure 1), a survey was conducted over a month (April-May 2011) among masters and doctorate research

supervisors at one of the top five research universities in South Africa. A general e-mail was sent to all academics, explaining the nature and purpose of the study, as well as providing a link to the research questionnaire that was uploaded to QuestionPro (www.QuestionPro.com 2010), an electronic research survey vehicle. The timing of the study was important in that it was done at the same time when a survey was being conducted among the 2011 graduating cohort of masters and doctorate candidates.

Research Instruments
Considering that this study draws heavily on the services marketing literature, the tools have been primarily developed through adaptation and refinement of questionnaires from a similar body of literature.

Postgraduate Research Service Quality: PGSQUAL
For the purpose of this study, the PGSQUAL (postgraduate research service quality) instrument was developed primarily by adapting the SERVQUAL (Parasuraman *et al.* 1988) instrument which encapsulates the perceptions-expectations gap covering all five service quality dimensions, and incorporating certain elements from the PREQ (Drennan 2008) and SREQ (Ginns, Marsh, Behnia, Cheng & Scalas 2009), as was done in previous studies (Stodnick & Rogers 2008; Dann 2008; Drennan 2008). The final PGSQUAL instrument comprised 26 items resulting from adaptations that entailed making minor changes to the SERVQUAL statements to fit the context, combining expectations and perceptions, and incorporating certain elements of the PREQ and SREQ. With respect to the 26 items pertaining to specific aspects of the PG research service quality, the respondents were requested to indicate on a 5-point Likert scale whether the PG research service quality was 'better' or 'worse' than expected, where 1= Worse than expected and 5= Better than expected.

Research Climate: OCLIMAR
To ascertain the PG students' perception of the research climate the OCLI-MAR instrument was developed by adapting Govender's (1998) organizational climate (OC) questionnaire that was based the work of previous researchers (Kelley 1978; Parasuraman, Berry, Zeithaml 1985). A

further refinement entailed incorporating certain relevant aspects of the postgraduate research experience PREQ questionnaire (Ginns, Marsh, Behnia, Cheng & Scalas 2009), which resulted in a 24-item OCLIMAR questionnaire. The respondents were requested to respond to each of the 24 statements in terms of their perception of the importance the university placed upon various characteristics of the PG research service by indicating their agreement or disagreement with each statement on a Likert scale where 1 = Strongly Disagree; 2 = Disagree; 3 = Neither Disagree nor Agree (Neutral); 4 = Agree; 5 = Strongly Agree.

Role Clarity
By adapting the Role Ambiguity/Role Clarity scale of Chonlo, Howelll, and Bellenger, (1986) a 8-item RC (Table 1) measurement instrument was developed. Respondents were requested to indicate with reference to their Role as PG research supervisors, how certain they were about each statement (Table 1) on a Likert scale where 1 = Completely Uncertain; 2 = Uncertain; 3 = Neither Certain nor Uncertain; 4 = Certain; 5 = Completely Certain.

Organizational Socialization
The organizational socialization as perceived by the PG research supervisors was measured using 15 items expressed on a 5 point Likert scale with anchors of 1= Strongly Disagree and 5 =Strongly Agree, resulting from adaptation of the questionnaire developed by Jones (1986).

Overall Service Satisfaction
This was measured by means of a single item that read: Overall, PG research students are satisfied with the quality of the PG service at this university. The respondents had to indicate their response on a 5-point Likert scale with anchors of Strongly Disagree, Neutral, Disagree, Agree and Strongly Agree.

Research Findings
The majority (62.2%) of the respondents (research supervisors) had a PhD or equivalent, followed by 21.6 % who had a Masters or equivalent qualification. 27% of the respondents spent between 1-5 years at the

university, followed by 16.2% who spent between 5-10 years and the rest 16.2% who spent between 15-20 years.

The modal masters research supervision experience was 'more than 5 years' for 65.7% of the respondents, and with regard to doctoral supervisions, this applied to 50% of respondents. 68.8% of the respondents indicated that the modal number of Masters students that were successfully supervised was 'more than 4 students', and the modal number of Doctoral students that were successfully supervised was also 'more than 4 students' for 50% of the respondents.

Validity and Reliability of Research Instruments

Coakes and Steed (2003:140) state that there are a number of different reliability coefficients and one of the most commonly used is the Cronbach's alpha, which is based on the average correlation of items within a test if the items are standardised. As reflected in Table 1, the various research instruments produced Cronbach's alpha values which exceeded 0.7, implying acceptable reliability (Coakes & Steed 2003; Nunnaly & Bernstein 1996).

Table 1: Cronbach's Alpha Reliability Coefficients

Research Instrument	CRONBACH'S ALPHA
Organizational Socialization (OS)	0.771
Organizational (Research) Climate (OCLIMAR)	0.920
Postgraduate Research Service Quality (PGSQUAL)	0.950
Role Clarity (RC)	0.877

Factor analysis was conducted using the Principal Components Method with varimax rotation to determine the reliability of the items comprising the organizational climate (OCLIMAR), organizational socialization, and post graduate research service quality (PGSQUAL) research instruments. With reference to the Role perceptions (RC)

questionnaire, a factor analysis was not conducted since the research instrument comprised less than 10 items (Coakes & Steed 2003).

It is evident from Table 2, that the items that comprised the organizational socialization questionnaire loaded on five factors, and these factors were ascertained to be fairly reliable as is evidenced by their Cronbach's alpha values reflected in Table 2.

Table 2: Factor Analysis: Organizational Socialization

	1	2	3	4	5
I have developed my own understanding of the differences between a mini dissertation/ dissertation/ thesis	.841	-.006	.298	.110	-.095
I have developed my own procedures and processes to manage my PG students	.781	.271	.115	.306	.091
I was informed through formal training what is expected of me as a PG Supervisor	.781	.011	.343	.118	-.120
When I first started supervising PG students, I was offered formal training and support	.702	-.401	.113	-.019	.171
I have generally been left alone to discover my role as a PG supervisor	.613	.424	-.294	.120	.332
Much of what I learned about PG Policies and Procedures was from colleagues and through trial and error	.187	.834	-.102	.080	.053
I became aware of my	.316	.633	-.012	.468	.081

role as a Supervisor mostly thorough interaction with other colleagues and through trial and error					
I supervise PG students the same way as I was supervised as a PG student	.020	.566	.353	-.139	-.024
I know the differences between a mini dissertation/dissertation and thesis because this is captured in university documents	-.049	.116	.792	.046	.080
I became aware of the PG Rules and Regulations from formal sources	.145	-.144	.630	.449	.205
I was informed of what standard of work to expect of students for a mini dissertation/ dissertation/thesis	-.489	-.054	.547	-.288	-.218
In my faculty/school we have formal processes to handle PG matters	.218	.051	-.044	.820	.051
I have learnt about research support services available to PG students from colleagues	-.124	.065	.172	.685	-.380
My line manager/ university informed me of the research values that are important to the university	.060	.232	-.064	.033	.817

I became aware of the PG Examination and Administration procedures through formal sources	-.039	-.154	.217	-.128	.775
Cronbach's Alpha	**.770**	**.735**	**.758**	**.704**	**.767**

It is evident from Table 3, that the items that comprised the organizational climate questionnaire loaded on six factors, and these factors were ascertained to be fairly reliable as is evidenced by their Cronbach alpha values reflected in Table 3.

Table 3: Factor Analysis: Organizational Climate for Research

	1	**2**	**3**	**4**	**5**	**6**
PG students are free to discuss their research needs	.838	.055	.159	.318	.066	-.099
A reputation for good research is emphasized	.825	-.094	.177	.052	.043	-.201
Individual student attention is stressed in PG studies	.783	.195	.335	.235	.089	-.180
PG students have access to good technical (research) support	.700	.049	.096	.029	.386	.321
PG students are encouraged to undertake further PG research	.695	.084	.016	.421	.227	.100

PG students are provided with opportunities to become integrated into the broader department/ school/ university research culture	.456	.270	-.369	.080	.321	-.123
PG Students are fully informed of the costs associated with PG studies	.073	.843	.160	.082	.233	.019
PG Students are made aware of appropriate financial support for research activities	-.113	.831	.047	.195	.092	-.022
PG Students are informed about the various research development and support services available	.098	.751	.332	.099	.147	-.038
Promises to PG students are always honoured	.427	.660	.368	-.109	-.065	.307
PG students are assured of consistent and prompt service and support	.020	.345	.741	.289	.133	.088
PG students' best interest is at heart at all times	.203	.232	.715	.272	.130	.083
PG Students understand the service being provided	.126	.073	.712	-.125	.370	.024

PG students can depend on the services provided	.323	.309	.706	.231	.230	.045
Operating hours are convenient for PG students	.096	.201	.063	.737	.082	.062
PG staff are friendly and polite at all times	.391	.019	.283	.691	.014	.042
PG students receive confidential service	.271	.122	.355	.617	.091	-.384
The research ambience in the department/ school stimulates PG research	.508	.026	-.055	.576	.309	-.038
PG Students have access to suitable working space	.243	.306	.105	-.003	.804	-.018
Opportunities are provided for social contact with other postgraduate students	.149	-.009	.339	.093	.747	-.099
PG students have access to up to date computing facilities and services	.085	.220	.230	.343	.702	.115
PG staff are properly trained and prepared	.015	.354	.370	.169	.069	.711
Seminar programmes are provided for PG students	.429	.421	.064	.181	.120	-.667
Cronbach's Alpha	**.872**	**.856**	**.858**	**.786**	**.792**	**.714**

Table 4 reflects the results of the reliability analysis of the postgraduate research service quality questionnaire.

Table 4: Factor Analysis: Postgraduate Research Service Quality (PGSQUAL)

	1	2	3	4	5	6
Delivering on promises made to PG students to do something by a certain time	.822	.263	.259	-.003	.248	-.028
Sincerity of staff in solving PG students' problems	.814	.363	.123	-.019	.222	.181
Performing the PG services right the first time	.791	.356	.133	.065	.090	.096
Opportunities provided to PG students for social contact with other PG students	.740	-.150	.150	.159	.077	.269
Always having the PG students' best interest at heart	.734	.455	.252	-.085	.249	.197
Research support services available to PG students	.729	-.222	.229	.374	-.142	-.005
The ability of staff to answer PG students' queries	.688	.209	.278	.245	.217	.342
Honouring promises made to PG students	.654	.340	.388	-.040	.186	.105
The personal attention given to PG students	.577	.445	.386	.128	.318	.202
Willingness of staff to assist PG students	.100	.787	.109	.137	.140	.471
The courteousness of staff towards PG students	.139	.776	.253	.170	.123	.345
Accuracy of PG records	.357	.775	-.094	.066	.126	-.005

Financial support for PG students' research activities	.243	-.189	.780	.323	-.062	.075
Never being too busy to respond to PG students' requests	.384	.383	.708	.035	.199	.081
Telling the PG student exactly when the services will be performed	.395	.227	.615	.150	.254	.310
The promptness of the services offered to PG students	.442	.163	.585	-.017	.276	.371
The personal attention given by staff to PG students	.462	.448	.477	.154	.247	.175
PG research ambience in the department/school	.143	.230	-.080	.872	-.054	-.009
Seminar programmes provided to PG students	-.034	.085	.391	.793	.117	.154
Opportunities provided to PG students to become integrated into the broader department/school/university research culture	.074	-.133	.117	.652	.491	.134
Freedom allowed to PG students to discuss their research needs	.351	.408	.153	.525	.506	.134
The confidentiality with which staff deal with PG student issues	.290	.179	.312	-.119	.762	.108
Efforts made to ensure that PG students develop an understanding of the standard of work	.126	.234	.100	.464	.734	-.033

expected						
Modernness of library resources and services for PG students	.497	.146	-.311	.175	.504	.231
The convenience of university operating hours for PG students	.243	.124	.190	.144	-.045	.837
Ability of staff to understand PG students' needs	.143	.312	.083	.014	.171	.736
Cronbach's Alpha	**.944**	**.851**	**.889**	**.831**	**.703**	**.708**

It is evident from Table 4 that the items comprising the organizational socialization questionnaire loaded on six factors, and these factors were ascertained to be fairly reliable as is evidenced by their Cronbach's alpha values reflected in Table 4.

Results and Findings: Structural Equation Modelling

The variables in the hypothesized model were transformed into univariate variables by taking the average of these variables. Thereafter the hypothesized model was fitted as a structural equation model to the data using AMOS (Version 19). The hypothesized model (Figure 1) did not fit the data well and is not reported on for obvious reasons. However a revised model (Figure 2) was fitted to the data, and the only difference between the hypothesized model and revised (new) model being that the relationship between RC and OC was now removed. The data was then fitted to the new model using AMOS (Version 19), and the goodness of fit reported.

The chi-square test statistic was calculated as 7.648 (p-value=0.113) indicating that the model fits the data well (Byrne 2010). According to Byrne (2010), and Schumacker and Lomax (2004), the RMSEA should be less than 0.05 if the model fits the data well (although values ranging from 0.05 to 0.08 are also deemed to indicate that the model fits the data well) and, the ECVI of the fitted model should be less than the ECVI of the saturated model. The RMSEA was reported as 0.055 and the ECVI of the fitted model was 1.096

whilst the ECVI of the saturated model was 1.191. Hence, the model fitted the data well.

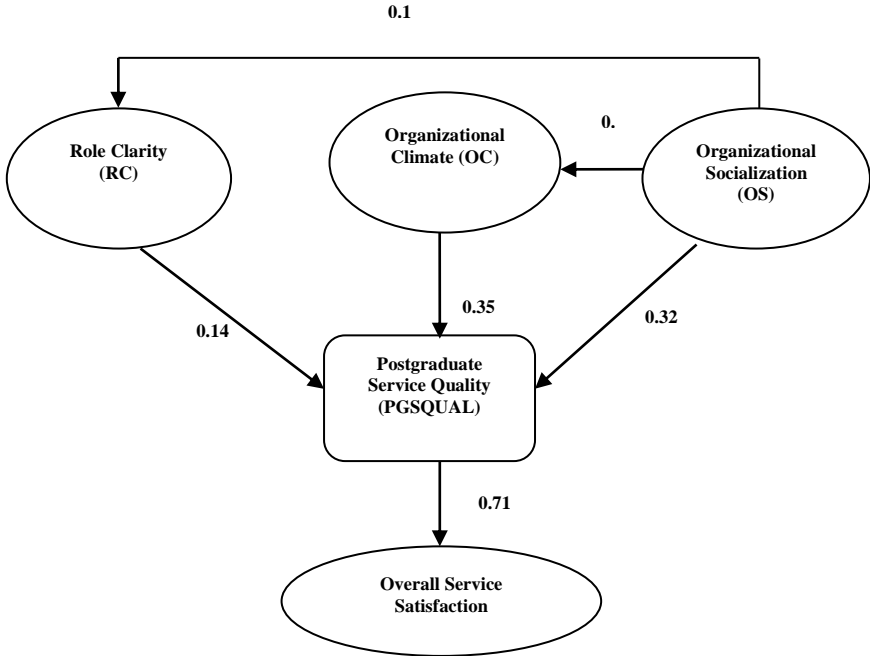**Figure 2: Empirical Evaluation of the Conceptual Model**

Table 5: Results of the SEM

			Estimate	P-VALUE
RC	<---	OS	.103	.687
OC	<---	OS	.835	.000[*]
PGSQUAL	<---	OS	.319	.211
PGSQUAL	<---	RC	.140	.312
PGSQUAL	<---	OC	.346	.040[*]
OVERALL SATISFACTION	<---	PGSQUAL	.713	.000[*]

[*-]Significant at the 5% level.

It is evident from Table 5 that OS is significantly associated with OC (p-value=0.000), and OC is significantly associated with PGSQUAL (p-value=.0.04). The aforementioned findings concur with that of other researchers (Schneider, Wheeler & Fox 1992) who ascertained that aspects of the organizational climate (OC) relate to service excellence. LeBlanc and Nguyen (1997) also ascertained that service quality is 'tied to management's capacity to foster an organizational climate directed at serving the needs of customers'. Davidson (2003: 206) also asserts that any quality initiative that ignores an understanding of the OC is prone to failure, since he also argues that a good OC is a pre-requisite for any successful quality initiative

It was also ascertained that PGSQUAL influences the overall satisfaction with the PG research (p-value=0.000), implying that research supervisors who perceive the PG research service quality to be good will also perceive that the PG research students are satisfied with the overall service. This is in concurrence with the literature and views of other researchers such as Bolton and Drew, 1991 and Patterson and Johnson, 1993, as cited by Cronin and Taylor (1994).

However, contrary to what is espoused in the literature (inter alia, McNabb & Sepic 1995; Zhang 2010), namely, that the process of organizational socialization (OS) results in role learning (RC) and gaining an appreciation of the climate for service (OC) on the part of the individual, no relationships were found between the following variables: OS and RC; RC and PGSQUAL; RC and OC. This can be attributed to various reasons, inter-alia, sample size. Before the non-existence of any relationship can be generalized, more research needs to be conducted, using a larger sample.

Conclusion, Limitations and Recommendations

Given the significant findings reported above, it is important for higher education institutions, especially the units responsible for PG research, to ensure that a 'climate' conducive to research is fostered and that all contact personnel are appropriately socialized.

A major limitation in the current study is the sample size. Since the sample size is of extreme importance to statistical tests and model fitting, confirmation or otherwise of the findings could be determined by undertaking a similar research among a larger sample across several similar higher

education institutions. Another limitation of the study is the effect of confounding or suppressor variables in the fitted model, since not all the hypothesized relationships were found to be significant, this also alludes to the fitting of different statistical models to the data to examine the effect of all of the variables for future research.

In this study, the PG research supervisors' perception of the research quality was determined. This may be both a shortcoming as well as a contribution in that some researchers, inter-alia, Berry, Parasuraman and Zeithaml (1990) assert that 'consumers are the sole judge of quality.' Nevertheless, future studies could compare the PG students' perception of the research service quality with the PG research supervisors' perception of the organizational climate, their role and level of organizational socialization.

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Transforming the Accountancy Profession through Broad-Based Black Economic Empowerment

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Abstract

The racial composition of the South African accountancy profession in is moving sluggishly toward greater demographic representation. The South African Government has enacted Broad–Based Black Economic Empowerment (B-BBEE) in an attempt to promote and mandate the inclusion of previously disadvantaged groups into the profession. The accountancy profession has, responsively and in compliance with the B-BBEE Act, developed a Chartered Accountancy (CA) Charter to guide the profession in a concerted effort to more closely reflect the demographic composition of the nation. The aim of this study was to determine the perceptions of accounting firm managers and trainees of the CA Charter. A prospective, descriptive and analytical, cross-sectional design using systematic sampling was employed. The response of 45 accounting managers and 114 trainees in KZN were analysed. The majority of managers were male (84.4%), over 40 (66.7%), and non-African (88.8%). The majority of trainees were female (52.6%), under 30 (96.5%), and African (51.8%). Fewer trainees than managers had knowledge of the CA Charter (42.1% vs 64.4%, p<0.001). There was agreement between managers and trainees that the CA Charter is a guiding and valuable policy in the accountancy profession in terms of promoting the B-BBEE Act (40% vs 41.2%, p=0.45). The majority of both managers and trainees do not believe that B-BBEE will lead to poorly qualified blacks being employed by accounting firms (57.8% vs 52.6%, p=0.78), but rather that previously

disadvantaged groups are being adequately trained before being promoted to senior positions (91.1% vs 50.9%, p<0.001). The CA Charter represents a useful and acceptable tool for promoting transformation in the accountancy profession. However, poor awareness of the charter as well as the lack of benchmarks may fuel divided perceptions.

Background

In the diverse and competitive South African environment, previously excluded racial groups in the chartered accountancy (CA) profession are only beginning to enjoy a protected inclusion. Nearly two decades into democracy, South Africa still has a shortage of Black chartered accountants. This situation has arisen due to a combination of political, socio-economic and related educational reasons during the four decades of apartheid rule which has systematically excluded certain racial groups from the profession.

In recent years, numerous academic ventures have commenced in an attempt to increase the number of Black chartered accountants (Weil & Wegner 1997:307). The accountancy profession developed a CA Charter complying with the Broad-Based Black Economic Empowerment (B-BBEE) Act with the aim of increasing the number of Black individuals in the CA profession to more closely reflect the country's demography. These efforts are beginning to translate into a more diverse CA workforce, albeit very slowly. The purpose of the study is to assess the perceptions of accounting firm managers and trainees of the CA Charter, and to provide valuable insights into a profession undergoing transformation.

Moving Forward: A Global Perspective

The racial composition of the accountancy profession at independence, in many racially diverse ex-colonies, was the legacy of the prejudicial exclusion of non-whites in the colonial era. The new post-independence governments actively intervened to reverse the exclusion of indigenous peoples and secure the success of local professionalisation projects (Sian 2007:835).

In Kenya, affirmative action programmes were instituted by gov-

ernment as restitution for the injustices suffered under colonisation. Perumal (1994:15) states that affirmative action for equal employment opportunity is aimed at the elimination of discrimination against those persons previously treated unfairly by the employment policies and practices of a given institution. A study undertaken in Kenya on reversing exclusion in the accountancy profession and facilitating the entry of Africans, suggests that some groups continued to experience discrimination (Sian 2007:867). It also noted that there was evidence of tokenism as many of the pioneer Africans were given positions with prominent titles but little associated responsibility. Evidence presented suggests that whilst the Africanisation policy may have been successful in assisting entry into the profession, its consequences impaired progress in a non-African dominated environment. Maphai (1992:7), as cited by Perumal (1994:64), assert that affirmative action leads to tokenism where companies employ Blacks and women purely to fulfil a quota system. The tragedy of such situations is that previously disadvantaged individuals may be promoted a management positions but are not empowered to perform the required duties.

In both Trinidad and Tobago and Jamaica, the post-independence governments also acted to encourage the entry of Black accountants into the profession, and legislated for the creation of a local professional body (Annisette 1999; Bakre 2005; cited by Sian 2007:868) to oversee the concerted recruitment of previously disadvantaged groups. The experiences of various countries, including Fiji, show that affirmative action works in complex ways and involves the interplay of economic, political and cultural factors (Retuva 2002:131; cited by Nandan & Alam 2005:13). The affirmative action goals are rarely achieved and the beneficiaries are mostly privileged individuals and groups linked to the established power structure (Nandan & Alam 2005:13).

In New Zealand, Kim (2004:112) highlights that the Chinese experienced difficulties in gaining access to the accountancy profession. Whites still constitute more than 78% of New Zealand accountants and very little attention has been given to the issue of racial disparity by both the accountancy profession and accounting academia. Kim (2004:95) further asserts that the existence of on-going imperialism against Chinese and the politics of 'difference' have been the most efficient tools in excluding the Chinese accountants from the centre of the power structure within the accountancy profession in New Zealand.

Simon (1986:50), as cited by Perumal (1994:17), asserts that the concept of affirmative action finds its origins in the United States of America. Perumal (1994:17) further states that this is confirmed in a study by Maphai (1989:2) who adds that it began as a series of executive orders to implement equal opportunity for Blacks. In America, discrimination on the basis of race was outlawed by Title VII of the Civil Rights Act of 1964. Prior to this, the profession had exercised 'relentless discrimination' against Black entrants, arguing consistently that clients would not accept non-white auditors (Hammond 1997; 2002; Hammond & Streeter 1994, as cited by Sian 2007:836). The Civil Rights movement and the implementation of affirmative action programmes led to a significant shift in public attitude and, in accountancy, to the profession endorsing the active recruitment of Black CAs by the end of the 1960s (Hammond 2002 as cited by Sian 2007:836). It was only in the 1960s that executive orders, issued under the Kennedy administration, made provisions to include Blacks and women in employment legislation and offered strict penalties for non-compliance (Perumal 1994: 18).

Moving Forward: The South African Perspective

In South Africa, several laws have been introduced to ensure workplace equity; the most important being the Broad-Based Black Economic Empowerment (B-BBEE) Act (No. 53 of 2003). Jack and Harris (2007:5) indicate that Black Economic Empowerment (BEE) has been in existence in various forms since the fall of the apartheid government. It is merely Black people demanding a slice of the economic cake. The South African government defines B-BBEE as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of Black people that manage, own and control the country's economy, as well as significant decreases in income inequalities (DTI 2007:12).

The following objectives are outlined in the B-BBEE strategy document released by the Department of Trade and Industry:

- Increase participation of Black people in the economy;
- Increase the number of Black people who own and control existing and new enterprises in the priority sectors of the economy;

- A significant increase in the number of new Black enterprises, Black-empowered enterprises and Black-engendered enterprises;
- A significant increase in the number of Black people in executive and senior management of enterprises;
- Increase proportion of the ownership and management of economic activities vested in community and broad-based enterprises and co-operatives;
- Increase ownership of land and productive assets of Black people;
- Accelerated and shared economic growth; and
- Promote access to finance by Black people and reduce income inequalities.

(Source: Department of Trade and Industry 2007:12-13.)

The Chartered Accountancy Profession Charter

A Charter is defined as a set of principles that form the constitution of an organisation (Human 2006: 13). The South African Institute of Chartered Accountants (SAICA) together with 14 stakeholders developed and signed, on 30 November 2007, a CA Charter that is in line with the B-BBEE Act. The CA Charter aims to reverse race-based exclusion in the accountancy profession. The vision of the CA Charter is to increase the number of Black people in the Chartered Accountancy profession to reflect the country's population demography and to empower and enable them to meaningfully participate in the growth of the economy, in the process of advancing equal opportunity and equitable income distribution (CA Charter 2007:6). The overall objective of the CA Charter is to promote economic growth and transformation to enable meaningful participation of Black people to increase equitable income distribution and bring about equal opportunities.

The objectives of the CA Charter are clearly expressed in the CA Charter document released by the charter council, and are well aligned to the objectives of B-BBEE. The Charter has the following objectives:

In the Chartered Accountancy Profession

- The achievement of a meaningful change in racial and gender composition as well as throughput pass percentages of persons studying towards a Certificate in the Theory of Accounting (CTA) or

equivalent at accredited higher education institutions, so that ultimately the membership of the CA profession will reflect the demographics of South Africa;

- Bring about a meaningful change in both the racial and gender composition of persons on accountancy learnerships, so that ultimately the CA membership composition will reflect the demographics of the country; and
- Supporting the development and upliftment of rural and local communities through wealth creation, by means of skills development (of school learners and educators as well as Black business), on the one hand, and socio-economic development projects on the other, thereby increasing equitable income distribution and equal opportunities for all.

In the Chartered Accountancy Sector

- Bring about a meaningful change in the racial and gender composition of ownership and management structures within the CA sector so as to reflect the demographics of the country;
- Achieving meaningful change in the racial and gender composition of all persons employed in the sector, including the granting of bursaries to Black students and learners on learnerships, by means of skills development programmes, so that ultimately the composition of the CA sector will reflect the demographics of South Africa;
- Promoting and using preferential procurement policies that will provide emerging Black enterprises, and especially those in the CA sector, with opportunities to expand their output to attain sustainable development; and
- Supporting the development and upliftment of local and rural communities through socio-economic development projects, thereby increasing equitable income distribution and equal opportunities for all (CA Charter 2007:9).

CA Charter Signatory Comments

Ignatius Sehoole, SAICA executive president and chairperson of the Charter

council, said that 'transformation will take too long if left purely on economic forces and active intervention on a very large scale would be required to redress the situation' (*Financial Mail* 2008:72).

Jack and Harris (2007:215) state that one cannot be apologetic about B-BBEE. One cannot allow pessimism to make one throw the baby of B-BBEE out with the water of concerns and resistance to the whole concept of B-BBEE. B-BBEE is a necessity of apartheid legacy and is needed to narrow the socio-economic gap that exists. Jack and Harris (2007:215) further state that one must be cognisant of and remain alert to the voices of all stakeholders when implementing B-BBEE. Extremism and aggression in implementation can result in an imbalanced situation that will lead to economic instability. Equally, one cannot follow a laissez-faire attitude by expecting the market to drive BEE implementation. The markets have not driven meaningful B-BBEE in the first decade of democracy.

Stanley Subramoney, the Charter council member (large practices representative) indicated that 'the CA Charter is a milestone for the profession and milestone for the country as well. As profession we must be proud of this charter, we will make significant difference to the chartered accountancy profession' (B-BBEE Broadcast 2008).

Phillip Hourquebie, the Charter council member (SAICA representative) said, 'We are united around a common vision now. I can confidently say we understand what we need to do to achieve the vision collectively and individually' (B-BBEE Broadcast 2008). The overall objective of the CA Charter is to promote economic growth and transformation to enable meaningful participation of Black people to increase equitable income distribution and bring about equal opportunities (CA Charter 2007:9).

Stanley Subramoney said, 'The accountancy profession will apply to the Government to gazette the CA Charter as a sector code. All stakeholders are to abide by the spirit and letter of the magnificent CA Charter. The Charter council made by eminent persons from the CA profession and commerce and industry play an oversight role to the processes and progress. Companies and firms will submit on a voluntary basis their ratings and will seek advice from the charter council' (B-BBEE Broadcast 2008).

Cheryl James, the FASSET CEO pronounced that 'with specific reference to skills development , it is encouraging to see that the whole profession is committed to ensuring that young South Africans are given the

opportunity and support to enter a profession that is in dire need of attracting young people to our sector'. Cheryl James further articulated that 'by starting at grass roots level the impact of increasing the pool of well qualified CAs (SA) will address the management control and ownership aspects over time and that within the life span of the Charter, all the targets will be achieved' (ASA 2008:27).

Liza Wood, Small Practices representative pointed out that 'We see our role in training Black chartered accountants as fundamental for the growth of the profession and the economy. It is, however, unfortunate that, despite this training contribution, smaller firms find it very difficult to retain their qualified Black staff. This is mainly due to the skills shortage and as a result the inability to compete with attractive offers from commerce and industry'. Liza Wood further revealed that 'Skills development is an area on which we pride ourselves and should be able to get credit in this element' (ASA 2008:27).

Research Methodology

The primary objective of the study was to evaluate the accounting firm managers' and trainees' perceptions of the CA charter in the accountancy profession.

Study design and sampling: A prospective, descriptive and analytical, cross-sectional design was employed. The South African Institute of Chartered Accountants provided the researcher with a list of managers and trainee accountants in accounting firms in KwaZulu-Natal and respondents were accordingly drawn using systematic sampling. This study presents the results of the responses for 45 managers and 114 trainees. Two parallel-worded versions of the questionnaires were used to collect data for accounting firm managers and trainees. Questionnaires contained both open and close ended questions. Ethical clearance was obtained from the Human Research Ethics Committee (HREC) of the University of KwaZulu-Natal.

Statistical analysis: All statistical analysis were two-sided and used SPSS version 15.0 (SPSS Inc., Chicago, Illinois, USA). For all statistical comparisons, the 5% significance level was used. Pearson's two-sample chi-

square tests were used to compare between Managers and Trainees for categorical nominal and ordinal variables.

Results

Table 1. Demographic Characteristics of Respondents

Features and descriptions	Managers (45)		Trainees (114)	
	Count	%	Count	%
Gender:				
Male	38	84.4%	54	47.4%
Female	7	15.6%	60	52.6%
Age in years:				
21 – 30	1	2.2%	110	96.5%
31 – 40	14	31.1%	4	3.5%
41 – 50	16	35.6%	0	.0%
51 – 60	10	22.2%	0	.0%
Above 60	4	8.9%	0	.0%
Race group:				
White	20	44.4%	22	19.3%
Indian/Asian	20	44.4%	29	25.4%
African	5	11.1%	59	51.8%
Coloured	0	.0%	4	3.5%

The majority of managers were male (84.4%), over 40 (66.7%), and non-African (88.8%). The majority of trainees were female (52.6%), under 30 (96.5%), and African (51.8%).

Table 2. Behaviours and Perceptions of Managers and Trainees Regarding the CA Charter

Adaptation to questions for trainees shown in parenthesis	Managers (45)			Trainees (114)			Two-sample Chi-square
	Yes %	No %	Not sure %	Yes %	No %	Not sure %	
Has your accounting firm compiled a B-BBEE scorecard and	66.7	15.6	17.8	44.7	3.5	51.8	**0.000**

submitted it to SAICA as it is required by the B-BBEE Act/CA Charter?							
Do you believe that B-BBEE policy will place White employees at a disadvantage?	28.9	57.8	13.3	33.3	52.6	14.0	0.832
Do you believe that the B-BBEE will lead to poorly qualified Black candidates being employed by the firm?	24.4	57.8	17.8	29.8	52.6	17.5	0.783
Do you have knowledge of the CA Charter?	64.4	15.6	20.0	42.1	50.9	7.0	**0.000**
Do you regard the CA Charter as an effective B-BBEE plan?	40.0	15.6	44.4	41.2	8.8	50.0	0.448
Do(es) you(r manager) ensure that previously disadvantaged employees have the necessary skills to be promoted to senior positions?	91.1	2.2	6.7	50.9	28.9	20.2	**0.000**
Does your accounting firm have a plan to retain black employees?	84.4	4.4	11.1	37.7	34.2	28.1	**0.000**
Is the remuneration in your firm regardless of sex, race, colour or creed?	68.9	4.4	26.7	58.8	19.3	21.9	0.062

Do you think the CA Charter is an excellent platform to qualify more Black Chartered Accountants?	48.9	8.9	42.2	42.1	9.6	48.2	0.738

Significantly fewer trainees than managers were sure that their accounting firm had compiled a B-BBEE scorecard and submitted it to SAICA as is required by the B-BBEE Act/CA Charter (44.7% vs 66.7%, $p<0.001$). The majority (51.8%) of trainees, however, were not sure if the scorecard had been compiled and submitted suggesting that these trainees may not have had knowledge of the scorecard. There was agreement between managers and trainees that B-BBEE did not place White employees at a disadvantage (57.8% vs 52.6%, $p=0.832$). There was similar agreement between managers and trainees that B-BBEE will not lead to the recruitment of poorly qualified Black employees (57.8% vs 52.6%, $p=0.783$). The overwhelming majority of managers believed that they were ensuring adequate skills training of previously disadvantaged employees to enable their promotion within the organization, while significantly fewer trainees believed that this was being done (91.1% vs 50.9%, $p<0.001$). A greater number of managers, compared with trainees, indicated that their accounting firm had a plan to retain Black employees (84.4% vs 37.7%, $p<0.001$), while almost a third of trainees did not believe that such a plan existed in their firms. Both managers and trainees reassuringly believe that remuneration practices at their firms are free of discrimination (68.9% vs 58.8%, $p=0.062$). Less than half of all managers and trainees were certain that the CA Charter is an excellent platform to generate more Black chartered accountants (48.9% vs 42.1%, $p=0738$).

Discussion

The research results reveal that only 48.9% of managers and 42.1% of trainees believed that the CA Charter is an excellent platform to promote racial transformation of the profession. The research results also reveal that only 40% of managers and 41.2% of trainees believed that the CA Charter is an effective B-BBEE plan. The CA Charter currently serves as the guiding policy in the accountancy profession in terms of reversing race–based

exclusion and improving demographic representation. The less than satisfactory confidence of managers and trainees in the charter reflects a need to review the perceived deficits in the document, the level of knowledge and awareness of its contents among managers and trainees and the degree to which these key stakeholders are consulted on the formulation and implementation of the charter. A total of 42.1% of trainees had knowledge of the CA Charter and a total of 44.7% of trainees knew that the B-BBEE scorecard had been compiled and submitted to SAICA, which reflects the urgent need to improve diversity training and to improve the awareness of this central piece of guidance to the profession on issues of diversity. Some of the respondents indicated that they have never read the CA Charter nor knew of its existence. CA Charter awareness may be done as part of under-graduate or post-graduate education at the tertiary level or as part of the chartered accountancy training programmes within the accounting firms. The need for professionals to be formally trained or educated on these issues remains crucial, if significant strides are to be made in reversing some of the imbalances created as a result of the profession's history of social and race-based exclusion.

The disagreement between managers and trainees on the perceived retention of Black employees is a cause for concern. Only 37.7% of trainees believed that accounting firms have a plan to retain Black employees, and this is likely to fuel cancellation of training contracts. Only 58.8% of trainees believed that remuneration in their firms are equitable, and this is likely to fuel perceptions of racism, sexism and other forms of discrimination. Moreover, this perception may serve as a potent de-motivator and impact negatively on job satisfaction, in the absence of data on the actual remuneration of employees in these firms, it is impossible to draw conclusions on the accuracy of these perceptions. Nonetheless, it is the incongruity of the responses between managers and trainees that is alarming and reflects the need for greater transparency within firms on issues such as remuneration. In this way, existing inequities can be rooted out and misconceptions can be avoided. Research conducted by Erickson (2007:4) suggests that the accounting firm should consider the following regarding remuneration of employees: talk to one's employees about their remuneration; explain how it has been computed; be honest about the one's accounting firm's expectations; career advancement opportunities and how employees will be evaluated on a regular basis; clearly define your

accounting firm's expectations and communicate how extra money can be earned (client development, overtime, management opportunities or something else); and be very careful about using an employees' realisation percentage as a basis for compensation as employees usually have no control over how it is determined.

The majority of managers and trainees did not believe that B-BBEE will contribute negatively to the firm's productivity and profitability. The minority of managers and trainees who believed that B-BBEE will contribute negatively to the firm's productivity and profitability indicated that B-BBEE will increase stress levels, more time will be spent on training and development and lead to demotivated employees. The disagreement between managers and trainees that previously disadvantaged employees had been trained with necessary skills to enhance to senior positions is also a cause for concern. This may lead to unnecessary employee attrition in the accounting firms. In order to inform employees on how to get promoted in the accounting firm, Erickson's (2007:3) research suggest the following items: document and adopt a formalised career development path for every position in the firm; annual coaching and development planning is essential with each and every employee; and encourage open and honest communication at every level in the accounting firm.

A minority of both managers (28.9%) and trainees (33.3%) believed that the B-BBEE policy will disadvantage White employees. Some respondents indicated White employees are certainly affected and that the CA Charter will cause a brain drain in South Africa. This calls for proper B-BBEE policy and CA Charter awareness by accounting firm management or SAICA to overcome resistance. A study conducted by Perumal (1994:391) on affirmative action indicates that people who were favoured by apartheid may feel threatened by affirmative action and will, most probably, resist attempts to implement it. He further indicates that it is important to give people an opportunity to discuss their fears, expectations and concerns. The following are some of the issues that need to be stressed during discussion: the reasons for change; that White males have been unfairly privileged in the past; that the White management pool is not sufficient to satisfy the demand for managers; that affirmative action/B-BBEE is necessary so as to address inequalities that apartheid created and to level playing fields; that affirmative action/B-BBEE is only an interim process; and that White middle managers might even be promoted to pave way for up and coming Blacks.

Some of the managers and trainees do not regard the CA Charter as an effective B-BBEE plan and have expressed mixed feelings about the CA Charter as follows: CA charter does not focus on an effective method to transfer skills, and will, therefore, not be an effective plan; the Charter needs higher ownership coalescence and should consider qualitative rather than quantitative factors; ownership should be more emphasised; scrap the existing charter and focus on developing the standard of education for Black students; focus on assisting ex-Black universities accredited for CTA; and the CA Charter must address trainees problems.

Some of managers and trainees suggested the following remedial actions to be taken to ensure that the CA Charter is successfully implemented and objectives are met: lower scores should be given to management; increase ownership score; focus holistically on skills development, both technical knowledge and interpersonal skills in order to qualify more Black chartered accountants; and make the CA Charter enforceable because currently everyone is happily carrying on without much attention to the Charter.

Conclusion

Incongruities between managers' and trainees' perceptions of managerial diversity efforts and the equity of remuneration call for greater transparency in existing and future diversity management practices. While the CA Charter remains the guiding professional piece on diversity, poor awareness and the lack of targets/benchmarks may fuel the divided perceptions. The time and effort invested by the accountancy profession in producing the CA Charter will be in vain if it does not translate into effective transformation.

The research findings indicate that the less than satisfactory confidence of managers in the Charter reflects a need to review the perceived deficits in the document; the level of knowledge and awareness of its contents among managers; and the degree to which the stakeholders are consulted on the formulation and implementation of the Charter. The minority of trainees has knowledge of the CA Charter and to improve trainees CA Charter awareness one of the following must be done: awareness must be part of the training programme; or awareness could be part of the graduate education at the tertiary level. The CA Charter goals must be benchmarked with targets in

similar professions or with accounting professions in other similarly diverse parts of the world.

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Empowering Women through National Action Plans for the Implementation of United Nations Security Council Resolutions in South Africa

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Abstract

There has been a significant amount of local and international policies and legislation aimed at addressing the empowerment of women and gender equality, including a number of United Nations Security Council Resolutions (UNSCRs). Through in-depth interviews with ten key players in locally represented international bodies, this paper tackles the issue of slow implementation of the empowerment agenda, particularly in South Africa. It offers mechanisms and suggestions that may assist the country to develop its own national action plan (NAP) and join the handful of other dedicated African countries that have done so. The resolutions, along with other initiatives meant to empower women, inter alia, the Millennium Development Goals (MDGs) are discussed from the perspective of self-determination and autonomy. The primary research question examined was: What does South Africa need to do to overcome the obstacles and utilise the enablers to develop and implement a national action plan to put the various UNSCRs for empowerment of women, into effect? It was clear that not having a NAP is detrimental to meeting empowerment and gender equality objectives. South Africa has all it needs to co-ordinate this, including existing structures, processes and policies, and, most importantly, competent, dedicated women. With collaboration and co-ordination of efforts, allocation of funds, strategy formulation, data gathering and monitoring and evaluation all efforts can be

focused into the desired outcome through the mechanism of effective change management. Government, civil society and the private sector all have roles to play. Several new elements have emerged and these are incorporated into the recommendations for creating a NAP. Not the least of these is the motivating role of the three 2011 Nobel Peace Prize winners, all women. Once the plan is in place, it is a matter of 'just doing it' to bring it into reality.

Keywords: Women empowerment, gender equality, United Nations Security Council Resolutions, national action plans, millennium development goals

Introduction

For a country not at war, South Africa's crime and violence statistics are alarming. The country's injury and death rate is almost twice the global average, with this determined largely by interpersonal and gender-based violence. Half the female victims of homicide are murdered by their intimate male partners (Seedat, Van Niekerk, Jewkes *et al.* 2009). Statistics South Africa (2012) reported that there were 56,000 rapes in 2011, and suggests that this is nine times lower than the actual numbers. Having said this, the same report indicated that perceptions of crime were almost equally divided between 'increased', 'stayed the same' and 'decreased' over previous years, and that government interventions were indeed having a positive result.

In addition to the physical insecurity of gender-based violence, women in post-conflict environments face many challenges. These include acute poverty, social devastation through dispersion of friends, family and networks, finding mechanisms to cope, having limited opportunities for employment and livelihood-generation (Popovic, Lytikainen & Barr 2010). A worst-case scenario can be drawn from Sierra Leone (Hopgood 2010), where women are actively involved in armed conflict conditions; their many roles may include being cooks, labourers, educators, nurses, combatants, wives, mothers, partners - even sex slaves, whilst still enduring gender based violence. These same women are discriminated against, isolated and excluded from their families and communities, their social and supportive networks all but destroyed (Popovic *et al.* 2010). They may be unable to find food, shelter, work and medical attention, which severely limit opportunities for

employment or the generation of a livelihood and general economic independence for themselves and their families.

Empowerment

Zhang and Bartol (2010) have linked psychological empowerment to intrinsic motivation which encourages creativity leading ultimately to better decision making and organisational effectiveness. In doing so they have drawn on the work of Spreitzer (1995) in defining that such empowerment comprises *meaning* (value to the individual), *competence* (belief in own abilities), *self-determination* (able to make choices), and *impact* (influence over outcomes). Although these works relate to corporate environments, it is proposed here that they could apply equally to governments, parastatals, civil society and similar bodies. A related view was presented by Kabeer (2005) in highlighting the central notion of choice-making as the key to empowerment. Embedded in this is the necessity for (visible) choices to be available. Empowered women are able to exercise their choices (through *agency*), utilising *resources* leading to *achievements*. The actions surrounding transformative agency (leading to long-term change) are born within individuals for outward expression – the implication being that it cannot be granted from an outside source.

There is much legislation and many policies worldwide aimed at addressing the empowerment of women; some of these are described in the following sections. The specific focus of United Nations security council resolution 1325 (UNSCR 1325) (United Nations 2000b) is to address issues affecting women in the context of armed conflict. However, this resolution cannot (and should not) be discussed in isolation, as it is underpinned by the success or otherwise of previous policies and has led to a number of subsequent strategic and planning documents. The emphasis of the resolution on the engagement of women in all levels of decision-making in relation to armed conflict, its prevention and resolution is clearly aligned with millennium development goal (MDG) three, for example. It is also intended to incorporate a gender perspective into humanitarian responses, post-conflict reconstruction, policy development, research, advocacy, dialogue, legislation, resource allocation, planning, implementation and monitoring of programmes (Cohn 2008; Mesa 2010; Popovic *et al.* 2010; United Nations 2011).

The marking of the tenth anniversary of the resolution asked for reflection on, and recommitment to, its full implementation (Mesa 2010).

The Millennium Development Goals (MDGs)

In 2000, 189 world leaders from developed and developing countries came together to set ambitious targets which committed them, in essence, to making the world a better place. They started with the Millennium Declaration (United Nations 2000a) which included the articulation of eight MDGs to be achieved by 2015; the baseline was taken to be 1990.

Gender equality and women empowerment are embedded in the third of the MDGs (MDG3) (Chibba 2011:76). The other goals include halving poverty, reducing mortality (specifically children and maternal) by two thirds, bringing the spread of HIV/AIDS, tuberculosis and malaria to a halt and reversal, halving the population proportion without clean water and developing a global development partnership.

Kabeer (2005) suggests that MDG3 should be valued both as an end in itself and as a mechanism for achieving other goals, for example, inequitable education across genders forces women into a greater state of poverty and dependence, which, in turn, disempowers them. Strategic priorities (Grown, Gupta & Kes 2005) to assist the attainment of MDG3 are:

- Strengthen opportunities for post primary education for girls while also ensuring that pledges for universal primary education are met concurrently
- Guarantee sexual and reproductive health for women and girls
- Provide efficient infrastructure to decrease women's and girls' time burdens
- Assure women's and girls' property and inheritance rights
- Abolish gender inequalities with regard to employment
- Boost the share of women's seats in national and local government
- Continue to fight violence against women and girls

Critics of the MDGs mainly point out their methodological weaknesses. One of them, Easterly (2009), claims that the MDGs, specifically the poverty-reduction goals, are unreasonable towards Africa in the way the targets are set and in the measuring of each country's

performance. He goes on to argue that the choices accessible for the measurement of the targets advancement should be consistent and take matters such the absolute versus percentage changes into account.

Rodrick (2012:1) is of the opinion that many of the MDGs will not be reached by 2015, and that nations should be looking towards articulating action plans and policies to stimulate further implementation. He feels that these should include specifics such as:

- Carbon taxes and other measures to ameliorate climate change;
- More work visas to allow larger temporary migration flows from poor countries;
- Strict controls on arms sales to developing nations;
- Reduced support for repressive regimes; and
- Improved sharing of financial information to reduce money laundering and tax avoidance.

Other Policies Promoting Women Empowerment and Gender Equality

There have been various resolutions and plans concerning the elimination of discrimination against women. For example, the Convention on the Elimination of all forms of Discrimination against Women, adopted 1981 (Byrnes & Bath 2008), and the Beijing Platform for Action, developed at the Fourth World Conference on Women in 1995 which identifies 12 areas of public policy that impact on women (Culler 2000). These, however, have been replaced by the more recent resolutions 1325, 1820, 1888 and 1889.

The three more recently adopted resolutions of women, peace and security are seen as complimenting UNSCR 1325 in addressing some of its identified gaps, and take the resolution further by including current thinking on moving the women, peace and security agenda forward. However, the four UNSCRs alone will not bring about the anticipated change without the full commitment from all stakeholders at international, regional and national levels.

UNSCR 1820 (United Nations 2008) focuses specifically on the prevention of sexual violence in countries deep in conflict. Achuthan and

Black (2009) criticised the resolution on the points that it was premature; it did not address the broader categories of gender based violence, and could cause the dialogue on women to lose ground by relegating them to the role of victims. Resolution 1888 (United Nations 2009a) was similarly censured by Swaine (2010). It was felt that the resolutions should be grounded in long-term goals such as preventing widespread violence and in strengthening accountability mechanisms in order to prosecute perpetrators. The response to sexual violence is expected to be as strong as to other atrocities (St-Pierre & Centre 2010). This long-term grounding was embedded in UNSCR 1889 (United Nations 2009b) which sets out a number of measures to strengthen the participation of women at all stages of peace processes, the use of international indicators to assist in measuring the implementation of the UNSCR 1325 and to respond to the lack of accountability mechanisms in both UNSCR 1325 and UNSCR 1820. It specifies the inclusion of women in post-conflict peace-building efforts and notes the empowering presence of women in operational settings (Swaine 2010).

All four UNSCRs firmly establish that there is an international initiative grounded in both law and policy, and that the spotlight is on the Security Council to continue to move the agenda of women, peace and security forward. These resolutions cannot stand alone, but can rather add to the huge body of international legislature that promotes and protects women's rights.

The UN Entity for Gender Equality and the Empowerment of Women (UN Women 2011) began its work on January 1st 2011; and had an initial budget of $500 million (twice the budget of all four former organisations combined). It is a synergistic merging of four separate bodies (United Nations 2011):

- UN Development Fund for Women (UNIFEM)
- Division for the Advancement of Women (DAW)
- Office of the Special Advisor on Gender Issues (OSAGI)
- UN International Research and Training Institute for the Advancement of Women (UN-INSTRAW)

UN Women is intended to facilitate a more efficient functioning of the UN systems in addressing women's empowerment and gender equality.

The organisation works towards public accountability for women's rights, women's leadership in democratic governance, transformation of policy processes to decrease women's poverty, ending violence against women and addressing the HIV/AIDS pandemic. It needs to be more than a simple amalgamation of the four bodies (Burki 2010) and to prove itself to the international community, although it would be likely to need an initial budget closer to $1 billion.

Implementing the UNSCRs: National action plans (NAPs)

Member states are encouraged to produce National Action Plans (NAPs) for implementation of the various resolutions. The NAPs increase the visibility and accountability of national efforts to implement policies, assist with countering implementation challenges, integrating policies and operations within government, co-ordinating programmes and developing monitoring and evaluation measures.

Thirty-seven countries have employed NAPs (Peace Women 2011); a relatively small number which makes it difficult to measure the progress and impact of the different initiatives. Only nine of these countries are from Africa, and South Africa is not one of them. This appears to be rather an indictment on its commitment to the empowerment agenda. Despite this, the country's objective of achieving gender equality is guided by a vision for human rights, which includes acceptance of equal and inalienable rights of all men and women. This is a primary tenet under the Bill of Rights in the South African Constitution (Republic of South Africa 2004). In terms of this Act, the country has emerged from an apartheid past to a democratic society that respects and promotes the rights of all its citizens irrespective of gender, race, class, age and disability through black economic empowerment (BEE) initiatives, social grants and works programmes (Chibba 2011). In addition, Ramacharan (2009:1) has indicated that the International Monetary Fund (IMF) is in support of the 'sensible macroeconomic policies, structural reforms to eliminate barriers to growth and employment, and the design of suitable conditions for private sector development have assisted the country in its endeavours'.

However, despite such forms of recognition, South Africa seems not to have gone as far as it could have in terms of the constitution (Republic of South Africa 2004). A country NAP does need to be developed to crystallise

the plans for moving forward and to maintain credibility as a serious actor in this arena. Leckie (2009) suggests that for the MDGs to remain sustainable, they need to be partnered with the broader social and gender justice initiatives internationally. This would include formalised national-level action plans that rely on country-specific political, socio-economic and cultural contexts, and need to be made explicit. The content and emphasis of NAPs varies from country to country but they all work as influential tools to start discussions with relevant stakeholders, advance policy development and then to translate those policies into tangible actions for implementation within the individual country.

Obstacles to Developing and Implementing NAPs

A number of authors and resolution documents (Charlesworth & Wood 2001; Moser 2007; United Nations 2009b; Popovic *et al.* 2010; United Nations 2011) have contributed towards identifying obstacles to the development of NAPs. These are presented in the context of the United Nations and many specifically refer to UNSCR 1325, but they may equally be considered when analysing possible reasons for the lack of a South African NAP, and in implementing the other UNSCRs.

i.   The difficulty in collecting relevant data, the lack of capacity and the skill to process and report on data, and the lack of standardised tracking systems. These shortcomings lead to a lack of baseline data for analysis

ii.   Security risks posed to data collectors and informants in many post-conflict contexts that would need to be taken into account

iii.   The question of who is ultimately responsible for implementation; gender departments may lack resources and sufficient influence

iv.   The lack of funding dedicated to women, peace and security, and the lack of monitoring and evaluation efforts towards this goal

v.   The lack of political will

vi.   The lack of awareness, knowledge and understanding of the UNSCR 1325 and the need to develop its NAP within a country. For example, al-

though in-roads have been made, there is still relatively low awareness in Africa, SADC and SA about the resolution. This may be connected to the view that UNSCR 1325 is inapplicable to low-intensity intra-state conflict (e.g. SA).

 vii.   Competing priorities

viii.   The perception that gender issues are not important and therefore not valued, or are already sufficiently addressed in national policies in some countries.

 ix.   Translating broad goals to tangible policies and practices.

x.   Poor co-ordination of efforts regarding women, peace and security between the different stakeholders in a country which would make it much easier to integrate resolutions if the various mechanisms were more complimentary.

 xi.   The resolution is viewed as a tool for women only and not one that can also be used by men as well. It fails to engage the issue of 'men', their role, interests and interactions with the resolution's implementation.

xii.   Lack of knowledge about how to measure structural change brought about by UNSCR 1325.

The understanding of 'justice', particularly in post-conflict situations, needs to be clarified for that particular context. In addition, debate is necessary to establish whether justice should be punitive (criminal justice) or recuperative (transitional justice). This could include customary and/or traditional justice systems), which might be more accessible and culturally sensitive for gender-based violence in the African context.

For many member states it is much easier to put women into employment posts, knowing they lack skills and need further training than to engage fully with the spirit of the resolutions and MDGs (Olanisakin 2007). This is mostly experienced with member states that supposedly want to meet the regional and global quotas, but are not doing this in a systematic way.

The Research Question

What does South Africa need to do to overcome the obstacles and utilise the enablers to develop and implement a national action plan to put the various UNSCRs for empowerment of women, into effect?

Research Methodology

A qualitative approach was taken to seek answers to the research question. Ten in-depth interviews from a population of stakeholders in the field of women, peace and security in South Africa were conducted. The population comprised employees from UN Women, the Department of International Relations and Co-operation, the Ministry of Women, Children and Persons with Disabilities and the Rwandan Women Association. Two civil society organisations were also included.

The sampling frame was middle-to-senior managers only. Once they had agreed to participate in the research, each interviewee was sent the interview guide with a cover letter ahead of the scheduled meeting to give them sufficient time to prepare and be able to share in-depth insights to the questions posed.

Results and Discussion

A number of issues were raised through the interviews, confirming the need for a NAP, and describing steps to facilitate the development thereof.

> *The absence of a NAP in SA hinders the advancement of women empowerment and gender equality – the development of a NAP should be prioritised.*

Respondents felt that a NAP is needed in SA because women are still underrepresented in ministries for peace and security – although 44% of parliamentary seats is a good achievement. In line with Leckie (2009), they were of the view that a NAP is essential for building a fairer society and to move the empowerment agenda forward. A respondent explained:

> *There are lots of analysis frameworks that can be used to get a gender*

> *perspective into government. For example the People Oriented Planning by UNHCR, Harvard Gender Analysis Framework, Gender Planning in the Third World (Caroline Moser), Gender Analysis Matrix (GAM) and the Gender Equality and Empowerment Framework* (Sarah Longwe).

SA should encourage the exchange of ideas and co-operation in order to develop a definitive NAP. For example, it was recommended that SA draw on the experiences of both Rwanda and the Democratic Republic of Congo (DRC). In general, collaboration between the different stakeholders needs to be strengthened, and this should take place among the international community, regional support systems and within SA. This point had been recognised by Swaine (2010) and UN Women (2011).

A key point here is that SA needs to develop the NAP and then put it into action. The best plan in the world is valueless if it just sits on a shelf somewhere (Haugen & Davis 2010).

Co-ordination of Efforts

Following collaboration, once NAP development has begun, ministries and bodies *within* SA need to work together in a harmonious manner as pointed out by Popovic *et al.* (2010) to achieve an optimal result with stakeholder buy-in. One respondent illustrated the problem:

> *The co-ordination between the different stakeholders tends to be random and poorly measured, which gets in the way of development and implementation of the resolution.*

SA has committed itself to the MDGs and has embraced them into a national set of ten priorities and a total of 95 indicators (Republic of South Africa 2010) aimed at resolving development challenges. Despite this, there was a great sense from the respondents that not much could be done without an essential planning phase, which needs to be transparent. SA needs to take this step, as, although the country is buoyed up by a framework of legislation, policies and procedures that include a Ministry for Women, Children and Persons with Disabilities, it still needs the co-ordinating assistance of its own NAP.

Participation of Women

The sample confirmed that women's unique and gendered experiences make their deliberations and participation crucial, as highlighted in resolutions 1325 (United Nations 2000b), 1820 (United Nations 2008), 1888 (United Nations 2009a) and 1889 (United Nations 2009b). All respondents were in agreement that women's views were essential:

> *South Africa simply can't move to healing, restoration and peace without the active participation and moderating influence of the female perspective.*

This inclusion of women in debates around empowerment is key to success, if the definitions of real empowerment offered by Kabeer (2005) and Zhang and Bartol (2010) are to be taken seriously. Such participation can be escalated to higher levels through achievement recognition as women recognise and express their own influence over long-term outcomes. Such women are the foremost change agents in the country (Mogadime, Mentz, Armstrong *et al.* 2010).

There is growing attention to the requirement for 'gender equality' concerns to include men in the discussions; while gender equality has become synonymous with 'women', it is ultimately about relational connections between men and women (Mesa 2010; St-Pierre & Centre 2010). Akpotor (2009) believes that in the light of the MDGs towards the UNSCR 1325, both men and boys should be made to better understand how to further equality issues and work together with women and girls in the attempt to meet the set targets. He goes on to say that in the African context, men are placed at an advantage over women and this is exacerbated by culture, religion and beliefs that undercut women's rights politically, economically and socially. In fact one of the recommendations made by UN Women (2011) and Peace Women (2011) is to include gender-based sensitivity training into the agenda.

Change Management and Strategy Formulation

Collaboration is an essential part of strategy (Mintzberg & Waters 2006) and policy formation (Bishwakarma, Hunt & Zajicek 2010), and initial assessments should feed into all phases of action planning and implementation processes. The SA government would also need to apply a

well-documented change management approach in order to enhance the likelihood of successful implementation (Kotter & Schlesinger 2008). The first step would be to do a stock take of current resources and review what is needed to acquire the skills and additional resources such as data gathering and analysis, per Popovic *et al*. (2010) that would help the country develop and implement a NAP. Women's experiences are important if the resultant recommendations are to factor in gender differences and assume more rounded human rights approaches.

The SA government could use the literature, for example Mintzberg and Waters (2006); Matheson (2009); Walker *et al.* (2001); Bishwakarma *et al.* (2010); Kotter and Schlesinger (2008) and Haugen and Davis (2010) on policy and strategy formulation and implementation to assist it with explicit steps towards the formulation and implementation of the resolution.

Monitoring and Evaluation

Monitoring and evaluation should include indicators that assess the origination, management and value of the many initiatives (St-Pierre & Centre 2010; Kramer, Seedat, Lazarus *et al.* 2011). The development of standardised indicators is necessary to track, monitor and evaluate the development of a NAP. The indicators must integrate local needs and capacities and also attempt to measure the long-term effects and sustainability of the implemented initiatives.

Monitoring and evaluation is imperative to advance and manage the impact of existing and past women, peace and security initiatives. A respondent highlighted the Rwanda case study:

> *The Gender Observatory in Rwanda was put in place for collecting, analysing and presenting national gender equity progress. It works with other government institutions. The monitoring and evaluation process is seen as indispensable to keep gender mainstreamed at all levels, to identify effectiveness and to identify gaps in the gender policy which will be a basic for decision making.*

Indicators to track UNSCR 1325 have been initiated at the global level; SA needs to tailor-make these for the country. Respondents consider these of great assistance in furthering the resolution's implementation because:

Indicators are signposts of change along the path to developing a NAP; they can help the country to understand where it is along the development time-line, where it needs to be by a certain time period with the focus on the ultimate prize of the NAP.

The NAP must include clear lines of responsibility and delegation of tasks for each stakeholder involved in the development of the NAP. This ensures that stakeholders can be held responsible if their specific task remains outstanding.

Elimination of Quotas

All respondents were adamant that gender-based quotas can become purely symbolic or women may be given token positions without real decision-making ability or power. One stated:

A monitoring and evaluation process that does not engage women during agenda development, substantive talks and implementation loses legitimacy and misses potentially helpful initiatives by excluding half of the population.

Gender dynamics are essential so that they can be part of the implementables to ensure that women's experiences inform post conflict negotiations and reconstruction and development programmes. The 'token women' perception is damaging because those women are viewed to have received their positions as a result of quotas and not for their qualifications.

Funding

The funding barrier was raised by Popovic *et al.* (2010). Earmarking specific funds dedicated to UNSCR 1325 is required to monitor the available resources more proficiently. Certain respondents shared their knowledge of the following initiative:

The SA Department of Defence has indicated that a gender sensitive budget has ultimately been put in place with specific funds allocated for women's dialogue to create a women's programme for leadership.

It is necessary to construct a methodology for gender budgeting. This strategy could contribute to the lucrative financing of a NAP, independent of external funding. These budgets can come from different government departments that will be significant for the peace and security aspects of the agenda; in the SA context this could include the Department of Defence.

Representation

SADC member states have progressed in increasing the representation of women in the security sector (defence forces, police and correctional services). There is, however, room for much greater improvement to meet the 50/50 goal, as progress in the respective countries is ad hoc and uneven. The Strategic Framework for Mainstreaming Gender into the SADC Organ is premised on improving coherence and co-ordination – by creating this framework and its Strategic Indicative Plan, member states can embark on a coherent and co-ordinated plan of action to implement the SADC Protocol on Gender and Development. The framework can also act as a monitoring and evaluation tool for the SADC Organ.

Too often peace and security assumes a masculine identity presumed from images of males with arms of war, male power and strength. This expands on Olanisakin (2007)'s comments because he believes that more than an 'add women and stir' strategy is required, thereafter resulting in women's organisations and representatives waiting for invitations in order to take part in official meetings with governments. When invited, they have little bargaining power to ensure their suggested agenda is considered.

There is disagreement whether UN Women (2011) would produce significant results, but the respondents could not comment appropriately since the organisation is still relatively new. The AU released its 'Gender Policy' in 2009, building on a number of policy commitments, including UNSCR 1325. Respondents were at opposite ends regarding their observations, with some considering that African feminism as an asset, some regarding it as a liability.

Mainstreaming gender into the SADC Organ on politics, defence and security co-operation compels member states to increase the representation of women in the security sector. Respondents concurred entirely with this initiative, as one commented:

> *Impacts on women post conflicts are dreadful and can go on for long afterwards. These include unemployment, post-traumatic stress and prostitution. With more women represented in the security sectors, they will be the best people to assist appropriately.*

Another respondent stated that:

> *The SA Department of Defence increased their target number of women in training for peacekeeping operations from 34 to 44 for 2009/2010, so they intend to train at least 44 female officers in peacekeeping per year.*

The Role of Government

Because of the central role government plays in conflict resolution, peace building and reconstruction, national governments are the most influential stakeholders in the development and implementation of UNSCR 1325 (Walker *et al.* 2001). Certain respondents were steadfast in their belief that they have been continuously let down, providing the following observations:

> *In SA there is conflict in communities and townships due to the lack of service delivery, with people being disheartened about the repeated broken promises from government since 1994. It is felt that the SA government is failing to address the scars of Apartheid, pre 1994.*

and:

> *Apartheid was not only about race – it entrenched and reinforced discrimination based on gender in all races and cultures. African women had it worst. They still battle to deal with deeply entrenched cultural stigmas.*

The Role of Civil Society

A number of respondents felt that women's organisations and representatives from civil society do not have a sufficient place in official meetings. This

results in the conducting of parallel meetings to the official ones. More than one respondent mentioned that:

> *Government should facilitate communication so that the voices from the local communities to be heard. The wealthy are heard through visible platforms, laws and policies, but the poor do it through violence. They feel there is no other way. Government can change this.*

UN Secretary-General Ban Ki-moon declared the creation of UN Women to be historic, and asserted that the agency will extensively boost UN efforts to promote gender equality, and eradicate discrimination around the globe (DeCapua 2010).

Basic Resources

The following issues were raised as being strong facilitators for the development of a NAP in SA.

- Under the leadership of the AU, together with institutions such as the African Development Bank and the UN Economic Commission (UNECA), the development of a standardised 'template' for developing a NAP in Africa would aid in monitoring and evaluation efforts, specifically in areas where women are afraid to speak about their experiences.
- Making sure that the UNSCR language is accessible and understood by all stakeholders, even if this means translating it to a number of South African languages e.g. Afrikaans, Zulu and Sotho.
- Facilitating the development of a manual for women consisting of institutions that will take on their challenges at all levels within the country – local, regional and national.
- Generating a database of women experts within the field of women, peace and security. This ensures furthering the resolution rather than duplication of ideas and initiatives.
- A pilot study to see how peace and security can be attained for women at the local level e.g. Alexandra Township in Johannesburg. It is anticipated that this would in due course lead to women empowerment.

- Day care centres
- Flexible working hours

South Africa has a history of violent responses to perceived problems and communities need to learn from other countries' experiences in developing a NAP (Charlesworth & Wood 2001). 'Twinning' should be encouraged because women go through the same situations worldwide, and this initiative would enable countries to share lessons learnt. Rwanda has taken part in this process; it was implemented by the exchange of experiences and capacities with other countries.

New Factors Emerging from the Research

Other factors that arose after interviewees were requested to mention any factors that were not discussed during the course of the interviews. These follow, and are deliberated further.

The Role of the Private Sector

Private sector stakeholders work through foundations formed specifically to carry out their CSR mandates that also entail initiatives for women economic empowerment and it is the organisation's obligation to acknowledge and implement the Code of Good Practice on Sexual Harassment in the Workplace. A respondent illustrated this by saying:

> *Sexual harassment in the workplace is a reality and if left unattended, can really slow down productivity. In 2003 it was found that 77 per cent of the women and 20 per cent of the men in South Africa had been sexually harassed at some point. This includes offensive comments, suggestive emails and sexual advances.*

There is a need to create a CSR framework, which encompasses all the guiding principles, international and human rights standards affecting women, peace and security, which would assist private sector stakeholders to maintain a framework towards which they can develop. The government would also be able to measure how well the sector as a whole is doing to advance the women, peace and security agenda.

Employment and Unemployment

South Africa has high levels of unemployment, and it is higher among women than men. The government has initiated numerous different projects to assist women entrepreneurs, such as Broad Based Black Economic Empowerment but this is still insufficient. A number of respondents concurred with the remark:

> *Only 3 per cent of all South African women are classified as managers or senior officials and 4 per cent as professionals. A high proportion of the women professionals are employed by the government as teachers and nurses. In Africa, limited education and employment opportunities for women decrease annual per capita growth by 0.8 per cent. Had this growth taken place, Africa's economies would have doubled over the past 30 years.*

Another respondent went on to say:

> *The South African government poverty reduction strategy relies substantially on social grants as a tool to alleviate poverty. What are desperately needed are possible opportunities for women to generate their own income.*

The Global Financial Crisis

In response to 2008's global financial crisis, a number of respondents stated views in support of the quote that:

> *In the short term, economic stimulus packages need to be made available for women. In the long term, government needs to produce a new financial and economic architecture that includes a gender perspective.*

South African women who work are often found within specific sectors and occupations such as NGOs and retail. Women have little or no representation in high-level decisions within the economic or finance sectors. This continues to lead to future policies that add to the inequalities between women and men.

Women have been adversely affected by 2008's global financial crisis. The impact has been felt mostly in these three areas:

- The loss of jobs and decreased real wages and benefits
- The decline of social services from government
- The increased work burden and stress from unpaid responsibilities in the household and community

Combating Dread Diseases

HIV/AIDS, Malaria and other diseases identified in MDG6 (Republic of South Africa 2010) need further attention. Respondents shared some pertinent findings, for example:

> *In almost every African country, there is a higher prevalence in women than men. The cultural practices, 'second-class' status of women are hugely important influences ….*

and:

> *The on-going discrimination and humiliation of women has made their self-esteem plummet and they often don't have the resilience to stand up to abusers, resulting in depression, health problems, unwanted pregnancies and STDs including HIV/AIDS.*

As the MDG 2010 (Republic of South Africa 2010:74) report so aptly said:

> *The AIDS epidemic in SA is affecting health, livelihoods, and economic growth, as well as the lives of individuals, families and workplaces. HIV prevalence levels remain high in comparison to other countries in Northern, Western and Central Africa. Although the prevalence has stabilised, the differential infection rates are due to the predominance in rural provinces attributed to gender power relations and the emergent sexual relationships between older men with young girls that expose the girls to HIV as a result of the gender power inequalities.*

Alvaro Bermejo, Executive Director of the International HIV/AIDS Alliance, stated that 'we need to tackle MDG 6 in conjunction with MDGs 4 and 5, in a way that puts patient needs at the center of our responses … Health cannot be "projectised"' (Devex and United Nations 2011:20). A review of the improvement made specific to the health goals (Goals 4, 5 and 6) in SA resulted in the findings that progress has been unsatisfactory or even reversed for some. Chopra, Lawn, Sanders *et al.* (2009), however, do believe that the country still has enough time to alter its trajectory, and possibly can meet the 2015 deadline.

Recognition of Women Nobel Prize Winners

For 2011, the Nobel Peace Prize was awarded jointly to three women: Liberian President Ellen Johnson Sirleaf (Africa's first elected head of state), Liberian Leymah Gbowee (Liberian peace activist) and Tawakul Karman of Yemen (leading figure in Yemen's pro-democracy movement) (Antwi-Boateng 2012). A number of respondents felt that it was right to recognise their achievements:

> *It is necessary to acknowledge these women rights activists for their non-violent struggle for the safety of women and for women's rights to full participation in peace building work globally.*

It has been identified (Antwi-Boateng 2012) that this triple award has triggered renewed motivation to engender democratization in Africa and create a culture of peace as the social norm, rather than the prevailing culture of violence. The award was praised by one of the respondents as 'worldwide, women have been working tirelessly for peace and social justice – the prize is recognition of their very real efforts'.

Clear Definitions

An unresolved research finding that was established is that SA needs to have its own definition of the word 'peace' because the 'absence of war' (Sandy & Perkins 2002) seems insufficient, illustrated by South Africans at the local level burning and destroying infrastructure out of frustration with the government. Even though the country is not at war, it is not at peace.

Conclusion

The UN has made dramatic on-going contributions to women empowerment, through a number of continually evaluated resolutions. Governments are familiar with the 'gender call' but pledges to gender-specific priorities continue to be more rhetorical than real. In order to eventually achieve women empowerment by means of gender equality initiatives, the appeal for increased women participation at the middle-to-high management levels within the local, regional and national government ranks should be understood to imply meaningful participation, and not just representative, because this in turn, results in women being appointed as tokens. Strong cultural hindrances exist as a barrier to implementation of the resolutions.

> *... we are making inroads into creating a more gender-representative security sector in the region. However, the translation of representation into gender sensitivity and gender responsiveness has yet to be validated. Clearly there is much more needed than the inclusion of women in the security sector to create a more secure environment for women. Numbers are important, but they have to be accompanied by a transformation of the patriarchal and sexist culture of the security sector and their inclusion must lead to real changes in response to the security needs of both men and women. It is to the latter aspect that much of our attention on gender and security sector reform should be refocused in the coming years* (Peace Women 2012:1).

Recommendations

Recommendations are made microcosmically to South Africa and macrocosmically to the United Nations. They are similar and need to be considered at the appropriate level to be useful.

A variety of stakeholders can be part of the development and implementation of NAPs to advance gender mainstreaming in any country. NAP enablers have been identified in this and previous research – it is recommended that these be used by governments and other bodies to advance the agenda on these issues.

Further research could seek to learn from NAP implementation in other countries. Content and thematic analysis of the existing 35 plans and subsequent reports may be valuable in expanding on ideas that may be applicable in other countries, including South Africa.

Further collaboration with the actors involved in other initiatives such as the MDGs is also recommended. Unless continued support is given to prevent and redress violence against women and girls using the backdrop of the MDGs, the health, social and economic outcomes of such violence can limit the potential benefits of the UNSCR 1325. SA has committed itself to the MDGs, together with the UNSCR 1325, in order to tackle the socio-economic and cultural challenges that continue to underpin aspects of gender inequality.

Further research should also continually seek and employ enablers for the empowerment of women.

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Human Resource Practices and Employee Attitudes: A Study of Individuals in Ten South African Companies

Renier Steyn

Abstract

A number of studies have shown that effective human resource (HR) practices correlate with employee attitudes. However, just which combinations of HR practices relate to desirable employee attitudes (EA) are not entirely clear. Arguments for universalistic, contingency, and configurational perspectives are found in academic literature. This paper presents the results of a study involving ten South African companies and 750 employees. It investigates the predictive influence of HR practices on employee attitudes. EA, such as work engagement and particularly intention to quit, are important in business, as these aspects are seen as an antecedent to company performance. The results indicate that, for the whole group (N=750), effective HR practices coincided with desirable EA outcomes. This suggests a confirmation of the universalistic perspective. There were, however, notable exceptions, and in some companies none of the HR practices correlated with EA. There is also little evidence that specific HR practices coincide with particular outcomes or that particular HR practices predict EA across companies. The idea of a generic configurational perspective is therefore not a straightforward view. The results therefore do not support a simple universalistic or configurational perspective of HR, and due to the lack of support for these perspectives it is suggested that the contingency perspective be investigated. However, investigating the prevalence of this perspective was not possible in this specific study as data from only ten companies was available.

Renier Steyn

1   Introduction

The literature and certain textbooks on human resource management reflect an implicit link between human resource (HR) practices and desirable outcomes, such as company performance. For example, Noe, Hollenbeck, Gergart and Wright (2008) name the first chapter of their textbook 'Human resources management: Gaining a competitive advantage'. Boselie (2010) name one of the chapters of his book, 'Human resources management and performance: Adding value through people'. The Aston Centre for Human Resources (2008) dedicates a chapter of its strategic human resources textbook to 'Human resources management and organizational performance'. Examples of articles on the suggested link between HR practices and desirable outcomes are also numerous (Guest 1997; Huselid 1995; Lee, Lee & Lum 2008; Petrescu & Simmons 2008; Ramlall 2003). Some of these articles also demonstrate such a link.

HR practices that may be related to desirable outcomes are numerous. When the content of textbooks (Bernardin 2010; Cascio 2010; Gómenz-Mejía, Balkin & Cardy 2007; Noe *et al.* 2008) was scrutinised, six themes were identified: (1) acquiring human resource capacity (this relates to practices such as job analysis and work design); (2) manpower planning and recruiting employees (as well as employee selection); (3) assessment and development (this aspect relates to practices such as performance management and the rating of employees; training of employees; and career development); (4) compensation (this refers to practices such as compensation management; merit pay and incentive awards; and employee fringe benefits); (5) labour-management accommodation (this relates to practices such as employee relations programmes; employee rights and labour discipline; organised labour unions; and collective bargaining); and, finally (6) diversity management and employee health programmes (including health and safety and employee assistance programmes). The practices listed do not differ fundamentally from those described in other textbooks that were examined, namely Currie (2006), Nkomo, Fottler and McAfee (2005), Pynes (2009), Redman and Wilkinson (2009), Snell and

Bohlander (2007), Storey (2007), as well as Swanepoel, Erasmus, Van Wyk and Schenk (2008).

The outcomes associated with HR practices can be classified into three broad categories (Boxall, Purcell & Wright 2007; Guest 1997). These are employee attitudes (for example job satisfaction – Chew & Chan 2008; Fiorita, Bozeman, Young & Meurs 2007), behavioural outcomes (such as work performance – Purcell, Kinnie, Hutchinson, Rayton & Swart 2003; Ramlall 2003; Zerbe, Dobni & Harel 1998) and organisational outcomes (such as return on investment – Appelbaum, Bailey, Berg & Kalleberg 2000; Guest 1997; Huselid 1995). In this study the emphasis will be on employee attitudes.

The empirical evidence cited in the previous paragraph, which supports the link between HR and desirable outcomes, is usually based on the correlation between HR practices and outcomes, and has little to say about the reasons behind this correlation. In this research, perspectives on the link between HR practices and desirable outcomes will be explored by focusing on the type or types of HR practices that lead to desirable outcomes. Theories suggest that this link can be explained from at least three perspectives, namely a universalistic, a contingency, and a configurational perspective (Aryee & Budhwar 2008; Delery & Doty 1996).

- The universalistic perspective is based on the pioneering work of Pfeffer (1994; 1995; 1998). Pfeffer found that organisational performance depends on common HR practices, and that this is true regardless of the industry or strategy pursued. These HR practices are: employment security, selective hiring, self-managed teams and the associated decentralised decision-making, compensation based on work-related performance, extensive training, reduction in formal status and barriers between employees, as well as information sharing (Pfeffer 1998). Once a company is able to engage fully in these best practices, performance will follow. Fundamental to this approach is that employees are seen as assets to the company and, as such, as being worthy of development, and that all parties agree that employee skills, and discretionary efforts, are mutually beneficial and that an exchange between the employer and employee will occur (Pfeffer 1998).

- The contingency perspective on the effects of HR practices is that the practices should fit the external context in which they are applied (Guest 1997). Aryee and Budhwar (2008:194) express it elegantly: 'Informed by the notion of vertical fit between HR practices and business strategy, the strategic contingency behavioural perspective posits that organisations that adopt a specific business approach require a specific set of HR practices in order to achieve superior performance'. It is suggested that HR practices should be informed by strategy (Porter 1985) and that these practices would solicit behaviour that corresponds to an organisation's specific goals (Jackson, Schuler & Rivero 1989). This would then be different from the universalistic perspective, where certain best practices across the board (or horizontally) result in organisational performance.

- The configurational perspective reflects the notion that distinctive bundles or patterns of HR practices will result in superior organisational performance, given that the less distinctive practices are provided at a reasonable minimum level (Guest 1997). Guest (1997:271) refers to 'patterns of HR practices that are horizontally integrated'. The configurational perspective has more to do with the pattern of multiple independent variables, than with individual independent variables, and how the pattern of variables relates to the dependent variable (Delery & Doty 1996). In contrast to the contingency perspective that advocates a vertical fit, 'the configurational perspective advocates a horizontal fit. Horizontal fit describes internal consistency among HR practices that actively leads to superior organizational performance' (Aryee & Budhwar 2008:195).

- The aim of this research was to find evidence of the presence of the universalistic and configurational perspectives in data on HR practices and employee attitudes collected from ten South African companies.

- Evidence of the presence of a universalistic model might be that all HR practices would predict organisational outcomes in all companies.

- Evidence of a configurational model might be that specific groups of HR practice(s), when applied effectively, would make a unique contribution to the outcome(s) in all ten companies.

No effort was made to find evidence of a contingency perspective as data on the present strategic position of the companies was not collected.

2 Research Strategy

2.1 Participants

The participants in this study were employees in ten different South African companies to which Masters of Business Leadership students had access. The study was thus carried out on an opportunity sample (Rosnow & Rosenthal 2008). The groups involved were travel agency employees (Company 1, N=90), sales personnel from a fast moving consumer goods group (Company 2, N=70), call centre personnel (Company 3, N=30), HR employees at a telecommunications company (Company 4, N=126), local government employees (Company 5, N=97), technical personnel in an engineering environment (Company 6, N=123), financial sector staff (Company 7, N=92), accounting firm personnel (Company 8, N=45), recruitment agency staff (Company 9, N=30), and staff employed by an owner-managed small business (Company 10, N=47).

2.2 Demographic Variables

In total, 750 employees volunteered to participate in the research, of which 376 were male and 374 female. The racial composition was: 319 black African, 88 coloured, 102 Indian, and 241 white. The average age of the respondent was 35.12 years (SD=9.27), and the average tenure was 6.36 years (SD=6.48).

2.3 Measuring Instruments

Five instruments were used: the Human Resources Practices Scale (HRPS; Nyawose 2009), the General Satisfaction items of the Job Diagnostic Survey (JDS; Hackman & Oldham 1975; in Fields 2002), the Organisational Commitment Scale (OC; Allen & Meyer 1990), the Utrecht Work

Engagement Scale–9 (Schaufeli & Bakker 2003), and Section VIII of the Workplace Scale (ITQS; Firth, Mellor, Moore & Loquet 2004).

The Human Resource Practices Scale (Nyawose 2009) was used to measure the perceived effectiveness of the HR practices. The questionnaire consisted of 27 items, covering nine HR practices, with three questions per practice. Only five HR practices were assessed in this study, namely training and development (TD), compensation and rewards (CR), performance management (PM), staffing (S), and diversity management (DM). The following is an item from the training and development part of the scale: 'My company is committed to the training and development needs of its employees'. Respondents were requested to indicate their views on this statement on a scale ranging from 1 (disagree strongly) to 5 (agree strongly). For each individual HR practice the minimum score would be 3 and the maximum 15. A high score on the survey would be indicative of a belief that HR practices were effective whereas a low score would indicate that the respondents were not satisfied with the HR practices provided. Nyawose (2009) reports internal consistencies varying from .74 to .93 for these scales, and significant correlations (in the expected direction), with outcomes such as occupational commitment and turnover intentions.

The General Satisfaction items of the Job Diagnostic Survey (JDS; Hackman & Oldham 1975; in Fields 2002) represent 'an overall measure of the degree to which the employee is satisfied and happy with the job' (Hackman & Oldham 1975:162). This part of the survey consists of five items. The first item reads as follows: 'Generally speaking, I am very satisfied with this job'. Respondents are requested to indicate their views on this statement on a scale ranging from 1 (disagree strongly) to 7 (agree strongly). The minimum score is 5 and the maximum 35. A high score indicates high job satisfaction and a low score indicates that the respondents are not satisfied with their job. Hackman and Oldham (1975) report an internal consistency value of .76 and, with regard to validity, report 'adequate' discriminant validity. They also point out that the theory-specific relationships among the scales are in the predicted direction. This points to construct validity.

The Organisational Commitment Scale (OC; Allen & Meyer 1990) is used to assess organisational commitment. The scale consists of 24 questions. The first item of the scale reads as follows: 'I would be very happy to spend the rest of my career with this organisation'. Respondents are requested to

indicate their views on this statement on a scale ranging from 1 (strongly disagree) to 7 (strongly agree). The minimum score is 24 and the maximum 168. A high score on the scale indicates high levels of commitment and low scores signify low commitment. Allen and Meyer (1990) report an internal consistency of .86, .82 and .73 for the three subscales of the scale. Furthermore, Allen and Meyer (1990:13) report evidence of construct validity, and also write that the 'relationship between commitment measures … and the antecedent variables … was, for the most part, consistent with prediction'. This points to convergent and discriminant validity.

The Utrecht Work Engagement Scale–9 (EE; Schaufeli & Bakker 2003) is a summative assessment of vigour, dedication and absorption. The questionnaire consists of nine items. The following is a typical item from the scale: 'At my work, I feel bursting with energy'. Respondents are requested to indicate their views on this statement on a scale ranging from 0 (never) to 6 (every day). The minimum total score is 0 and the maximum 54. A high score on the survey would indicate high levels of engagement and a low score would indicate that the respondents are not engaged. Schaufeli and Bakker (2003:33) report that the 'Cronbach's α of all nine items varies from .85 to .94 (median=.91) across the nine national samples. The α-value for the total data base is .90'. With regard to validity, Schaufeli, Bakker and Salanova (2006) say that the suggested three-factor structure of engagement is confirmed (cross samples from different countries) and that the construct is related to other constructs in the expected manner. This suggests construct validity.

Section VIII of the Workplace Scale (ITQS; Firth *et al.* 2004) measures employee intentions to quit their present jobs. The questionnaire consists of two items. The first item reads as follows: 'How often do you think of leaving your present job?' On this item respondents are requested to indicate their views on this statement, on a scale ranging from 1 (rarely or never) to 5 (very often). The minimum score is 2 and the maximum 10. A high score indicates that respondents are likely to leave the job, while a low score indicates that respondents are likely to stay in the job. On reliability, they report an α-value of 0.75. As far as construct validity is concerned, Firth *et al.* (2004) were able to demonstrate that intention to quit correlated, in the expected manner, with related constructs.

2.4   Procedure

The same strategy was followed to identify participants in each company. A list of all possible candidates was drawn up and numbered. Candidates were then selected from the population list using random numbers generated on the internet (see http://www.random.org/integers/). The only exclusion criterion used was educational qualifications. It was a requirement that all respondents had at least a grade 12 to ensure that they had no difficulty completing the questionnaires. Only individuals who understood and who were willing and able to agree to the conditions of the informed consent form were included in the groups that were assessed. Participants were requested to complete the questionnaires and a concerted effort was made to ensure their anonymity. Once the data was collected it was forwarded for coding and statistical analysis.

2.5   Statistical Analyses

All calculations were done with Statistical Package for the Social Sciences (SPSS). The reliability of the questionnaires was calculated and was presented as Cronbach's coefficient alpha. Validity information was generated using a principal component analysis and an Oblimin rotation was performed to help in the interpretation of the components. For the different variables means were computed (per company) and differences between means were explored using a one-way analysis of variance. This provided a general overview of the data. Bivariate correlations were calculated to determine if all HR practices (together) correlated with (specific) organisational outcomes. If all HR practices correlated with a specific employee attitude in all companies this would constitute strong support for the universalistic perspective. This analysis was followed by linear regression analyses, which were done to calculate the predictive capacity of HR practices (independent variable) on organisational outcomes (dependent variable). The significance (or not) of the regression coefficient (R^2) was used to indicate the predictive capacity of HR practices on employee attitudes, and was used as another indicator of the universalistic perspective. The significance of the standardised betas in the regression analysis was used as an indicator of the unique contribution of independent variables in the prediction of the dependent variable. This was used to identify possible

patterns of HR practices that relate to organisational outcomes, and reflects on the presence of the configurational perspective.

3   Empirical Results

3.1   *Reliability and Validity*

The reliability of the measures, expressed as Cronbach's alpha coefficients, was as follows: α(CR)=.87, α(S)=.74, α(PM)=.81, α(DM)=.75, α(TD)=.88, α(JDS)=.76, α(OC)=.82, α(EE)=.91, α(ITQS)=.84, with N=750. All the observed coefficients were higher than the .60 margin set by Hair, Black, Babin, Anderson and Tatham (2006).

Due to the regular use and reported validity of the JDS, OC, EE, and ITQS, and because of general acceptance of these measures as assessment instruments of separate constructs, the only validity information reported was that relating to the less familiar Human Resource Practices Questionnaire (HRPQ).

The 15 items of the HRPQ were subjected to a principal components analysis (PCA). Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients or .3 and above. The Kaiser-Meyer-Olkin value was .88, which exceeded the recommended value of .6 (Keiser 1970; 1974), and Bartlett's Test of Sphericity (Bartlett 1954) reached statistical significance, which supported the factorability of the correlation matrix.

Principal component analysis revealed the presence of four components with eigenvalues exceeding 1, explaining 42.2%, 9.4%, 8,7%, and 8.00% of the variance, respectively. An inspection of the screeplot revealed a clear break after the second, and a smaller break after the fifth component. The fifth component explained 5.9% of the variance. A five-factor solution was decided on because the HRPQ aims at assessing five human resource practices. The five-component solution explained 73.4% of the variance, with the different components contributing 42.2%, 9.4%, 8,7%, 8.00% and 5.9%, respectively. To aid in the interpretation of the components, an Oblimin rotation was performed. The rotation revealed a simple structure, with variables of the different subcomponents loading substantially on only one component. The interpretation of the five components is consistent with previous literature (Nyawose 2009), which suggests that the various human resource management practices can be separated from one another.

3.2   Descriptive Statistics

Table 1 shows the mean scores of all the measures per company. A one-way analysis of variance revealed that the mean scores of the companies differed significantly on all variables, indicating between-company variance on the different variables. All F-values were significant at the .01 percent level, and the values were 9.81 (CR), 5.70 (S), 3.85 (PM), 8.16 (DM), 7.77 (TD), 7.57 (JDS), 9.42 (OC), 6.61 (EE) and 7.18 (ITQS). In Table 1 the two highest scores (in bold) and the two lowest scores (underlined) per measure are highlighted.

Table 1
Mean Scores for Variable per Company

	Company										
	1	2	3	4	5	6	7	8	9	10	Total
CR	**3.44**	3.06	2.62	2.88	2.83	3.29	**3.52**	2.28	2.92	2.98	3.07
S	**3.70**	3.22	3.14	3.01	3.28	3.24	**3.63**	3.44	3.02	3.33	3.31
PM	**3.60**	3.38	3.43	3.34	3.07	3.46	**3.64**	3.39	3.01	3.36	3.39
DM	3.42	3.19	2.88	3.08	2.97	**3.54**	**3.71**	3.06	3.14	3.35	3.28
TD	4.07	3.75	3.33	3.81	3.48	**4.08**	**4.20**	3.61	3.19	3.42	3.80
JDS	**4.96**	4.46	4.15	4.34	4.48	**5.00**	4.95	3.97	4.09	4.85	4.62
OC	**4.51**	4.47	4.35	4.08	4.35	4.22	4.45	3.93	4.38	**4.77**	4.33
EE	4.00	4.14	3.45	3.78	3.86	4.10	**4.23**	3.33	3.19	**4.61**	3.95
ITQS	2.16	2.70	**3.00**	2.95	2.70	2.32	2.29	**3.32**	2.93	2.20	2.59

CR=Compensation and rewards; S=Staffing; PM=Performance management; DM=Diversity management; TD=Training and development; JDS=Job satisfaction; OC=Organisational commitment; EE=Employee engagement; ITQS=Intention to quit

From Table 1 it can be seen that companies that scored high on the independent variables also scored high on the dependent variables (see Company 1), and companies that scored low on the independent variables also scored low on the dependent variables (see Company 9). However, no clear pattern can be observed from this table to make any comments on the presence of any of the different perspectives on HR effectiveness. The broad overview of Table 1 is refined when considering the correlations between the HR practices and employee attitudes.

3.3 Correlations between HR Practices and Employee Attitudes

Table 2 reports the correlation between HR practices and job satisfaction.

Table 2
Correlation between HR Practice Scores and JDS

Company											
	1	2	3	4	5	6	7	8	9	10	Total
CR	.38**	.45**	.51**	.52**	.49**	.31**	.24*	.61**	.52**	.34*	.47**
S	.33**	.19	.41*	.33**	.39**	.16	.22*	.37*	.59**	.15	.32**
PM	.58**	.41**	.39*	.36**	.41**	.33**	.23*	.49**	.50**	.31*	.42**
DM	.20*	.36**	.42*	.36**	.42**	.27**	.21*	.46**	.36	.15	.36**
TD	.72**	.08	.55**	.43**	.42**	.41**	.31**	.34*	.46**	.13	.44**

CR=Compensation and rewards; S=Staffing; PM=Performance management;
DM=Diversity management; TD=Training and development
*p < .05; ** p < .01

It can be read from Table 2 that in Company 5 all HR practices correlated with job satisfaction, suggesting support for a universalistic perspective. But this is not the case in all companies. For example in Company 10, only CR and PM correlated with JDS, suggesting that the universalistic approach is not applicable across companies.

Similar results, where in some companies all HR practices correlated with employee attitudes (compared with only some practices in other companies), were found for organisational commitment and employee engagement. In both the cases of organisational commitment and employee engagement all the M practice scores for the total group correlated significantly with these constructs. In the case of organisational commitment the correlation coefficients were .339** (CR), .298**(S), .292**(PM), .331**(DM) and .303** (TD) and in the case of employee engagement the correlation coefficients were .298** (CR), .313**(S), .300**(PM), .255**(DM) and .336** (TD).

The same tendency was found with the correlation between HR practices and intention to quit. The results are presented in Table 3.

Table 3
Correlation between HR Practice Scores and ITQS Scores are Presented in table 3

Company	1	2	3	4	5	6	7	8	9	10	Total
CR	-.33**	-.33**	-.21	-.46**	-.39**	-.23**	-.13	-.66**	-.18	-.19	-.38**
S	-.23*	-.16	-.23	-.30**	-.36**	-.09	-.10	-.33*	-.18	-.15	-.25**
PM	-.48**	-.28*	.12	-.35**	-.31**	-.14	-.14	-.42**	-.12	-.21	-.28**
DM	-.03	-.29*	-.35	-.35**	-.32**	-.22*	-.17	-.28	-.13	-.24	-.28**
TD	-.68**	-.20	-.39*	-.36**	-.40*	-.25**	-.27**	-.18	-.34	-.23	-.37**

CR= Compensation and rewards; S=Staffing; PM=Performance management; DM=Diversity management; TD=Training and development
*p < .05; ** p < .01

In Table 3 we can again observe that in some companies (see Company 4) all HR practices correlate with ITQS, and in others, for example Company 9 and 10, not a single practice correlates with the construct. As in the case of JDS, OC and EE, the scores for all the groups combined (see total) correlated significantly with the employee attitudes. This seems to suggest that in general HR practices correlate with employee attitudes, and that the universalistic perspective is usually acceptable. However, this would equate to a generalisation, as this conclusion is not applicable to all companies.

3.4 Regression Analyses
To gain information on the link between HR practices and employee attitudes, and to determine if certain patterns of HR practices predict attitudes, linear regression analyses were performed, with HR practices as the independent variable and organisational outcomes as the dependent variable. The results of this analysis are shown in Table 4.

Table 4
HR Practices as Predictor of Employee Attitudes and Intention to Quit Reported per Company

		Company 1	2	3	4	5	6	7	8	9	10
JDS	R^2	.555	.281	.351	.333	.291	.242	.145	.480	.479	.144
	p	<.01	<.01	n/s	<.01	<.01	<.01	<.05	<.01	<.01	n/s
	β^2	TD	CR		CR		PM, TD	TD	CR, DM	S	
OC	R^2	.283	.353	.403	.260	.267	.201	.134	.513	.273	.185
	p	<.01	<.01	<.05	<.01	<.01	<.01	<.05	<.01	n/s	n/s
	β^2	S, DM, TD	DM		CR, S	TD	DM	TD	CR		S
EE	R^2	.508	.195	.405	.285	.145	.089	.099	.389	.234	.181
	p	<.01	<.05	<.05	<.01	<.05	<.05	n/s	<.01	n/s	n/s
	β^2	S, TD	S		CR, S, PM, TD		PM		PM		S
ITQS	R^2	.523	.171	.349	.260	.219	.105	.092	.522	.124	.104
	p	<.01	<.05	n/s	<.01	<.01	<.05	n/s	<.01	n/s	n/s
	β^2	TD		PM	CR			TD	CR, TD		

CR=Compensation and rewards; S=Staffing; PM=Performance management; DM=Diversity management; TD=Training and development; JDS=Job satisfaction; OC=Organisational commitment; EE=Employee engagement; ITQS=Intention to quit

R^2 reflects the model summary, with CR, S, PM, DM, and TD as dependent variables; p tests the null hypothesis that $R^2=0$; and B lists the independent variables that contribute significantly to the model.

Evidence of a universalistic model could be that HR practices (together) across companies consistently contribute towards outcomes, considering the significance (or not) of the R^2. When considering the regression models for JDS in Table 4, the fact that HR practices do not significantly explain the variance in JDS in some companies (see Company 3 and 10), suggests the rejection of the idea of a universalistic model. The same can be observed for Companies 9 and 10 for OC, Companies 7, 9 and 10 for EE and Companies 3, 7, 9 and 10 for ITQS. In these cases HR practices did

not predict the outcomes significantly. This suggests that the universalistic model of HR may not be valid in all cases.

Evidence of a configurational model could be that the same HR practice(s), carried out consistently across companies contribute uniquely to the outcome(s). This would suggest that the same independent variable(s) would stand out in predicting the dependent variable. From Table 4 it can be read that, for Company 1, in a model that includes CR, S, PM, DM, and TD as independent variables, 55.5% of the variance in JDS (the dependent) is explained. A null hypothesis that R^2 is equal to zero can be rejected (p<.01). TD is the only independent variable that makes a significantly unique contribution to the prediction of the dependent variable (JDS). For Company 2, as another example, 28.1% of the variance is explained, with CR making a significant and unique contribution to the explained variance. When considering all ten companies, it becomes clear that no distinct pattern can be observed regarding the variables that contribute to JDS. This suggests the absence of a configurational explanation of the effects of HR practices on JDS. The same situation repeats itself for OC, EE, and ITQS, where no clear pattern of HR practices predicts these outcomes. The results do not seem to support the configurational model.

4   Summary and Conclusions

The aim of this study was to obtain evidence regarding the presence or dominance of a specific theoretical perspective on how HR practices relate to employee attitudes in South African companies. Employees from ten companies participated. In total 750 respondents reported their perceptions on the levels of HR and employee attitudes.

The reliability of the measures was acceptable (Cronbach alpha above .75) as well as the test of validity.

The results from the means table provided no clear indications of the presence of any of the theoretical perspectives on HR. The results from the correlation table provided evidence in favour of the universalistic perspective, indicating that, for companies in general, a broad spectrum of effective HR practices correlated with employee attitudes. This is particularly evident in the correlations with the total scores, and was present in all the observed cases. There were, however, some exceptions. Most noticeable, as from Table 3, was the small recruitment agency (Company 9, N=30), and an owner-

managed small business (Company 10, N=47). In both cases, the HR practices did not predict variance in employee attitudes. This suggests that, although the universalistic perspective may be true in general, it is not true in all cases. The results found for the small companies may be because the HR systems were not formalised, and this may explain these exceptions.

Evidence from the linear regression equation does not support the universalistic perspective as well as the data from the correlation tables. The inconsistent nature of these results makes the blanket acceptance of the universalistic perspective irresponsible.

Evidence supporting the configuration perspective was not found. No particular patterns could be identified in beta values in Table 4, making this hypothesis unlikely. The number of companies involved in the study, namely ten, was a problem in this regard, as this made the identification of patterns or configurations difficult. It would be advisable that any future researchers involve more companies and that extensive information be obtained regarding the delivery of HR practices, rather than focusing solely on the outcomes of these practices.

A constraint in this research, particularly about the interpretation of the results, was the limited information obtained on the companies themselves. More information on topics such as the amount of formalisation of systems, the size of the company, the size of the HR department, as well as the type of business environment, could have contributed meaningfully to the analysis and discussion.

A further possible problem is related to the measurement in general, and measurement in HR in particular. In this regard Edgar and Geare (2005), with reference to the measurement of HR practices and employee attitudes, declare that different measures often produce different results. Thus, the tools used in this study may influence the results, and it could be suggested that the study be replicated in a different environment, using different tools.

From the aforementioned it is clear that the final word on the perspectives of which HR practices to implement has not yet been written, and that there is still a need to research this topic in more depth.

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The Adoption of International Financial Reporting Standards: The Case of Rwanda

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Abstract

This study reports the results of a questionnaire survey which ascertained the opinions of the preparers of financial statements in Rwanda on the usefulness of financial reporting and non-financial reporting; on how the respondents thought Rwandan financial and non-financial reporting could be improved; and what steps Rwanda could take to improve the situation. This is an exploratory study that makes use of a questionnaire survey to collect data on the perspectives of the preparers of financial statements in Rwanda. Although a small majority of the respondents were of the opinion that their company's annual report was useful to users, a question probing the composition of the annual reports showed some shortcomings in the annual reports. They were also of the opinion that a sustainability report should form part of narrative reporting, and that current narrative reporting is not suitable in Rwanda. Respondents recognised the need to improve corporate reporting in Rwanda and felt that this could be achieved mainly by regulating the accounting profession and by adopting the International Financial Reporting Standards.

Keywords: developing countries, Rwanda, International Financial Reporting Standards, foreign investment, financial reporting

Introduction

While research has traditionally focussed on the analysis of developed countries' financial reporting, there remains a deficit in the literature

regarding some developing countries. Rwanda is one such country. This research partially addresses this problem by focusing specifically on financial reporting in Rwanda.

Rwanda is a central African country that was a former colony of Belgium. It gained independence in 1919, and its first democratic elections were held in 1961. In 1994 the country experienced one of the most harrowing genocides of modern history, from which it is still trying to recover. The economy of Rwanda was decimated as former government officials fled the country and took virtually all the financial capital with them. The economic ramifications of the genocide were severe with Gross Domestic Product (GDP) contracting by 10% in 1993 and 49% in 1994 (United Nations Economic Commission for Africa (UNECA) 2010). The country struggled for the remainder of the 1990's, but since 2001 has been one of the fastest growing economies in Africa, although this was from a low starting point. One of the explicit policy objectives of the post-genocide government is to increase economic development through the promotion of foreign investment in Rwandan companies.

It is recognised that a prerequisite for international investment is financial transparency and a well-functioning capital market (Hegarty, Gielen & Barros 2004). Annual reporting and the international comparability of these annual reports is an important element of financial transparency and disclosure. To this end, Standard and Poors (2002:6) note that 'a focus on annual reports facilitates the analysis and comparison of companies around the globe. Academic researchers have identified annual reports as the principal communication device available to companies'. Consequently, this paper discusses the status of financial reporting in Rwanda as a communication device for transparency and disclosure in attracting investment in Rwanda.

The World Bank (2008:10) found that accounting practices in Rwanda differ from institution to institution and are different to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (IASB 2011). These accounting practices are not as comprehensive as IFRS and subsequently provide little international comparability. The Rwandan Stock Exchange commenced operations in 2008 (World Bank 2008:6) and the Institute of Certified Public Accountants of Rwanda (ICPAR) was set up in 2008

(ICPAR 2012). As both of these institutions are in their infancy, they do not yet provide strong guidance regarding financial reporting.

Problem Statement and Research Questions

In Rwanda, companies use a variety of financial reporting frameworks to provide financial information (World Bank 2008). Furthermore, to date, no peer-reviewed research, as far as the researcher is aware, has been conducted regarding financial reporting in Rwanda and only a limited number of annual reports are available in the public domain in Rwanda. This paper aims to address this gap in the literature by providing information on Rwandan companies' financial and non-financial reporting.

This exploratory study provides only descriptive statistics and probes the areas of financial reporting and narrative reporting in Rwanda by asking:

1. What are the perspectives of the preparers towards the usefulness of the financial statements and the extent of the financial statements' conformity to IFRSs?; and

2. What are the perspectives of the preparers towards the suitability of narrative reporting for Rwanda and how could narrative reporting be improved in Rwanda?

In addition, a limited review of financial reports in Rwanda was also carried out. The study next discusses the literature review, followed by the research methodology and the research findings. Finally the conclusions, limitations of the research and areas for further research are discussed.

Literature Review

According to Wong (2004), a 'financial reporting system supported by strong governance, high quality standards and sound regulatory frameworks is key to economic development'. Pacter of the IASB comments that a spin off from producing accounting standards is economic development and better capital markets (Bruce 2011). This underlies the role of financial information in

capital markets that is to enable the optimal allocation of savings to investment opportunities. Entities provide information through their corporate reports that are produced in accordance with the accounting rules and/or principles of individual countries. Accounting may therefore play a role in the economic development of countries.

The G20 insists that the improvement of financial reporting within developing economies is an important part of the remit of the IASB (Bruce 2011). Most of the African capital markets can be classified as emerging market economies which are defined as those economies in which the capital markets have developed 'to the point of contributing to the national financial pool and are usually able to receive some external portfolio investment' (Salter 1998:211). Recent reports from the International Monetary Fund (IMF) and the United Nation's Agency for the Built Environment indicate that sub-Saharan regional GDP is expected to grow by 5% in 2011 and that the region's resilience owes much to sound economic policies with 'steady growth, low inflation, sustainable fiscal balances, rising foreign exchange reserves and declining government debt' (Bruce 2011).

In 2005, of the 48 African countries listed on the IASPLUS website, only six countries required IFRS for all domestic listed companies, nine countries did not permit IFRS for domestic listed companies, six countries permitted IFRS for domestic listed companies, and one country permitted listed companies other than banks and financial institutions to use either IFRS or the national Generally Accepted Accounting Practice (GAAP). For 26 countries there was no information available (Deloitte 2005). In 2010, 11 countries require IFRS for all domestic listed companies, nine countries do not permit IFRS for domestic listed companies, four countries permit IFRS, four countries do not have stock exchanges and while one does not permit IFRS, three require or allow IFRS, one country requires IFRS from 2012 and one country allows listed companies to choose between IFRS and domestic GAAP. For 17 African countries there is no information available (Deloitte 2010). It would therefore seem that the adoption of IFRS by African countries is still in the early stages.

The World Bank and IMF joint Report on the Observance of Standards and Codes (ROSC) initiative covers a set of 12 internationally recognised core standards and codes relevant to market stability and private and financial sector development. This provides further information with regard to the standards relating to accounting and auditing. According to the

World Bank, 'global financial stability rests on robust national systems and … requires enhanced measures at the country level' (World Bank 2004:1). Internationally, 'standards enhance transparency' and nationally, 'standards provide benchmarks' (World Bank 2004:1). One of the objectives of their reviews is to assess the comparability of national accounting and auditing standards with IFRS and International Standards on Auditing (ISA), and to assess the degree to which corporate entities comply with established accounting and auditing standards in the county. Currently, information on five African countries is available on the World Bank website. The World Bank's (2008) ROSC on Rwanda indicates that a strong financial reporting regime for corporate entities in both the public and private sectors will benefit the Rwanda economy by:

- Contributing to financial sector development by strengthening the country's financial architecture;

- Broadening the financial system through strengthening microfinance institutions which will empower local communities;

- Increasing Foreign Direct Investment (FDI) by improving the confidence and comparability of financial information;

- Facilitating economic integration internationally by aligning national standards and codes to those of it main trading partners; and

- Improving access to financing for the Small and Medium-sized Enterprise (SME) sector by providing banks and other financial institutions with standardized useful and reliable information (World Bank 2008:5).

The ROSC (World Bank 2008:9) found that in Rwanda only banking and financial institutions seem to have an IFRS reporting framework and that no effective mechanism exists in the draft Companies Act (subsequently issued by the Office of the Registrar General as Law No. 07/2009 of 27/04/2009 relating to companies) to enforce requirements for accounting and financial reporting. In addition, the lack of implementation guidance constrains the full compliance with accounting and auditing standards. The ROSC team reviewed forty-one (41) financial statements. Accounting practices identified by the ROSC team in Rwanda are shown in Table 1.

Table 1: Accounting practices in Rwanda - 2008

Accounting practices	Total	Audited	Non-audited
Did not apply any principle or standards	19	8	11
Applied local legislation that was not defined	1	-	1
Applied local legislation applicable in Rwanda (not defined)	8	8	-
Applied banking laws and regulation	1	-	1
Applied banking laws and Companies Act	1	1	-
Applied generally accepted accounting principles (not defined)	4	3	1
Applied IFRS	7	6	1
Totals	41	26	15
Source: World Bank 2008			

The ROSC team also found that the quality of the audited financial statements was of concern to the users and that improving quality requires a robust regulatory regime and effective enforcement mechanisms. The ROSC report did not specifically focus on the issue of non-financial or narrative reporting.

The development of financial reporting has been linked or described either by reference to external factors or cultural differences (Gray 1988; Nobes 2004). Gray (1988) explored the influence of cultural factors (using the cultural values identified by Hofstede) on international differences in accounting, Nobes (1998a) listed 17 reasons previously proposed by literature for international accounting differences (1998a:163) but proposed only two explanatory factors: for culturally self-sufficient countries, the dominant accounting system depends on the strength of the equity-outsider market, and for culturally dominated countries, the class of the accounting system is determined by the cultural influence (1998a: 183,184). Nobes (1998b:33) commented that 'there is strong evidence that accounting in developing countries tend to follow colonial or cultural influence rather than fitness for purpose or context'. This may explain Rwanda's adoption of the OCAM (1999) plan that formed the basis of the Rwandan reporting system.

With regard to studies that explain why a developing country would adopt IFRS, Jaggi and Low (2000), in their study on the impact of legal

systems on financial disclosures, found that firms in common law countries are more likely to have higher financial disclosures when compared to firms from code law countries. Cultural values have an insignificant effect on financial disclosures by firms from common law countries, with the results from code law countries providing mixed signals. Ding, Jeanjean and Stolowy (2005) in their sample of 52 countries find that culture matters more than legal origin (common law v. civil law) in explaining divergences from IFRS. Zeghal and Mhedhbi (2006:4), applying logistic regression to a sample of 64 developing countries, identified that developing countries with the highest literacy rates, with an Anglo-American culture and capital market are most likely to adopt IFRS. Ramanna and Sletten (2009) find that in a sample of 102 non-European Union countries, more powerful countries are less likely to adopt IFRS, that the likelihood of IFRS adoption first increases and then decreases in the quality of countries' domestic governance institutions and that there was no evidence that levels of and expected changes in foreign trade and investments flows in a country affect its adoption. Judge, Li and Pinsker's (2010), using a sample of 132 countries, find that foreign aid, import penetration and educational attainment, as three forms of isomorphic pressures, are predictive of IFRS adoption.

With regard to specific country studies, Tyrrall, Woodward and Rakhimbekova (2007) examine the relevance and implementation of IFRS to Kazakhstan, an emerging economy; Mashayekhi and Mashayekh (2008) examine the development of accounting in Iran; Joshi, Bremser and Al-Ajmi (2008) examine the perceptions of accounting professionals in the adoption and implementation of a single set of global accounting standards in Bahrain:, and closer to Rwanda, Chamisa (2000) provides a critique of the relevance of IFRS for developing countries, and in particular for Zimbabwe. Finally, a study that attempts to identify the main problems facing an in-transition country, was undertaken in Bosnia and Hersegovina by Malinovic, Bašić, and Alagic in 2007.

All the above studies provide developing countries with some guidance in their own quest to adopt IFRS. The implications of the above studies for Rwanda indicate that the development of financial reporting could be explained in terms of a number of variables and that presenting information on Rwandan corporate reporting would add to the literature on corporate reporting in developing countries.

Research Methodology

Sampling and Data Collection

Since the aim of the research was to ascertain the perceptions of Rwandan corporate companies towards the usefulness of the financial statements and the extent of the financial statements' conformity to IFRS and the suitability for and improvement of narrative reporting in Rwanda, it was necessary to create a list of eligible companies. Firstly, a complete list of Rwandan companies was compiled using data from the Private Sector Federation (PSF) (PSF 2008) of Rwanda, the Rwanda Revenue Authority (RRA) (RRA 2008) and the Rwanda Investment and Export Promotion Agency (RIEPA) (RIEPA 2008). According to the RRA, the 286 companies registered in 2008 were either self-owned (83%), entirely state owned (4%), not entirely for profit (5%) or private corporate companies (9%). The vast majority of Rwandan companies (96%) are located in the capital, Kigali City.

For the purposes of this study, a company was deemed eligible for this survey if it met four criteria: 1) ownership was represented by shares, 2) it was purely corporate, 3) it was not self owned, and 4) it was not entirely owned by the state. Of all the different groups of companies in Rwanda, this sub-population of companies is most likely to be familiar with international reporting requirements and therefore be most suited to comment on these requirements. In Rwanda, all corporate companies end with the suffix SA (meaning *Societe Anonyme*) which indicates that ownership is held in shares. Of the 286 companies registered in 2008, only 26 were corporate companies, i.e. only 26 companies matched the four criteria outlined above. Two of the 26 companies declined to participate in the study which left a sample of 24 companies.

The questionnaire consisted of 28 questions which were either open-ended, categorical or Likert-type questions. The questionnaires were pre-tested on five assistant-lecturers in the Faculty of Management at the Adventist Institute of Kigali (UNILAK) to ensure they were clear and unambiguous. Questionnaires were hand-delivered to each company in the sample and were answered either by the Accounting, Finance, Public Relations or Auditing department. A sub-section of the questionnaire dealt with the particulars of the respondent. A summary of those results is included below:

- The questionnaire was completed by the Chief Accountant (63% of companies), the Head of Finance and Administration (8% of companies), a Manager (12%) or some other employee in the firm (17% of companies).

- 50% of respondents held an Honours degree in Accounting, 29% an Honours degree in Management, and 21% an Honours degree in Economics.

- Only 17% of respondents had more than 10 years experience in their current position, 37% had 5-9 years and 46% of respondents had 1 to 4 years experience in their current position.

Research Findings
Descriptive Statistics

- Using the 1994 Genocide as a reference point, as this is common in Rwanda, 13 of the 24 companies (54%) were incorporated before 1994 while 11 (46%) were incorporated after 1994.
- The head offices of the majority of companies surveyed (92%) were situated in the capital city, Kigali City.
- All but one of the companies in the sample had more than 50 employees while 18 of the 24 companies (75%) had 200 or more employees.
- All companies had turnover of more than RF 150 mil ($250 000) and total assets of more than RF 225 mil ($380 000).
- In 16 of the 24 companies (67%) the Accounting department prepared the annual report. In the remaining companies, either the Finance department (6 companies; 25%) or the Public Relations (PR) department (2 companies; 8%) were responsible for the annual report. In the latter case, it is likely that the PR department prepared the financial statements for issue (and not for audit).

The industry composition of the companies in the survey is shown in Figure 1 below.

Results

All companies in the sample prepared annual reports with 71% of companies using OCAM and 29% using IFRS. It is interesting to note that all 7 companies (making up the 29%) are either banks or insurance companies. This is in line with the ROSC on Rwanda. (The extent of the compliance of the annual reports with IFRS was not pursued in this study.)

Figure 1: Industry Composition of Participating Companies

Figure 1: Industry composition
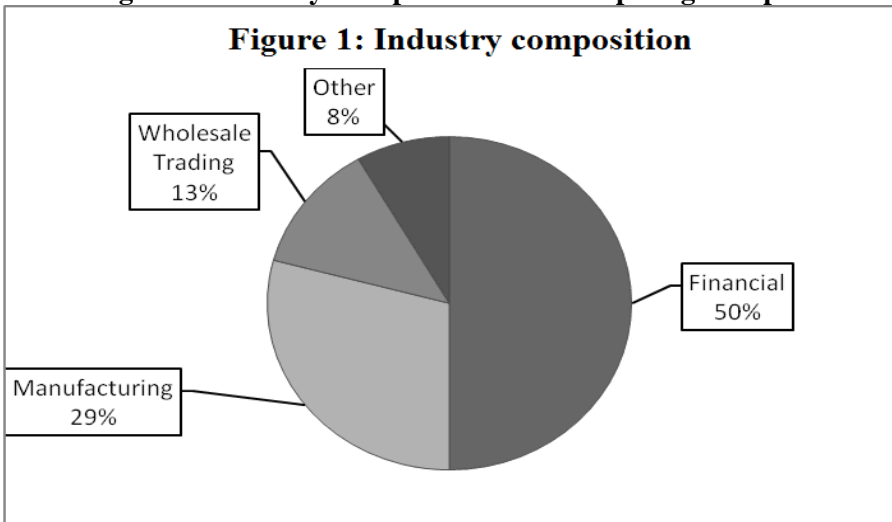
The RDB's and Kigali Bank's 2005 annual reports indicated that their financial statements are prepared in accordance with Rwandan National Accounting Guidelines in conjunction with conventional practice based on historical cost and as modified by the revaluation of property and equipment. In Rwanda, the main financial statements found in annual reports are namely the balance sheet, the income statement and on rare occasions the cash flow statement (see for instance SONARWA, Kigali Bank and RDB 2005 annual reports). Although these financial statements are found in most annual reports of companies in Rwanda, they are insufficient in content and structure when compared to international standards. Apart from their structural deficiencies, they have significant gaps, such as no statement of changes in equity and omissions in the notes to the financial statements. The balance sheet and the

income statement are the two major financial statements in Rwandan accounting practice. However, some companies are beginning to also issue a cash flow statement, which is required by IFRS. This statement is not common in Rwandan companies since it is not required by the OCAM (1999) plan which is the basic foundation of the reporting system in Rwanda. However, some companies for instance, SONARWA's 2005 annual report, RDB's 2005 annual report, and BRALIRWA's 2006 annual report, do disclose this statement.

The questionnaire focused attention on the line items in the balance sheet and the income statement. However, because not all of these annual reports are available in the public domain and to get an idea as to what information companies disclose in their annual reports, respondents were asked what statements are contained in their company's annual report. These results are shown in Table 2.

Table 2: Composition of an Annual Report

Components of an annual report	- Auditor's report - Directors' report - A balance sheet - An income statement - A cash flow statement - A statement of changes in equity -Notes to the Financial statements - Financial highlights - Narrative report	- Auditor's report - Directors' report - A balance sheet - An income statement - A cash flow statement - Notes to the Financial statements - Financial highlights - Narrative report	- Auditor's report - Directors' report - A balance sheet - An income statement - A cash flow statement -Notes to the Financial statements
Companies	4	12	8
Percent	16.6%	50%	33.3%

Table 2 shows that four respondents' (16.66%) annual reports contained the statements in the first column, 12 respondents' (50%) annual reports were composed of the parts in the second column, while 8 respondents' (33.3%) annual reports contained the parts in the third column.

From Table 1 it can be seen that only four companies disclose a statement of changes in equity, and 16 companies include narrative reports and financial highlights in their annual reports. This indicates that companies' annual reports still need some improvements.

In response to a question of how useful the respondents believe their company's annual report is (on a Likert scale of one to five where 1- Not very useful, 2- Not useful, 3- Indifferent, 4- Useful, 5- Very useful), 54% believe that their annual report is useful to users, 42% were neutral and 4% did not answer the question. Considering that, in all probability, respondents are more likely to overstate how useful their annual report is, it is noticeable that 42% of respondents expressed a neutral view – i.e. that their annual reports were neither useful nor not useful.

With regard to narrative reporting, the questionnaire first defined narrative reporting as the contents of the sections usually referred to as the *Management Discussion and Analysis* or the *Operating and Financial Review* and the respondents were asked whether their company included narrative disclosures in its annual report. All the respondents indicated that their company did include narrative reporting in the annual report and their reasons for its disclosure were that it explains more than the basic financial statements (50%), that it is used to provide extra explanations (16.7%), with 33,3% of the respondents not answering this question.

A subsequent question listing a number of disclosure items which could be considered narrative reporting showed that 29% of the companies do not disclose a sustainability report (see Table 3) although all respondents agreed that a sustainability report should form part of narrative reporting.

Table 3: Composition of Narrative Reporting

Elements of a narrative report	- Corporate governance report	- Corporate governance report
	- Management discussion and analysis or financial and operating review	- Management discussion and analysis or financial and operating review
	- Directors' report	- Directors' report
	-	- Sustainability report
Companies	7	17
Percent	29.1	70.8

When asked on a Likert scale of one to five (where 1- Very unsuitable, 2- Unsuitable, 3- Indifferent, 4- Suitable, 5- Very suitable), how suitable narrative reporting is in Rwandan companies 71% of respondents believed it is 'Unsuitable, 17% were 'Indifferent' and 13% did not answer the question. Reasons for why the respondents believe narrative reporting is unsuitable in Rwanda could be followed up in future research.

When asked on a Likert scale of one to five (where 1- Totally different, 2- Not similar, 3- Do not know, 4- Similar, 5- Identical) how similar Rwandan corporate reporting and IFRS are, 88% of companies surveyed believe that Rwandan corporate reporting is 'Not Similar', 4% believe it is 'Totally different' and 8% responded 'Do not know'.

The questionnaire ended with four open-ended questions. The first question asked respondents if they believed Rwanda should adopt IFRS. All respondents answered 'yes'.

The respondents were also asked if it was necessary to improve the quality of corporate reporting in Rwanda, and if so why. These results are shown in Table 4.

Table 4 shows that 21% of respondents believe improvement is necessary to comply with international requirements, 17% think it is necessary because there is little accounting regulation, and 8% believe that improved corporate reporting will attract investors. Fifty-four percent (54%) of the respondents did not answer this question.

Table 4: Why Corporate Reporting Needs to be Improved in Rwanda

	%
To comply with international requirements	21
Because currently there is little accounting regulation	17
To attract investors	8
Did not answer	54
	100

The third question asked respondents *how* financial reporting can be improved. These results are shown in Table 5.

Table 5 shows that 38% of the respondents think regulation in the accounting profession could improve the quality of corporate reporting in

Rwanda followed by reforms in accounting (12%) and lastly, training (8%). Forty-two percent (42%) of the respondents did not provide any suggestions. Those respondents who answered this question are mostly in favour of regulation as a tool for improving financial reporting in Rwanda.

Table 5: How can Financial Reporting be Improved in Rwanda?

	%
By regulating the accounting profession	38
By reform in accounting	12
By training	8
Did not answer	42
	100

The final question asked respondents how they believe the quality of narrative reporting can be improved in Rwanda. These results are shown in Table 6.

Table 6: How can the Quality of Narrative Reporting be Improved in Rwanda?

	%
By adopting international standards	21
By 'reforms in narrative reporting'	17
By training	4
By regulations	4
By making it obligatory	4
Did not answer	50
	100

The most popular suggestion shown in Table 6 was to 'adopt international standards' (21%), followed by 'reforms in narrative reporting' (17%). 'Training' (4%), 'regulation on narrative reporting' (4%), and 'making it an obligation to disclose narrative reports' (4%) were less supported. Fifty percent (50%) of the respondents did not answer this question.

A perusal of some annual reports in Rwanda indicates that even though there is no official legislation or requirements regarding corporate governance disclosures, companies in Rwanda are improving their non-financial reporting but the information included is still insufficient. For instance, in SONARWA's 2005 annual report, the company was certified IS0 9001:2000. The report states that the management system of SONARWA was audited and found to operate in accordance with the requirements of their management standards. In RDB's 2005 annual report, the following features relating to non-statutory reporting were present: the social-economic impact of the Bank's intervention, job creation, and human resource capacity building.

BRALIRWA Limited became the first domestic company to be listed on the Rwandan Stock Exchange on 31 January 2011. A perusal of its annual report indicates that the financial statements have been prepared for the first time in accordance with the IFRS and the requirements of the Rwanda Companies Act. This is an encouraging sign for corporate reporting in Rwanda.

Conclusions, Limitations and Areas for Further Research

According to the perspectives of the respondents, annual reports in Rwanda require improvement. Although a small majority of the respondents were of the opinion that their company's annual report was useful to users, a question probing the composition of the annual reports showed some shortcomings in the annual reports. They were also of the opinion that a sustainability report should form part of narrative reporting, and that current narrative reporting is not suitable in Rwanda. The respondents were aware that Rwandan corporate reporting is not similar to the IFRS. Respondents recognised the need to improve corporate reporting in Rwanda and felt that this could be achieved mainly by regulating the accounting profession and by adopting the IFRS.

As the study identified a number of gaps in Rwandan corporate reporting, the following questions can be posed.

- What steps can Rwanda take to improve the situation? Practically speaking, how can it adopt IFRS going forward? What are the steps to be followed and what should be the timeline?

- What are the implications of Rwanda not following IFRS? It can be posited that these may be:

    i. Lack of investment;
    ii. The inefficient allocation of resources (from an economic perspective, if investors are receiving incomplete information, they are less able to allocate their resources (capital/finances) to the most productive uses); and
    iii. Investor confusion (as they are not able to make meaningful comparisons using the information nor may they be fully aware as to which accounting framework is being followed).

The regulatory regime in Rwanda will need to see how best it can bring financial reporting up to the required standards which would be acceptable to users.

The limitations of this study are that due to the small number of professional accountants in Rwanda, combined with the relative infancy of the two main financial institutions (RSE and ICPAR), the questionnaire was simplistic and this cannot be considered a comprehensive survey on financial reporting in Rwanda. In addition, a number of the questions were not answered by the respondents probably due to their lack of experience and the infancy of the accounting profession. Further research could probe the reasons for this and other reasons for the respondents' perspectives with follow-up interviews. Finally, due to the lack of peer-reviewed research, it is not possible to compare this study with those of other authors. Increased research in the field of Rwandan Accounting will hopefully rectify this problem.

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A Comparative Analysis of
Innovation Support Models at
Higher Education Institutions in South Africa

Silvester Oluput
Manoj S. Maharaj

Abstract

In this paper insights on how innovation support models at universities in South Africa can best be structured to achieve success. Some of the factors that effect innovation at higher education institutions include the institutional arrangements for the management of intellectual property and technology transfer capacity. A case study approach was adopted to examine innovation. The interview analysis revealed that Higher Education Institutions use more than one indicator to measure their performance. While there are several good innovation performance indicators, this study preferred the patent system as a good yardstick.

Keywords: Innovation, Technology Management, Patents

Introduction

This study analyses the innovation support models at South African Higher Education Institutions (HEIs). The study provides some useful insights on the extent to which patenting affects publication, with particular emphasis on the 'Big Five' research universities in South Africa. The study reviews the institutional arrangements for the management of intellectual property and technology transfer at the institutions and various policy initiatives by the Department of Science and Technology (DST) of South Africa (Sibanda 2008).

Below is a summary of analysis of provisional and complete patent applications filed by these institutions at the South African Companies and Intellectual Property Registration Office (CIPRO), and patents granted to the institutions for the period 2001 to 2007.

Table 1. Patent Applications Filed and Granted to the 'Big Five' at CIPRO (2001- 2007)

Name of HEI	Research publication output ranking	Number of provisional applications	Number of complete applications	Number of granted patents
UP	1st	41	22	28
UKZN	2nd	2	0	0
US	3rd	85	23	19
UCT	4th	49	23	14
WITS	5th	69	11	3

Source: Sibanda (2008)

Table 1 shows an anomaly in respect of the UKZN, where patenting activity is negligible as compared to its peers. Other factors held constant, UKZN should have had between 20 and 27 patents granted within the same period in order to achieve the second position in patenting. Sibanda (2008) attributed the anomaly at UKZN to a lack of policy in respect to IP management, as the individual researchers retained ownership of IP generated from their research.

Problem Statement

Research universities broadly have integrated scientific research as a core component of their teaching and mission. They are frequently the source of

technological innovation, which is usually measured by use of patents data (Garduno 2004). Patents data are the only manifestation of innovation activity covering virtually every field of innovation worldwide and over long periods of time. Patents counts are highly correlated with contemporaneous research and development (Trajtenberg 1990). However, despite UKZN's high research publication output as shown in Figure 1, there seems to be no patenting activity at UKZN as shown in Table 1.

This study seeks to investigate why there is an anomaly by critically analyzing innovation support models at HEIs in South Africa, and make recommendations for possible success of technology transfer of UKZN's research output.

Figure 1. The Publication Output of 14 Selected HEIs in South Africa
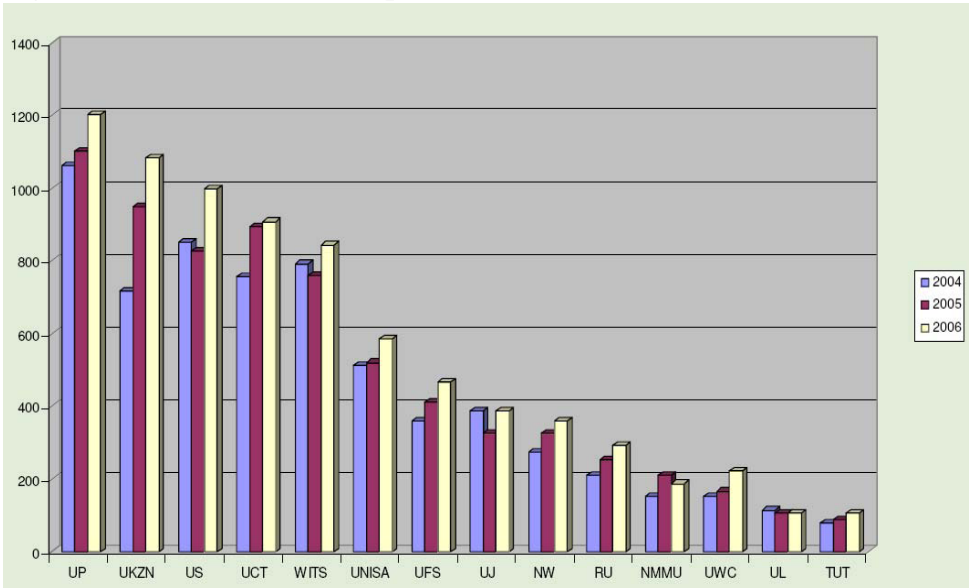
Source: Eloff (2008)

Research Questions

The research was carried out to be able to address the following major questions from empirical studies:

- To what extent does innovation integrate into the academic research? A case of the top five research institutions in South Africa.

- What is the measure of successful innovation at HEIs in general?

The underlying sub-questions adopted from the study of Sibanda (2008) and addressed by this research include the following:

   i.   What is the extent of innovation by the institutions both at the local and international offices?
  ii.   What are the factors perceived by the institutions as affecting innovation?
 iii.   To what extent are the institutions commercialising their research?
  iv.   What is the mode of commercialisation of innovation by the institutions?
   v.   Are the institutions' commercialisation activities based solely on patents or other forms of intellectual property?
  vi.   Is patenting hindering scientific development by reducing publication rate?
 vii.   To what extent is the existence of technology transfer offices and IP policies influencing patenting and commercialisation of research results at HEIs?

Case Study Findings and Recommendations
General
The case study suggests that UKZN is indeed one of the top five leading research institutions in South Africa. However, despite the high research output, UKZN does not have the stature that it should have as being a superb research institution that creates economic activity and social benefits through technology transfer of its inventions and research ideas. No patent has been granted to UKZN in recent years, yet patents are technological indicators worldwide and used by DST in South Africa to monitor performance. Similarly other HEIs, though better than UKZN in the area of patenting, performed poorly as compared to their peers internationally.

This study recommends that UKZN should work towards achieving an alignment between research excellence and commercialisation efforts and

attitudes of its staff. This will ensure that research output is an integral and prominent part of UKZN's aspiration to be one of the superb research universities in South Africa that creates economic and social value out of its research. This can be achieved through fostering a clear goal of maximizing disclosures of research discoveries, which is hard to recognize in the early stages. Through disclosures, the private sector and industry will see a large throughput of ideas with commercial potential thus developing as many valid candidates as possible (Manley 2004). Likewise, other HEIs should make their goals of maximising disclosures very clear. Lack of clarity in areas such as revenue sharing ratios may send mixed messages to researchers, hence encountering resistance to technology transfer activity.

Intellectual Property and Management Policies

Existence of IP management policies at HEIs and patenting activity appears to be correlated. HEIs with established IP policies and structures performed better in terms of patenting. This study agrees with findings by Garduno (2004) and Sibanda (2008), which argued that there is no Intellectual Property management policy operational at UKZN. However, a framework for IP commercialisation is stipulated in the Commercial Initiative Policy that was approved by UKZN senate in 2008. Lack of IP Policy has contributed to negligible patenting activity at UKZN compared to its peers. It is also important to note that the number of patents completed and granted to the HEIs in South Africa was lower than the provisional patent applications made by the institutions. A good example of such a scenario is WITS (as shown in Table 1.1), out of 69 provisional applications, only 3 patents were granted. Nevertheless, Moore (2009) argued that filing of provisional patent applications is a common phenomenon, which is quick, and a relatively cheap way of securing a priority date and starting the patenting process so that publication can take place.

This study recommends that UKZN should introduce and implement IP management policies that comply with the IPR Act 2008. Other HEIs that already have IP policies should consider revising their policies to comply with IPR Act 2008. This study cautions the HEIs not to go on a patenting spree just for the sake of patenting and end up with a large number of non-commercial, archaic and expensive patents. It is therefore necessary to involve qualified staff with both science and commercial skills, who should

be able to advise whether a particular invention is novel with commercial value. Generally, patent attorneys recommend filing of provisional patent application within two weeks of disclosure without necessarily carrying out due diligence process that is costly and leads to delays in publications. Due diligence can then be carried out before the PCT application is filed. The PCT application leads to International Search Report that is very useful in assessment of patentability and value of an invention (Mulder 2008; Venter 2008; Moore 2009). This study therefore recommends such a procedure to be carried out before committing significant resources to patenting.

Resources

Successful IP management is a prerequisite for successful commercialisation, thus technology transfer activity is a complex process, which requires funding and a right mix of skills, performance, motivation and cooperation between researchers and TTO staff. However most HEIs indicated that there were challenges in the area of funding to finance the patenting costs and a lack of the right mix of staff with science and business backgrounds. The root cause of insufficient funding stems from lack of entrepreneurial abilities by the universities, whose core objectives are teaching, research and outreach.

This study recommends the HEIs to implement strategies adopted from Manley (2004) as follows:

- Develop in-depth knowledge on what research is being done and assess its commercial potential before patenting.
- Educate researchers on how to protect their ideas, build trust and comfort with the idea of commercialisation.
- Try to attract private sector interest for both licensing technologies and creating start-up companies.
- Promote linkages with other functions such as contracting basic research with the aim of enhancing value of the original research idea.
- Introduce Bachelor of Innovation in Business Administration (BIBA) in South African HEIs to provide students with both business and science skills. The curriculum should be tailored such that graduates of BIBA will develop the critical thinking skills, multi-faceted team oriented skills and basic innovation background to ensure that they

can effectively compete in the changing career landscape in areas driven by innovation. Short courses in the similar field could also be introduced and administered by Innovation Support Models at HEIs to generate third stream income. A range of Bachelor of Innovation (BI) programmes should be considered in South Africa to meet the skills shortage. BI programmes are already offered in other international institutions such as University of Colorado at Colorado Springs (UCCS).

- The above are long-term strategies, however, in the short term the HEIs should look for funding from the DST to support innovation activities. Transaction fees as well as revenue from licenses, contracts and other transfer activities could be a source of revenue to develop and maintain the critical mass needed internally to provide service levels and the expertise needed to carry out technology transfer and commercialisation. UKZN Innovation currently uses this approach and has not yet benefited from Innovation Fund financial resources (Govender 2008).

Support Structures
The Innovation support models at South African HEIs are in three forms:

a. Integrated within the university environment as a department or a division within the Research Office, as is the case with UCT and NMMU.
b. Autonomous separate entities independent from university administration structures but owned by the university as in the case of Wits Enterprises and now InnovUS which initially operated within the university environment.
c. Mixture (Hybrid) of the two above as is the case with UKZN and UP.

Each type of structure has its own unique challenges and has implications in areas such as financial resources, infrastructure and expertise, IP protection, rate of decision making process, to mention but a few. This study recommends the position argued by Burton (1998) that, whatever the local configuration, to be successful, an innovation model should make reference to an entrepreneurial culture.

Governance, Leadership and External Relationships

Governance and leadership of innovation support model depends entirely on the structure as summarised above. Getting the institutional leaders to embrace technology transfer activity is a challenge for most HEIs interviewed. Other interviewees described the governance and leadership in the institutions as bureaucratic with 'too many university chiefs'; others paid just lip service, while members of some governing boards kept the academics out of their boardrooms.

However, it is essential that the board members of the support structure act as true partners to build a collaborative environment. They need to understand and balance both the needs of researchers and those of the business world. The ability to draw on the insights of experienced and skilled people in the private sector (with the right mix of business and science backgrounds) and from other parts of the research community would also be hugely beneficial. The creation of an Advisory Board with involvement of members outside the university community would provide valued advice to the leadership of the innovation support model and would represent a keen interest in the social and economic benefits of research to the community. There should be a need for serious engagement by the most senior officials of the HEIs including the Vice Chancellors and Deputy Vice Chancellors in charge of Research and Innovation. Regular review of the success of the commercialisation effort should be accepted as an important element of the Vice Chancellor's activities (Manley 2004).

Culture

The HEIs surveyed, especially the 'Big Five', have a reputation of being the top research institutions in the country and in the continent of Africa. The entrepreneurial drive is often secondary. Some of the HEIs such as UKZN have a culture that does not support technology transfer as portrayed by lack of IP policies and delays in implementing decisions. Others regard TTO as an irritation rather than a need. In some HEIs, there is a lot of freedom while in others 50% of the professors were not involved in research.

This study recommends that HEIs should adopt a culture in which technology transfer and commercialisation are encouraged, respected and rewarded for the economic and societal benefit. This is in line with the IPR

Act 2008 that calls for establishment of TTOs at HEIs and stipulates the functions of TTOs. The government of South Africa through DST expects returns from public funds invested in HEIs, not necessarily in financial terms, but in terms of new technologies, new treatments and medications, thus benefiting the society. For the case of UKZN, cultural issues are part of the reasons that have led the country's second largest research output producer to under-perform in the area of patenting. With these recommendations, this study argues that the leadership of the UKZN needs to take all necessary steps needed to make positive attitudes to technology transfer and commercialisation central elements of its culture.

Comparative Performance

Analysis of interviews showed that there is low rate of patenting by South African HEIs at both local and international level. Existence of IP management policies at HEIs and patenting activity appears to be correlated in that the HEIs with established IP policies and structures like UP, SU, UCT and NWU performed better in terms of patenting. Furthermore, the bulk of research from the 'Big Five' is skewed towards basic research as per UKZN's research output analysis by faculties. However, NWU appears to focus mainly on applied research with commercial value as per its vision and goals. In general, despite low patenting activity coupled with low conversion of these patents into commercial ventures, there is progress by the HEIs in terms of setting up the IP policies, TTOs and structures that favour technology transfer and commercialisation.

This study recommends that HEIs improve on infrastructure and develop world-class facilities and equipment so as to attract skilled and creative research leaders. Moving an idea from the laboratory to commercial application involves providing a service to the inventor and success is commensurate with the quality of that service. The officials responsible for technology transfer and commercialisation must be skilled at finding and packaging technologies inside the HEIs and introducing the technologies to the best private-sector matches for further commercialisation. Furthermore, the service providers must build a climate of trust and innovation culture through having closer, active ties with the researchers while focusing on their needs.

Performance Indicators

The interview analysis showed that HEIs used more than one indicator to measure their performance. These include: Number of disclosures, number of patents, number of breakthroughs to industry, number of projects managed within the Innovation Portfolio, the level of efficiency of innovation systems and tools. Other indicators include financial viability of research projects through the successful commercialization of projects and income generated.

While all the mentioned variables are good indicators to measure the success of an innovation support model, patent system is accepted internationally as a good yardstick. Patents can be used to analyze the technological activities of inventors, firms, regions and countries. They are valuable because they provide the researcher with a coherent set of data across countries and specific technological fields for long time series. Moreover, patents show a high level of correlation with R&D at the firm level and this suggests using patents as an 'input' indicator that measures the technological effort of companies and non-firm organizations to create new products and process (Montobbio 2007). In South Africa, patents are one of the technological indicators monitored by the Department of Science and Technology (Pouris 2005). This study therefore recommends patents as a yardstick for measuring innovation in general. This is due to the fact that proper use of the patent system could result in additional publications to the researchers and could facilitate the transfer of new technology to industry as indicated in the next sub-section.

Publishing, Patenting and Commercialisation

There is evidence that high quality research and high quality researchers tend to go together with patenting. The Murray and Stern (2007a) paper as cited by Montobbio (2007), shows that patented research is on average more cited and keeps on being cited even if at a lower rate. Case study evidence suggests that patenting is becoming important for having bargaining power to exchange and share protected tools and materials. However, the relationship between patenting and publishing may be negative at the individual level mainly due to a 'publication delay' effect and /or a 'basic-applied trade-off.

Despite delays in obtaining patents, the patent system has the benefit of securing the researchers a far earlier date for their research work, namely

the 'priority date' on which the first patent application (for example a provisional patent application) is filed, (Hurlin 1985; Sibanda 2008; Moore 2009).

Regarding the commercialisation of research, some lessons can be drawn from the literature surveyed. For example, companies' absorptive capacity is extremely important and companies in various industries have to be 'connected' with the HEIs in order to be able to absorb new ideas and discoveries. Montobbio (2007), argued that knowledge transfer between university and industry is based on a lot of different forms of interaction. Most of the research has focused on life sciences and biotechnology where basic research is very close to commercial applications. In these fields, there has been an impressive growth of university patents. However, technology transfer mechanisms vary considerably according to the scientific field, to the stage of development of the invention and across regions because they adapted to different institutional setting and research systems. Reamer, Icerman and Yantie (2003), Mowery and Sampat (2005) and Montobbio (2007), point out that the explosion of university patenting in the US is to great extent related to the biotechnology revolution that in turn has is roots in the considerable amount of federal funds dedicated to medical research.

This study therefore, recommends that technology transfer professionals in the HEIs should be in close contact with both the researchers and the industries with the aim of commercialising the research from the HEIs. Without any bias to other fields, emphasis on life science, biotechnology and basic research with commercial applications should be exploited and commercialised. The government of South Africa should follow the example of US federal government by increasing research funding in general, with emphasis on life science, biotechnology, biomedical and any basic research with commercial applications.

Other Factors

Apart from the above factors, this study established that, there are other challenges that the TTOs in South Africa are faced with. These include: loss of IP due to lack of awareness by researchers; not enough visits to the relevant units around the country; lack of funding for product development and commercialisation; difficulty in market penetration (both local and

international markets). Other factors include: the stage of development of the technology, the extent to which the patent addresses a large potential market, lack of systems that support venture creation, dearth of venture capital investors who really understand the technology offering and lack of seed funding for preliminary proof of concept work to increase success of licensing and technology transfer activities.

Recommendations based on the TTOs experiences include: Use of awareness raising to solicit invention disclosures, establish audit units to identify inventions, give due attention to all invention disclosures; evaluation based not only on commercial potential but also social benefit; licensing out for further development and Spin-outs where appropriate. The study by Sibanda (2008) suggests that successful technology transfer requires a regulatory and institutional support framework that must include policies regarding ownership, protection and transfer of new technology. The transfer of technology to industry is a complex function requiring diverse skills some of which may have to be outsourced from outside HEIs. The technology transfer process takes time and requires patience; undue pressure should not be placed on technology transfer professionals based on unrealistic monetary expectations. With the technology transfer concept being new in South Africa, researchers in HEIs have tended to focus on other mechanisms such as secrecy, publications and contract research. However the HEIs now have the support from the government of South Africa through the IPR Act 2008. All the researchers using public funds need to comply with the IPR Act.

Conclusion

This study addresses the extent to which innovation integrates into academic research. The possible yardsticks for measuring innovation are summarised in the sections above. However, comparative analysis of innovation can be hampered by scarcity of appropriate data and lack of good indicators with a wide coverage. Patents counts, weighted by citations are regarded in South Africa as good indicators for measuring and assessing the value of innovations.

This study therefore, recognizes that the path to achieving research and innovation excellence in South African HEIs, especially UKZN, will not be an easy task. It will involve breaking down existing barriers within and

outside the institutions, place building links, trust and a collaborative spirit. Successful innovation at HEIs rests largely on quality infrastructure and availability of highly skilled and creative researchers and technology transfer professionals, thus reflecting a truly entrepreneurial and innovation culture.

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Using Action Research to
Solve Everyday Problems in Classrooms –
A Position Paper

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Abstract
Recent national and international reports have shown that South African education is not up to standard. Some of the problem areas are the low levels of literacy and numeracy among South African learners as listed in the local media. Instead of leaving it to academics and politicians who are not part of everyday educational practice, to find solutions to the literacy and numeracy problems this article suggests that the educational practitioner should become a research protagonist by engaging in classroom-based action research. Consequently, the objective of this article is to show how a pragmatic approach, utilising the attributes of action research, could be a viable option for conducting research from grassroots level, rather than engaging in traditional forms of research. Based on a literature study, a number of aspects of everyday educational practice are identified and matched with action research attributes to demonstrate its viability for pragmatic classroom-based research. It is suggested that educators become the leaders of such a pragmatic research process, with academics acting as associates and advisors.

Keywords: Action Research, expenditure, pragmatic approach, educational practice

The Problem

Although 20.4% of the South African expenditure was allocated to education in 2010-2011 (SAIRR 2011:194), various reports indicate that education in South Africa is not up to standard. Some of the challenges are the low and declining literacy and numeracy skills of learners, as well as a poor work ethic among teachers (and learners).

The Report on Annual National Assessment of 2011 reveals a 35% literacy rate and a 28% numeracy rate among Grade 3 learners and mentions that these percentages have dropped from 36% and 35% respectively since 2007 (SAIIR 2011:421). The Progress in International Reading Literacy (PIRLS) Report of 2006 shows that South Africa's overall results on reading achievement rates are the lowest among 45 countries (Howe *et al.* 2006: 17&18).

Taylor (2006) reports that up to 80% of South African schools were dysfunctional. This might be the result of a lack of self-discipline and a poor work ethic among learners and teachers. Research conducted by the Centre for Development and Enterprise reveals that South African teachers spend less than 50% of their actual teaching time per week in class (SAIRR 2011: 421). In addition, it appears that many teachers do not understand their subjects or how to teach them (SAIRR 2011: 422). A report by Van Vuuren (1996:11) indicated that daily an average of 227 000 school children found themselves in front of the television during school hours. As part of the endeavour to solve these problems it has been suggested that teachers themselves need to do research in the educational environment in order to be involved directly in the process of improving education (Mertle 2009: xix). International research in the United Kingdom, the United States, Australia and other countries has been conducted on the value of teachers conducting and disseminating their own school-based research (Koshy 2010:3).

However, little or no literature is available explaining appropriate research tools available to the South African classroom practitioner. From a literature study on the dictates of modern educational practice, focusing on the sphere of day-to-day realities and their dictates to find answers to practical problems, it became clear that solutions often come from within the school environment itself, rather than from the offices of politicians, officials or academics. Much of the research conducted in education has often been of little relevance to educational practice, resulting in a failure to have an effect

on education (Mills 2007:6). In addition, since the research has often not been relevant to educational practice, it has failed to address the educational practitioner's questions.

In terms of item 7 of the Professional Ethical Code for Educators, the educational professionals in schools are obliged to conduct research in order to stay 'abreast of educational trends and developments' (Oosthuizen 2001:86). However, not all educational practitioners have an appreciation for and understanding of research (Creswell 2012; 3). Gall, Gall and Borg (2007:3) observe that research still has little influence on their day-to-day work. They argue that, by contrast, surgeons who do not take cognisance of the newest reports on medical research will barely be able to continue their careers.

There are reasons why teachers are not inclined to conduct research. In the first place, teachers contend that, in general, the teaching practitioner should rather focus on the application of teaching skills and strategies in a teaching and learning school environment than on paying attention to research (Dana & Yendol-Hoppey 2009:3). They add that teachers are often fulfilling their roles as teaching technicians who are not supposed to be problem posers or to be problem solvers. Another reason for this inclination is to be found in the fact that, in the past, teachers did not have proper access to modern research tools to disseminate original knowledge they can take to the discussion table. Consequently they have to implement the findings to school-related problems of experts such as academics who are outside the walls of the school building, alien to modern trends of the school environment.

A convenience sample consisting of 76 educational practitioners, who are postgraduate students on two campuses of a large South African university, confirmed that almost 47% of the respondents were not involved in any kind of research directed at enhancing educational practice in class. This kind of approach actually entails that schools of the future would operate pretty much the same as they do now (Gall *et al.* 2007:3), which would mean a lack of development in educational practice. The purpose of research in general is to attain more knowledge about one's working field in order to ultimately enhance one's operational skills as a practitioner and to understand the ever-changing educational process in coping with its dynamics (McMillan & Schumacher 2010: 3).

In view of the above, the objective of this theoretical essay is to show why a pragmatic style of research may be appropriate for the teacher to use as instrument to solve the everyday practical problems of educational practice in order to improve the learning-teaching environment. In the process, the very essence of a pragmatic paradigm of research as well as matching research strategies and instruments will be identified. The dictates of everyday educational practice, as determined by a literature study, will be compared with the essentials of the pragmatic paradigm.

Pragma as a Conceptual-Theoretical Framework

The conceptual framework of this article is based on the Greek concept *pragma* as a paradigm for research. In this section, the essence of *pragma*-tism is analysed in order to identify the commonalities between the two derivations of the word *pragma* - pragmatism and pragmatic. The Greek word *pragma* basically means *dealing with things in a practical and sensible way; relating to fact* (Oxford 2001: 693). Rooted in the word *pragma* is the noun pragmatism as well as the adjective pragmatic (Greek: *pragmatikos*) which, freely translated, entails being practically inclined. Although these two words basically mean the same, they differ in their modern-day application in the sense that the *-ism* suffix adds a state or quality to the root word, *pragma* (Oxford 2001: 481). Pragmatism as an *–ism,* when applied as a world view, seems to over-emphasise the pragmatic to such an extent that it becomes the compass and the only norm that guides one's actions and perceptions about life. It becomes the vehicle that steers all actions and objectives in life. This implies that in pragmatism, 'what works in a particular situation is acceptable' is regarded as the only norm.

Creswell (2009:3) identifies a differentiated advance to research related to diverse worldviews or epistemologies. This diverse approach to research implies that the very nature of research is not only individualised, but also contextualised.

The concept 'pragmatism' is also related to the Greek word *praxis*, literally meaning *doing; practice as opposed to theory* (Oxford 2001:693). The obvious implication here is that the pragmatist emphasises the practicality of doing something or acting on a given situation rather than theorising about a problem. Pragmatism as a philosophy of life can be traced back in history as far back as Protagoras (485 – 415 B.C). More recently,

some of the exponents of pragmatic theory were scholars such as Charles Pierce (1839) –1914), William James (1842 – 1910) and John Dewey (1859-1952) (Landman, Kilian, Swanepoel & Bodenstein 1982: 30).

Dewey, for example, developed a pragmatic-empirical approach, which entails that the truth about a matter has to be tested and proved in practice for validity. Continual experimentation and (often in combination with) practical experiences are seen as vital instruments on the road towards attaining knowledge to be applied in one's everyday (practical) living environment. To the pragmatist, the application of these instruments to everyday 'real-life problems' now has to be submitted to a progressive cycle of reflection consisting of 'common sense thinking' and conclusions (Landman *et al.* 1980:29, 30).

Another essential of pragmatism is vested in the perspective that there is no absolute truth and that truth is relative – in other words, a kind of 'middle of the road' perspective which focuses on the here and now, the present, everyday world. For some of the exponents of pragmatism such as Bacon, the only truth is that which is to be found in the practical, passive experience and the constant adaptation to a particular environment (Van der Walt 1982:39; Landman *et al.* 1980:29, 30). This entails that pragmatism follows a contingent or situational approach in dealing with complex situations. Both the authors concur that it is difficult, if not impossible, to work from broad-based theories, generalisations and pre-set agendas to solve the problems of complex situations and environments. Consequently, congruent to relativism, which is a characteristic feature of their pragmatism, they proclaim that what proves to be true in one scenario does not necessarily hold true for the next. What proved to be effective in dealing with a particular problem a decade ago might not be as effective in the same situation ten years later.

Pragmatism stresses that in an effort to define truth, experience is to be regarded as the main criterion. In this regard, William James summed up: 'Everything real must be experienced somewhere, and every kind of thing experienced must somewhere be real' (Huchingson 1981: 12). Consequently, he argues, since experience is always changing, so does truth – which implies that all beliefs are relative to the concrete experience. Intrinsic to the pragmatic worldview is therefore that life itself is vested in a foundation of fallible probabilities rather than fixed certainties (cf. Huchingson 1981: 12).

John Dewey, one of the adherents to pragmatism, supporting his approach to scientific inquiry by the afore-mentioned views, proclaimed that the quest for knowledge could only be free if it is not restricted by religious doctrine. Consequently he held that, historically spoken, humankind's dependence upon the supernatural had restricted the actualisation of their human potential - and that a dependence on scientific research rather than religious ideology, would actually contribute to a much better and more stable adjustment to their world (Huchingson 1981: 39, 40).

The Pragmatic Dictates of Educational Research

The very lenses the researcher is wearing are subjective. Research approaches are *inter alia* defined by the nature of researchers' research experiences and their philosophical worldviews. The latter are regarded as the researcher's basic set of views that guide his or her actions as they observe the world through their own particular lenses. This is connected to what Mouton (2001:138) labels as the meta-science of research or science about science and Creswell (2009:8) depicts as the four worldviews of research, namely the post-positivistic, the social constructivist, the critical theory or advocacy and the pragmatic.

Some of the imperatives of everyday educational practice call for a pragmatic approach in order to solve problems. They are, among others, the following:

1. Practical problems in educational practice call for practical solutions

2. Educational practice calls for a focus on the individual

3. Educational practice calls for a multifaceted, holistic approach

4. Educational practice is complex and constantly in progress

5. Educational practice calls for effective change

6. Educational practice calls for immediacy

7. Educational practice needs to be monitored from the engine room

These are discussed in greater detail.

Practical Problems in Educational Practice Call for Practical Solutions

Even though qualitative and quantitative approaches both have their own merit, it is suggested that the mixed method approach holds optimal possibilities for research conducted by teachers in schools. Onwuegbuzie *et al.* (2009: 118) point out the usefulness of the mixed method in reducing, displaying, transforming, correlating, consolidating, comparing, integrating and assessing data. This implies, on the one hand, that the researcher can use the quantitative approach to obtain objective, measurable data related to trends and relationships between variables and to submit this data to a statistically sound process so as to achieve an objective, numerical analysis. If properly conducted, such research helps to identify pertinent trends and relations. However, once these statistically verified data are available, it may be necessary to explore and understand how learners or educational practitioners feel about, perceive and experience the issue subjectively.

The mixed method is not only pragmatic but also holistic and suited for education. Educational practice finds itself in a complex environment, which calls for a holistic, multifaceted, flexible approach. Education as praxis finds itself within dictates of the social science where intricate mental and physical demands of relationships between parents, learners and teachers have to be monitored from a holistic perspective.

Action research as a research strategy is also pragmatically and holistically inclined. Consequently, action research as a strategy runs parallel to the mixed method approach and can therefore ideally link up with the pragmatic-holistic stance of the mixed method approach.

Cohen and Manion (1994:192) explained action research as an on-the-spot research procedure, which is directed at solving concrete, real-world problems manifested in an immediate state of affairs. This step-by-step research process is constantly monitored by means of a variety of mechanisms, including questionnaires, diaries, interviews, case studies and others with the purpose of obtaining feedback relating to the questions in order to modify and adjust and redefine where needed. Mills (2007: 5) applied the former definition to education praxis in saying that it entails any kind of systematic research conducted by educational practitioners such as teachers and school principals within the boundaries of educational practice relating to the operation of the school and the effectiveness of learning-

teaching practice, in order to enhance insight into it, and consequently, into the positive effectiveness thereof.

The action research strategy originated from Lewin's action-reflection cycle, which was refined to what is today known as action research (McNiff 2002: 40). This cyclic strategy of planning, acting, observing the results and reflecting is sequential in that the first cycle is followed by the implementation of progressive cycles in pursuit of finding the ultimate solution to a practical problem.

Within the framework of the mixed method approach the action research strategy appears to be the optimal strategy due to its inclination to find practical solutions to problems using all available actions. Action research has shown to embrace basically all methodologies and approaches to research (Pine 2009:67). Although it is basically concerned with the qualitative research approach, it is not limited to it (Henning *et al*. 2009, 4; McMillan & Schumacher, 2010:445). Action research has indeed been described as the most applied and practice-based design of all research designs (Creswell 2012: 576).

Action research emphasises the *how to* approach rather than the help with philosophical inclination (Mills 2007:6). Action research is practical and problem solving by nature. The practical nature of this strategy for research is to improve one's own practice or that of the institution (Koshy 2010: 8). Within the realm of action research, educational practitioners endeavour to identify the practical problems in their classes, determine suitable data collecting strategies, analyse data obtained and develop action plans based on the outcome of the inquiry.

The pragmatic emphasises that which works properly within the context of the particular situation and time (Creswell 2009: 9, 10). Many approaches, including the quantitative and qualitative, are used for collecting data rather than only one research approach. It is for this reason that the pragmatic worldview favours a mixed method approach, in which a variety of approaches are incorporated in the research strategy in order to obtain the information needed to solve a problem pragmatically. Since mixed methods are rooted in the meta-science of the pragmatic world view, it basically seeks to find practical answers to those problems educational practitioners constantly have to deal with - it is suitable for finding practical answers to practical problems in the realities of the educational praxis.

Educational Practice Calls for a Focus on the Individual

The mixed method approach linked to action research not only entails large study populations suitable for detecting generalised trends within a school, but is at the same time suitable for detecting the experiences, inner feelings and perceptions of the individual learner. While learning and teaching as an activity rotates around the collectivity of an institution such as a school or class, it also has to focus on the individuality of each individual learner. This implies that although many of the activities in a school are collective by nature, they also simultaneously focus on the individual learner.

The collectivity of inclinations such as, for example, violence in schools needs to be detected in a quantitative manner in order to apply collective school policies and strategies in order to curb the violence. Such a policy imperative for adopting a school code of conduct to regulate learner conduct on a collective basis is found in section 10 of the SA Schools Act (SA 1996$_b$). However, at the same time, the uniqueness of the individual learner's experiences, feelings and emotions, which have become victim of such violence, has to become the focus of research - in education it simply needs to be accommodated as well. Not only is the protection of the individual (or a small minority) viable from an educational point of view, it is also a Constitutional imperative. The SA Constitution not only emphasises the rights of children (plural) but also elevates the child in its individuality. Section 28(2) of the South African Constitution determines that the best interests of the child (singular) are of vital importance in every aspect concerning the child (singular) (SA 1996).

The necessity to focus on both the collective and the individual calls for the flexible research approach, which is accommodated by the attributes of the mixed methods approach and the action research strategy.

Educational Practice Calls for a Multifaceted, Holistic Approach

In their work on the fundamental theory of education, Van Loggerenberg and Jooste (1980:13) identified holism (Greek: *holos*, whole) as one of the vital essentials of education. The concept of education is derived from the Greek word *paidagogia*, which basically entails leading or escorting the child as holistic being from immaturity to maturity – from a condition of dependence

to a state of independence. In addition, education also calls for holistic, multifaceted activities, which include: endeavours to guide the child from ignorance to knowledge; from mental immaturity to mental maturity; from physical immaturity to physical maturity; from spiritual immaturity to spiritual maturity; from irresponsibility to responsibility. This again chimes with a Christian perspective.

Research in education, in turn, is holistically contextualised by the nature of the problem being investigated: this entails the particular subject area, the matter being addressed, the nature, characteristics and needs of the target group or research population, the nature of the audience related to the inquiry, as well as the juridical imperatives connected to the subject of focus.

The holistic nature of educational practice obviously requires a holistic approach in its research endeavours. The mixed method approach is holistic by nature because it combines quantitative and qualitative research instruments and inclinations. It utilises not only the qualitative but also the quantitative approach. Action research as a strategy also meets this requirement since it draws from vastly different worldviews in order to find appropriate answers to the variety of problems related to educational practice (Mills 2007: 8).

Educational Practice is Complex and Constantly in Progress

Education finds itself in a multi-layered world characterised by multitudes of paradoxes, and tensions in which the teacher is expected to implement constant changes advocated by top-down administrators and politicians from outside the school walls (Dana & Yendol-Hoppey 2009:1).

In essence, the positivistic approach to research is grounded on the notion that all behaviour and events are orderly and that all situations have empirically detectable causes, from which researchers are able to explain and predict (Mills 2007:2, 3). Education as a social science does not strictly comply with these criteria; it rotates around human behaviour, which is often disorderly and impulsive. The problems addressed by social science research are complex; to use only a quantitative or qualitative approach to address a complex scenario is often inadequate (Creswell 2009: 203)

For example, education is normally conducted in the extremely complex environment of a classroom (Mertle 2009: 23). One of the attributes

of the classroom is its multidimensionality due to the large number of events taking place – each event with its own set of consequences, constantly evolving around the diversity of individuals, each with its own objectives (Pine 2009:17).

The 2005 American report conducted by the Committee on Research in Education and National Research Council emphasises the complexities of educational practice (Pine 2009:11). The Report describes educational practice as multi-layered, and *constantly* shifting – being transformed by its intricate relations with diversities of people as well as the values of political forces. The Report also notes that research in education is multi-layered in the sense that it needs to pay attention to 'the physical, social, cultural, economic and historical environment' relating to the particular research.

This multifaceted complexity of educational practice demands a multifaceted research approach not predefined by any boundaries for research (Pine 2009:25). This scenario calls for a contingency approach that fits in with the attributes of action research that is constantly asking: *which method works* for this particular situation? (Pine 2009: 37). Action research is flexible, fluid, open and responsive by nature and therefore suitable for dealing with the contingent scenarios of the classroom and school environment (Mertle 2009:23; Creswell 2005: 14; Koshy 2010:4).

The afore-mentioned report issued by the American Committee on Research in Education and National Research Council not only emphasised the complexities of educational practice but also the fact that it is constantly shifting and being transformed by factors such as the intricate diversities of people it deals with and the driving forces behind political ideologies (Pine 2009:11). Since educational progression is an imperative in order to keep up with the newest scientific trends, it also needs to take cognisance of the newest research approaches available. A relatively new research approach is mixed methods, which – as explained above - has only recently started to receive serious consideration among scholars (McMillan & Schumacher 2010: 396). It can be typified as a step forward in the progression of world research, now gaining popularity by utilising the strengths of both the quantitative and qualitative approaches (Creswell 2009: 203).

Educational Practice Calls for Effective Change

Progression and change go hand in hand. In view of this, it can be averred

that educational practice in South Africa needs to change. Much of the traditional orderly report writing based on empirical findings not always results in effective change of educational practice. These reports often become documents filed in the dusty drawers of academe and politicians.

The ultimate aim of action research is to improve practice. In fact, the first step in the sequential spiral of action research is planning to change (Koshy 2010:1, 4) since its objectives are focused on effecting positive change in educational practice (Mills 2007:3).

Educational Practice Calls for Immediacy

Immediacy is regarded as one of the essential requirements for solving problems in a typical classroom scenario (Zeichner 2009:17). The problem with traditional research techniques is that they are often time consuming – they require a relatively formal procedure, which includes describing the problem, collecting and analysing data and writing a report. Action research, on the other hand, is not confined by these time limits – the teacher can immediately enter the sequential cycle typical of action research. For example, the moment an incident takes place in class, the teacher can immediately start reflecting on it, or begin planning on how to solve it or how to adjust to the situation (Zeichner 2009:24).

The pace of a typical classroom often leaves the teacher little time for reflection in a single period. The fact that the teacher is constantly on the scene of inquiry can obviously speed up the sequential action of the research cycles of planning, acting, observing results, reflecting and adjusting. Action research is practical since it affords teachers the opportunity of obtaining immediate access to the findings (Mertle 2009: 19).

Educational Practice Needs to be Monitored from the Engine Room

Action research is conducted by teachers for themselves – it is a systematic inquiry into one's own practice (Mertle 2009:4). The fact that the teacher is constantly in the class to plan, act, observe, reflect and readjust could assist in steering the ship out of troubled waters.

Teachers are constantly expected to adjust to the complexities, para-

doxes and tensions created by politicians, administrators as well as the legal imperatives from outside the school building (Dana & Yendol-Hoppey 2009: 1). In the past teachers were not able to contribute to the debate on educational practice due to the fact that they did not have access to it, or the necessary knowledge of traditional research tools (Dana & Yendol-Hoppey 2009: 1). Traditionally, research on educational practice was conducted by university professors, scholars and graduate students – with the educational practitioners left out in the cold as mere subjects of inquiry. In other words, much of research was done on them and not for them (Mills 2007:6).

Action research, again, is not so much an academically sophisticated instrument for research, as it is an easy-to-apply tool to utilise in the everyday working environment of the educational practitioner. In order to achieve the twin objectives of producing scholarly research while retaining a practical focus, it is useful for the student to understand and be able to employ effectively the research paradigm, which is commonly referred to as Action Research.

Although Action Research is a highly effective framework for achieving these twin objectives of academic rigour and experiential relevance, there is no doubt that it has its critics. Until recently many academics have taken the view that Action Research has much to do with action and little to do with research (Eden & Huxham 1996). It can be argued that the pervasiveness of technology, IS research should be salient to other fields of research. This could be directly applied to Action Research and its place in the area of research.

The idea of action research has not been embraced wholeheartedly by academics. There has been the notion, probably connected somehow to Plato's ideas in his *Republic*, that there were essentially two quite 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, which is where the philosopher resides. The combination of these two domains was considered problematical. Indeed, there is good reason to suppose this to be the case. 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 extract knowledge from the experience, as well as benefit 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.

But this view has been amended over the past few decades. Medawar (1986), who is undeniably one of the 20th century's most distinguished scientists, posits that 'there is indeed no such thing as the scientific method. A scientist uses a variety of exploratory stratagems.'

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 has now been seen 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'.

Recommendations

The intensity of the problems embedded in South African educational practice necessitates *practical* solutions. Research conducted by academe and politicians from *outside the school walls* appears to be too far removed from the everyday school practice to solve all the problems. The result of a rigid theoretical approach to research is that many of the current critical issues in educational practice remain unanswered. It is therefore suggested that these problems be approached from a pragmatic philosophy of research, linked to the practically orientated strategy of action research. In many of the developed overseas countries, educational practitioners are already conducting research from this hands-on perspective in an attempt to find practical solutions to their problems. As a result of the inherent dynamics of a classroom, educational practitioners in countries such as Australia, the United States and the United Kingdom already seem to favour action research (Koshy 2010:3). The afore-mentioned brief survey among South African educational practitioners indicated that almost 62% of the respondents did not conduct action research on educational practice as a form of school-based management in their classrooms

The vital question is: How can the tide be turned? First of all, one will have to bridge teacher indifference towards conducting their research. Resolutions need to be taken by South African teachers to solve everyday practical problems from within their own workplace. The practical experiences of teachers at the rock face may yield crucial information about what can work in educational practice. South African teachers need to turn the tide currently flowing top-down, from academe and politicians to the teachers, to a tide flowing upwards – from the teachers towards the politicians and academe. Instead of waiting on politicians and academics that are often not really familiar with the scenarios and conditions inside the school walls, the results of teacher-based research attempts need to be collected as sources of information made available to politicians, academe and ultimately, policy makers.

Teachers will have to be sensitised to the worth of their own research contributions for the improvement of their particular work environment as well as the service they are rendering towards education in general by sharing their findings within the broad educational community.
Teachers will also have to be informed about the dynamics of hands-on research, which originates from everyday educational practice – and especially about the cyclic approach of action research. Although the essential skills of action research are likely to be taught by academe, these skills need to be applied by the teachers as educational practitioners themselves.

The findings and outcomes of the research done by the teachers are to be shared with the teaching fraternity in consultation with the academe who now becomes a partner in reflection – a partner in the cyclic research process and not the sole agent of the process. Consequently, the traditional cyclic strategy of action research which basically entails the four-step cycle of planning, acting, observing the results and reflecting, followed by sequences of progressive cycles in pursuit of finding the ultimate solution to a problem, can be altered to include a fifth phase – consultation with a knowledgeable researcher (e.g. an academic partner).

According to the brief survey referred to, it appears that South African educational practitioners are not properly informed about the principles of action research. This condition of ignorance and unawareness needs to be resolved by a well-informed practitioner (e.g. an academic researcher) who now becomes an intermittent mentor of the process – a

trainer of the inexperienced educational practitioner regarding the dictates of action research. This does not necessarily imply that such a mentor is to become part of the actual research that is conducted by the practitioner; it merely means that such a mentor is an advisor regarding the dictates of the process itself, distant to the actual research process.

Relevance and Rigour

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) in his article state 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.

The process consultant does not have to be an expert in a particular functional area. In fact, Schein 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, 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.

Conclusion

South African teachers, finding themselves in the centre of day-to-day educational practice, are the key to the turn-about in South African education; they have to become the key role players in a pragmatic-action research strategy, and start conducting research from a pragmatic stance in order to

find practically based answers to the problems currently obstructing effective educational practice.

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E-book Usage by Students

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Abstract

The benefits provided by e-books have been hailed by many as guaranteeing widespread adoption, while others cannot seem to overcome the challenges presented by this new technology. This article reports on research into the usage patterns of e-books among students in the School of Information Systems and Technology at the University of KwaZulu-Natal, Pietermaritzburg campus. The results of this study indicate that a large number of students within the school have not used e-books in the past. Those who have used e-books have used them mainly for research and study purposes; very few of the respondents indicated that they have used electronic books for leisure purposes. Many of the respondents also indicated that they preferred downloading free e-books from the Internet rather than purchasing e-books.

Keywords: E-books, electronic books, perceptions, user attitudes on e-books, adoption of new technology, adoption of e-books

Introduction

Reading printed books, for any purpose, is as outdated as writing in hieroglyphics on papyrus – surely the convenience and ease of use of electronic books would convince readers to use the new reading technologies? Does this claim hold true? Obviously, Information Technology students would be the first to adopt the shiny, new electronic reading devices?

Reading is one of the core learning activities of most societies. People make use of books for various reasons: studying, leisure, research and teaching. As new technologies surface globally, the adoption of these new technologies directly impacts on people's lifestyles. While some people adapt easily to the new technologies, others experience difficulty in developing the necessary knowledge and skills in learning how to use them.

With advances in technology, digitalisation has also reached the publishing industry in the form of electronic books. In today's digital society, electronic books are gradually becoming the more popular form for accessing literature, despite the incorrect early predictions of rapid rates of adoption. A widely accepted definition of an electronic book (e-book) is 'an electronic version of a traditional print book that can be read by using a personal computer or by using an e-book reader' (Sagar, Maharana & Sharma n.d.).

This broad yet basic definition of an e-book has created confusion and misinterpretation among many potential e-book users. User expectations about possible uses of e-books vary widely and the definition has evolved to include new applications and methods of accessing e-books (Bennett & Landoni 2005).

E-books are available in several forms, including web-accessed e-books, web-downloadable e-books, dedicated e-books and general-purpose Personal Digital Assistant (PDA) e-books. These different forms allow readers the convenience and pleasure of reading multimedia information anywhere, anytime, with better storage and functionality.

A variety of multipurpose handheld devices such as PDAs are available for accessing e-books. Gregory (2008:266) summarises the three major trends in the e-book market as:

(1) web-based aggregated collections with academic content, such as reference, business, and information technology;
(2) audio e-books, due in large part to the combined popularity and ubiquity of Harry Potter audio books and iPods; and
(3) a curious resurgence in dedicated e-book devices, such as the 2006 Sony Reader and the 2007 Kindle Reader from Amazon.

E-books are distributed and sold in many ways via the Internet. For example, e-book author Stephen King prefers selling his own e-books from

his personal website, while others choose to use the route of specialised stores such as Amazon.

For the most part, existing literature on e-books examines the course of the e-book revolution from a library perspective. These studies have focused on student usage of e-books provided in libraries as well as on identifying barriers to usage. There are very few studies that investigate the adoption of e-books from a student perspective, where usage for personal and leisure purposes complements the interest in academic uses. This article attempts to address this gap in the research.

There may be numerous reasons why students do not use e-books in their everyday interactions with both books and technology, but to date the e-book usage patterns of students have not been widely documented. The current immature stage of e-books, the lack of awareness of e-books, preference for printed books, eye strain or perhaps students that see no need to use e-books could very well be some of the dominant factors. This article reports on the usage patterns of e-books among students at the University of KwaZulu-Natal (Pietermaritzburg) and establishes some reasons for these usage patterns.

The article is organised as follows: the next section provides an overview of the relevant literature, after which the chosen research methodology is outlined, followed by a discussion of the findings, limitations and possible areas for further research.

Literature Survey
Background and Context
The growth of the Internet, accompanied by rapid developments in information and communication technologies, has changed the nature of the publishing industry. E-books are slowly moving away from being a niche to being part of the mainstream, providing publishers with endless, innovative opportunities. Fast adoption and increased use of this new technology is evident in the current literature, mainly in academic libraries; however, the adoption of e-books outside the library environment has been much slower than anticipated. Most of the literature reviewed focuses on student use of e-books in libraries, with emphasis on factors influencing the purchasing and provision of e-books in academic libraries.

In an effort to understand the e-book usage patterns of students, Christianson (2006) collected and examined the e-book usage patterns from five academic institutions over a period of a year. During this study, Christianson (2006) evaluated topic/subject use by libraries. The study found that there are several types of e-books that are perceived to be more useful than others, 'showing small clusters of high-use material among low-use and no-use material' (Christianson 2005:361).

Ismail and Zainab (2005) conducted a study at the University of Malaysia where they focused on categorising several e-book usage patterns based on when, how, why, and where students in the Faculty of Information Technology and Computer Sciences made use of the e-book services provided by the university library. The results showed that 'even though the students are heavy users of the Internet, rate themselves as skilled in Internet use and have positive attitudes towards the e-book services, the level of e-book use is still low at 39%' (Ismail & Zainab 2005:1). Their study also identified four overriding factors that influence e-book use: 'ICT competencies of the students, their cognitive makeup, the degree of user access to the e-books and the functional or use factors' (Ismail & Zainab 2005:1). Furthermore, these authors point out that experienced users of e-books find it easy to use e-books but, for the most part, only make use of them for writing assignments (Ismail & Zainab 2005). The majority of these respondents indicated that they preferred making use of e-versions of textbooks and reference sources.

In a study to uncover the levels of awareness and usage of e-books among students in an academic library, Abdullah and Gibb (2006) found that only 57% of students within the entire university had used e-books. They also reported a substantial number of students who had not used e-books, attributing this to a lack of awareness of the existence of e-books. Some students intended to use e-books in the future but felt no need to do so as yet; others did not like to read from a computer/device screen, and many students indicated a preference for printed books.

Levine-Clark (2006) examined the varying degrees of awareness and knowledge of e-books, including how and why they are used, as well as the level of satisfaction with the format. The study revealed that 'many respondents indicated that they would use e-books, or use them more, if they only knew about them' (Levine-Clark 2006:297). Some respondents argued that it was the duty of the libraries to provide training on e-book use. An

additional set of comments showed that the respondents were not clear about the definition of e-books. Some clearly confused e-books with e-journals. Ismail and Zainab (2005) reported that students only became aware of the e-book service on the website or from their lecturers, friends or the librarians.

To provide further insight into the levels of knowledge on e-books, Gunter (2005) conducted an online survey that attracted a total of 3 916 responses. The survey attempted to establish whether the respondents had ever heard of e-books. The findings showed that 85% of the respondents had heard of e-books in one form or another. The survey analysed the usage patterns of these 3 322 (85%) respondents. Usage patterns showed that 49% had used e-books on a trial basis, 38% had bought at least one e-book, and 13% had borrowed an e-book from a library (Gunter 2005). Based on the perceived advantages that these e-books can be obtained more conveniently and are often cheaper than hard copy versions, the more popular and most purchased form of e-books used included technical e-books and non-fiction publications read for leisure.

Attitudes to and Perceptions of E-books

Shelburne (2009), in her study on e-book usage in an academic library, focusing on user attitudes and behaviour, found that 45% of respondents were not aware that e-books were available in the library. Lam, Lam, Lam and McNaught (2009), who conducted an exploratory study at the Chinese University of Hong Kong, examined the usability and usefulness of e-books. Despite the many advantages of using electronic material (convenience, portability and up-to-date material), the findings indicated that students did not find e-books a useful and practical tool for academic learning. In addition, students did not seem keen to use e-books for non-academic purposes.

As part of the Joint Information Systems Committee (JISC)-funded UK National E-Books Observatory Project, Jamali, Nicholas and Rowlands (2009) conducted a study on both students' and academics' perspectives on e-books. It has been acknowledged that the extensive survey has provided insight into what the academic community thinks of e-books. Searchability was the most frequently reported advantage. In addition, a potential market for e-textbooks was highlighted. However, improvements to features such as printing and screen reading were identified as being required in order to make e-textbooks more student-friendly (Jamali *et al.* 2009).

In summary: mixed feelings, attitudes and varying levels of perceived usefulness of e-books have been reported, primarily by students, in the articles reviewed.

Factors that May Inhibit or Assist Adoption of E-books

As mentioned above, most available literature on e-books is based on studies done in libraries where the focus was on factors affecting usage from a provisioning perspective. Libraries increasingly make use of e-books as part of their resource offerings. Connaway and Wicht (2007) examined the barriers to e-book adoption from an academic community's perspective with focus on the libraries as e-book providers. In terms of barriers, the results showed consistent reports of a need for standards, hardware development, copyright and operability issues, as well as impractical access, price and purchase models, and lastly, limited discovery and delivery options.

As far back as 2005, Herther (2005:45) reported that issues hindering the adoption of e-books as a new technology included existing 'e-book standards, digital rights management, content availability, pricing, device/reader technology, integration and market development'.

Comparison of E-books to Print Books

In comparison to print books, e-books have not yet found a specific market segment. Cox (2005) compared the usage of e-books to that of print books, focusing on the commonly perceived potential offered by e-books for learner support. Cox (2005) also outlines how e-books struggle to contend with print books due to restrictive licensing, limited range of titles and subjects offered as well as poor on-screen presentation.

Rao (2001:249) captures the intangible allure of print books: '[T]he touch and feel of a paper book, its longevity and history are in our souls'. Ismail and Zainab (2005:1) illustrate this in their finding that 'generally both users and non-users of e-books prefer to use the printed version of textbooks especially if the text is continuously used'.

E-book Reader Hardware

According to Carden (2008), a variety of effective e-book devices are available. This study highlighted hardware improvements and significant

price reductions of these devices that would assist e-book reading devices in moving into the mainstream.

E-book Standards

Due to the growing popularity of e-books in 2007, Connaway and Wicht (2007) examined the then current standards put in place for e-book design and distribution. In the library context, Connaway and Wicht (2007) conclude that there is a need for standards when developing and distributing e-books since libraries are required to support numerous formats, software, purchasing, hardware and usage models. Academic libraries are presented with the overwhelming challenge of integrating e-books into their existing acquisition, discovery and delivery systems.

In an article by Kaser (2009) it is claimed that the recent adoption of the EPUB (Electronic Publications) e-book standards can be accredited to the increase in adoption, usage and deployment levels of e-books. EPUB standards have also allowed for the increase in the number of available titles. These standards have made it possible to capture or convert XML-based books to open EPUB standard which can then be displayed on a variety of devices, resulting in lower publisher's cost, thus making more titles available as e-books. Kaser (2009:1) claims that '[t]itle availability is now fuelling library sales of e-books'. Kaser's study also revealed that in August 2008 e-book title availability was reported to have increased by 30% to 82.9% on the previous year and sales had increased by 53% for the year between August 2007 and August 2008.

E-book Strengths and Weaknesses

Generally accepted strengths of e-books include increased readership, convenient storing, relatively low cost and instant availability through downloads.

Some of the generally perceived e-book weaknesses include 'cost of the hardware readers; availability of titles; lack of standard formats among products and vendors and lack of awareness of software application compatibility for the readers' (Rao 2001:250).

As shown above, the adoption of e-books as a new technology has seen most of its success from usage within the library environment. An increasing

number of libraries in developed countries are making use of e-books as an additional learning tool. From a non-academic perspective, the adoption of e-books has been much lower than anticipated.

The variable usage of e-books by students, shown in the literature reviewed above, leads to the purpose of this article: to document and analyse the e-book usage patterns of students within the School of Information Systems and Technology (IS&T) at the University of KwaZulu-Natal (Pietermaritzburg).

A limitation of this literature review is that all reported studies have been done in developed countries – the specific nature of context in a developing country such as South Africa may provide fresh insights on the findings reported above.

The next section details the methodology that was adopted to gather the data on student usage and the reasons for usage patterns.

Research Methodology

Introduction

The study followed a quantitative approach in gathering the information from IS&T students at the Pietermaritzburg campus of the University of KwaZulu-Natal. A questionnaire was used to gather the data. The questionnaire comprised mainly closed-ended questions with only one open-ended question at the end. Standard Likert-scale items on a 5-point scale were used.

The questionnaire included five sections, with each section focusing on a different aspect of the e-book adoption process. The sections were aimed at obtaining information on student demographics, levels of knowledge on e-books, e-book usage patterns, students' attitudes and perceptions of e-books, as well as factors that may assist or inhibit students in adopting e-books as a new technology.

A pilot questionnaire was completed by five non-IS&T Honours students to evaluate whether the questions were understandable and to check for errors in grammar. The pilot study did show grammatical areas that needed to be changed; these pilot questionnaires were not analysed.

Questionnaires were distributed to first-, second-, third-year as well as Honours-level IS&T students. Both paper and electronic questionnaires were used in an attempt to gain as many responses as possible. Electronic questionnaires were distributed to students during IS&T practical sessions

through the use of Google docs. These were electronically submitted into a folder immediately after completion. Paper questionnaires were personally distributed to students during lectures and collected immediately after completion.

Sampling

Respondents were selected on the basis that they had shown a clear interest in the field of information technology as they would have voluntarily chosen the option to pursue their studies in IS&T. It was also assumed that students within the field of information systems would be more likely to have some knowledge of e-books, but would not necessarily have had individual experience of using e-books.

The Disproportionate Stratified Sampling method was used to ensure that each of the four years of study was adequately represented. A census survey was done on years two, three and four while the one lecture group out of two in year one was deemed sufficiently representative of all first-year students.

Data was collected during the month of September 2010. The research instrument was distributed to 113 IS&T students at the University of KwaZulu-Natal (Pietermaritzburg). Of the 113 respondents, only 106 responses were suitable for analysis. Respondents of the seven spoiled questionnaires either did not give their consent in the informed consent letter or answered the entire questionnaire which then made that data unreliable. The spoilt questionnaires have been kept and will be archived along with the rest of the questionnaires.

The actual respondents for this study comprised 39 first-year students, 40 second-year students, 11 third-year students and 16 Honours-level IS&T students at the University of KwaZulu-Natal (Pietermaritzburg).

Data Analysis

The findings and analysis acquired from the research instrument are presented in this section. Graphs, tables and statistical tests derived from using SPSS have been used to present these findings and analysis.

Demographics

This section aims to present the demographic information of the participants

in the survey. Respondents are broadly representative of the year of study, gender, age groups, faculties, computer competency levels and race – all respondents take IS&T.

First-year students comprised 36.8% of the respondents, 37.7% were second-year students, with only 10.4% of the respondents being third-year students and 15.1% Honours-level students. There were 30 female respondents (28%) and 76 male respondents (72%).

Participants were asked to indicate which faculty they belonged to in order to explore trends associated with fields of study. Table 1 below shows that the majority of the respondents were from the faculties of Management Studies (48.1%) and Science and Agriculture (46.2%). A small percentage of respondents were from the Humanities faculty (5.7%).

Table 1: Faculty Distribution

		Frequency	**%**
Management		51	48.1
Humanities		6	5.7
Science	&	49	46.2
Agriculture			
Total		106	100.0

The majority of the respondents were black (69.8%), while 22.8% of the respondents were Indian, 6.6% white and 0.9% coloured, as summarised in Figure 1.
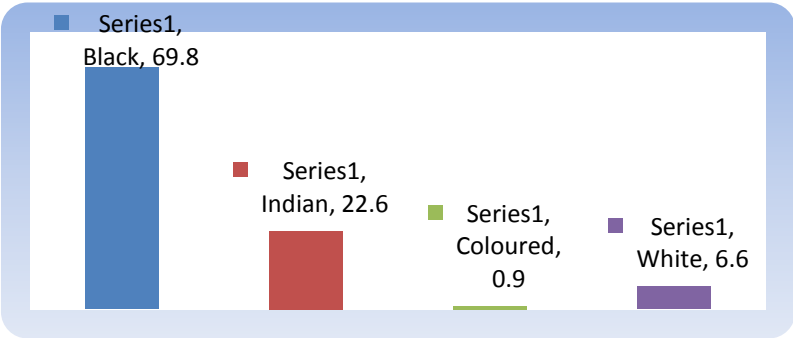
Figure 1: Racial Group Distribution

Furthermore, respondents were asked to indicate their perceived computer literacy levels: 16% felt that their computer literacy levels were at the beginner level while 17.9% were at the intermediate level. The majority of the respondents felt that their computer competency levels could be categorised as Solid (35.8%) and Advanced (30.2%). This is illustrated in Figure 2.
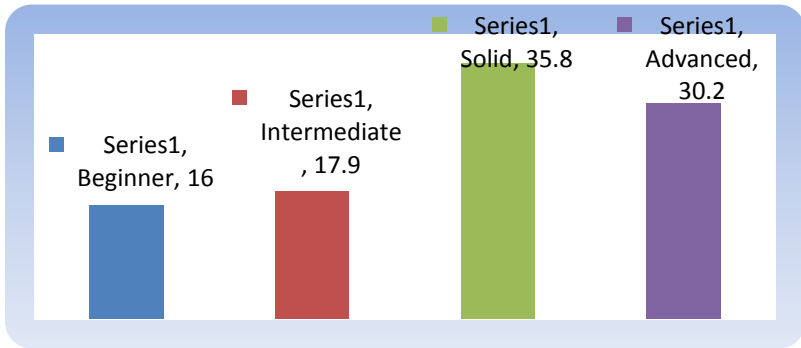
Figure 2: Computer Competency Distribution

The distribution of computer competency is shown in the cross-tabulation (Table 2).

Table 2: Level of Study – Computer Competency Cross-tabulation

	Computer Competency				Total
	Beginner	Inter-mediate	Solid	Advanced	
Year1	15	6	11	7	39
Year2	2	13	16	9	40
Year3	0	0	6	5	11
Honours	0	0	5	11	16
Total	17	19	38	32	106

As expected, third-year and Honours students rated themselves either as Solid or Advanced, whereas first- and second-year students responses show an even distribution across the four categories.

Usage Patterns of E-books

This section of the questionnaire was designed to identify the usage patterns of e-books among the respondents. Of the 106 respondents, 42 (39.6%) reported that they had used e-books in the past, while 64 (60.4%) had not.

The explanation for these differences in usage appears to be directly related to level of study. Students who had not used e-books before were mostly in their first year, while those who had used e-books previously were mostly Honours students. Of the 16 Honours students who completed the questionnaire, 12 had used e-books previously. However, of the 39 first-year students, only 13 had used e-books before.

Specific reasons for using e-books were diverse. As illustrated in Table 3, of the 42 respondents who indicated that they had used e-books before, a large proportion reported that this was due to their being available around the clock, or due to timely access to new titles or that there were no relevant paper book titles available. A total of 21 respondents (41% of e-book users) indicated that they had used e-books mainly because they have helpful features, are searchable, allow easy navigation, save space, save trees and allow e-archive or seamless sharing. The remaining 3.9% of e-book users mostly indicated that they had used e-books because they were downloadable from the Internet at no cost.

Table 3: Reasons for Using E-books

	Frequency	%
No relevant paper book (p-book) titles are available	9	17.6
E-books are available around the clock	10	19.6
E-books offer timely access to new titles	9	17.6
E-books have helpful features	2	3.9
E-books are searchable	5	9.8
E-books allow easy navigation	4	7.8

E-books save space	4	7.8
E-books save trees	2	3.9
E-books allow e-archive or seamless sharing	4	7.8
Other reasons	2	3.9
Total	51	100.0

When asked what kind of e-books they had used, 70.8% of e-book users stated that they largely used computer-based e-books, while 29.2% indicated that they had used reader-based e-books On average, 39.6% of the e-book users stated that they did not regularly use e-books, 31.3% indicated that they used e-books on a monthly basis, 22.9% said they used e-books weekly, while only 6.3% indicated that they made use of e-books on a daily basis.

Based on the literature presented in the literature review section, one would expect that most e-books were accessed by students from the library. Contrary to this, findings from the research instrument show that at the University of KwaZulu-Natal (Pietermaritzburg), a large proportion (35.6%) of the IS&T e-book users preferred downloading free e-books from the Internet and only 13.3% used e-books available from the library. This was reflected in the questionnaire, where participants selected the 'Other, Please Specify' option and wrote that they mostly download e-books from the Internet. Many of the e-book users (31.1%) borrow e-books from peers, friends and family members. A relatively small percentage (20%) of the e-book users purchased the e-books they use. This is consistent with earlier results where 3.9% of the respondents (see Table 3) indicated that they had used e-books because these were downloadable from the Internet at no cost.

When examining the purposes for which e-books are usually used, the results showed that 28.3% of the e-book users use e-books for leisure, 23.9% for study and a large number (47.8%) for research purposes. This could be largely attributed to the fact that most of the respondents who indicated that they used e-books were Honours students. These results are illustrated in Table 4. Obviously, non-users are not shown.

Table 4: Purposes for E-book Usage

	Frequency	%
Leisure	13	28.3
Study	11	23.9
Research	22	47.8
Total	46	100.0

As mentioned earlier in this section, 64 respondents indicated that they had not used e-books previously. The reasons for not using e-books vary. Respondents were asked to select and rank the options that best indicated why they had not used e-books. It is very interesting to note that a large proportion (29.8%) of the respondents who had not used e-books agreed that using e-books would mean additional cost for them. This was in direct opposition to the information indicated by the respondents who had used e-books in the past; however, the apparent contradiction could be attributed to a lack of awareness of and knowledge about e-books.

Lack of relevant book titles (24.6%) and special equipment needs (11.1%) were commonly cited reasons for not using e-books. The remaining responses (total 24.6%) were individually relatively small and are shown in Table 5.

Table 5: Reasons for not Having used E-books

	Frequency	%
No relevant e-book titles are available	14	24.6
E-books need special equipment	12	11.1
E-books could mean additional cost on my side	17	29.8
E-books from different sources are not compatible or interchangeable	4	7.0
There are not many e-book titles available	3	5.3
E-books are hard to read and browse	1	1.8

Copyright concerns	2	3.5
Other reasons	4	7.0
Total	57	100.0

Respondents who had not used e-books before were asked about possible future use of e-books. The results were as follows: 47.4% of the non-users were keen to examine titles in the future, 33.3% said they would wait until more relevant titles became available, and 15.8% said they would purchase an e-book title for themselves in the near future. Only two (3.5%) of the non-users indicated that they were not keen to use e-books.

Limitations

One of the limitations to this research was that the sample was drawn only from IS&T students at the University of KwaZulu-Natal (Pietermaritzburg). The findings and conclusions cannot be generalised beyond UKZN IS&T students due to the limited sample size of 106 valid responses. Seven questionnaires could not be used as they were incomplete or incorrectly answered.

In addition, the use of a self-report questionnaire as the data-gathering instrument always raises the possibility of social desirability bias.

The research instrument used to gather the data for this research has also not been evaluated for reliability or validity. Face validity can be claimed as the questionnaire was sent to a statistician for an expert opinion. An additional limitation is that the analysis of the data has been limited to descriptive statistics.

Conclusion

The benefits provided by e-books have been hailed by many as guaranteeing widespread adoption, while others cannot seem to overcome the challenges presented by this new technology. Of the 106 respondents that took part in the survey, 39.6% respondents had used e-books in the past, while 60.4% of the respondents indicated that they had not. This result is in line with Ismail and Zanaib's (2005) findings at the University of Malaysia where the level of e-book use was reported at 39%, but lower than Abdullah and Gibb's (2006) finding of 57%.

On average, 39.6% of the respondents stated that they did not use e-books very often, 31.3% used e-books on a monthly basis, 22.9% claimed to use e-books weekly, while only 6.3% made use of e-books on a daily basis.

In addition, the data gathered from the questionnaire suggests a significant correlation between the student's level of study, computer levels and e-book usage. This is an expected finding.

The findings show that students at the University of KwaZulu-Natal (Pietermaritzburg) largely use computer-based e-books (70.8%), while only 29.2% of the participants indicated that they had used reader-based e-books. Furthermore, many of the respondents indicated that they preferred downloadable, free e-books available from the Internet. In addition, a large proportion (31.1%) indicated that they source e-books from friends and peers – in general, usage seems dominant in the non-purchasing domain. This trend does not align with Gunter's (2005) finding that 39% of respondents had previously bought an e-book.

Respondents' primary reasons for using e-books were availability, timely access to new titles or the unavailability of relevant paper book titles. These reasons are in accord with the dominant findings in the literature. In addition, reasons for non-use largely confirm the identified factors in the literature.

The nature of e-book usage is dominated by academic purposes (23.9% for study and 47.8% for research) with only 28.3% of the e-book users using e-books for leisure purposes. This could be largely attributed to the fact that the majority of the respondents who indicated that they used e-books were Honours students. However, it is noteworthy that academic (study and research) purposes dominate leisure purposes to this extent.

This research has helped in providing information and understanding about the usage patterns of e-books among students at one South African university. In particular, the expectation that use by Information Technology students would be widespread was not confirmed. Obviously, usage patterns and the main factors that assist or inhibit the adoption of e-books can be further assessed on a wider, more representative sample in the South African context.

This study could also be taken further to investigate the role that can be played by libraries in increasing the adoption of e-books among students. The opportunities offered by e-textbooks would also be a fruitful direction for

further research. Finally, the vexed issue of copyright, legal and ethical practices as well as purchasing models needs to be investigated.

Perhaps the reading of printed books is more deeply embedded in our souls, even those of Information Technology students, than we would like to acknowledge? Or perhaps we are simply stuck in mimicking the characteristics of printed books in the electronic space?

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The Degree of Readiness of South African Senior Citizens for Electronic Banking: An Exploratory Investigation

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Abstract

Our contribution reports the results of an exploratory investigation into how ready South African senior citizens are to adopt electronic banking practices (e-Banking). We base our conclusions on an exploratory survey of 70 senior citizen bank customers that reside in old age centres in Gauteng and North-West provinces, with Gauteng considered to being predominantly urban and North West Province considered to be predominantly peri-urban. Electronic banking (e-Banking), requires that senior citizens have bank accounts and are registered at their banks to access those electronically via ATMs, via landline telephones or smart cell phones. Our findings reveal that senior citizen bank customers who have access to electronic services and products are ready for electronic banking.

Keywords: e-Banking, technology, ICTs, TRI, senior citizens, South Africa, Cellphone banking, Internet banking, relationship marketing, adoption.

Introduction

There is a growing body of research about how organisations in free market open societies worldwide are increasingly being transformed by giving their customers access to their products and services via electronic communication technologies, linked over the Internet (e-Commerce, e-Government, e-

Health). By contrast, considerably less is known about the impact of these technologies on the every-day personal lives of people at the periphery of economic activity, like for instance senior citizens, particularly ones in rural communities.

The banking industry is among the early adapters to these technological innovations. As a result, the banks are able to provide their customers services and products such as Automatic Teller Machine (ATM) banking, real-time transactions with bank cards, Internet banking, landline telephone banking and more recently, cell phone banking services (Termsnguanwong 2010).

Among some of the benefits of these technological services and products for the banks is improved efficiency resulting from reduced operational costs compared with traditional branch networks (Bateng & Kamil 2010; Padachi, Rojid & Seetanah 2008). In addition, the provision of technological products and services, such as cell phone and Internet banking, have the potential to increase the market shares of participating banks (Termsnguanwong, 2010). For customers, the benefits of the technological services provided by the banks include increased convenience, and time saving, irrespective of a customer's age (Padachi, Rojid & Seetanah 2008). This study measures the technology readiness and adoption by senior citizen bank customers, and establishes the relationship between technology readiness, access to technology, and desirability of usage among this segment of bank clients.

Problem Statement

Technological banking services offer benefits and positive prospects for both the banks and their customers. Despite the benefits of the technological banking services and products, the South African banks do not seem to be successful in getting customers to use these services in numbers. Customer adoption is a recognised dilemma for the strategic plans of the banks throughout the world (Safeena, Abdullah & Date 2007). Therefore, it is befitting to conduct this study to measure the technology readiness of senior citizen bank customers of the South African banks, and to determine the relationship between technological readiness and technology-related adoption and behaviour of existing and prospective senior citizen bank customers. The

relationship between age and the adoption of technology has been a researched area for some time (Rose & Fogarty 2010; Chung *et al.* 2009; Xiong & Mathews 2005).

Orientation

The age of customers as a moderator in business decision making is a dominating modern marketing decision making discussions as a result of the overall increases in the global senior populations (Tanderayen-Ragoobur & Aygra 2011; Chung *et al.* 2009; Berger & Genzler 2007). South Africa is growing into an ageing society with older persons constituting approximately 7.7% (3,9 million) of the population (Statistics South Africa 2011). The Older Persons Act (2006) defines a senior citizen as a person who, in the case of a male, is 65 years of age or older and in the case of a female is 60 years or older. It is projected that by 2025, more than one person in ten will be 60 years or older in this country (Joubert & Bradshaw 2006).

Many senior citizens have savings facilities with the banks and make use of the investments products offered by the banks (Pieterse 2008). These bank customers generally have had bank accounts with their banks for long periods, and have become accustomed to face-to-face interactions with bank staff. Senior citizen bank customers are also accustomed to banking products such as bankbooks that were preferred banking channels before the introduction of technology-based channels.

Senior Citizens as a Growing Customer Segment

The world population trends demonstrate an effective growth in the number of elderly people globally, which is not met by a corresponding increase in population rates of younger generations (United Nations 2002). According to a recent report by Deloitte (Consumer 2020), numerous factors drive people to have fewer children (Hutter 2011). As countries progresses through their development phases, many of their citizens undergo various lifestyle changes such as more females putting focus on their careers and thus having children very late in life (Hutter 2011). On the opposite side of the shrinking average sizes of households are the increasing life expectancy of countries as a result of improving living conditions and medical advances. The outcome of these developments is the shrinkage in labour forces, consumption and output

which may have overall dire effects (Hutter 2011; United Nations 2002).

Pieterse (2008) argues that in the past, senior citizens received care from their children when they reached the age of seniority and this is no longer the case. Care for senior citizens is increasingly becoming their own responsibility, and this is often met through long-term savings and state pensions (Pieterse 2008). Because of these changes in societal structures, many senior citizens in the country either live on their own or belong to special care facilities or old age centres. Despite their age seniority, the majority of senior citizens in the country remain economically active in many ways such as managing their banking affairs. As a result, senior citizen customers have become a target population for many businesses these days (Mattila, Karjaluoto & Pento 2003). While not deriving regular income from salaries, as is the case with society members of working age, senior citizens receive regular income from state pensions and in some cases, from their investments.

For instance, the South African Social Services Department is currently disbursing over R7bn in state funds to senior citizens in the form of social pensions (Case & Deaton 1996). Therefore, the national take-up of old age pensions in the country will inevitably increase simultaneously with the rising numbers of the elderly, making this demographic group a growing market segment for the banks and many businesses.

At present the usage patterns of banking services among senior citizens that have access to banking services differ from that of younger working members of the society. Ordinarily, senior citizens mostly use their banking facilities for savings which in most cases constitute their main sources of income (Pieterse 2008), thus contributing to bank deposits. The levels of bank deposits are regulated by the South African Reserve Bank as a sustainability measure of the local banking industry (South African Reserve Bank 2007/08).

The Technology Acceptance Model (Tam)

The implementation of Information Communication Technologies (ICTs) always arise questions of whether a new technology will adapt to the demands of its intended audiences (Park *et al.* 2009). Identifying factors that cause people to accept technology and make use of technological innovations

is one of the challenges of IT (King & He 2006). The Technology Acceptance Model (TAM) is a model developed to explain and predict user's acceptance of IT.

Davis (1986) is credited for developing the TAM (Webber & Kaufman 2011; Im, Hong & Kang 2011; Lee & Chung 2009; King & He 2006; Wu & Wang 2005; Shih 2004). According to the TAM (Figure 1), a person's acceptance of IS is determined by their perceived usefulness and perceived ease of use of the technology (Davis 1986), and these predictors determine actual use of the system (Davis, Bagozzi & Warshaw 1989). The TAM predictors are centred on the belief system of users about the usefulness of a system in the achievement of an end objective, and on whether the usage of such IS require less effort from them.

Ayo *et al.* (2010) explain though that the TAM predictors of perceived ease of use and perceived usefulness are not just antecedent to technology adoption and use, but also serve as an element of customer retention in self-service environments such as banking. In banking, technology is extensively used in the provision of electronic services such as Internet banking. Al-Somali *et al.* (2009) conducted research on the determinants of Internet banking adoption in Saudi Arabia. They found that the quality of the Internet connection, among some of the constructs of TAM, was an important predictor of the adoption of Internet banking in that country.

The Technology Readiness Model

The Technology Readiness model (TR) is a model developed to measure people's propensity to embrace and use new technologies for the accomplishment of goals in home life and at work (Parasuraman 2000). Therefore, TR is an attitudinal construct (Westjohn & Arnold 2009). As a result, in terms of the TR model, people's personalities play a significant role when they adopt new technologies either in the context of work or home (Chen & Li 2010). Therefore, the TR model essentially explores the psychological aspects of a person's reactions to technologies (Brush, Edelman & Monolova 2011).

The TR model measures the readiness of an individual to use technology by four personality traits that include optimism, innovativeness, discomfort and insecurity (Chen & Li 2010). Accordingly, these four

dimensions demonstrate a person's overall state of mind to embrace and use technology (Lee *et al.* 2009; Walczuch, Lemmink & Streukens 2007).

The Technology Readiness Index score classifies five categories of adopters of technology: innovators, early adopters, early majority, late majority, and laggards. The TRI does not indicate the competence of a person in using technology, but shows their readiness to interact with it and their attitudes (Walczuch *et al.* 2007).

Lin and Hsieh (2007) investigated the readiness of self-service technologies of adult consumers in Taiwan, including their satisfaction with these technologies. The research covered self-service technologies that are used in banks, railways, airlines, rapid transit systems, and the stock exchanges. The technology readiness of the study's population was measured via the 36-items scale of the TRI (Parasuraman 2000). The study's findings are that technology readiness is a driver of the satisfaction with self-service technologies. As a result, it was found that the higher the technology readiness of customers is, the more likely they will be satisfied with self-service technologies (Lin & Hsieh 2007).

Services Relationship Marketing and Technology

Relationship marketing is a marketing construct concerned with the creation of long-lasting relationships between a business and its customers (Boshoff & du Plessis 2009). In contrast to traditional marketing which is characterised by push activities that are geared at influencing customers, relationship marketing acknowledges that consumers are no longer merely passive recipients, but key stakeholders in a two-way relationship with the companies that they support (Liu2007).

Customer satisfaction and trust are some of the main antecedents of relationship marketing (Wahab, Noor & Ali 2009). Trust is a central aspect to the building of long-lasting relationship as it is the fundamental source of positive action. The outlook of technology driven commercial activities should not only be based on the individual acceptance of these technologies as viable transaction means, but also on the recognition of these technologies as reliable milieu (Al-Gahtani 2008).

Gefen and Straub (2000) define trust as the belief that the other party to the transaction will behave in a socially responsible manner, and thus fulfil the expectations of the trusting party. Technology trust reduces uncertainty in

technology-mediated environments and is an essential requisite for all potential and current users (Hernandez-Ortega 2011:1). Customer relationship marketing has the effect of influencing the behaviour of the customer on their intentions to use or re-use technology based services, proving the significant of trust in this regard (Wahab, Noor & Ali 2009).

A benefit of relationship management for the firm is customer retention and loyalty. Profitability, reduced costs and increased brand equity are among the many benefits of retained and loyal customers (Boshoff & Du Plessis 2009).

Technology and Relationship Marketing in Banking

The banking industry has become a leading sector in the utilisation of technology on consumer markets (Barati & Mohammadi 2009). The relationship marketing efforts of the banks, in particular, are highly affected by technology as the banks continue striving for long lasting relationships that are based on trust with their customers.

In their study examining factors influencing the adoption of Internet baking in Taiwan, Wong, Rexha and Phau (2008) introduced the notion of perceived credibility as a new factor that reflects the user's security and privacy concerns in the acceptance of Internet banking. Credibility of a banking institution is one of the primary contributors to customer loyalty in banking given the high trust relationship that accompanies the customer-provider relationship in banking. Wong *et al.* (2008) findings were that perceived credibility had a significant effect on behavioural intentions of the participant, where credibility relates to user's security and privacy concerns.

In addition, technological advances have given birth to a new breed of customers on the marketing platform that are difficult for businesses across all spectrums to service satisfactorily (Masocha *et al.* 2011). Technology has given these customers access to more information that has widened their tastes and choices. As a result, customers have ready access to information on countless services options to choose from. This therefore, further makes it more challenging for services organizations such as banking institutions to find a better fit between technologies that they use for service provision and their various customer segments.

Service Quality and Relationship Marketing in Technology-based Services

The advancements in technology have a high impact in the manner that services firms interact with their customers. More and more services firms are motivated to invest in technology in order to exceed the expectations of their customers because firms that perform better are those that overcome the cynicism of customers and go beyond the point of encounter (Ombati 2010). Ombati *et al.* (2010), refer to technology-based services as performances whose delivery is mediated by information technology and service quality is said to refer to the extent to which a service meets, or even exceeds, a customer's expectations.

Service quality has the effect of improving customer repeat purchase behaviour, perceptions of value and positive word of mouth (Boshoff & du Plessis 2009). As a result, quality and value perceptions are the basis on which customers become loyal (Lee *et al.* 2009). Parasuraman and Grewel (2000) argue that service quality offers a greater competitive advantage for services firms because the price of a service, and the service itself, can be copied but competitors are not able to copy the quality of service. When the service offered by a firm is of quality, this will increase its perceived value and, in turn, increase customer loyalty. Both these factors have the effect of increasing a services firm's performance.

Wahab *et al.* (2009) investigated the role of electronic service quality on customer relationship management in the cellphone industry. This study (Wahab, Monami & Noor 2009) was conducted with a sample of University students in Jordan and its findings were that e-service quality had a significant relationship with customer relationship management.

Technology-based Banking Services

The banking industry across the globe is continually undergoing a paradigm shift in the way it conducts its business because of advances in information technology. The usage of a single channel, in the form of bank branches, to provide service to customers is outdated as technology is increasingly being used. The continued search for improved profitability, increasing market shares, and enhancing the experience of customers thus gaining their loyalty and lifetime value are some of the drivers of the increased usage of

information technologies in the business of banking (Masocha, Chiliya & Zindiye 2011).

The strategic importance of technology to the banks is even more pronounced when taking into account the competition that banking industries throughout the world are facing from non-bank financial services providers, such as retailers (Porteous 2007). South Africa, like many economies, is gradually experiencing the proliferation of non-bank service providers that are providing traditional banking services to customers, particularly retailers. The non-bank service providers generally have advantages such as large geographic footprints. Also, by their nature, retailers enjoy relationships with their customers and have the benefit of customer loyalty as a result of the closeness in relations between services providers and customers associated with this industry.

Self-service Banking Technologies

Technology based self-service channels are changing the way in which service firms and their customers interact (Ombati *et al.* 2010). Self-service technologies are technologies that allow a customer to produce a service through an interaction with the technology and without the direct involvement of the service provider. Technology innovations have extensively aided the usage of self-service channels in banking. The centrality of processing information to the business of the banks and other financial intermediaries has made self-service technologies viable for them (Sannes 2001). Self-service banking channels include channels such as ATM's, telephone banking, Internet banking, EFTPOS (Electronic Funds Transfer at Point Of Sale) terminals and other interactive kiosks.

The banking industry in South Africa relies on self-service technologies to deliver services to its customers and enhance customer experiences. There are five key self-service technology based channels used by the South African banks and these are ATM's, Internet, Cellphone, landline telephone and EFTPOS. South Africa also has non-bank institutions that provide payments systems to their customers such as American Express and Dinner's Club which issue travel cards and a number of retailers that issue private label payment cards (BankServeAfrica 2010).

Cell Phone Banking (M-Banking)

Cell phone or mobile phone banking (M-banking) refers to financial services delivered via cell phone networks using a cell phone phone, which typically include services such as depositing, withdrawing, sending and saving money, as well as making payments (Porteous 2006). Banking literature earmarks cellphone banking for possessing the ability to significantly allow the provision of banking services to the unbanked given the exponential growth in the access to cell phones globally (Bandyopadhyay 2010; Raleting & Nel 2010; Bångens & Söderberg 2008).

In South Africa, most physical bank branches are not within the reach of many poor and rural members of the community. It is for this reason that cell phone banking is often seen as a potential transformational tool to the unbanked livelihoods (Bangens & Söderberg 2008). Porteous (2007) explains the transformational potential of cell phone banking in two ways. First, cell phone banking is said to have the potential of facilitating the economic activities of the poor and people living without access to formal banking services. Secondly, the experiences of banking through cell phone banking for the unbanked present opportunities to eventually draw them to the mainstream financial services.

Internet Banking

Internet banking is another one of the latest in a sequence of technology-based banking services that the banks are providing to their customers (Safeena, Abdullah & Date 2010). Typically, an internet banking customer performs any one of the transactions (Sadeghi & Farokhiani 2011):

- Check account balance and transaction history;

- Make payments;

- Transfer funds;

- Requests credit advances, such as overdrafts or the increasing of credit limits;

- Manage investments; and

- International payments.

The need for customers to have connection to the Internet to use this self-service channel remains a challenge for its widespread diffusion, especially in developing countries where Internet coverage is still limited.

ATM Banking

Automated Teller Machine (ATM) banking is one of the first technology based self-service banking channels introduced by the banks. The ATM allows the banks to offer customers a 24-hours convenience to make cash withdrawals, transfer funds, and even make cash deposits. While the ATM arguable remains one of the most prominent technology based self-service channels provided by the banks, especially in environments that are predominantly cash driven such as in developing countries, their infrastructural and maintenance costs are astronomic to the banks when compared to the costs of other self-service channels such as cellphone banking (Porteous 2006; 2007).

Central Questions of the Study

Since the prospects of the new technologies that are introduced by the banks to provide banking services are dependent on the customers accepting them, this research seeks to understand the technology readiness of senior citizen bank customers for banking services technologies. The research study poses the following key questions:

1. Are senior citizen bank customers who currently have access to technology based banking products and services more accepting of, and technologically ready for, technology based banking services?
2. Does senior citizen bank customers who have access to technology based banking services and products have a higher perceived desirability of using technology based banking services?
3. Are senior citizen bank customers who are currently using technological banking services more technologically ready?

Research Methodology

A quantitative research methodology was adopted for this exploratory

research study. As such, quantitative research is aimed at employing mathematical models and theories to the issue being researched (Onwuegbuzie & Leech 2005), thereby making this research method a more scientific approach to social research (Tewkbury 2009).

Senior citizen bank customers were the study's research population. The researcher conveniently chose three old age centres in Gauteng (2) and the North West (1) provinces as the study's population sites given that it is not possible to obtain a list of senior bank customers from which to draw a random sample. In addition, the probability of independence from the regular assistance of family members by senior citizens living in old age centres in activities such as banking informed the selection of these population sites.

A convenience sampling method was used for the study, and given that study population was senior bank customers, three old age centres and several senior citizens living in their private homes were conveniently selected as the study population bases. The sampling scheme was convenient because it was a non-probability sampling method. The questionnaire was administered with 70 respondents, and the table below presents the participants' spread.

Table 1: Spread of the Study Population

Research Site	Number of Participants
1. Abbey Cross Frail And Old Age Care Centre	6
2. Summerfield Park	32
3. Lapa La Bothle	27
4. Private Homes	5
TOTAL	70

The questionnaire that was developed for this study adopted the Technology Readiness Index (TRI) (Parasuraman 2000) with minor adaptations to suit the objectives of the study (Opara *et al.* 2010; Berndt *et al.* 2010; Lin & Hsieh 2007). A benefit of this measure to the study is that the scales in the TRI have been validated as a means of assessing people's propensity to use technology. The data collection instrument used in this study was divided into five main parts:

- The first part of the data collection instrument focused on the respondents' main demographics.

- The focus of the second part of the instrument had questions on the respondents' access to various types of technologies.

- The third part of the research instrument contained questions about the respondents' usage of certain banking technology products.

- The fourth part of the questionnaire contained statements in the TRI scale that measures technology acceptance and readiness.

- The fifth and final section of the data collection instrument contained a 12-statement scale.

Data Discussion

The information collected during the study was analysed through quantitative data analysis means. A total of 70 questionnaires were issued to the study's population and there was a 100 percent response rate. The data collected from the questionnaires was coded and analysed using SPSS.

Demographic Profiles of Respondents

Table 2: Demographic Profiles of Respondents

Characteristic	Distribution	Fr	%
Age	60 - 70 years	12	17
	71- 80 years	0	0
	81-90 years	14	20
	Over 90 years	0	0
	No Answer	44	63
Gender	Male	25	36
	Female	45	64
Education	Diploma	50	71
	Degree	8	12
	Postgraduate Degree	12	17

Race	African	12	18
	Coloured	4	5
	White	54	77
Career	Academic and Pensioner	12	17
	Pensioner	58	83
Grew up	Countryside	9	13
	City	61	87

The table above shows that female respondents represented the largest percentage (64%) of the study's respondents, while 34% were males. In addition, 87% of the study's population grew up in the city. The importance of the respondent's origins relates to the disparity in access to numerous services between rural and urban areas in South Africa, and the impact that these differences have on a person's exposure. While senior citizen bank customers (60 years and older) were the study's population, a component of the demographic section of the questionnaire sought to segment this population into various age categories as it focused on their ages. However, a significant portion of the respondents (63%) did not reveal their age (Table 2). Only 26 respondents indicated their age, and of this 20% were between the ages of 81 and 90 while 12% fell in the 60 to 70 years age category.

A component of the demographic section of the questionnaire focused on the respondents' race. Table 2 (above) shows that White participants constituted 77% of the study's population, while 18% of the respondents were of African descent. The education level of the respondents was another component of the demographic section of the study's questionnaire. As shown above (Table 2), a portion (71%) of the respondents has a college diploma, while 17% have a postgraduate University qualification. Education levels play a significant role in people's adopting new technologies.

Findings Relating to Technology-based Banking Services and Products

As a result, this section of the questionnaire focused on the respondent's access to various banking technologies and technology based products and services such as ATM banking, Internet banking and bank cards. The aim of

the section was to establish whether access to these technologies and technology based banking products and services impacted senior citizen bank customer's acceptance of banking services technologies and their readiness for technology based banking services. A number of the respondents (71%) indicated that they had a bank account and 29% of respondents had a credit card.

Figure 1: Banking Technology Services and Products that Respondents had Access to (N=70)
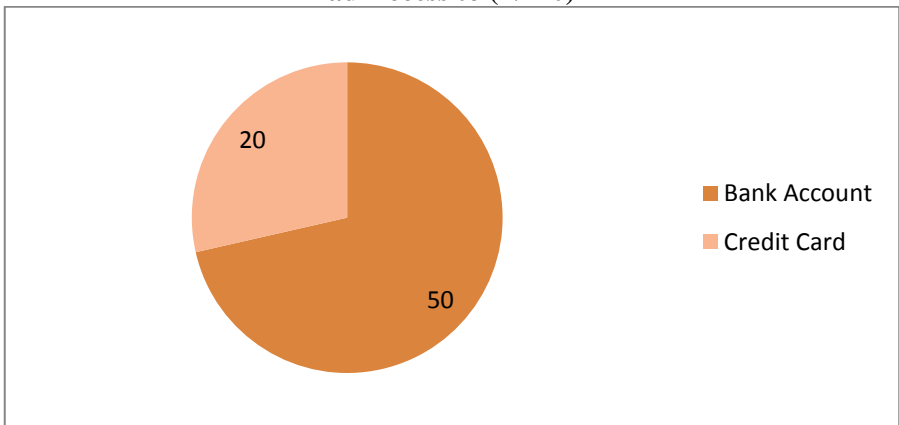
While the levels of the respondents' access to a bank account compare favourably with Berendt *et al.* (2010) the findings of this study demonstrates that senior citizens' access to bank accounts is low. Further, the lower levels of access to land line Internet by the respondents is consistent with literature indications of low rates of diffusion of the Internet services in many developing countries such as South Africa, a factor often attributable to the low levels of Internet banking adoption.

Findings Relating to Banking Products and Services Respondents Intended to Acquire

The largest number of the respondents (60%) was planning to acquire a bank account (Figure 2 below). Figure 2 demonstrates that the respondents had no

desire to acquire technology based banking services for the next year such as cellphone, landline telephone and Internet banking although many had access to banking services.

Figure 2: Banking Technology Services and Products that Respondents Intended to Acquire in the Next 12 Months (N=70)
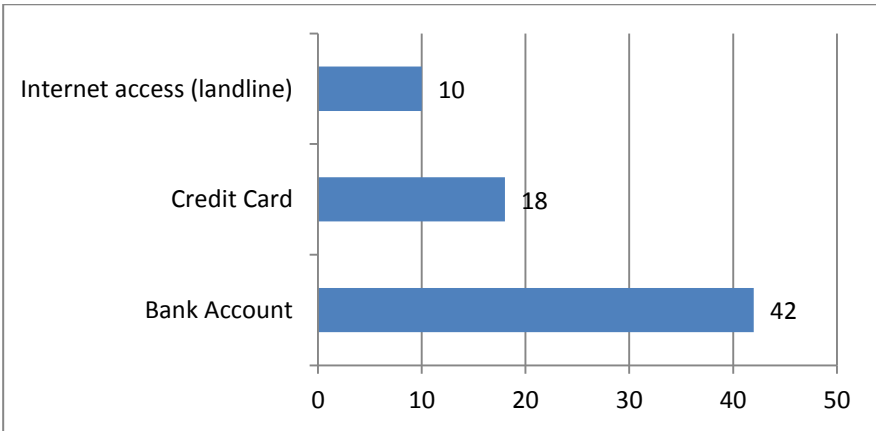
Findings Relating to Banking Technology Products and Services Respondents have Used

With regard to the technology based banking products and services that the respondents used in the last 12 months, as can be seen (Figure 3) ATM banking was indicated as the most predominantly used technology based banking services by a significant portion of the respondents (66%). The predominance of ATM banking as the most widely used technology based banking platform correlates literature regarding this service method in SA (Metcalf 2009; BankServeAfrica 2010).

ATM use was also found to be extremely prevalent among respondents that participated in a similar study by Berendt *et al.* (2010), although the latter's findings demonstrated a significantly higher respondent's usage of ATM's (87.4%) when compared to the findings of this study. A challenge for the banks in this regard is that ATM banking is

relatively more expensive a platform when compared to other technology based banking services such as Internet and cellphone banking. Landline telephone banking usage by the respondents in this study (34%) was however higher than that of the respondents by the respondents that participated in the study by Berendt *et al.* (2010) which demonstrated a landline telephone banking usage of only 14.4%.

Figure 3: Banking Technology Based Services and Products that Respondents have Used in the last 12 months (N=70)
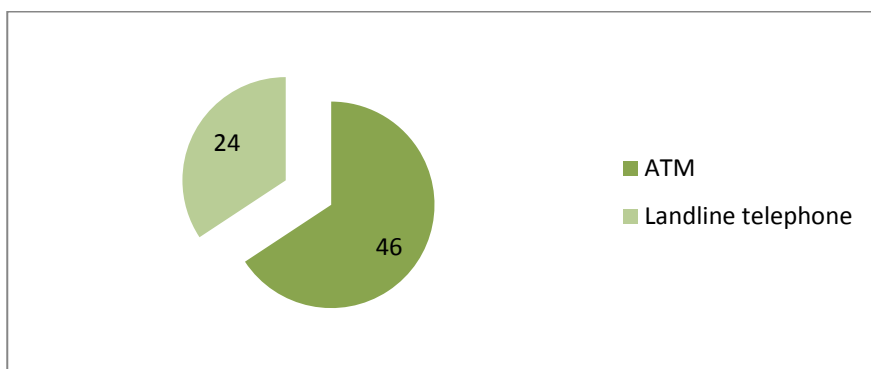
Findings Relating to Technology Acceptance and Readiness

The four statements in this section relate to the perceptions of the technology acceptance antecedents of benefit in so far as the use of banking technologies is concerned (perceived usefulness), and the respondents' perceived comfort around these technologies (perceived ease of use) (Im *et al.* 2011; Ayo *et al.* 2010).

The first statement related to the perceptions of the respondents on whether technology gave them better control and power over their lives or made them powerless. A number of the respondents (79%) indicated that they agree or strongly agree that technology gives them more control of their lives. This demonstrates that senior bank customers participating in the study perceived technology may be useful in their lives.

Figure 4: Technology Gives me More Control of my Life (N=70)
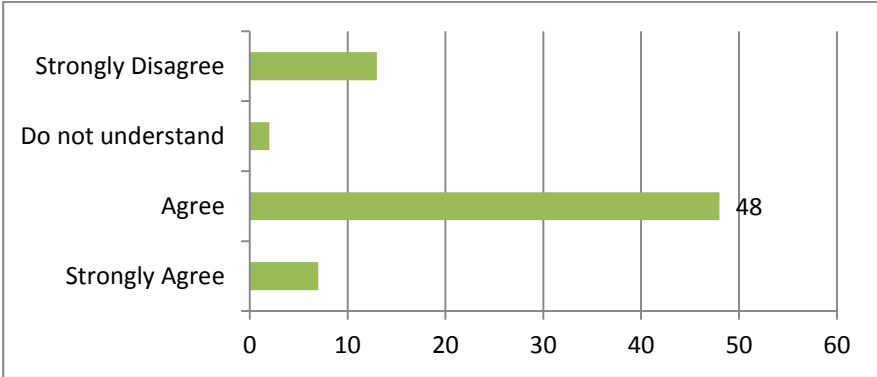
The second statement also related to whether the respondents saw any usefulness of technology in their lives. In this regard, the respondents were asked to indicate whether they viewed technology as offering them convenience when used to provide banking services and products (Figure 5). Eighty percent of the respondents indicated that banking services and products that use new technology offer them convenience, and therefore perceived as useful, while 20% of respondents indicated that these services and products were not useful to them.

Figure 5: Banking Services and Products that Use New Technology are Much more Convenient to Use (N=70)
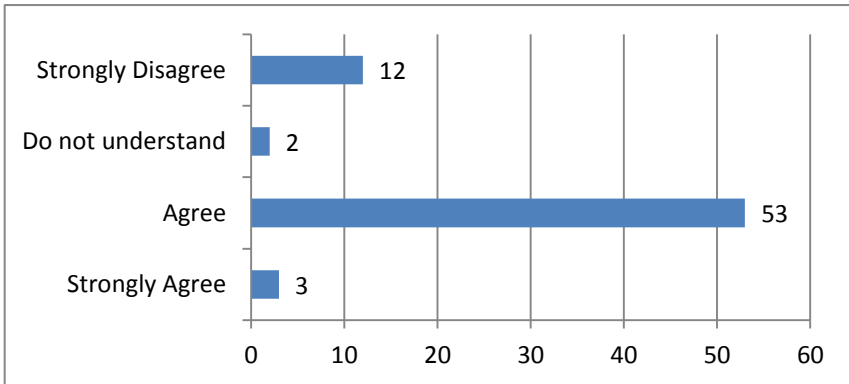
The third statement in this section also focused on the respondents' perceptions of the benefits of technology banking services and whether this was something that they valued. Figure 6 (below) presents the findings, and as can be seen, a significant percentage of respondents (70%) indicated that the convenience associated with Internet banking that allowed all-hour access to banking was something that they liked, while 30% of the respondents indicated that they did not understand the statement or strongly disagreed with it. This finding demonstrates that the respondents see value and benefit of technology based banking services and products in their lives.

Figure 6: I like the Idea of Banking with Computers because I am not Limited to Business Hours (N=70)
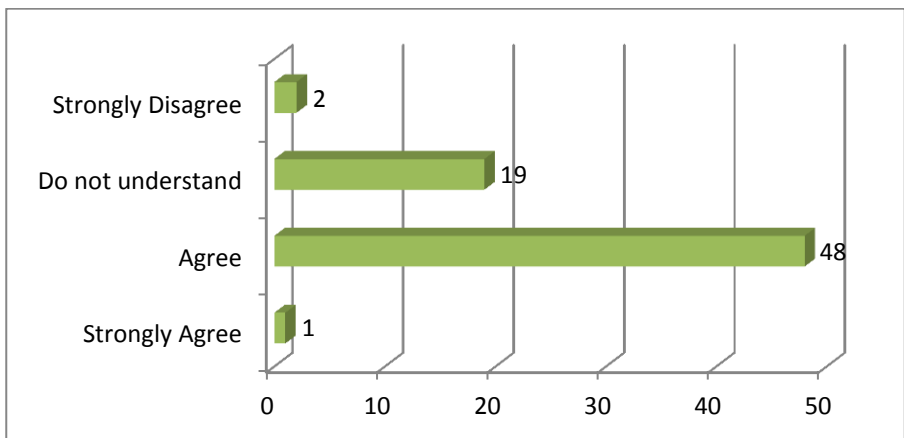
The respondents' perceived ease of use of technology and comfort in applying technologies was assessed. In this regard, the respondents were asked to indicate whether they were positive that they were able to manipulate technologies to do what they tell them to do. Figure 7 (below) shows a proportion of respondents (83%) in the study strongly agreed or agreed with this statement.

Figure 7: I can Make Technologies do what I Tell them to Do
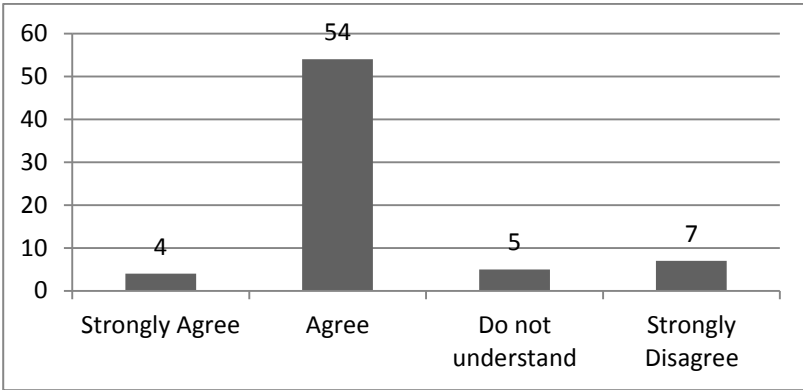
In terms of the adoption continuum, innovators and early adopters have a propensity to use new technologies when compared with the early majority, late majority and laggards (Mattila *et al.* 2003). As a result, these first mover characteristics make them more technologically ready (Rose & Fogarty 2010; Walczuch *et al.* 2007).

The first statement in this section required the respondents to indicate whether they agreed or disagreed with the statement that they were other people's referents when it comes to new technologies. A proportion of the respondents (69%) indicated that they were referents to others when it comes to technology, thus demonstrating tendencies of innovators.

Other supporting statements relating to the respondents' tendencies to be innovators and early adopters of new technologies corroborated the findings. A total of 65% of respondents indicated that they were first among their friends to learn about new technologies. The finding regarding the attitudes of the respondents regarding learning about new technologies was also similar as 69% of the respondents indicated that they found learning about technologies to be a rewarding experience. In addition, a significant proportion of the respondents (71%) indicated that they found it easy to configure new technologies on their own, while 70% of the respondents also indicated that they keep up with new technologies in their areas of interest with only 23% demonstrating tendencies associated with adoption.

People that generally have lower tendency to adopt technologies usually have concerns about its reliability, security, safety and show general mistrust towards technology innovations. The respondents were asked to indicate whether they agreed with the statement that technology always seem to fail at the worst possible times, as one of the measures of assessing their level of trust of the reliability of new technologies. A significant proportion of the respondents (70%) viewed technology as unreliable, while only 19% of the respondents were positive about the reliability of technology.

The safety of technology, as an antecedent of its adoption, is also closely linked to trust especially in trust driven industries such as banking. In this regard, this component of the questionnaire required the respondents to indicate whether they considered it safe to perform financial transactions via computers. As demonstrated by Figure 8, only 24% of respondents felt that is was safe to perform financial transactions via computers while the majority of respondents (73%) indicated that computers were not safe as medium for performing financial transactions.

Figure 8: It is not Safe to Do any Kind of Financial Transaction Over the Computer (N=70)
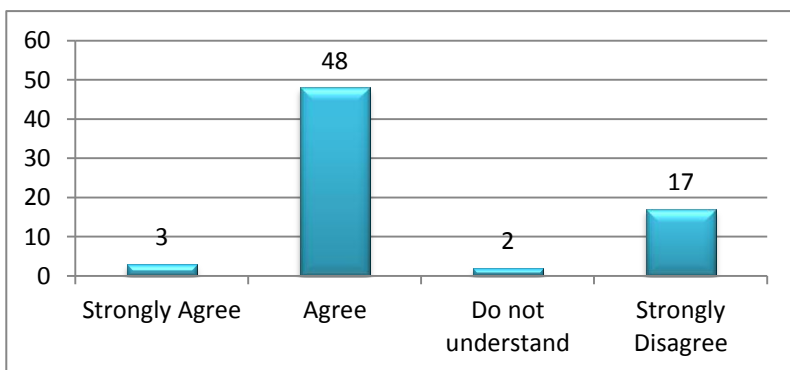
Safety as an antecedent of technology adoption is also considered by users from the point of view of the safety of the technology application itself (Termsnguanwong 2010). A proportion of respondents (73%) demonstrated concern about the safety of technology applications, while 16% of

respondents were content that technology applications were safe. The results in this section demonstrate that the respondents have interest in technologies, and also that they show interest in learning about it as they often demonstrate tendencies of innovators. The findings in this section demonstrate that senior citizens bank customers do not view it safe to perform financial transactions via computers. In addition, findings in this section demonstrate that respondents feel left out from technology information on technology innovations, thus pointing the need for marketing efforts of businesses such as the to ensure the dissemination of adequate information to this market segment.

Measures of Association

This section of the report presents findings on the association between the various antecedents of technology acceptance and readiness on the study's respondents. In this regard, correlation analysis was conducted on factors such as the access to certain banking technologies, level of education, gender of the respondents and the respondent's responses to the statements in the questionnaire measuring their technology acceptance and readiness. The first correlation analysis that was conducted was concerned with establishing whether there was a relationship between the education levels of the respondents, as an independent variable, and the three statements measuring their perceived ease of use of banking technologies.

A perfect negative correlation was found as regards the access to technology based banking services and products and the level of education of the respondents as they have a value of $r = -0.542$. Respondent's perceptions of technology as a source for control over their daily lives was also found to be negatively correlated to their education levels with a coefficient value of $r = -0.466$. As regards the convenience derived from using banking services and products and the respondent's levels of education, a positive correlation was found with a coefficient value of $r = 0.211$.

In addition, the benefit of all-hours access to banking that comes with technology was found to be positively correlated with the respondent's level of education ($r = 0.603$). Further, there was also a positive correlation between the respondents' gender and their perceptions around the benefit of all-hours access to banking that is derived from technology services and products with

a coefficient value of r = 0.941.With regard to the relationship between ease of use and comfort of the respondents in using new technologies, and their levels of education, the statement relating to the respondents' confidence that machines easily respond to their instruction was used. A positive correlation was found between this statement and the respondent levels of education with a coefficient value of r =0.747. However, this statement was negatively correlated with the respondents' gender (-0.481).

Regarding the statements measuring the innovator tendencies of the respondents, one statement was elevated for measuring of association and it related whether the respondents felt that they were first among my circle of friends to acquire new technologies. A correlation analysis was conducted on whether there was any association between this and the level of education of the respondents. It was found that the levels of education and the respondents' innovator tendencies were positively correlated with a coefficient value of r = .689. However, the statement measuring the innovator tendencies of the respondents was found to be negatively correlated to gender with a value of r = -0.270.

The correlation analysis of relationship between the respondent's trust of technologies and their levels of education was also conducted. In this regard, the statement that when performing transactions via technology one has to make sure that the computer does not make a mistake was used. It was found that trust of technology is positively correlated with the respondents' level of education with a coefficient value of r = .482. Trust of technology was however, negatively correlated with the respondent's gender (r = -.333).

Main Findings and Recommendations

The South African banks are continuously investing significant resources in banking technologies with a view of maximising their operations and also increase their market shares. The usage banking technologies to provide services to customers is a common phenomenon throughout the world (Safeena *et al.* 2010). In addition, technology based banking services such as cellphone banking possesses the potential of assisting the banks to speedily extend banking services to people that previously had no access to banking – the previously unbanked (Porteous 2007; Ivatury & Pickens 2006). Further, technological banking has the effect of increasing customers' experience and

provides them control of their financial affairs (Raleting & Nel 2010). It is for these reasons that the banks should understand the readiness of customers for banking technologies.

The objective of this study was to determine the technological readiness of senior citizen bank customers and their banking technology adoption behaviours. In particular, the purpose of the study was to determine the relationship between technology readiness and age seniority as a moderator.

A quantitative research methodology was adopted for this study. In this regard, a survey was administered with a population of 70 senior citizen bank customers residing in three old age centres in Gauteng and North-West. Data collected through the survey was captured and analysed through the Statistical Package for Social Sciences and presented in frequency distributive tables.

1. *Are senior citizen bank customers who currently have access to technology based banking products and services more accepting of, and technologically ready for, technology based banking services?*

The data collected during the study demonstrates that senior citizen bank customers that have access to banking products and services are more accepting and technologically ready for technology based banking services. This is supported by data in Figure 8 which demonstrates that 69% of the respondents indicated that they like the idea of technology based banking because of the all-hour convenience that they provide. In addition, Figure 7 demonstrates that senior citizens perceive banking technologies as easy to use (76% of respondents), while Figure 6 demonstrates the respondent's positive perceptions of the usefulness of banking technologies in their lives which are requirements for technology acceptance. The study also revealed that the education levels of the respondents did not influence their acceptance and readiness of technology based banking products and services. Further, the technology readiness of senior citizens is demonstrated by the innovator characteristics that they demonstrate in the data. However, it is clear from the data collected in the study that senior citizen customers of the banks only have access to, and use, basic technology based banking services and products such as a bank accounts, landline telephone banking and ATM's.

2. *Does senior citizen bank customers who have access to technology based banking services and products have a higher perceived desirability of using technology based banking services?*

The study revealed that senior citizen bank customers who have access to technology based banking services and products have a higher desirability to use technology based banking services. This is supported by in the data which demonstrated that 70% of respondents were concerned that they were left behind by their fiends as regards learning about new technologies. This finding demonstrates inadequate dissemination of information on new banking technologies to senior citizen customers, a factor that results in the anxiety illustrated in in the data.

3. *Are senior citizen bank customers who are currently using technological banking services more technologically ready?*

The study revealed that senior citizen banking customers who have access to technology based banking services and products, while technologically ready, also espouse insecurity about technology based banking services. Senior bank customers are concerned about the safety of technology based banking services and products. This is supported by the data which demonstrates that a significant proportion of senior citizens (73%) felt that it is not safe to conduct financial transactions over the Internet. In addition to safety, 70% of senior citizen customers of who have access to technology based banking products and services demonstrate low trust levels towards technology based banking services and products. The research study findings also revealed that senior citizen customers of the banks were also concerned about the safety of the technology applications that were used in banking, as demonstrated by the data. Further, the study revealed that senior citizens customers of the banks have low levels of trust towards technology based banking services and the technology applications used for banking. This is demonstrated by the data which reveals that senior citizens believe that technology always seem to fail at the worst possible times. Technology users' trust of technology applications is linked to the quality of the applications in the delivery of services demonstrating that the need for improved service delivery of technology based banking services.

Summary of the Main Findings

This study's central objective was to determine the technological readiness and acceptance of banking technologies of senior citizen bank customers of the South African banks. Therefore, the following main findings were derived from the research:

- Senior citizen bank customers of the South African banks who have access to technology based banking services and products are ready for banking technologies, but currently only have access to, and use of, basic banking technology services and products that include a bank account, landline telephone banking and ATMs.

- Senior citizen bank customers of the South African Banks that have access to technology based banking services and products have higher desirability to learn more about technology banking products and services.

- Safety of technology-based banking services and products, including the safety of the technology applications are major concerns affecting the technology readiness and adoption of technology based banking services of senior citizen customers of the South African banks.

Recommendations

The findings of the study explained in this section guide the following recommendations for the benefit of the management of the banks:

- The marketing efforts of the banks should emphasise the promotion of other technology-based banking services and products, such as cell phone and Internet banking, among their senior citizen customers who have access to technology-based banking services and products. This is based on the study's finding that senior citizen bank customers of the South African banks who only have access to, and use of basic banking technology services and products that include a bank account, landline telephone banking and ATMs.

- • The marketing and promotion information of technology-based banking services and products of the banks targeting senior customers should be tailored to the unique traits of the bank's customer segment. This recommendation is based on the study's finding that senior citizen bank customers of the South African Banks that have access to technology based banking services and products have higher desirability to learn more about technology banking products and services, but do not have adequate access to information on new banking technology innovations that is tailored to their unique traits.

- • The banks' promotions of technology-based products and services should emphasise the safety of technology based banking services and products in order to increase their appeal to senior citizen customers.

- • The technology divisions of the banks should continue to improve the quality of the technology-based platforms that the banks use for services provision to prevent service failures, a factor that will result in improved trust of the platforms by senior customers thus winning their loyalty towards the services platforms and the banks themselves.

Conclusion

Banking technologies are important for the growth of the market shares of the South African banks, positive customers' experience and also for the attainment of other social goals such as the speedy delivery of banking services to the previously unbanked. This study investigated the readiness of senior bank customers of the South African banks for banking technologies. In view of the study's findings that senior citizen customers of the South African banks possess positive characteristics towards banking technologies but do not receive adequate information about these technologies, it can be concluded that the banks' marketing efforts need to be improved in order to focus information about banking technologies on this customer segment. In addition, the findings indicate a high desirability for the banks to focus their

efforts on establishing customer confidence and trust on banking technologies in order to make these technologies attractive to their senior citizen customers.

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Readiness of South African Senior Citizens for Electronic Banking

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A Framework for Integrating Cognition, Speech Acts and Communication for Content Analysis

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> How do you prepare yourself mentally? Each man must do that himself, each man must prepare himself mentally ... to make that jump. In the back of your mind, you wonder what's gonna happen. You know you've been trained and trained ... and what your job is and what you're supposed to do. That's what you gotta think about. We lost a lot of people that night, but you try to put it all out of your mind (US Army 101[st]Airborne Division, WWII Survivor).

Abstract

Content analysis is a qualitative research method that analyses the content of conversations and other types of text according to principles of categorisation. During content analysis researchers usually pragmatically derive categories from the topic that forms the focus of their research. Similarly, thinkers and communicators choose categories pragmatically, based on the context provided by the scenario that is being thought about or described. Due to the pragmatic basis of content analysis as well as communication, such categories are often context-specific and transient. Categories therefore remain the black box of content analysis and the analysis of ongoing communication interactions. In order to clarify the role of categories during research, including in content analysis, I briefly explain what the term 'categorisation' means. Thereafter I propose an interdisciplinary model in which speech acts form a robust framework to analyse the contents of different types of communication – nonverbal

communication, interpersonal verbal and written communication, and intrapersonal communication – used by humans during cooperative, competitive and confrontational forms of communication.

Keywords: Basic level categories, categorisation, categorise, cline, cognition, cooperative communication, competitive communication, confrontational communication, content analysis, continuum, intercultural communication, intrapersonal communication, interpersonal communication, metacognition, prototypes, subordinate level categories, superordinate level categories.

Problematic Trends that Prompted the Writing of this Paper

While serving as external examiner for South African postgraduate theses, and as a peer reviewer for several scholarly journals that report *quantitative research* results, based on statistical analysis, I have over time come to the uneasy conclusion that many local novice researchers do not relate the real-world phenomena that they are studying to the statistics that they are reporting, that the under-interpretation of results and failure to explain why particular statistical results are reported, prevent descriptive and inferential statistics to function as lenses that bring into clearer focus underlying trends in the communities studied.

For *qualitative research* the situation is even more worrisome. Searches of the NRF's *Nexus* database, using the search term 'qualitative research' on its own, as well as a combination of the search terms 'qualitative research', 'dissertations' and 'theses', reveal that seemingly no qualitative research theses and dissertations have recently been registered with the NRF, South Africa's primary research promotion agency, by local university research offices on behalf of postgraduate students.

A search of the *Science Direct* global research database shows that seasoned South African researchers are publishing *qualitative research* results in diverse disciplines like Public Relations Management (Steyn *et al.* 2004), Ethnopharmacology (Semenya & Maroyi 2012), Pharmacology (Penn *et al.* 2011) and Marine Biology (Moseley *et al.* 2012). Unless the *Nexus* database is out of date, seasoned researchers in qualitative research are not

helping to develop a new generation of competent qualitative researchers, and proper qualitative research is not undertaken in the social sciences and in the management sciences.

Categorisation

The Cognitive Basis of Categorisation

In this section, I make the case that cognition is the true basis for categorisation, because categorisation is grounded in how humans actually perceive the world around us. The digital dictionary of Apple Inc. defines 'categorize'[1] as 'put somebody or something into a category.' In similar vein, Dictionary.com defines the word 'categorize' as '1. to arrange in categories or classes; classify. 2. to describe by labelling or giving a name to ...'. Freedictionary.com defines 'categorize' as 'To put into a category or categories'.

What not one of the three definitions shows, is the hierarchic structure involved in how humans cognitively categorise entities, namely in terms of their perceived *shared attributes* that cause entities to belong to the same category, or *unshared attributes* that differentiate entities enough from one another so that we consider them to belong to different categories, as shown in Figure 1 below.

The classification tree below shows that the attributes that entities share, or that differentiate entities from another, form the basis of how we *perceive* and think about the world, and therefore of the vocabularies that we use to *communicate* with one another about the world. Both orders of animal (fish and birds) have in common that they have bodies consisting of organs and flesh, that they are conscious of their environments, that they breathe oxygen, that they eat, that they have offspring that hatch from eggs and that sooner or later they die. The classification tree also shows, what differentiates birds from fish as different types of animals, is that birds have wings with which they fly and legs as limbs to move about on the ground, while fish have oblong body shapes and dorsal fins and a tailfin for moving about in water. It also shows that birds breathe through lungs while fish do so through

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[1] Whenever I write, 'categorize' rather than 'categorise', I am referring to a source that uses American English spelling rules.

gills, that birds' bodies are covered by feathers while fish are covered by scales, and so on.
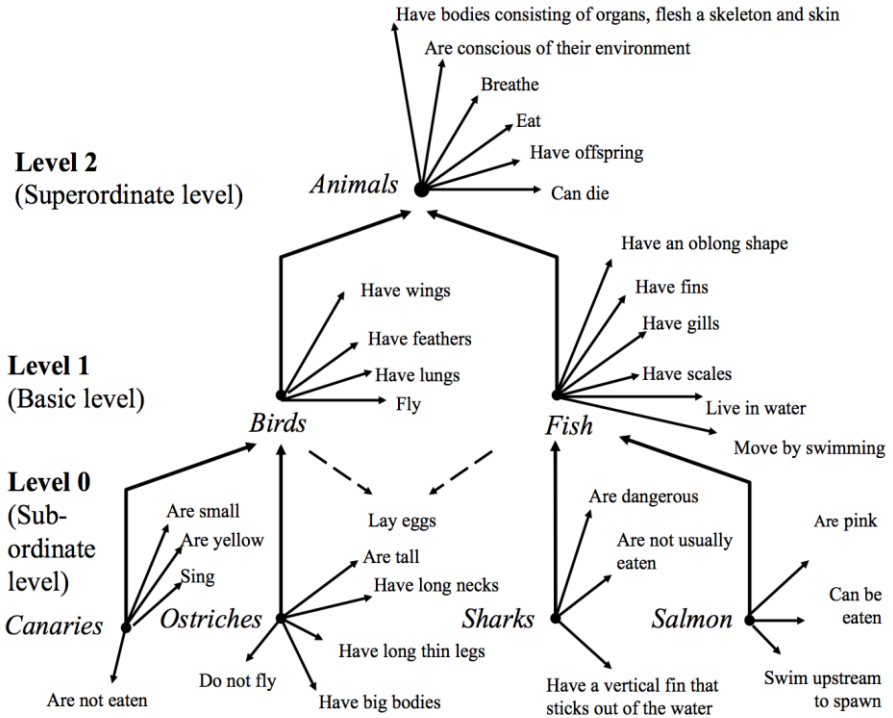
Figure 1: Lexical categorisation by entity attributes, adapted from Collins and Quillian (1969)

Basic level categories have a privileged position in human thinking because we mostly have graphical representations associated with them. This ability begins with infants' learning to recognise the shape of human faces, particularly maternal faces, at a very early age (Ramsey *et al.* 2005), and soon thereafter infants' ability to conceptualise basic level categories (Behl-Chadha 1996; and Oakes 2008), and to be subsequently used by toddlers during communication. Also, while it is impossible to draw the shape of an animal, a *superordinate* level noun, only artists can skilfully draw *subordinate* level nouns that refer to entities like canaries, ostriches, sharks

and salmon. By contrast, all humans can doodle basic level entities like a bird in flight or a fish:

Figure 2: Doodles of basic level objects like 'bird' and 'fish'

According to Research and Development Institute Inc. (2006), one of the earliest concepts developed in babies is that of classification: 'Classification involves discrimination, matching, and grouping or categorizing according to attributes and attribute values. A sampling of these attributes and attribute values at the quality level follows:

- Shape (square, circle, triangle, rectangle)
- Size (large, small, big, little)
- Weight (heavy, light)
- Length (short, long)
- Width (wide, narrow, thick, thin)
- Height (tall, short)'.

Roberts and Cuff (1989) present evidence that babies in the age group 9-15 months are able to perform categorisation of objects, not only at basic level, but also at the superordinate level: they know that *apples* and *pears* are types of *fruit*.

As the classification tree in Figure 1 shows, humans *subconsciously* categorise the complete vocabularies of language into the previously demonstrated three hierarchical category levels, namely the basic level, the superordinate level and the subordinate level. Thinking about the world around us involves categorisation at these three hierarchical levels, so it is worth focusing on the categorical basis of thinking, communication and systematic research: birds and fish both are considered to be animals because they have bodies consisting of organs, flesh and skins (nouns), because they are conscious (adjective) of their environment (noun), because they breathe and eat (verb), have (verb) offspring (noun) and can die (verb).

Another function of attributes, derived from how we see the world, is that during research they can be used by respondents or interviewees to impressionistically assess how entities are (small – mid-sized – large – gigantic), or how they behave, e.g., whereabouts in relation to other objects in space, (at rest – slowly – fast).

In quantitative research categorical distinctions and the attributes of entities that belong to such categories are mostly extracted from the specific populations that one studies. They therefore by nature are relativistic and transient categories – each scenario that is studied provides the specific categories and attributes that one uses to give an account of the scenario, so that different sets of categories and attributes arise for different scenarios studied.

Categorisation, Cognition and Metacognition

As demonstrated, categorisation is no simple matter:

- Categorisation is cognition.
- Cognition is categorisation.
- Thinking about cognition is known as metacognition.

Thinking about categorisation and cognition is known as *metacognition*. Like cognition, metacognition is no simple matter either. Livingston (1997) characterises metacognition as follows:

> 'Metacognition' is often simply defined as 'thinking about thinking'. In actuality, defining metacognition is not that simple. Although the term has been part of the vocabulary of educational psychologists for the last couple of decades, and the concept for as long as humans have been able to reflect on their cognitive experiences, there is much debate over exactly what metacognition is. One reason for this confusion is the fact that there are several terms currently used to describe the same basic phenomenon (e.g. self-regulation, executive control), or an aspect of that phenomenon (e.g. meta-memory), and these terms are often used interchangeably in the literature.

Livingston (1997) further says metacognition entails a type of thinking that involves activities such as planning, monitoring comprehension,

and evaluating progress toward the completion of a task, and that people with greater metacognitive abilities tend to be more successful thinkers.

Humans fare badly at metacognition – thinking about thinking, and categorisation as thinking – because we subconsciously categorise things, and subconsciously understand how things interact with one another during events.

Metacognitive reasoning however, has to be employed consciously to identify the appropriate categories latent in research scenarios, because whether one conducts quantitative or qualitative research, categorisation is the heartbeat of the research process, since categorisation forms the basis of science's fundamental theory of knowledge, *Epistemology* (studying the origin, nature, methods, and limits of human knowledge creation).

Fuzzy Boundaries between Categories

Labov (1973) reports a perception-based categorisation experiment in which observers were presented with drawings of objects that gradually varied in shape:
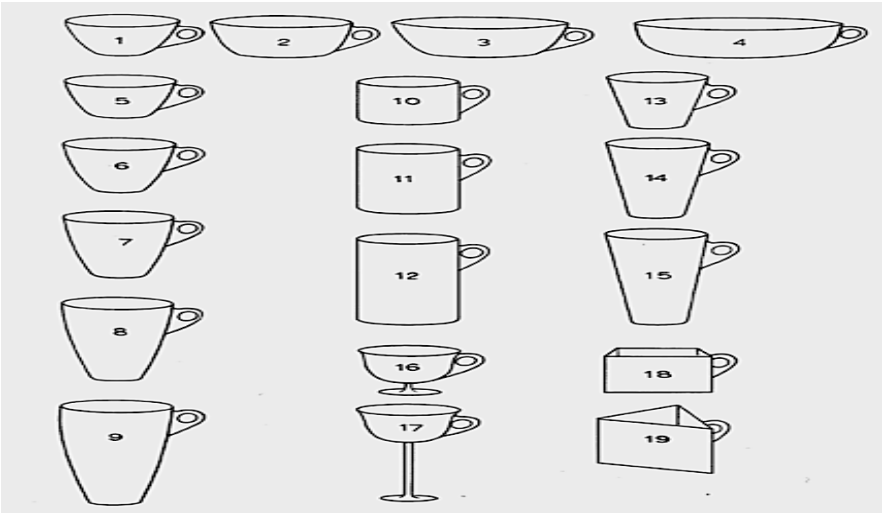
Figure 3: The non-discrete nature of objects, based on inherent variations in categorical shapes (Labov 1973; Alexander 2012)

Labov's ingenious experiment in perception-based classification shows that not all observers classify objects in exactly the same way, and that observers use context to help establish the boundaries between objects like cups and bowls:
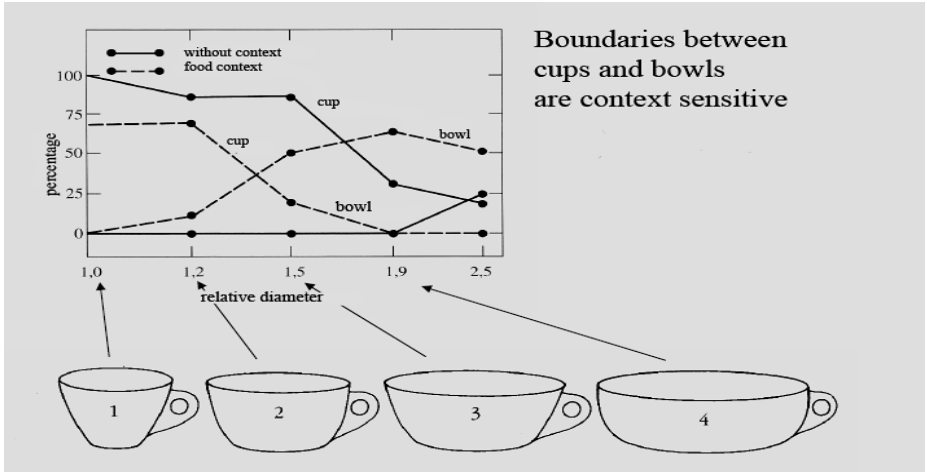
Figure 4: Categorical boundaries between objects differ from observer to observer, but are guided by context (Labov 1973; Alexander 2012)

Alexander (2012) observes about the Labov (1973) experiment:

> The interesting part of the experiment came when he [Labov] put the situation into a context of either drink or food. In the context of food the category shifted significantly. Now more of the vessels were seen as bowls than before.

The food-and-drink contexts to which Alexander refers, affect how observers that participated in Labov's test classified food utensils. Another example of how visual context affects classification is the Ebbinghaus Illusion, shown in figure 5 and discussed in Plodowski and Jackson (2012):
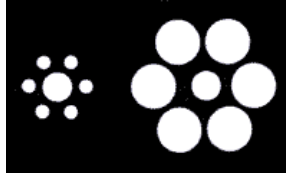
Figure 5: The Ebbinghaus illusion that demonstrates the role of context on perceptual interpretation of the attributes of category elements (Original source of this rendering unknown)

The above image consists of two sets of six outer circles concentrically arranged around an inner circle. The inner circle in the left-hand image appears to be larger than the inner circle of the right-hand image. When measured, both inner circles turn out to have the identical diameter. It is the context of the relative size of the outer circles that misleads one to think that the left-hand inner circle is larger than the right-hand one.

Prototypical and Atypical Members of Categories

In categorisation, and semantics, which is the bedrock of categorisation in epistemology, prototypes serve as best examples of entities within categories because they combine the most representative attributes of entities that belong to their category. Prototypes can therefore be considered as typical instances of entities in particular categories.

For example, placental mammals (the overwhelming majority of mammals) are more easily recognised as mammals (warm-blooded, four-limbed, hair-covered, earth-bound animals with teeth that are nurtured through a placenta while they develop as embryos in a motherly womb until they are born. An exception, an atypical category member would be bats, the flying placental nocturnal mammals known mostly by reputation, and that are commonly misclassified as birds. Other examples of atypical mammals would be whales, dolphins, porpoises and narwhals, all warm-blooded marine animals that are members of the cetacean branch of placental mammals, animals that are commonly misclassified as types of fish.

Similarly, unless one lives in Australasia the two sub-species of the *monotreme* order, egg-laying primitive mammals that are thought to have independently evolved from reptiles, the *platypus* and the *echidna*, are

considered even more atypical of mammals than bats, whales, porpoises, dolphins and narwhals. By comparison, *primates* (lemurs, tarsiers, monkeys, apes, and humans), *ungulates* (herbivorous, hoofed mammals) and *carnivores* (agile four-footed meat-eating, hunting animals with keen eyesight, like lions, leopards, dogs, badgers and weasels) are more readily and consistently recognised as mammals.

Prototype theory in categorization can be traced back to Wittgenstein's insight that family resemblances link members of categories. Explaining his concept of family resemblances, Wittgenstein (1965: 187) noted that family resemblance relationships link the various referents of a word. A family resemblance relationship is represented symbolically as AB, BC, CD, DE, indicating that similarities exist in the meaning of words in different contexts. The meaning of a word in context 1 has at least one, and probably several elements of meaning in common with the use of the word in another context, but no elements, or few elements are common across all contexts.

Taking Wittgenstein's theory of family resemblances as point of departure, Rosch (1973) and Rosch and Mervis (1975) report the results of a series of timed object recognition experiments that show that observers tend to recognise prototypical members of categories sooner and more consistently than atypical members of such categories.

Rosch and Mervis (1975) reason that when describing categories analytically, most traditions of thought have treated category membership as a digital, all-or-none phenomenon, with a member either belonging to a category or not. They point out that much work in philosophy, psychology, linguistics, and anthropology assumes that categories are logically bounded entities, membership in which is defined by an item's possession of a simple set of criterion-based features, in which all instances possessing the critical attributes have a full and equal degree of membership, giving all members of the category equal semantic weight. Say Rosch and Mervis:

> In contrast to such a view, it has been recently argued (see Lakoff 1972; Rosch 1973; Zadeh 1965) that some natural categories are analog and must be represented logically in a manner which reflects their analog structure. Rosch (1973; 1975b) has further characterized some natural analog categories as internally structured into a prototype (clearest cases, best examples of the category) and

nonprototype members, with nonprototype members tending toward an order from better to poorer examples[2].

Categorisation as a Subconscious Process

In *thinking* as well as *communication,* one *subconsciously* organises such categories into lexical categories, namely nouns, verbs, adjectives, adverbs, numerals, prepositions, articles and conjunctions, enabling one to effortlessly formulate an infinite number of sentences like the one below that I have parsed to indicate the categories to which each word belongs:

The tall man sat on a rickety chair while he neatly carved up the roast turkey

{[Independent Clause] ***The*** [definite article] ***tall*** [adjective] ***man*** [proper noun] ***sat*** [intransitive verb, past tense] ***on*** [preposition] ***a*** [indefinite article] ***rickety*** [adjective] ***chair*** [proper noun]**}** ***while*** [conjunction] **{**[Dependent Clause] ***he*** [personal pronoun] ***neatly*** [adverb] ***carved up*** [transitive particle verb, past tense] ***the*** [definite article] ***roast*** [adjective] ***turkey*** [proper noun]**}**.

It is worth noting that verbs (hit, beat, thrash…), nouns (husband, wife, child…) and numerals (one, ten, a trillion …) are open ended or infinite categories without upper limits, while, prepositions (inside), articles (the) and conjunctions (and) are closed categories with limited membership. Adjectives (shiny), which stipulate the attributes of things that we refer to by means of nouns, and adverbs (rapidly), which stipulate the attributes of actions or processes that we refer to by means of verbs, are semi closed categories from a purely logical point of view since objects that belong to the same category

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[2] Zadeh (1965) also contributed to a more nuanced understanding of categorization in his system of fuzzy logic that he intended to form the basis of the semantic component of languages. While Zadeh's approach was not adopted by linguists, it has since found a range fruitful applications in technology, ranging from differential cycle control in automatic washing machines and differential speed controls of railway carriage wheels while going through curves on railway tracks.

(bread, butter, meat, milk) share attributes, as do actions (cut, carve, slice, slash) that belong to the same category.

Categorisation in Research

As indicated before, an immediate source of categories for quantitative research would be the real-world population that one studies, whether it is the employees in an organisation, members of the public, learners at school, or university students. Categorisation that is derived from and limited to the population that one studies, is transient and can be characterised as *scenario-based, pragmatic categorisation*. Typical attributes for category members arise from differences in the age, gender and rank of workers in an organisation, or the social organisation of a group that one studies, and the different activities in which respondents or interviewees are engaged.

It is worth noting that such scenario-specific categories and the attributes of the populations studied are contextualised by the researcher's overall world knowledge, which in turn is grounded in life experience. In a subsequent section I will argue that for the purposes of content analysis of texts (transcribed interviews, written reports, letters, email messages) speech acts could serve as classification categories, provided that such speech acts are ordered in a particular way.

Speech Acts as a Present-day Inter-discipline

Green (2007) describes speech acts as 'a staple of everyday communicative life' and adds that since the middle of the 20th century, when speech acts became a topic of sustained research, knowledge about speech acts significantly influenced a range of disciplines, such as linguistics, philosophy, psychology, legal theory, artificial intelligence, literary theory. According to Green:

> Recognition of the importance of speech acts has illuminated the ability of language to do other things than describe reality. In the process the boundaries among the philosophy of language, the philosophy of action, the philosophy of mind and even ethics have become less sharp. In addition, an appreciation of speech acts has

helped lay bare an implicit normative structure within linguistic practice, including even that part of this practice concerned with describing reality.

From Green (2007)'s assessment it is clear that the theory of speech acts has established a significant interdisciplinary footprint since its inception in the nineteen fifties. In the sections that follow I briefly outline the origin and development of speech act theory for the benefit of non-linguists, after which I propose a framework that integrates speech acts and communication for the purpose of content analysis of documents and transcribed interviews.

Speech acts are language-specific semantic subcategories. As Green (2007) points out, speech acts also share interdisciplinary links with other knowledge meta-categories, namely linguistics, philosophy, psychology, legal theory, artificial intelligence, and literary theory. This implies that *interdisciplinary* links between such macro-categories in effect link speech acts that may be prototypical members in some knowledge categories while being atypical members in other categories.

Theoretical Frameworks for Speech Acts

The term 'speech acts' refers to the area in general linguistics that focuses on the dynamic (pragmatic) spoken or written use of utterances to influence the behaviour of hearers or recipients. Present-day speech act theory takes as point of departure J. L. Austin's distinction between performative utterances and his theory of *locutionary*, *illocutionary*, and *perlocutionary* acts (Austin 1962; 1970) and TheFreeDictionary (2013):

Locutions: a particular form of expression: a word, phrase, expression, or idiom, especially as used by a particular person or group.

**Illocutions*:* an act performed by a speaker by virtue of uttering certain words, as for example the acts of promising or of threatening.

Perlocutions: producing an effect upon the listener, as in persuading, frightening, amusing, or causing the listener to act.

The term 'locutions' relates to the following aspects of linguistics, some of which are set out in Klopper (1999) and (2009) and that are therefore not dealt with here again:

Words: Phonotactics – the set of permissible arrangements or sequences of speech sounds in a specific language – the list of all the permissible speech sounds used in a particular language to distinguish words from non-words, and rules for which single consonants and consonant clusters (combinations of consonants) may be used before and after vowels and diphthongs (vowel combinations).

Phrases: How words may be combined to form phrases like noun phrases, adjectival phrases, and prepositional phrases.

Sentences: How independent clauses and dependent clauses may be used to form complex clauses that combine three or four individual clauses.

(Set) expressions: How to account for combinations of words that have become fused into single meaningful language units over time so that they in combination function like single words.

Idioms: How to account for set expressions in any particular language that gain more meaning in combination than the meanings of the individual words.

Persons: How to characterise forms of language use that are characteristic of particular individuals – idiolectic characteristics.

Groups: How to characterise forms of language that are characteristic of regions (dialects) and the language use of particular social groups (sociolects).

Illocutions and Perlocutions: These terms relate to how language users actually use locutions to cause recipients (listeners and readers) to change their behaviour

Searle's Framework for Classifying Speech Acts

Searle (1975a) set up the following classification of illocutionary speech acts:

Assertives: speech acts that commit a speaker to the truth of an assertion/ statement.

Directives: speech acts like requests, commands and advice - assertions that are used with the intention to cause the hearer to respond in some particular way.

Commissives: speech acts like promises and oaths - assertions that commit a speaker to some future action.

Expressives: speech acts like congratulations, excuses and thanks – assertions that express on the speaker's attitudes and emotions towards something or someone.

Declaratives: speech acts like baptisms, christenings, pronouncing someone guilty or pronouncing people married – assertions that formally change the status of the persons that form the subject of the speech act.

Bach's Framework for Classifying Speech Acts

Bach (1973) classifies Speech Acts into four major general categories, for each of which he distinguishes between six and twenty-two subcategories per general speech act category

Constatives: Assertions/statements used for affirming, alleging, announcing, answering, attributing, claiming, classifying, concurring, confirming, conjecturing, denying, disagreeing, disclosing, disputing, identifying, informing, insisting, predicting, ranking, reporting, stating, stipulating …

Directives: advising, admonishing, asking, begging, dismissing, excusing, forbidding, instructing, ordering, permitting, requesting, requiring, suggesting, urging, warning …

Commissives: agreeing, guaranteeing, inviting, offering, promising, swearing, volunteering …

Acknowledgments: apologizing, condoling, congratulating, greeting, thanking, accepting (acknowledging an acknowledgment) ….

Examples of Some English Speech Acts

One performs a speech act when one successfully uses language to get other people to do what you want them to do. The following are randomly selected examples of every-day used speech acts:

Greeting: 'Hello, Jane. It's good to see you again'

Request: 'Pass me the salt, please?'

Complaint: 'How much longer do I have to wait? I was promised that it would take only five minutes!'

Invitation: 'I'd like you to come to my housewarming party on Saturday night. Can you make it?'

Compliment: 'I haven't seen you for years, and my goodness, you don't look a day older!'

Refusal: 'Forget it! I'm not letting you drive my car again'.

Speech Act Clustering

Speech acts are context sensitive forms of verbal and written communication, directed at recipients. Keeping in mind that communication as well as interpretation is always context sensitive, and are used in semantically congruent clusters, the following randomly chosen examples are used in the context of a cluster of speech acts, all used by the same speaker to persuade a child to eat peas as part of a meal:

Greeting: 'Hello big boy, how was school today?'

Inviting: 'Would you like some peas with your lunch?'

Promising: 'If you eat your peas, I'll give you ice cream'.

Threatening: 'If you don't eat your peas, you can't watch TV'.

Ordering: 'Eat the damn peas!'

Warning: 'Be careful, those peas are hot!'

Congratulating: 'Well done for having eaten your peas!'

Communication

Textbooks in communication and public speaking abound in generic communication models that present communication as a value-neutral process. Such models are invariably based on Shannon (1948)'s model for electronic communication, first used in telegraphic communication, and subsequently in telephonic and Internet-based electronic communication:
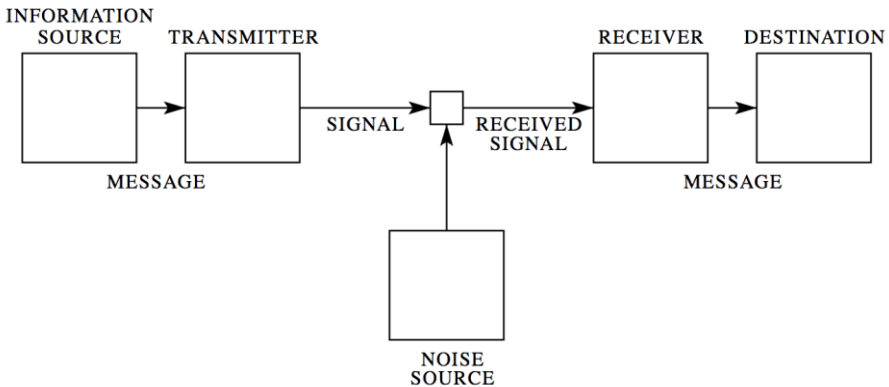
Figure 6: Shannon's general communication model from Shannon (1948)

As one can deduce from speech acts theory, human communication is not value neutral, but instead a *contested* process of interacting with others in order to get them to do what you want them to do.

Communication as Value-driven Process

Klopper (2005:107) formulates the value-driven, compliance gaining nature of human communication as follows: 'Human communication … ranges along a *cooperation > competition > confrontation* continuum'. Klopper (2005) further explains that the C⇨C⇨C continuum can be characterised by means of five axiomatic statements:

1. Humans are driven to communicate for survival's sake.

2. The survival principle of enlightened self-interest determines that one only cooperates with others if it is to one's advantage.

3. People or groups compete to gain and maintain a survival advantage.

4. Competing individuals or groups engage in confrontations to obtain or retain competitive advantage.

5. Humans also employ the C⇨C⇨C continuum in education, business and leisure.

Interpersonal and Intrapersonal Communication

Klopper (2005:109) further distinguishes between interpersonal communication and intrapersonal communication:

> Reduced to its essence, communication is a contested meeting of minds, where fellow communicators cooperate, compete or confront one another to clearly convey their intentions and contentions. To achieve such a meeting of minds one simultaneously has to engage in intrapersonal and interpersonal communication.

Characterising communication as a 'contested meeting of minds' integrates *interpersonal* aspects of communication between individuals with *intrapersonal* cognitive processes that take place in each communicator's mind while communicating – a process that according to Livingston (1997) is known as *metacognition* in Educational Psychology. Communicators focus on the words that they use to persuade others, to negotiate with them, or to confront them when persuasion or negotiation fails, but remain largely unaware of their nonverbal communication (body language), or their reasoning strategies.

The following quotation from Orloff (2002), recounts the recollections of two WWII survivors about what went through their minds while they were waiting in an aeroplane for the D-day jump in Normandy. It clearly highlights the nature of intrapersonal communication/ metacognition. Verbs that relate to intrapersonal communication during self-reflection, are underlined:

> *We came from the sky. We hit, and in any direction you went, there would be enemy. You* <u>knew</u> *it. And that was all part of what you* <u>accepted</u> ....
> US Army 101st Airborne Division, Easy Company, Survivor 1
> *How do you* <u>prepare yourself mentally</u>*? Each man must do that himself, each man must prepare himself mentally ... to make that jump.* <u>In the back of your mind</u>*, you* <u>wonder</u> *what's gonna happen. You* <u>know</u> *you've been trained and trained … and what your job is and what you're supposed to do. That's what you gotta* <u>think</u> *about. We lost a lot of people that night, but you* <u>try to put it all out of your mind</u> (US Army 101st Airborne Division, Easy Company, Survivor 2.)

Since it is the purpose of this article to *propose* a framework that integrates speech acts, interpersonal communication and intrapersonal communication/ metacognition, the nature of intrapersonal communication is not discussed in great detail here, except for pointing out that intrapersonal communication has an equivalent narrative device used in fiction that writers use to represent the inner thoughts of characters, known as 'monologue interieur' and 'stream of consciousness'.

Integrating Speech Acts with Value-driven Contested Communication

Figure 7 below presents a schema for the relationship between interpersonal and intrapersonal communication:

Figure 7: General honeycomb schema for the relationship between interpersonal and intrapersonal communication

Physical World (Reality)

Mind-External Attention Focus

⇐ **Past Oriented** ⇐ **Present Oriented** ⇒ **Future Oriented** ⇒

Conscious external world interactions governed by social conventions & norms

Interpersonal Communication

Illocutions (Speech Acts)

Perlocutions (Speech Acts)

Arguing, Debating, Contradicting Rejecting someone's account of a past or forseen event

Sentence someone Role-playing, Threatening

Offering, Promising, Assuring, Under-taking Causing someone to believe you will do something

Small Talk (Phatic Communication) Establishing rapport

Blaming, Recriminating, Accusing, Cursing Getting someone to feel bad about something you think they did wrong

Requesting, Directing, In-structing, Deman-ding, Commanding Causing someone to do something for you or for some-one else

Denying, Self-justifying, Stating innocence Stating non-involve-ment in, prior knowledge of or reasons for partici-pating in a prior event

Describing events as they happen where you are Causing someone to notice or under-stand something or some event

Persuading Motivating some-one else to adjust their values and beliefs to do what you want them to do

Statements about events that have just occurred Requiring someone to believe something has just happened

Statements about events long past Requiring someone to believe something has happened long ago

Asking Questions Getting someone to give you in-formation

Planning, Envisaging Motivating yourself to believe you will do something

Statements about unseen things or events Causing someone to believe something exists elsewhere or is happening elsewhere

Reporting a vision Narrating an internally expe-rienced event as if it is happening externally

Fantasising Intentionally con-structing make-believe mind-internal images

Predicting, Prophecying Causing someone to believe now that something will happen later on

Meditating, Experiencing a Trance or a Vision

Unconscious mindstates generating personal norms, values and beliefs

Intrapersonal Communication

Timelesness

Rembrandt Klopper 2012©

Mind-Internal Attention Focus

Metaphysics (Reality Mentally Reconstructed)

Figure 8: Honeycomb communication lattice showing the relationship between illocutionary and perlocutionary speech acts during interpersonal and intrapersonal communication

Conclusions

A comparison of Figures 7 and 8 shows that the communication lattice of illocutionary and perlocutionary speech acts is based on the general schema for interpersonal-intrapersonal communication:

1. The honeycomb lattice pattern of both representations is not intended as a mere aesthetic feature, but has been chosen to help suggest Labov (1973)'s principle that *category boundaries are fuzzy* and should be interpreted context-dependently because of family resemblance relationships, symbolised as AB, BC, CD, DE relationships between categories as proposed in Wittgenstein (1965).

2. The fuzzy boundaries between speech acts categories entails that speech acts can be ordered on a dual top-to-bottom vertical axis where towards the top one has categories of illocutionary speech acts that relate to externally focussed real-world interpersonal communication interactions (arguing, debating, contradicting, pronouncing a sentence, offering, promising, making small talk to gain rapport at the start of conversations), while towards the bottom of the lattice one has mind-internal categories of intrapersonal communication speech acts that relate to the-real-world-mentally-reconstructed (reporting a vision, fantasising, predicting/ prophesying future events).

3. On the horizontal axis speech acts categories are organised on a past-present-future referencing principle. The horizontal pattern is as significant as the vertical one for an epistemic reason: the truthfulness of assertions used with a present-tense focus can be confirmed or disconfirmed immediately by participants, but assertions that relate to past or future events require of participants to believe-and-accept, or not-believe-and-reject their truthfulness.

4. These is not trivial points because they imply that intrapersonal communication takes place constantly while a person thinks, and also when s/he considers which arguments to present during contested communication, and when to deploy them.

5. The proposed framework also implies that interpersonal communication tends to be perceived as being subject to temporal constraints, while intrapersonal communication tends to be perceived as timeless.

6. Finally, I propose the lattice in Figure 9 as a viable source for categories to conduct content analysis of cooperative communication, negotiation and confrontational communication.

Conclusion

In this contribution I presented a framework for integrating cognition, speech acts and communication for the purpose of content analysis. I outlined the basis of how humans categorise things. Taking as point of departure Collins and Quillian (1969) I showed that lexical categories are hierarchically ordered into superordinate level lexemes, basic level lexemes and subordinate level lexemes. Based on Labov (1973) and Wittgenstein (1965) I presented the argument that category boundaries are fuzzy and that their members show family resemblance relationships due to partially shared attributes among category members. I argued that while categories for content analysis are usually pragmatically derived from the context of events to be studied, categories of speech acts could also be used to analyse instances of cooperative communication, negotiation and confrontational communication.

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