



THE 5<sup>th</sup> INTERNATIONAL CONFERENCE  
ON BUSINESS INNOVATION AND  
GROWTH (2019)

PROCEEDINGS &  
BOOK OF ABSTRACTS

**THEME**

**Business Innovation and Entrepreneurship:  
Accountability, Challenges and Competitiveness in  
Changed and Emerging Economies**

09<sup>TH</sup> – 11<sup>TH</sup> JULY 2019

UNIVERSITY OF BOTSWANA CONFERENCE CENTRE

GABORONE, BOTSWANA





# **5<sup>th</sup> INTERNATIONAL CONFERENCE ON BUSINESS INNOVATION AND GROWTH**

**Theme:**

**Business Innovation and Entrepreneurship:  
Accountability, Challenges and Competitiveness in  
Changed and Emerging Economies**

**Hosted by:**

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**9<sup>th</sup>-11<sup>th</sup> July 2019**

**University of Botswana Conference Centre,  
Gaborone, Botswana**

**Proceedings 2019, Volume V**

## **1. FRONT MATTERS**

### **1.1 EDITORIAL TEAM**

Monkgogi Lenao  
Alpheus Tlhomole  
Kuruba Gangappa  
Jane Monyake  
Monkgogi Mudongo (special mention)

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## **1.2. PREFACE**

The 5<sup>th</sup> installment of the Faculty of Business Biennial Conference was took place between the 9<sup>th</sup> and 11<sup>th</sup> July 2019 at the University of Botswana Conference Centre in Gaborone. The 2019 edition of the conference was themed; Business Innovation and Entrepreneurship: Accountability, Challenges and Competitiveness in Changed and Emerging Economies, and it attracted scholarship on a wide spectrum of topical issues ranging from Management & organization, Finance, Accounting & Taxation, Marketing, Tourism, Hospitality and Events Management, Information Technology & Innovation, Globalisation and Economic Sustainability, Knowledge Management and Innovation, Entrepreneurship and Innovation, Governance, Corporate Social Responsibility and Ethics and Business Education and Sustainability. The overarching objectives of the conference were to;

- Provide a platform to debate on the challenges and competitiveness that changed and growing economies face today in relation to Business Innovation and entrepreneurship;
- Reflect on future visions on achieving sustainable growth in these economies
- Create an environment for learning and networking among delegates from educational institutions, government and non-government organizations and from small, medium and large Enterprises.

The current volume carries all written material, including papers and abstracts, presented at the conference across the 3 days. The conference proceedings section of the volume carries 32 full papers, while the book of abstracts section contains 42 abstracts. All material in both sections were peer reviewed.

### 1.3 FOREWORD

It is my great pleasure to write this foreword to the proceedings of the 5th International Conference in Business Innovation and Growth of the Faculty of Business University of Botswana, held in Gaborone Botswana July 9-11, 2019. Conferences such as this bring together international scholars and practitioners to share ideas, debate and reflect on discourses with a primary aim of engendering advances in socio-economic governance. With critical reflection on the reflexivity of phenomena such conferences enrich our understanding of our being and how we can use these to enhance general social well-being. The papers presented at this conference covered themes ranging from Marketing through Accounting & Taxation to Entrepreneurship and Innovation.

The conference was officially opened by the Acting Vice Chancellor of the University of Botswana Professor Happy K. Siphambe and featured other key personalities including the key note speaker, Professor Suzan Marlow, from the University Of Birmingham, UK, as well as Regina Sikalasele-Vaka and Lorato Boakgomo-Ntakhwana from an entrepreneurial background. Prof Marlow, one of the leading Professors of Entrepreneurship, centred her speech on practical and theoretical challenges in entrepreneurship such as the dynamics of gender and entrepreneurship and related myths. Ms Sikalasele-Vaka and Ms Boakgomo-Ntakhwana, two of the leading women entrepreneurs in the country, highlighted their practical experiences on being hands-on entrepreneurs. Their underlying message was perseverance and that returns are based a long term investment.

I would also like to extend special note of gratitude to our sponsors for their generous support and contribution towards the success of this conference. Here special mention goes to Debswana and CEDA.

The papers contained in these Proceedings emanating from efforts of multiple scholars across 10 countries around the world will hopefully benefit students, both developing and established scholars as well as business practitioners. We are grateful to all the authors and participants and look forward to your future contributions. Finally, I would like to extend my sincere gratitude to the entire organising committee for their tireless efforts and sacrifices towards the realisation of this event.

Jairos Josiah  
FOB, Conference Chair, 2019

#### **1.4 ORGANIZATING COMMITTEE:**

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**Ms Tebo Ditshweu [Conference Secretary]** (Department of Marketing)  
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**Prof. Gangappa Kuruba** (Department of Management)  
**Mrs Lane Setswalo** (Faculty Office)  
**Ms Sister Steyn** (Information Technology, Faculty of Business)  
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**Mr Biki Basupi** (Department of Tourism and Hospitality Management)  
**Mrs Nametsegang Motshegwa** (Department of Tourism and Hospitality Management)

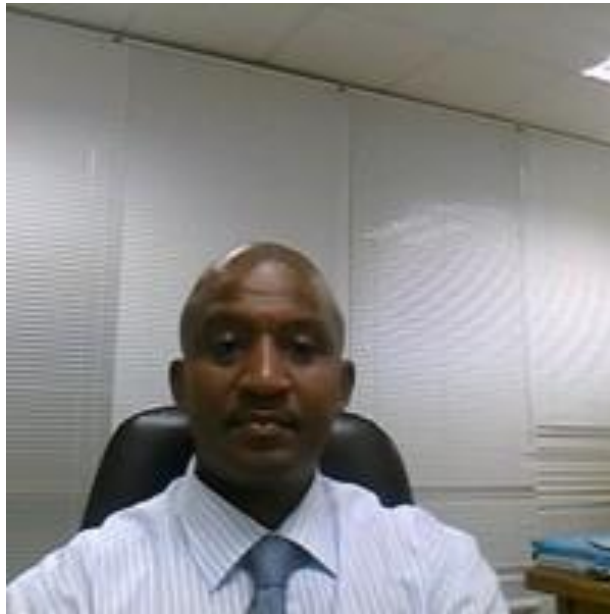
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<b>Mr Godfrey Themba</b>	Marketing	University of Botswana
<b>Ms Tshepo Maswabi</b>	Marketing	University of Botswana
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<b>Mr Zenzo Davous Dube</b>		Ba Isago University
<b>Mr Obrien Mkali</b>		Botho University

## 1.6 SPEAKERS' PROFILES

**HOST: Prof Onkutlwile Othata ( Dean, Faculty of Business)**



Onkutlwile Othata is an academic at the University of Botswana. He is currently the Dean of Faculty of Business, having previously served as the Head of Department of Accounting and Finance for six years. He holds a Bachelor of Commerce Degree, Masters Degree and PhD, all in accounting and financial management. He also holds a Post Graduate Diploma in Social Research Methods. In addition, he has attended several short courses in a variety of areas including corporate governance and risk management. Teaching, research and consulting activities are mainly in the areas of accounting, financial risk management, financial analysis and corporate governance. Prof. Othata also serves as external examiner to several Universities. At a national level, he has and continues to serve in various committees and boards of organizations including the Botswana Institute of Chartered Accountants and the Insurance Council of Botswana.



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**GUEST SPEAKER: Regina Sikalesele-Vaka (CEO- BONA LIFE)**



Ms. Regina Sikalesele-Vaka was the CEO of Motor Vehicle Accident Fund (MVA Fund) before starting up Bramer Life Botswana which is now Bona Life. Bona Life is a life insurance company with products suitable for all locals. She has held several Board positions including the position at CA Sales Holdings Ltd as Independent Non-Executive Director.

**PROFESSIONAL SPEAKER: Ms Lorato Boakgomo-Ntakhwana**



Ms. Lorato Boakgomo-Ntakhwana is the Board Chairperson of Botswana Telecommunications Corporation. She is also a career banker whose professional experience spans over 30 years. Her previous appointment was Deputy CEO of FNB International and Portfolio Executive for Emerging Countries.

Prior to this role, she was the CEO of First National Bank of Botswana Limited. She has been associated with the FirstRand group since August 2008 where she served as a Board member and Board Committee member in several countries.

Currently she is the Managing Director of Sally Dairy. Ms. Boakgomo-Ntakhwana has a Bachelor of Commerce from the University of Botswana and an MBA from Loyola College in Baltimore USA, and holds several professional qualifications.

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**KEY NOTE SPEAKER: Professor Susan Marlow**

Susan Marlow FRSA, is Professor of Entrepreneurship at the Haydn Green Institution of Enterprise and Innovation at the University of Nottingham; she is a holder of the Queens Award for Enterprise Promotion, was Editor of the International Small Business Journal (2009 - 2016), and Fellow of the Institute for Small Business and Entrepreneurship.

Susan has been a visiting Professor at several North American universities, University of Leeds, Manchester Metropolitan University and the University of Vienna. Her research interests lie in the broad area of entrepreneurship and entrepreneurial behaviours with a particular focus on the influence of gender upon entrepreneuring, high technology business incubation, identity work, human resource management in small firms and business closure/failure.

Susan Marlow is the author and co-author of numerous peer reviewed academic articles in leading UK and North American Journals and the editor of several books focused upon entrepreneurship and small business management

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## **2. CONFERENCE PROCEEDINGS [FULL PAPERS]**

**PARENTAL ROLE MODELS AND THEIR INFLUENCE ON  
ASPIRATIONS OF BOTSWANA FEMALE STUDENTS TO  
ENTREPRENEURSHIP**

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**ABSTRACT**

This paper discusses the influence of parental role models on entrepreneurial aspirations of female university students in Botswana. While studies have investigated the influence of role models on career intentions, there seems to be a dearth of information in this area, particularly separated effects of maternal and paternal effects within the Botswana context. Thus, this research fills this gap. Drawing data from seventy-six University of Botswana female students, this study applies a social learning theory, to investigate the extent to which their entrepreneurial aspirations are influenced by their parents. Results of the Chi-square Test of Association reveal no statistically significant association between both fathers' and mothers' business ownership; level of income, and educational level and their children's entrepreneurial aspirations upon graduation. This investigation has important implications for government bodies, university curricula and gender-based entrepreneurial research.

**Keywords:** Role models, women entrepreneurship, parents, higher education

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## INTRODUCTION

Based on the career theory, researchers unceasingly identify role models as an influential determinant of students' career choice. Role models are only determinant for the individual if they belong to the direct environment (Pablo-Lerchundi, Morales-Alonso, & González-Tirados, 2015). Thus, parental role models would form a key determinant of student's aspirations about career choice. The presence of parental role models had been associated with women's attitude towards entrepreneurship (Entrialgo & Iglesias, 2017); entrepreneurial self-identity (Obschonka, Silbereisen, Cantner, & Goethner, (2015); higher level of family income (Wang & Wong, 2004; Stephan & Uhlaner, 2010) as well as increased education and training (Sherer et al, 1989). Other studies, for example Almquist & Angrist (1971) found full time employed mothers, and their level of education to play a role in their children's career. However, our understanding about differences in maternal and paternal role models is limited as rarely a study distinguishes parental and maternal effects except in Closta, Patzelt, Klein and Dormann, (2012). This paper tests the influence of parental role models on women students' aspiration to start business in Botswana and answers the research question: *"To what extent do parental role models influence female students' aspirations to start businesses when they graduate?"*

By so doing we extend our understanding on the relationship between parental role models' personal backgrounds and female students' interest in entrepreneurship to an overlooked context, Botswana. The prevalent gender roles and gender stereotypes are basically mismatched with self-employed women in a developing country's context (Chitsike 2000; Brush et al. 2006) and institutional structures in early transition economies prevent women from engaging in their own businesses (Aidis et al. 2000). In Botswana, as in most African societies, household work and business management are prevalent within women (Ntseane, 2004). Despite this, compared to other developing countries, Botswana displays a higher rate of women owned and operated microenterprises, at 70 per cent (The World Bank, 2011). However, studies on parental role models within the Botswana context are lacking, hence filling this gap.

We note that entrepreneurial parental role model research tends to focus on the effect of one parent, except for Closta et al. (2012) who distinguished between paternal and maternal role models and their influence on individuals' decisions to self-employment. However, there seems to be no study that separates fathers' level of education from that of mothers', on female students' entrepreneurial

aspirations. In addition, the research findings in this focus appear to be considerably varied and there is no unanimity about the level of effect of parental role models on individual's career choice (Closta et al., 2012). Thus, we separate mother's role from father's so as to advance our understanding about parental role model effects with a better picture.

Further, this study advances our understanding about women students' entrepreneurship, particularly the extent of the influence of parental role models on their aspirations to start their businesses. As noted by Karimi, Biemans, Lans, Chizari and Mulder (2014), entrepreneurial role models are a promising resource for entrepreneurial learning and the inspiration of students to become entrepreneurs, although there is not much agreement on the magnitude and mechanisms of their influence. Moreover, studies, have confirmed that the woman entrepreneur is not an "average" woman (Hisrich & Brush, 1991) and that, she has problems not encountered by her male peers (Scott 1986, p. 37). These setbacks have resulted in women entrepreneurs to be "under-resourced, under-experienced, under-protected and under-productive" (Marcucci,2001, p.iii).

The rest of this paper is organised as follows. Section 2 provides a theoretical background of this study, leading to hypotheses development, while section 3 discusses the research methodology. Section 4 and 5 presents results and discussion, respectively. Finally, section 6 concludes this paper, highlighting major policy implications.

## **THEORETICAL BACKGROUND**

The presence of entrepreneurial role models had been identified as one of the most significant socio-cultural factors to play a role in entrepreneurship (Fornahl, 2003). Earlier studies stem from the social learning theory (Bandura, 1977) and the cognitive developmental theory (Kohlberg, 1966), that assume that children imitate adults, in particular, parents who are regarded as role models (Dryler, 1998). Shapero (1985) assert that role models influence entrepreneurial intentions. Later research (Scott & Twomey, 1988, p.7) found that students whose parents owned a small business showed the highest preference for self-employment. Earlier research (Scherer, Adams, Carley and Wiebe, 1989) found parental role model to be an influential determinant to entry into entrepreneurial career even if the role model's performance is low. However, the literature on the influence of role models on female entrepreneurship is limited (Bosma, Hessels, Schutjens,

Van Praag and Verheul, 2012; Hoffmann, Junge, & Malchow-Møller, 2015), particularly in the Botswana context.

Earlier research on role models has focused on children and adolescents (Bandura, 1977). Gibson (2004) has identified an abundance of literature on role models that examine career choice, in particular, underrepresented groups, such as women. Amongst the factors that influence students' entrepreneurial intentions, Scott & Twomey (1988) confirmed that respondents whose parents owned a small business showed the highest preference for self-employment and the lowest for large business (Scott & Twomey, 1988, p.7). The following section builds and justifies the hypotheses tested in this study.

### *Hypotheses*

The Figure 1 presents the conceptual model and the associated hypotheses of the study. Accordingly, paternal and maternal business ownership, parent's income level and paternal and maternal education level positively influence the aspiration to start business.

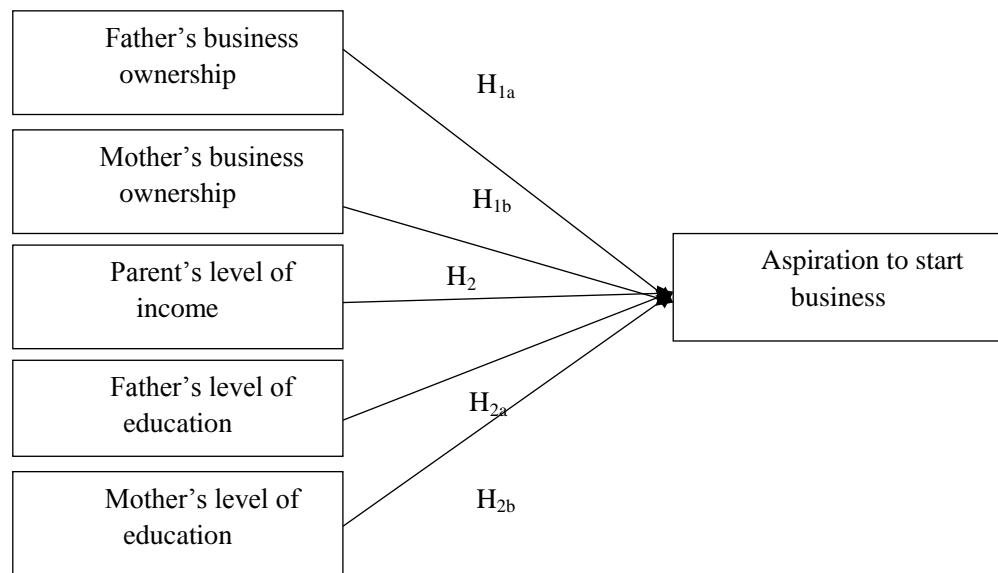


Figure 1 - Conceptual Model of the Study

The following section explains and justifies the above hypotheses in the conceptual model. Almquist & Angrist (1971) associated career-oriented students with mothers who were often employed full time. Almquist & Angrist (1971) further note that the amount of education they have, the type of work they do, and whether the mother works at all or is active in leisure pursuits should affect the girl's adult aspirations. This phenomenon is particularly applicable to female students' entrepreneurial aspirations as a career option. Verheul, et al. (2012) reported that having at least one self-employed parent positively influences not just an individual's preference for self-employment but also his or her self-employment status. Thus, entrepreneurial parents seem to inspire their children to become entrepreneurs. The social learning and the cognitive developmental literature support this philosophical stance, as it is well known that the family is one of the most influential contexts of socialisation in childhood and adolescence (Kohlberg, 1966; Bandura, 1977; Dryler, 1998; Dryler, 1998). Moreover, other researchers suggest that less educated women without managerial experience can acquire entrepreneurial skills through socialisation with a successful family member entrepreneur (Kim, Aldrich, & Keister, 2003). Self-employed parents become positive entrepreneurship role models which subsequently positively affect children's entrepreneurial intentions (Pablo-Lerchundi et al., 2015). Therefore, we establish the following hypothesis.

*H<sub>1a</sub>: Female students' interest in entrepreneurship is positively associated with fathers who own businesses than those who are employed or not owning a business*

*H<sub>1b</sub>: Female students' interest in entrepreneurship is more associated with mothers who own businesses than those who are employed or not owning a business*

Hoffmann, Junge and Malchow-Møller (2015) clarify role models as relating to a human capital, where children may acquire relevant experience in entrepreneurship by working in their parents' businesses. Another explanation by Hoffman et al. (2015) was that children inherit preferences for being an entrepreneur, which could be genetically, but also socially if their parents serve as role models for their children. The final elucidation relates to a financial situation in that family funds may substitute for access to formal credit markets where successful entrepreneurs may transfer financial wealth or the family business to their offspring, thereby relaxing capital market constraints that may limit their

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entrepreneurial activities (Hoffman et al. 2015). Stephan & Uhlaner (2010) reiterate that entrepreneurs in a socially-supportive culture are likely to receive more help and support in founding and running their enterprise than in non-socially supportive cultures. Wang & Wong (2004) earlier added that the family support entailed the financial or social support. The literature has confirmed that societies with strong communal and collective values do not support individualistic wealth creation, while those with strong individualist values generally do (Morrison, 2000), a situation expected in Botswana (Ngowi, 2000). The above discussion is framed in the hypothesis 2.

*H<sub>2</sub>: Female students' aspirations to start businesses is positively associated with parents with higher income.*

Scherer et al. (1989) found that the presence of a parent role model was associated with increased education and training. However, the extent of this is lacking in the literature as there seems to be no research that separates fathers' and mother's level of education on female students' aspirations in venture creation. Moreover, Bosma et al. (2012) confirmed that role models with a mentoring function are more likely to be family members and less likely to be colleagues or former employers. Matthews & Moser (1995) note that parental role can be expanded to include a family background as the antecedent of small business career interest, to include brother, sister, aunt uncle, etc. On the contrary, Zellweger et al. (2011) found that whilst students with family business background are pessimistic about being in control in an entrepreneurial career, they are however, optimistic about their efficacy to pursue an entrepreneurial career. Chen, Greene and Crick (1998) have argued that an individual's entrepreneurial self-efficacy plays a significant role, particularly on entrepreneurial intention and entrepreneurial behaviour. Therefore, we establish the following hypothesis.

*H<sub>3a</sub>: Female students' interest in entrepreneurship is positively associated with fathers with higher level of education*

*H<sub>3b</sub>: Female students' interest in entrepreneurship is positively associated with mothers with higher level of education*

Mungai & Velamuri (2009) note that recent research in social learning theory argue that "negative role models" do exist, as they can discourage the observer from undertaking the behaviour exhibited by the role model. Thus, low parental

performance in self-employment may have a “negative role model” effect in their offspring’s choice of self-employment career (Mungai & Velamuri 2009, p.339). Thus, both positive and negative feedback from parents can influence their children’s behaviour (Closta et al. 2010). This can also occur where the socio-cultural status of women, especially when society regards them as minors, can impede their entrepreneurial desire, particularly if women confide to this societal attitude.

Another relevant study to this research (Huq & Moyeen 1999), investigated future career aspirations of female graduates in Bangladesh. Their results confirmed that amongst factors that influenced the students’ aspirations of business-ownership, the media was most influential than relatives and husbands (Huq & Moyeen 1999, p14). A majority (57 per cent) were influenced by their husbands and friends. However, departing from Scott & Twomey (1988) study discussed above and others (for example, Van Auken et al. 2006), the influence of family entrepreneurial role models in their career aspirations was not evident, probably due to the fact that women in Bangladesh appear to aspire to start their businesses for economic returns for the family. Van Auken et al. (2006) examined differences in role model influence between the US and Mexican students. Their results showed that role models who owned businesses had a significantly greater influence on the career intentions of US respondents than role models that did not own a business. However, whether or not Mexican role models owned a business had no significant difference among Mexican students (Van Auken et al. 2006, p.334). A Dutch study (Bosma et al. 2012) investigated 292 Dutch entrepreneurs and confirmed the existence of role models before or shortly after business start-up. One third of respondents regarded these role models to be important for the start-up decision.

## **METHODOLOGY**

### ***Sample and Data Collection***

The hypotheses were tested by using survey data from 100 University of Botswana female students from Faculty of Business. The sample was drawn from taking the list of female students of the Faculty of Business as the sampling frame which included 100 students. The students completed the questionnaires after class and were immediately collected by the researcher.

The questionnaire survey produced 76 usable questionnaires yielding a response rate of 76%. The survey sample included the students between 18-26



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years of age. 65.5% of the responding students were Bachelor's degree holders while 18.4% were qualified with a Diploma. Another 15.8% of the sample were with secondary school completions and only 1.3% of the students were Master's degree holders. Around 48% were interested in a service business indicating a consistency with national statistics where for instance, in 2007, there were a total of 6,709 service workers, of which 3,719 (55 per cent), were women (Central Statistics Office, 2007). Further, a majority of respondents' parents were literate, and their mothers were more educated than their fathers.

### ***Measures***

Female students' interest in entrepreneurship was measured with a dichotomous response to the question "*are you interested in starting your own business?*". The response was coded as "yes" = 1 and "No" = 0. Parent's occupation was measured with a nominal response by asking the respondents to specify the job of their mother and father from the three options given: "farmer" =1, "job" = 2 and "business" = 3. Parent's income level was measured with an ordinal response by asking the respondent to select the relevant monthly income category of the bread winner of the family: less than 5000pula, 5000-20000 pula, 20000-35000 and above 35000 pula. These were re-coded into two categories with "less than 20000 pula" and "above 20000 pula" for the convenience of the statistical analysis. Parent's education level was measured with an ordinal response by asking the responding students to indicate the academic qualifications of their mother and father on a list of seven qualifications: no education (coded as 1), STD 1-3 (coded as 2), Form 1-3 (coded as 3), Form 4-5 (coded as 4), diploma, Bachelors (coded as 5) and Masters (coded as 6) and other (coded as 7). In preparing data for the analysis, these six categories were recoded into three categories: no education = 1, primary to secondary education =2, Tertiary education = 3. There were zero responses for another category and thus, not counted as a category any more.

### ***Data analysis***

Chi-square test of association was performed to test the hypotheses given the categorical nature of the data. In addition to the Chi-square value produced by the tests, Cramer's V was also used and reported in confirming the hypotheses test results.

## RESULTS AND ANALYSIS

Table 1 - Descriptive Statistics of the Study Variables

Variable	N	Minimum	Maximum	Mean	SD
Interest in entrepreneurship	75*	0	1	0.89	0.31
Father's occupation	76	1	2	1.18	0.39
Mother's occupation	76	1	2	1.08	0.27
Parent's Income	76	1	2	1.08	0.27
Father's education	60*	1	3	2.12	0.69
Mother's education	69*	1	3	2.30	0.55

\* Includes missing responses

There were 76 responses altogether but in some cases a few of the missing responses were also reported and noted with (\*) above. Table 2 summarises the results of the Chi-square test of association.

Table 2 - Chi-square test of Association's Results

Test	Value	Df	Asymptotic Significance (2-sided)
Association between father's occupation and interest in entrepreneurship	.224 <sup>a</sup>	1	0.64
Association between mother's occupation and interest in entrepreneurship	.640 <sup>a</sup>	1	0.42
Association between Parent's income and interest in entrepreneurship	.779 <sup>a</sup>	1	0.38
Association between father's educational education and interest in entrepreneurship	1.151 <sup>a</sup>	2	0.56
Association between mother's education and interest in entrepreneurship	2.331 <sup>a</sup>	2	0.31

Hypothesis 1<sub>a</sub> and 1<sub>b</sub> predicted the association between father's business ownership and mother's business ownership and interest in entrepreneurship,

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respectively. The test results confirm no association between father's business ownership ( $\chi^2=0.224$ ,  $p>0.05$ ) and female student's interest in entrepreneurship and between mother's business ownership and female student's interest in entrepreneurship ( $\chi^2=0.640$ ,  $p>0.05$ ). These were further confirmed by the Cramer's V for the both tests: 0.06 ( $p>0.05$ ) and 0.09 ( $p>0.05$ ). Thus, data do not support the hypotheses 1<sub>a</sub> and 1<sub>b</sub>.

The association between parent's income and the female students' interest in entrepreneurship was predicted by hypothesis 2. The results confirm the absence of a linear association between the variables ( $\chi^2=0.779$ ,  $p>0.05$ ). A further confirmation was obtained by checking the Cramer's V for this test which was 0.10 ( $p>0.05$ ). Thus, data do not support hypothesis 2.

The effects of parents' education level on female students' interest in entrepreneurship was predicted by hypotheses 3<sub>a</sub> and 3<sub>b</sub>. It was found that there are no associations between father's level of education ( $\chi^2=1.151$ ,  $p>0.05$ ) and female student's interest in entrepreneurship and between mother's level of education and female student's interest in entrepreneurship ( $\chi^2=2.331$ ,  $p>0.05$ ). Cramer's V for these tests were reported as 0.14 ( $p>0.05$ ) and 0.18 ( $p>0.05$ ), respectively, confirming the lack of support of the data for hypotheses 3<sub>a</sub> and 3<sub>b</sub>.

## DISCUSSION

This study advances our understanding about women's perspective in new venture creation process. Specifically, how parental role models in terms of business ownership, level of income and level of education influence female students' entrepreneurship aspirations. The Chi-square test of association confirmed that parental role models have no influence on female students' interest in entrepreneurship. Previous studies acknowledge the gendered differences in role model influences Kickul, Wilson, Marlino, & Barbosa, (2008), and parental role model influences Pablo-Lerchundi, et al. (2015); Hoffmann, Junge, & Malchow-Møller (2015). Yet, majority of the studies do not separate the effects of fathers from mothers. The current study addresses this methodological deficiency mainly and examine the effects of parental role models separately.

The study findings are contradictory to the existing literature. For instance, Scherer, et al. (1989) found that a majority of female students' parents influenced

their desire to start their businesses positively, due to their parents' level of education and owning a venture. Further, this study also generates a contradictory finding related to the relationship between parents' income level and student's entrepreneurship aspiration. Previous studies find that the higher the level of income the higher will be the students' aspiration in starting businesses (Hoffman et al. 2015; and Wang & Wong 2004). This difference may exist probably because female students in Botswana, who come from a lower socio-economic background (with a lower level of family income), aspire to start businesses when they graduate than those who come from higher socio-economic background (with higher family income). Further, Botswana culture where female students could have been socialised into the perspective that men should take a leading role in the family can be a context-based influence in shaping students' aspiration. Therefore, future studies can consider including culture-based variables such as norms, and beliefs as moderators in testing the associations between role model influences and entrepreneurial aspirations.

Moreover, these contradictory findings may be the result of not being accounted for additional effects such as attitudes towards entrepreneurship and entrepreneurial self-efficacy. For instance, Nownski and Haddoud (2019) confirms that inspiring role models would predict entrepreneurial intentions only when combined with positive attitudes towards entrepreneurship, alongside various configurations of the entrepreneurial self-efficacy dimensions. Moreover, Straatmann et al., (2017); Umeh & Patel, (2004) asserted that social influence may only enhance behavioural intentions when coupled with a positive attitude towards the behaviour in question. Therefore, future studies can consider adding attitude towards entrepreneurship and self-efficacy as moderators in testing for associations.

## **CONCLUSION**

The objective of this study was to examine the extent of parental role models' influence on female students' aspiration to start businesses when they graduate. The findings confirm that parent's business ownership, level of income and educational level has no direct effect on female students' entrepreneurship aspirations.

As with other studies, this study is not free from limitations. Thus, caution should be exercised when interpreting the findings of this research. This study's limitation was, due to soliciting information from only one university, the findings

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cannot be generalised to represent the opinions of the whole female students' population in Botswana. Further, usage of categorical data prevented us performing parametric tests such as linear regression. Thus, Likert-scale based ratings are recommended for future studies which could provide better estimations on the established hypotheses.

Based on the findings, universities, in collaboration with government bodies can formulate effective entrepreneurship curricula that incorporate role models as guest speakers in lectures. This can help educational institutions to identify entrepreneurs who may be most influential in entrepreneurship or business students' career choice. These personalities can continue to be role models for students upon completion of their studies in both pre- and post-start-up of their ventures. Moreover, students can be taught the knowledge and skills that are needed in starting their new ventures (Saeed, et al. 2014). The Botswana media must also promote prominent entrepreneurs in Botswana, who may inspire female students to start their businesses. Additionally, in order to foster entrepreneurship, policy makers should recognise the need for increased formal training of potential entrepreneurs and understand how children can acquire entrepreneurship tendencies from their parents. Thus, entrepreneurship curriculum should not only be developed in higher educational institutions, but also at an early stage of high school where usually parents have an active participatory role in their children's educational activities at a school level. Further research on a larger scale, (which includes various disciplines, such as engineering, health, etc.) on the influence of role models on female entrepreneurship is also suggested.

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**CAPITAL STRUCTURE AND ITS IMPACT ON FINANCIAL  
PERFORMANCE: EVIDENCE FROM THE LISTED  
ORGANIZATIONS IN THE BOTSWANA CONSUMER SERVICES  
SECTOR**

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**ABSTRACT**

**Purpose:** The paper examines the impact of capital structure on the financial performance of listed organizations in the Botswana Consumer Services Sector

**Design/methodology/approach:** Descriptive research design was used in the study. The research population included all the listed organizations in the consumer services sector in Botswana for the 5-year period of 2013-2017. The study adopted a purposive sampling approach. Dependent variables were Return on Assets (ROA) and Return on Equity (ROE) and capital structure was measured by total debt to total assets, long-term debt to total assets and short-term debt to total assets. The data was analyzed using descriptive statistics, correlation analysis and regression analysis.

**Findings:**

High debt financing has a negative and significant impact on the financial performance of consumer services sector firms in Botswana. Total debt and Long-term debt both had a negative and significant impact on firms' financial performance measures, ROA and ROE.

**Originality/value:** This may be the first study in Botswana on the impact of capital structure on the financial performance of Listed Organizations in the Botswana Consumer Services Sector. The research will be of benefit to the industry, managers, shareholders, investors and future researchers.

**Keywords:** Capital structure, Firm performance, Consumer Services Sector, Botswana, Return on Assets

## INTRODUCTION

Capital structure and firm performance has been a topic for debate for a long period of time. Early research by Modigliani and Miller (1958), Jensen and Meckling (1976), Margiratis and Psilaki (2007) were on capital structure and firm performance. Modigliani and Miller (1958) concluded that in a frictionless market and homogenous expectations, capital structure decisions do not affect firm performance. Further research on the impact of capital structure was done by relaxing the assumptions and analyzing their effects on capital structure to find whether there is an optimal capital structure.

The capital structure debate has been centered on finding the right mix of debt and equity, which could lead to maximizing the value of the firm. Capital structure decision is the mix of debt and equity that a company uses to finance its business (Damodaran 2001). The capital structure of the firm is considered optimum if the market value of the shares is maximized. If the firm is not financed using any debt, the shareholder return is equivalent to the firm's return; the use of debt affects the return and risk of shareholders. Using debt can increase the return on shareholders but it will also increase the risk. A good balance is therefore desirable in order to maximize shareholders return.

According to Dimitris and Psillaki (2008) in organizations where corporate decisions are dictated by managers and where shares of the firm are closely held, the capital structure employed by a firm is not always meant to maximize the firm's value but it may sometimes be to protect the manager's interest. This usually happens because equity holders are generally large in numbers and each shareholder controls a small proportion of the share capital of the firm. The tendency of such shareholders is to take less interest in the monitoring of managers who are then tempted to pursue personal interest, which might be different from those of the shareholders.

Desai (2007) stated that firms of the same risk class could have a higher cost of capital with higher leverage and that the capital structure may affect the valuation of the firm with more leveraged firms being riskier and consequently valued lower than the less leveraged firms. Desai (2007) then concluded that a manager whose interest is maximizing shareholder's wealth should make capital structure the main focus for their financing decision.

### **Problem Statement**

Capital structure of a firm is considered to be one of the most important decisions that a firm can make. Capital structure refers to the use of debt and

equity to finance firm operations. It is believed that there is an optimum capital structure that can lead to the maximum performance of a firm if the right mix of debt and equity is employed. Equity and debt holders are the major investors in a company and these two have different levels of risks and benefits; debt holders have lower risks compared to equity holders because they have priority when it comes to payment in times of insolvency. Equity holders on the other hand face higher risk because they are considered to be owners of the company and they are the last to be paid their share in times of insolvency. However, equity holders have greater control in the way the company is run compared to debt holders. The fundamental question when considering maximum firm performance is to find the right mix of debt and equity.

When making financing decisions, the difficulty that companies often face is to determine the impact that the financing decision will have on performance as the company performance is crucial to the value of the firm and also its survival. Firms are faced with a decision to find the right mix of debt and equity that can lead to maximum performance of a firm.

### **Significance of the study**

Early research on the relationship between capital structure and firm performance such as by Modigliani and Miller 1958, Jensen and Meckling 1976, Margiratis and Pslilaki 2007 and Harris and Raviv 1991 was not directed to any specific sector but was general in its findings and conclusion. Hence, the need to carry out the current study whose main focus is on the listed organizations in the Botswana Consumer Service Sector. Secondary data, which is based on the financial statements of these companies, is used. The findings of the study are important to managers who are faced with the huge task of making financial decisions. The findings are also important to investors and shareholders in making investment decisions. The current research findings will also fill the gap in the area of optimum capital structure for listed companies. In addition, research in this area of study is mainly focused on developed countries with very few studies from developing countries, thus another reason for doing the research. The findings of this study add new knowledge to the available literature on capital structure and firm performance theory.

## **Objective of the study**

The main objective of the study is to examine the impact of capital structure on the financial performance of listed organizations in the Botswana Consumer Services Sector. More specifically, the study aims to:

- To measure the impact of total debt to total assets on return on assets and on return on equity
- To measure the impact of long-term debt to total assets on return on assets and on return on equity
- To measure the impact of short-term debt to total assets on return on assets and on return on equity

Based on the above specific objectives and reviewed literature, the following hypotheses are developed:

H1: Total debt to total assets ratio has a negative and significant impact on return on assets

H2: Total debt to total assets ratio has a negative and significant impact on return on equity

H3: Long-term debt to total assets ratio has a negative and significant impact on return on assets

H4: Long-term debt to total assets ratio has a negative and significant impact on return on equity

H5: Short-term debt to total assets ratio has a negative and significant impact on return on assets

H6: Short-term debt to total assets ratio has a negative and significant impact on return on equity

## **EMPIRICAL LITERATURE REVIEW**

Academicians and researchers have assessed the impact of capital structure on the financial performance of organizations in various sectors. A review of those studies classified as African studies and rest of the world studies are as presented below.

### **African Studies on capital structure decisions**

Using panel data, Chinaemerem and Anthony (2012), analysed the effect of capital structure on the financial performance of listed firms in Nigerian Stock Exchange for the period 2004-2010. Return on assets and return on equity were

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the dependent variables and debt ratio, asset turnover, size and age of the firms were used as independent variables. Their findings indicated that debt ratio has a significant negative impact on firms' financial performance.

Ogebe, Ogebe and Alewi (2013) in their research in Nigeria argued that firms should use more of equity than debt in financing their business activities because the latter can become detrimental to the business if over used.

An examination of the effect of capital structure on firm performance by Akeem, Terer, Kiyanjui, and Kayode (2014) on manufacturing firms in Nigeria, used return on assets to represent financial performance and total debt to total assets and total debt to equity as independent variables. Their findings showed that capital structure proxies were negatively related to returns on assets.

Return on assets and return on equity were the proxy for financial performance in the study by Muritala (2018) on the impact of capital structure on financial performance of listed manufacturing companies in Nigeria. The researcher identified debt ratio, asset turnover ratio, size, age, asset tangibility and growth opportunities as independent variables. The results highlighted that asset turnover, size, and age of the firms were positively related to companies' performance and a negative and significant relationship was detected between asset tangibility and return on assets.

Dada and Ghazali (2016) looked at 100 listed non-financial firms in Nigeria and the findings showed that assets turnover had a significant positive relationship with Tobin's Q. The age of the firms had negative significant and sales growth had positive significant impact on return on assets.

A significantly negative relationship was found between leverage and performance by Patrick, Orinya and Kemi (2013) in their study on firms in Nigeria for the 10 year period of 2000 to 2010.

Research carried out by Kareem (2019) on the effect of capital structure of selected listed manufacturing firms in Sub-Saharan Africa for the period 2006-2106 used total debt to total equity, long term debt to total assets, short term debt to total assets, size and liquidity as proxy for capital structure and return on assets to represent financial performance. Findings highlight a negative impact of total debt to total equity on the performance and a positive influence of long term debt to total assets on firm performance. By and large, all the variables were found to have an impact on the performance of the selected firms.

### **Worldwide studies on capital structure decisions**

Research carried out by San and Heng (2011) on Malaysian construction sector found that there was a positive relationship between capital structure and

firm performance, however another study a year later by Khan (2012) on the relationship of capital structure decisions with firm performance focusing on the engineering sector of Pakistan found that there was a negative relationship between capital structure and firm performance. Nassar (2016) in his study on firms in Istanbul also found a negative significant relationship between capital structure and organizational performance.

Some other studies on capital structure and firm performance concluded that there was no relationship between capital structure and firm performance. Ebaid (2009) research which was on the impact of capital structure choice on firm performance in Egypt concluded that there was no relationship between capital structure and firm performance. Research by Skopljack and Luo (2012) concluded that at relatively low levels of leverage an increase in debt leads to increased profit efficiency and high performance and that at relatively high levels of leverage increased debt leads to decreased profit efficiency as well as high performance

Chandra and Udhayakumar (2018), in their study on capital structure and firm performance of Indian firms observed that leverage which is quantified by interest bearing debts to assets does not significantly impact return on assets of the selected firms.

Vuong, Vu and Mitra (2017) looked at long-term liabilities, short-term liabilities and growth rate of total assets as proxy for capital structure to gauge the impact on UK firms and concluded that financial performance measured by return on assets had negative relationship with long-term liabilities whereas short term liabilities had no significant effect on return on assets.

Using four independent variables of short-term debt to total assets, long-term debt to total assets, total debt to total assets and total debt to total equity to represent capital structure, Ebrati, Emadi, Balasang, and Safari, (2013), studied the effect on profitability of 85 listed firms in Tehran and concluded that the proxies for firm performance, viz. return on equity, return on assets, market value of equity to the book value of equity and Tobin's Q exhibited a positive and significant association with capital structure.

Salim and Yadav (2012) investigated the impact of capital structure measured by long-term debt, short-term debt, total debt ratios and growth on the performance of 237 sampled Malaysian listed firms represented by return on equity, return on asset, Tobin's Q and earning per share. The results highlighted a negative relationship of performance proxies with short-term debt, long-term debt and total debt. A positive relationship was revealed between growth and performance proxies and Tobin Q showed a significantly positive relationship between short-term debt and long-term debt.



Research by Le and Phan (2017) found that all debt ratios viz. long-term debt, short-term debt and total debts to book value and market value of total assets had a significantly negative relationship with return on assets and return on equity of all non-financial listed firms in Vietnam. A similar study that was carried out on selected listed non-financial companies by Iraq by Saifadin (2015) using three measures for financial performance viz. return on assets, return on equity and Tobin's Q revealed a negative impact of capital structure represented by short-term debt to total assets on return on assets. Tobin Q results, on the other hand, indicated a significant positive impact on firm performance.

Bokhari and Khan (2013) examined capital structure-performance relationship in listed non-financial organizations in Pakistan using return on assets, return on equity, net profit margin and earnings per share to represent firm performance and short-term debt, long term debt and leverage as independent variables. A negative impact was seen by short term debt, long term debt, leverage on return on assets. All variables, except long term debt and leverage of capital structure had a significant negative impact on return on equity; a positive but insignificant influence by all independent variables on net profit margin and all variables had a negatively significant impact on earnings per share. In another study on 63 listed firms in Pakistan, Javed, Younas and Imran (2014) found a positive impact on return on assets by capital structure components. Debt to total assets ratio indicated a positive effect on return on equity, whereas equity over assets and long term debts over assets showed a negative impact on return on equity.

The study by Khanam, Nasreen and Pirzada (2014) measured firm performance in food sector in Pakistan with return on assets, earnings per share, net profit margin, return on equity and return on capital employed and capital structure with debt equity ratio, debt to total assets ratio, short-term debt to total assets ratio and long term debt to total assets ratio to assess the impact of capital structure on performance. Findings highlighted a significant negative impact of all capital structure variables on return on assets, return on equity, net profit margin, return on assets and return on capital employed.

Choosing a sample of 422 listed Indian manufacturing firms, Chadha and Sharma (2015) examined capital structure-performance relationship and noted that financial leverage has no impact on the dependent variables, return on assets and Tobin's Q, but a significantly negative relationship with return on equity. Analysing a large number of Ukrainian firms, Lavorskyi (2013) concluded a negative relationship between leverage and financial performance.

Focusing on financial sector in Indonesia, Saputra, Achsani and Anggraeni (2015) analysed the impact of capital structure on performance of listed financial

sector companies and concluded that short term debt to total assets, long term debt to total assets, total debt to total assets and total debt to total equity showed a negative impact on firms' performance measured by return on assets.

Research conducted by Schulz (2017) on Dutch small and medium enterprises used return on assets and return on capital employed to represent performance and total debt to total assets, long-term debt to total assets and short-term debt to total assets as proxies for capital structure. The findings indicate a significant impact of capital structure on profitability.

Yang, Chou, Cheng and Lee (2010) researched on 50 Taiwan non-financial firms and found firm performance a significant quadratic function of debt ratio. Another study on non-financial firms by Sheikh and Wang (2013), showed that total debt ratio and long and short-term debt ratios were negatively related to return on assets. Twairesh (2014) examined the relationship between return on assets, return on equity and short-term debt, long-term debt and total debt among 74 non-financial firms in Saudi Arabia and found that long-term debt significantly impacted return on equity, whereas short-term debt, long-term debt and total debt had significant impact on return on assets. Abdullah and Tursoy (2019), in their study on German non-financial firms noted that more than 60% of total assets are financed through debt and found a positive relationship between the performance of the selected firms and their capital structure.

The study sample consists of the non-financial firms listed in Germany during the period 1993–2016. The European stock market transition to IFRS in 2005 is also considered as a shifting point that might have influenced the extent of the relationship. It was observed that more than 60% of the total assets of German non-financial firms are financed through debt, i.e. they are highly levered compare to similar countries. The results confirm a positive relationship between firm performance and capital structure

Basit (2017) selected return on assets, return on equity and earnings per share as dependent variables and debt to equity ratio, total debt ratio and total equity ratio as independent variables on examining the impact on listed Malaysian industrial product companies and found that debt to equity had negative effect on return on assets and that total debt ratio and total equity ratio had no effect on return on assets. On return on equity, debt to equity had a negative effect, total debt had a positive effect and total equity had no significant effect. It was also found that total debt ratio had a negative significant effect on earnings per share, total debt ratio a positive effect and total debt an insignificant effect on earnings per share.

Ogenche, Githui and Omurwa (2018) focused their study on consumer goods firms and reported that both debt ratio and firm size significantly influence

financial performance. Rouf (2015) compared capital structure measures of debt ratio, debt equity ratio, current debt ratio, ratio of shareholder funds to total assets, ratio of total current assets to shareholder equity to return on assets and return on sales and noted that debt ratio, debt equity ratio and ratio of shareholder funds to total assets and found negative and significant impact on return on assets and return on sales. On the other hand, Marietta (2012) found a positive significant relationship between debt/equity ratios and return on assets and equity.

Hasan, Ahsan, Rahaman, and Alam (2014) examined the impact using return on assets, return on equity and earnings per share and Tobin's Q as dependent variables and short-term debt, long-term debt and total debt ratios as independent variables and concluded that short-term debt has a positive significant effect on earnings per share, where as long-term debt is negatively significantly influenced earnings per share. A significant impact was noticed between return on assets and capital structure ratios, where as no such effect was found between capital-structure ratios either with return on equity nor Tobin's Q.

Ahmed and Afza (2019) looked at the impact of capital structure on firm performance among 396 non-financial firms in Pakistan for the period 2006-2013. Financial performance was measured by return on assets, return on equity and Tobin's Q, whereas, total debt ratio, long term debt ratio and short-term debt ratio were identified as independent variables. Findings highlight a significantly negative relationship between total debt ratio and return on assets and long term debt ratio and return on assets. It was also found that short-term debt ratio inversely impacts return on assets.

### **Research gap**

The above literature highlights the fact that although a good number of studies had been conducted globally, few studies have been carried out in the African continent and more especially in Botswana. This study, therefore, is tailored to fill the research gap that currently exists in Botswana and to offer recommendations to the consumer services sector on how to set their capital structure in a way that will maximize profits.

## **METHODOLOGY**

The purpose of this study is to examine the impact of capital structure on the financial performance of listed organizations in the consumer services sector in Botswana. The study has adopted a panel data methodology and an analytical and descriptive research design.

Literature on the topic provides evidence of a number of capital structure parameters that were used to measure the effect on financial performance. Drawing from such literature and based on the objectives of the study, the following conceptual model has been developed:

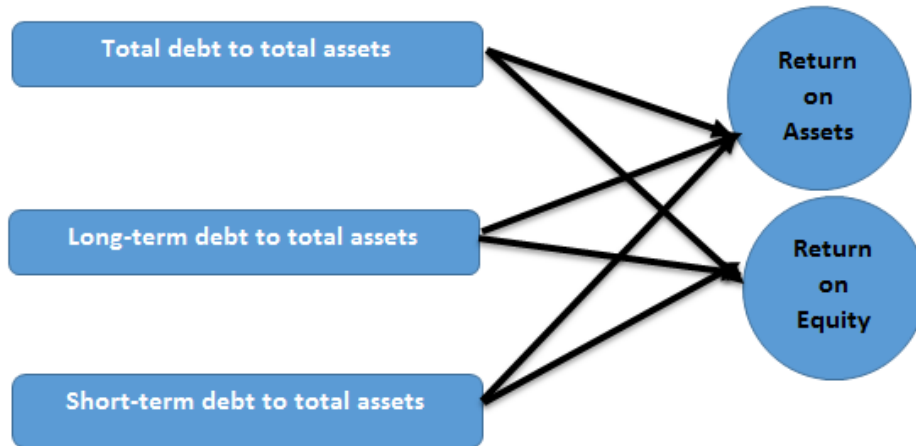


Diagram 1: Conceptual Framework

Variables	Abbreviation	Formula
<b>Dependent Variables</b>		
Return on Assets	ROA	Profit before Interest and Tax/ Total Assets
Return on Equity	ROE	Profit before Interest and Tax/ Shareholders' Equity
<b>Independent Variables</b>		
Total debt to total assets	STDTA	Total Liabilities/Total Assets
Long-term debt to total assets	LTDTA	Non-current Liabilities/Total Assets
Short-term debt to total assets	TDTA	Current Liabilities/Total Assets

**Table 1: Variables and their computation**

**Source:** Ahmed and Afza (2019), Le and Phan (2017), Schulz (2017), Saputra, Achsani and Anggraeni (2015), Ahsan, Rahaman, and Alam (2014), Khanam, Nasreen and Pirzada (2014), Twairesh (2014) and, Sheikh and Wang (2013).

## Data source and Sampling

The research population for the study covers all the listed organizations in the consumer services sector in Botswana. The study has adopted a purposive sampling approach. Also known as judgmental, selective sampling, purposive sampling relies on the judgment of the researcher on selection of samples. The data was extracted from the annual reports of the listed organizations in the consumer services sector for the period 2013-2017.

## Model for Data Analysis

The data includes the two dependent variables being Return on Assets (ROA) and Return on Equity (ROE); the independent variables being three components identified to measure capital structure, viz., total debt to total assets, long-term debt to total assets and short-term debt to total assets. The relationship is expressed mathematically in equation 1 and 2;

$$ROA_t = \beta_0 + \beta_1 TDTA_t + \beta_2 LTDTA_t + \beta_3 STDTA_t + \varepsilon_t \quad (1)$$

$$ROE_t = \beta_0 + \beta_1 TDTA_t + \beta_2 LTDTA_t + \beta_3 STDTA_t + \varepsilon_t \quad (2)$$

Where;

- ROA<sub>t</sub> = Return on Assets
- ROE<sub>t</sub> = Return on Equity
- TDTA = Total debt to total assets
- LTDTA = Long-term debt to total assets
- STDTA = Short-term debt to total assets
- β<sub>0</sub>, β<sub>1</sub>, β<sub>n</sub> = Coefficients
- ε<sub>t</sub> = error term

## DATA ANALYSIS, DISCUSSION AND FINDINGS

This section presents the data analysis, discussions and findings. The data was analyzed using descriptive statistics, correlation analysis and regression analysis. The data covers a 5- year period from 2013-2017. Statistical Package for Social Sciences (SPSS) was used to carry out the analysis.

## Descriptive statistics

Descriptive Statistics										
	N	Min	Max	Mean	SD	Variance	Skewness	Kurtosis		
		Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	30	0.0227	0.2086	0.097567	0.0483708	0.002	0.422	0.427	-0.356	0.833
ROE	30	0.0484	0.2795	0.155073	0.0608381	0.004	-0.119	0.427	0.773	0.833
TDTA	30	0.2022	0.5752	0.391740	0.1058352	0.011	0.197	0.427	-0.766	0.833
LTDTA	30	0.0617	0.2567	0.137450	0.0564671	0.003	0.550	0.427	-0.857	0.833
STDTA	30	0.1237	0.4343	0.254287	0.1034096	0.011	0.410	0.427	-1.396	0.833

**Table 2. Descriptive statistics of the data**

The sample was made up of six listed companies in the consumer services sector for a period of 5 years, making a total of 30 observations. On an average, the dependent variables ROA and ROE had mean values of 9.76% and 15.51% respectively. The ROA observations ranged from 2.27% to 20.86% whilst for ROE it was from 4.84% to 27.95%.

The standard deviations of the dependent variables, ROA and ROE were 4.84% and 6.08% respectively. The observations of all the dependent variables were spread more than 4.84 standard deviations on each side of the dependent variable mean respectively, considering normal distribution.

The independent variables, LTDTA, LTDTA and TDTA had mean values of 39.14%, 13.75% and 25.43% respectively. TDTA had the highest deviation of its observations from the mean of 10.58% followed by STDTA with a standard deviation of 10.34% whilst LTDTA had the least standard deviation of 5.64%.

## Correlation Analysis

Pearson's correlation is a measure of the strength and direction of association that exists between two continuous variables. The inter-correlations are an important part in trying to find the associations between variable.

Six of the correlation relationships were strong at 1% level, one of the relationship was strong at 5% level, and the rest were weak. Two strong positive relationships were found between Return on equity and Return on assets, ( $p =$

0.000,  $r = 0.947$ ) and between Short-term debt to total assets and Total debt to total assets, ( $p = 0.000$ ,  $r = 0.855$ ).

**Table 3: Correlation Analysis**

		Correlations				
		ROE	ROA	STDTA	LTDTA	TDTA
<b>ROE</b>	Pearson Correlation	1				
	Sig. (2-tailed)					
<b>ROA</b>	Pearson Correlation	0.947**	1			
	Sig. (2-tailed)	0.000				
<b>STDTA</b>	Pearson Correlation	-0.203	-0.444*	1		
	Sig. (2-tailed)	0.281	0.014			
<b>LTDTA</b>	Pearson Correlation	-0.557**	-0.541**	-0.230	1	
	Sig. (2-tailed)	0.001	0.002	0.222		
<b>TDTA</b>	Pearson Correlation	-0.496**	-0.722**	0.855**	0.309	1
	Sig. (2-tailed)	0.005	0.000	0.000	0.097	
	N	30	30	30	30	30

\*\* . Correlation is significant at the 0.01 level (2-tailed).

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

Strong negative correlations were found between long term debt to total assets ratio and return on equity, ( $p = 0.001$ ,  $r = -0.557$ ), and between long term debt to total assets ratio and return on assets, ( $p = 0.002$ ,  $r = -0.541$ ), which imply that as the long term debt to total assets ratio increases, return on assets and return on equity ratios decrease.

There was strong negative relationship between Total debt to total assets ratio and return on equity, ( $p = 0.005$ ,  $r = -0.496$ ) and between Total debt to total assets ratio and return on assets, ( $p = 0.000$ ,  $r = -0.722$ ). A strong negative relative relationship at 1% also existed between short-term debt to total assets and return on assets, ( $p = 0.004$ ,  $r = -0.444$ ).

## Regression Analysis

### Dependent Variable Return on Assets (ROA)

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.633	.606	.0303794

The model had an  $R^2$  of 0.633, which implies that the changes to return on assets of 63.3% can be explained by the two independent variables, Total Debt to Total Assets and Long-term debt to total assets ratios.

### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.043	2	.021	23.260	.000 <sup>b</sup>
	Residual	.025	27	.001		
	Total	.068	29			

The model fits well in predicting the dependent variable, return on equity with ( $p = 0.000$ ) which is statistically significant. The model was supposed to have three independent variables, Total debt to total assets (TDTA), Long-term debt to total assets (LTDTA) and Short-term debt to total assets (STDTA). SPSS dropped Short-term debt to total assets during regression testing to avoid perfect collinearity. It is excluded as its effect can be perfectly predicted from one or more of other independent variables and therefore, considered redundant.

**Table 4: Regression Coefficients (ROA)**

#### Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	0.249	0.023		10.853	0.000					
LTDTA	-0.301	0.105	-0.351	-2.862	0.008	-0.541	-0.482	-0.334	0.904	1.106
TDTA	-0.280	0.056	-0.614	-5.004	0.000	-0.722	-0.694	-0.584	0.904	1.106



The regression model measured the impact of the independent variables of TDTA and LTDTA on the dependent variable of ROA. The regression output is shown in Table 4.

The results show statistically significant negative relationships for both independent variables with return on assets. The regression coefficients for TDTA and LTDTA are -0.614 and -0.351 respectively. The p-values of independent variables were TDTA,  $p= 0.000$  and LTDTA,  $p= 0.008$ . These results imply that an increase of TDTA and LTDTA has a negative effect on ROA.

The outcomes are agreement with the findings of Ahmed and Afza (2019), Salim and Yadav (2012), Le and Phan (2017), Bokhari and Khan (2013), Khanam, Nasreen and Pirzada (2014), Sheikh and Wang (2013), Saputra, Achsani and Anggraeni (2015), Akeem, Terer, Kiyanjui, and Kayode (2014), Vuong, Vu and Mitra (2017) and, Akeem, Terer, Kiyanjui, and Kayode (2014), who found significant negative relationships between capital structure variables and return on assets. However, the findings are not consistent with the results of San and Heng (2011), Marietta (2012), Kareem (2019), Ebrati, Emadi, Balasang, and Safari, (2013) and Javed, Younas and Imran (2014) who concluded that capital structure variables had a positive relationship with firm performance.

Based on above findings, H1 and H3 are accepted. H5 is not tested separately as a result of the dropping of short-term debt to total assets by SPSS; therefore, it cannot either be accepted or rejected.

### Dependent Variable Return on Equity (ROE)

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653 <sup>a</sup>	.427	.384	.0477459

Predictors: (Constant), Total Debt to Total Assets, Long Term Debt to Total Assets

The model had an  $R^2$  of 0.427, which implies that the changes to Return on Equity of 42.7% can be explained by the two independent variables, Total Debt to Total Assets and Long-term debt to total assets ratios.

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.046	2	.023	10.042	.001 <sup>b</sup>
	Residual	.062	27	.002		
	Total	.107	29			

The model fits well in predicting the dependent variable, return on equity with ( $p = 0.001$ ) which is statistically significant. The model was supposed to have three independent variables, Total debt to total assets (TDTA), Long-term debt to total assets (LTDTA) and Short-term debt to total assets (STDTA). SPSS dropped Short-term debt to total assets during regression testing to avoid perfect collinearity. It is excluded as its effect can be perfectly predicted from one or more of other independent variables and therefore, considered redundant.

**Table 5: Regression Coefficients (ROE)**

Model	Coefficients									
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	0.302	0.036		8.379	0.000					
LTDTA	-0.481	0.165	-0.447	-2.915	0.007	-0.557	-0.489	-0.425	0.904	1.106
TDTA	-0.206	0.088	-0.358	-2.336	0.027	-0.496	-0.410	-0.340	0.904	1.106

The regression model measured the impact of the independent variables of LTDTA and TDTA on the dependent variable of Return on Equity (ROE). The regression output is shown in Table 5.

The results show statistically significant negative relationships for both independent variables with return on equity. The regression coefficients for LTDTA and TDTA are -0.447 and -0.358 respectively. The p-values of independent variables were LTDTA,  $p = 0.007$  and TDTA,  $p = 0.027$ . These results imply that an increase of LTDTA and TDTA has a negative impact on ROE.

The results are in line with the findings of Salim and Yadav (2012), Saputra, Achsani and Anggraeni (2015), Le and Phan (2017), Bokhari and Khan (2013)

and Khanam, Nasreen and Pirzada (2014) who found a significant negative relationships between capital structure variables and return on equity. However, the outcomes of the study are in disagreement with the conclusions of Marietta (2012), Ebrati, Emadi, Balasang, and Safari, (2013) and Javed, Younas and Imran (2014) who found that capital structure variables had a positive relationship with return on equity.

Based on above findings, H2 and H4 are accepted. H6 is not tested separately as a result of the dropping of short-term debt to total assets by SPSS; therefore, it cannot either be accepted or rejected.

**Table 6: Summary of accepted/rejected hypothesis**

	Statement (at 5% significant level)	Results
H <sub>1</sub>	Total debt to total assets ratio has a negative and significant impact on return on assets	Accepted
H <sub>2</sub>	Total debt to total assets ratio has a negative and significant impact on return on equity	Accepted
H <sub>3</sub>	Long-term debt to total assets ratio has a negative and significant impact on return on assets	Accepted
H <sub>4</sub>	Long-term debt to total assets ratio has a negative and significant impact on return on equity	Accepted
H <sub>5</sub>	Short-term debt to total assets ratio has a negative and significant impact on return on assets	Not tested
H <sub>6</sub>	Short-term debt to total assets ratio has a negative and significant impact on return on equity	Not tested

### Summary of findings:

The descriptive statistics of the study show that the standard deviations of the dependent variables, ROA and ROE were 4.84% and 6.08% respectively. The independent variables, TDTA had the highest deviation of its observations from the mean of 10.58% followed by STDTA with a standard deviation of 10.34% whilst LTDTA had the least standard deviation of 5.64%.

Six of the correlation relationships were strong at 1% level, one of the relationship was strong at 5% level, and the rest were weak. All the relationships between dependent variables, ROA and ROE viz. independent variables were all

negative. Five of the relationships were strong except for one that was weak between STDTA and ROE.

The study revealed statistically significant negative relationships between the capital structure variables, Long-term debt to total assets and Total debt to total assets ratios viz. the dependent variables, return on equity and return on assets. This implies that when Long-term debt to total assets and Total debt to total assets ratio increase the firm performance measured by return on equity and return on assets will be impacted negatively.

## **CONCLUSION AND RECOMMENDATION**

Based on the empirical study and findings, it is concluded that capital structure measured by total debt to total assets, long-term debt to total assets and short-term debt to total assets negatively and significantly influenced financial performance of the listed firms in the consumer services sector. The results underscore that these firms should be cautious in using debt as a source of finance and strive to improve their financial-leverage ratio. Main recommendations include:

1. Controlled debt financing, as high levels of dependency on debt capital may adversely affect the profitability
2. Equity capital be given increased importance in financing of assets than debt funds as this may lead to improved financial performance
3. Profit capitalization as an alternate to debt financing may also assist the selected firms to improve their performance.

In short, the selected firms should adopt an optimal capital structure composition and engage in efficient utilization of resources that will eventually result in profit maximization.

## **Limitations & Directions for Future Research**

The study had limitations in terms of time period and on the variables used. For a better understanding of how capital structure impacts on the financial performance, future research should consider additional performance indicators and capital structure measures. Also, future researchers could expand the scope of the study by increasing the sample size and the time period.

Despite the aforementioned limitations, the study provides an in depth understanding of the impact of capital structure on the financial performance of organizations in the consumer services sector in Botswana

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**INVESTIGATING THE ADOPTION OF BUSINESS INTELLIGENCE  
SYSTEMS: AN EXTENSION OF TAM MODEL**

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**ABSTRACT**

Business Intelligence (BI) Systems help organisations make informed decisions that can lead to greater organisational performance and profits. Despite the fact that BI plays a significant role in decision making, the extent to which users have been able to adopt these systems is not clear. This in-progress research paper presents literature on existing technology acceptance models and theories leading to the development of a conceptual framework that can be used to investigate the adoption of Business Intelligence (BI) Systems in organisations. The literature outlines Theory of Diffusion of Innovativeness, Theory of Reasoned Action (TRA), Theory of planned behaviour (TPB), Technology Acceptance Model (TAM) and Self-efficacy theory. The study aims to extend TAM model by incorporating Subjective Norms, Self-efficacy, Trialability and Compatibility as external variables. The proposed model is used to study the influence of these external factors on core determinants of TAM, perceived usefulness (PU) and perceived ease of use (PEOU) and is expected to identify which of these external factors are most important in predicting and explaining individual's intention to use BI systems.

**Keywords:** Technology Acceptance Model (TAM), Business Intelligence Systems, Trialability, Compatibility, Self-efficacy, Subjective Norm

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## INTRODUCTION

Business Intelligence (BI) is defined by Vercellis as “set of mathematical models and analysis methodologies that systematically exploit the available data to retrieve information and knowledge management beneficial in supporting complex decision-making processes” (Vercellis, C., 2009, p.3). BI is sometimes viewed as a successor of Decision Support System (Kopačková, H. & Skrobačková, M., 2006). Business Intelligence Systems help organisations make informed decisions that can lead to greater organisational performance and profits. Adelman, S. & Moss, L. (2000) defined BI as “An umbrella term to describe software products for collecting, aggregating, analysing and accessing information to help organisations make more effective decisions”. Similarly, Negash, S. (2004) views BI as, “a system that combines data gathering, data storage and knowledge management with analytical tools to present complex internal and competitive information to planners and decision makers”.

BI is not a static reporting tool for lifetime; it has to evolve as per the changing business processes (Kopačková H. & Skrobačková M., 2006). Data mining combined with BI helps in understanding the strengths and weaknesses of the projects in order to make effective strategic decisions (Heinrichs and Lim 2013).

The role of Business Intelligence systems is eminent in decentralized organisations. In decentralized organisations decision making power is delegated to lower level and middle managers. BI systems provide balanced picture of the environment to these decision makers. They provide competitive intelligence by transforming scattered information about competitors and customers into relevant, accurate and usable strategic knowledge on market evolution, business opportunities and threats (Sauter V. L., 2010). BI tools are used in generating enterprise wide reports. An empirical research (Rouhani S. et al. 2016) studying the impact of BI on decision support and organizational benefits confirms the existence of positive relationship between BI capabilities, decision Support benefits and organisational benefits. Decision support benefits include better knowledge processing, reduced decision cost and reduced decision time. Organisational benefits comprise of effective decision making, competitive advantage and stakeholder’s satisfaction.

In today’s world, data is critical for every organisation. Regardless of the job profile or industry, mastering basic BI skills is necessary to make better decisions. BI specialist is responsible for design, development implementation and management of critical BI reports that are used for decision making. However, to benefit from these BI systems, they must be first accepted and used. Acceptance

of Business Intelligence systems has been previously studied by few researchers. Some of the studies are outlined in the literature.

## **THEORETICAL BACKGROUND**

Technology is something that changes rapidly. Innovation and technology advancement have paved new paths in every activity performed by an individual. During past two decades extensive research was done to examine user acceptance of various technologies. Many popular theories and models were developed to study the adoption and user acceptance of innovations. Some of the prominent models and theories will be briefly introduced in this section.

TAM (Davis F. D. 1989) model was developed in 1980's when computers were newly introduced to the public. The model was developed in anticipation of identifying the factors that influence and promote the individual's intention to use technology. The research states that perceived usefulness and perceived ease of use are the two determinants for predicting and explaining the use of technology. TAM has emerged from two prominent theories Theory of Reasoned Action (TRA) and Theory of Reasoned Behaviour (TPB). TRA and TPB provide framework to understand and predict human social behaviour. The theories were drawn from empirical research conducted by Fishbein, M & Ajzen, I. in 1975. Ajzen believes that human social behaviour is not mysterious and is guided by the behaviour relevant information available (Ajzen, I. 2012). According to TRA, individual's actual behaviour is determined by his/her behavioural intention. Behavioural intention is in turn influenced by Social Norm and Attitude of the individual towards the behaviour. While attitude to engage in behaviour is a result of outcome evaluations and behavioural beliefs, subjective norm is determined by normative beliefs of different social referents and motivation to comply with that referent (Ajzen I. 2012 p.443).

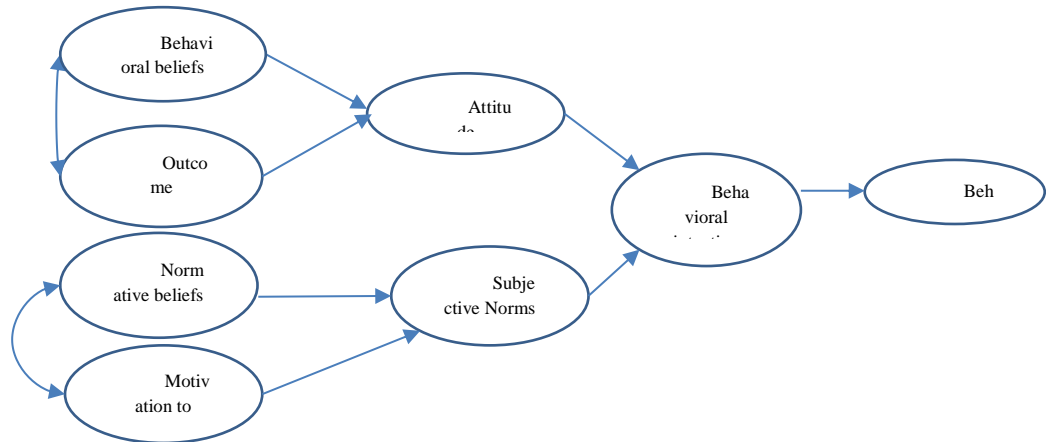


Figure 2: Theory of Reasoned Action

TRA has the limitation to predict the behavioural intention of individuals who feel they have little power over their behaviour and attitude. Ajzen developed Theory of planned behaviour (TPB), extending TRA by adding a belief variable called perceived behavioural control. TPB theory proposes to predict and understand behaviours of individuals with limited volitional (will) control. Perceived behaviour control is similar to Banduras conception of Self Efficacy. (Ajzen, I. 2012 p. 446). Social cognitive theory(SCT) (Bandura A. 1977) states that self-efficacy determines the human motivation and action. Further experiments conducted by manipulating the level of self-efficacy prove that Perseverance and task performance increase self-efficacy.

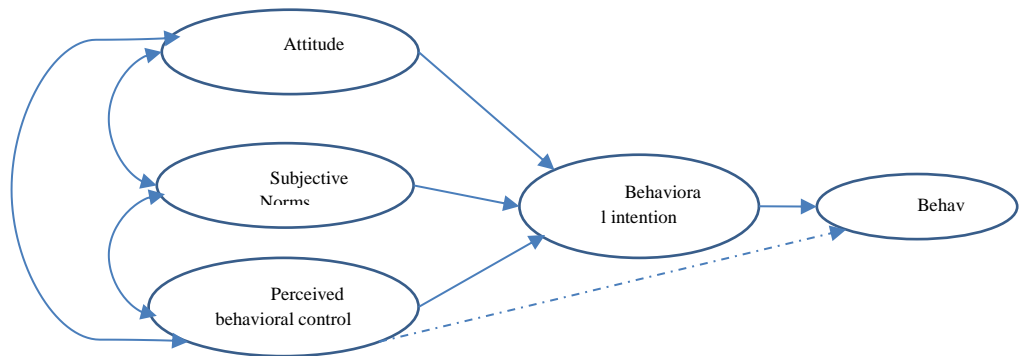


Figure 3: Theory of Planned behaviour

Adoption of technology has been extensively studied using various theories and models. Amongst other models and theories, TAM model has got more prominence and attention when it comes to testing user acceptance of IS systems. TAM and its variants were used to understand the factors that influence the user acceptance and intentions to use technologies. TAM originates from TRA and TPB theories. Davis believed accepting/rejecting a technology is a behaviour of the individual (Davis, F. D. 1989) (Marangunic´ N. & Granic´ A. 2015). He adopted TRA and TPB and proposed TAM.

Technology acceptance model (TAM) (Davis F. D. 1989) provides valid measurement scales for two variables perceived usefulness (PU) and perceived ease of use (PEOU), to measure and predict user acceptance on technology. In this model Davis omitted subjective norm and considered attitude as the only determinant for intention to use. Attitude determines whether the user will actually accept or reject a system. He further hypothesised that perceived usefulness and perceived ease of use of the system will be enough to predict the attitude of the user towards the use of a system. (Davis F. D. 1989) (Marangunic´ N. & Granic´ A. 2015).

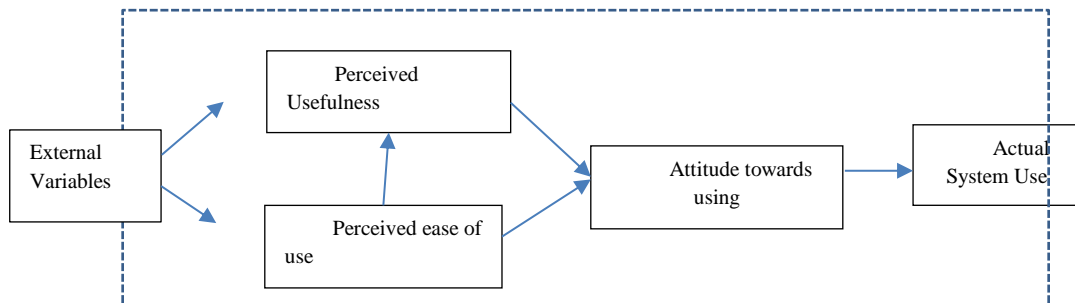


Figure 4: TAM Model (Davis F. D. 1989)

However, after conducting empirical studies on TAM, it was observed that attitude element did not fully mediate the effect of perceived usefulness on behavioural intention of use. Refined model included behavioural intention as a new variable which was directly influenced by the perceived usefulness and perceived ease of use of the system. The refined model was successfully applied. (Venkatesh, V. & Davis, F. D. 1996) (Venkatesh, V. 1999 p.240).

Another widely used theory in the area of technology diffusion and adoption is Theory of diffusion of Innovations (Roger, E. M. 1995). This theory was proposed to study the adoption of new innovations. Diffusion is defined as a “process by which an innovation is communicated through certain channels over

time among members of the social system” (Roger E. M. 1995 p.5) (Lai PC. 2017) (Sahin, I. 2006). Theory is based on four key elements, innovation, communication channel, time and social system. “An innovation is an idea or practice that is perceived as new by and individual or other unit of adoption”. “Communication is a process in which participants create and share information with one another in order to reach a mutual understanding.” (p. 5). Time dimension was included in Rogers theory to categorize the adopters based on their rate of adoption. Adopters are categorised based on their innovativeness into 5 classes, 1) Innovators 2) Early adopters 3) early majority 4) late majority 5) laggards where innovativeness is defined as “a relatively-stable, socially-constructed, innovation-dependent characteristic that indicates an individual’s willingness to change his or her familiar practices” (Roger, E. M. 1995 p. 144) (Sahin, I. 2006). The fourth element, social system is defined as “a set of interrelated units engaged in joint problem solving to accomplish a common goal” (Roger, E. M. 1995 p. 23). In 2003 Roger has proposed five attributes of innovation that can reduce the uncertainty of innovation adoption, 1) relative advantage 2) compatibility 3) complexity 4) trialability and observability. Innovations with these attributes are perceived to be adopted faster than other innovations.

Self-efficacy is a construct in social cognitive theory (SCT) and is a theory by itself. Bandura views self-efficacy as, “belief in one’s ability to influence events that effect one’s life and control over the way these events are experienced” (Bandura A. 1994). Self-efficacy theory states that people will attempt to do tasks that they feel they can be successful and avoid to attempt things they fear they will fail. It refers to beliefs in one’s own capabilities to organise and execute a task successfully. High performance is achieved by possession of necessary skills and confidence in using these skills effectively (Bandura A. 1977). When people start thinking that they don’t possess enough skills the motivation to perform that task will be decreased. Self-efficacy is both situation-specific and domain-sensitive (Kurbanoglu S. et al. 2006. p.732). Self-efficacy focused on technology is defined as “Judgement of one’s ability to use a technology to accomplish a particular job or task” (Venkatesh, V. et al. 2003 p.432) (Bandura A. 1986) (Campeau, D. R. & Higgins, C. A. 1995). To summarize, the studies above provide the theoretical basis for generating the proposed model.

## **LITERATURE ON BI SYSTEMS ADOPTION**

Research on Business Intelligence Systems adoption is scarce. Acceptance of Business Intelligence systems has been previously studied by few researchers. An

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empirical study conducted by (Hou, CK. 2012) investigated the factors influencing adoption of BI systems in Taiwan. The study compared three models: Expectation confirmation model of IS Continuance (ECM), TAM Model and a Hybrid model combining ECM and TAM. The synthesised model appeared to have greater explanatory power to describe the user's technology acceptance. The results show that user's continuance intention is determined by perceived usefulness and satisfaction.

A study by (Sönmez, F. 2018) extended TAM 3(Venkatesh and Bala) by adding social impact and cognitive impact variables to examine the adoption of BI and CRM systems. The results show that by order of importance perceived usefulness, perceived ease of use and behavioural intention to use are the primary factors for promoting usage of BI and CRM systems.

de Villiers JJ. (2016) applied TAM model on BI to study the influence of TAM determinants PU and PEOU on BI usage and adoption. Results show that perceived usefulness has larger impact than perceived ease of use on user acceptance of BI systems.

Bach, M. P., Celjo, A. & Zoroja, J. (2017) extended TAM model by adding the concept of project management maturity (PMM) to investigate the adoption of BI systems on a sample of US companies from CIO's perspective. The study confirms the importance of TAM core variables PU and PEOU in BIS implementation. Secondly, the study suggests that software companies selling BI solutions should put an effort to make the CIO understand the ease of implementation and usefulness factors of the system. Also they should consider the importance of PMM in the targeted companies.

## **RESEARCH PREPOSITIONS**

In this section the constructs for the proposed model as well as the hypothetical relationships between the main constructs are presented.

i) TAM core variables: TAM model has been widely used and demonstrated to examine the user acceptance of various technologies. Previous studies confirmed the impact of TAM core variables (PU and PEOU) on Technology acceptance (Bach, M. P., Celjo, A. & Zoroja, J. 2017) (Mariani, M. G. & Curcuruto, M. 2013) (Lu J., Yao J.E. & Yu CK. (2005). Researches have measured and validated that PU and PEOU have a direct impact on intention to use technology. These relationships will be tested in the context of BIS adoption

H1: Perceived usefulness of BIS positively influences BIS intention to use

H2: Perceived ease of use of BIS positively influences BIS intention to use

H3: Perceived ease of use of BIS positively influences Perceived usefulness of BIS

ii) Subjective norm (SN): TRA and TPB theories state that behavioural intention of a user is influenced by subjective norm. Subjective norm is the “perceived social pressure to perform or not to perform the behaviour.” in question (Ajzen, I. 1991 p.188). Previous research has indicated subjective norm has a direct impact on perceived usefulness and intention to use a technology. Mutahar A.M. have extended TAM by including subjective norms and compatibility as external variables in mobile banking context. Findings suggest that SN has a positive impact on PU and PEOU (Mutahar A.M. et al, 2017). TAM model was extended to study the adoption of electronic ticketing for air travellers in China by including Subjective Norm and Technology trust as the antecedents of adoption intention. The study reaffirmed the effect of subjective norm in intention to use e-ticketing. (Lee C. P. & Wan G. 2010). However, this relationship is not verified in BI context. Therefore the below hypothesis:

H4: Subjective norm has a positive influence on perceived usefulness.

H5: Subjective norm has a positive influence on intention to use.

iii) Computer Self-Efficacy: Empirical studies reveal that self-efficacy tailored to computer/Information technology plays an important role in determining the user’s perceptions about technologies (Venkatesh, V. & Davis, F. D. 1996, p. 453). Experiments by Venkatesh found that users base their ease of use perceptions on computer self-efficacy before they have the hands on experience of the system. Computer self-efficacy is individuals’ beliefs about their abilities to competently use computers (Campeau, D. R. & Higgins, C. A. 1995). A research by Mariani, M. G. & Curcuruto, M. (2013) to study people’s willingness to accept Information technologies show that computer self-efficacy influences their perceived ease of use.

H6: IT self-efficacy positively influences Perceived ease of use of BIS

iv) Trialability and Compatibility: Roger proposed that innovations with attributes 1) relative advantage 2) compatibility 3) complexity 4) Trialability and observability are likely to be adopted faster than others.

A technology is trialable, if it can be experimented with on a trial basis without undue effort and expense. It means there are mechanisms (free downloads, trial versions, prototypes) available that enables users to try out the technology (Aizstrauta D., Ginters E. & Eroles M. P. 2015). In the context of mobile banking, researchers have examined the relationship of Trialability and Compatibility with TAM determinants PU and PEOU. Ahmed M. Mutahar et al. (2016) hypothesised that Trialability has a positive effect on perceived usefulness



and perceived ease of use. The results indicate that Trialability has more influence on PEOU than PU with  $\beta=.579$  and  $\beta=.284$  respectively.

H7: Trialability has a positive effect on perceived ease of use of BIS

When users find new technologies familiar with their experience and lifestyle they easily adapt to these technologies faster. Several studies indicated positive relationship between compatibility and PU, PEOU (Raza S. A, Umer A. & Shah N. 2017).

H8: Compatibility has a positive effect on perceived usefulness of BIS

H9: Compatibility has a positive effect on perceived ease of use of BIS

The proposed research model is shown in figure 4.

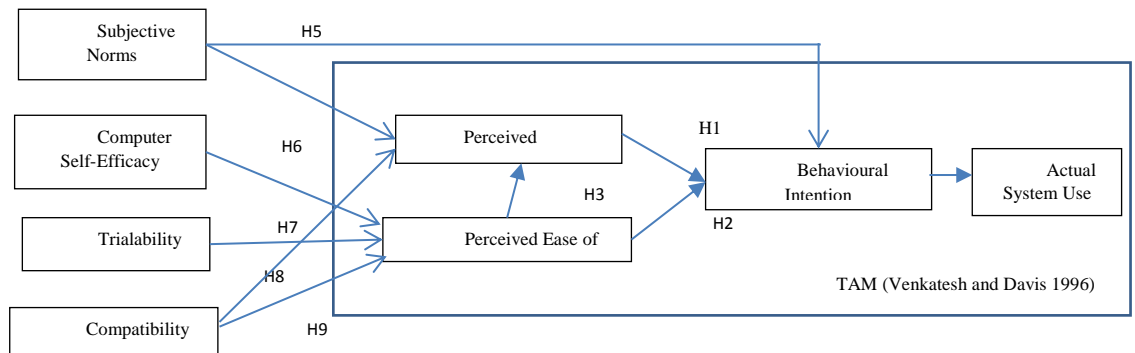


Figure 5: Conceptual framework of the proposed model

## RESEARCH INSTRUMENT

Table 1 presents the research instrument which consists of constructs of the proposed conceptual model. The survey questions are closed ended questions. Respondents answer the items using a five-point Likert scale to express their levels of agreement.

Perceived Usefulness, Perceived Ease of Use and Intention to use will be measured using original TAM scales devised by Davis F.D. (1989). Computer self-efficacy will be measured using scales developed by Campeau, D. R. & Higgins (1995). Trialability and Compatibility scales, developed by Moore, G. C., & Benbasat, I. (1991). will be used. The items for Subjective norms are based on the scales developed by (Taylor S. & Todd P. 1995).

CONSTRUCT	DEFINITIONS	INDICATORS
Perceived usefulness	Perceived usefulness is the degree to which an individual believes that using a particular technology (BI System) would increase their job performance. (Davis F. 1989)	<p>PU1: Using BI software in my job enables me to accomplish tasks more quickly.</p> <p>PU2: Using BI software improves my job performance.</p> <p>PU3: Using BI software increases my productivity on the job.</p> <p>PU4: Using BI software enhances my effectiveness on the job.</p> <p>PU5: Using BI software makes it easier to do my job.</p> <p>PU6: I find BI software useful in my job.</p>
Perceived ease of use	Perceived ease of use is the degree to which an individual believes that using a particular information system or technology effortless (Davis F. 1989)	<p>PEOU1: Learning BI software is easy for me.</p> <p>PEOU2: I find it easy to get BI software to do what I want to do.</p> <p>PEOU3: My interaction with BI software is clear and understandable.</p> <p>PEOU4: I find BI software to be flexible to interact with.</p> <p>PEOU5: It is easy for me to become skilful at using BI software.</p> <p>PEOU6: I find BI software easy to use.</p>
Intention to use	A person's behavioural intention to accept a technology (Davis F. 1989)	<p>IU1: Assuming I had access to the BI software, I would intend to use it.</p> <p>IU2: Given that I had access to the BI software, I predict that I would use it.</p> <p>IU3: I plan to use BI software in the next few months</p>

Computer self-efficacy	Judgement of one's ability to use to use a technology to accomplish a particular job (Campeau, D. R. & Higgins 1995)	I could complete the Job using BI Software, CSE1: if there was no one around to tell me what to do as I go CSE2: if I had only the software manuals for reference. CSE3: if I could call someone for help if I got stuck CSE4: if someone else had helped me get started. CSE5: if I had a lot of time to complete the job for which the software was provided. CSE6: if I had just the built-in help facility for assistance CSE7: if someone showed me how to do it first CSE8: if I had used similar packages before this one to do the same job
Compatibility	The degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters (Rogers, E.M. 1995).	C1: Using BI is compatible with all aspects of my life C2: Using BI fits into my work style C3: I think that using BI fits well with the way I like to work
Triability	The degree to which an innovation may be experimented with on a limited basis (Rogers, E.M. 1995).	T1: I have had a great deal of opportunity to try various BI System services T2: I know where I can go to satisfactorily try out various uses of cloud computing services. T3: Before deciding whether to use BI software, I was able to try it out

		T4: I was permitted to use BI, on trial basis long enough to see what I can do
Subjective Norms	The degree to which an individual perceives that most people who are important to him think he should or should not use the system (Adapted from TRA and TPB)	SN1: People who are important to me think that I should use BI systems SN2: My department manager thinks that I should use BI systems SN3: My colleagues are encouraging me to use BI systems.

Table 1: Research Instrument (Likert 1-5)

Reliability and internal consistency of constructs is measured using Cronbach's alpha test. Multiple regression analysis is suitable to measure the effect of two or more independent variables on a dependent variable. Therefore, multiple regression analysis is used to validate the proposed model. Survey sample will be based on the purposive sampling that would consist of a minimum of 20 companies from the Botswana that are using BI solutions. A minimum of 10 employees from each organisation will be chosen to participate in the survey. Members of these companies should be full time employees in strategic managerial positions; middle management (including technical positions) who use BI solutions.

## CONCLUSIONS

Business Intelligence as a wave of future provides enormous benefits to enterprise users in decision making. BI systems have a great potential for collecting, consolidating and analysing structured data generated from different sources into a form useful for enterprise users to make better business decision and uncover competitive advantage. However, there are limited studies found on literature examining the factors that influence BI systems acceptance. This study proposes a model to investigate the adoption of BI systems in companies. The proposed model will have several contributions; study expands the existing body of knowledge in the area of Business Intelligence systems, by providing the developers with deterministic factors for adoption of Business Intelligence Systems in organisations. Moreover it provides pointers that could help in designing effective BI Solutions, which finally lead to increased user acceptance and use of BI system

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**THE EFFECT OF FINANCIAL RISK MANAGEMENT ON  
FINANCIAL PERFORMANCE: THE CASE OF LISTED  
COMMERCIAL BANKS IN BOTSWANA**

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**ABSTRACT**

The financial system of a country is the cornerstone of a functioning and efficient economy. In the aftermath of the financial crisis in 2008, a greater oversight has been placed on the banking sector and has resulted in passing of regulatory legislation, Basel III, which has called for increased risk management. The purpose of this study is to assess how well the banking sector in Botswana has managed to balance risk management while maintaining profitability. This descriptive study sourced monthly secondary aggregate data from Bank of Botswana Financial Statistics (BFS) database. The study covered a five year monthly data from January 2014 to December 2018. Correlation and regression analysis techniques were applied in the analysis of the data. Risk management was the independent variable and was measured by selected credit risk, liquidity risk and market risk ratios. On the other hand, profitability was the dependent variable and was measured by return on equity and return on assets. Contrary to expectations, the results from regression shows that a negative and significant relationship was detected between credit risk as measured by TETA and profitability under both the ROE and ROA models. Similarly, under liquidity risk management as measured by TDTE, a negative and significant relationship was found under the return on assets and return on equity models. However, the results of the link between profitability and market risk remained inconclusive, since a positive and significant relationship was found with inflation while a negative and insignificant relationship was found with interest rates. The implications of these findings are that banks should strike a proper balance between risk management practices and profitability, so that any risk management practices performed by banks should yield more profits. Therefore bank managers should engage in appropriate liquidity, credit, and market risk management practices that will ensure safety of their banks but also yielding positive profits.

**Keywords:** Risk management, return of assets, return of equity, commercial banks, Botswana



## INTRODUCTION

In the past two decades, the financial risk management has played a key role in the successful operation of financial institutions. Risk management is one of the most important practices that are used especially in banks in order to get higher returns (Wanjohi, 2013).

The financial system of a country is the cornerstone of a functioning and efficient economy. Capital is apportioned to the best projects in an economy by an efficient financial system. This capital is acquired from savers and transmitted to firms with the best productive uses of this capital. At the heart of an economy's financial system is the banking industry; which in developing countries; is the biggest player in the role of financial intermediation. In Botswana, as at the end of 2017, the total market capitalization of listed bonds was P14.3 billion whilst loans to households and businesses from commercial banks stood at P52 billion; illustrating that bank lending is 3 times bigger than lending on the stock exchange

In developing economies; where financial sophistication is low; banks play the primary role of moving capital from households to businesses with productive purposes. It is therefore imperative that this role is efficient and is maximized to ensure growth in the economy. A large part of this role therefore is to assess risks of potential projects and businesses in the economy and appropriately price them to ensure the projects are correctly funded and structured, whilst making the investments worthwhile for the funding bank. Therefore one of the bank's biggest functions is striking the balance of correctly assessing and managing risk whilst creating sustainable profits and value for shareholders.

This particular balance has become increasingly more important in the past 10 years since the Financial Crisis. The ten years prior to 2008 saw unprecedented growth in the world economy and financial services, largely fueled by risk taking as bankers took more and more risky positions in the pursuit of profits and bonuses. This disincentivized banks to do proper risk assessment on projects and that lead to the melt down in 2008 which resulted in a global crisis which stalled economies and wreaked havoc on financial markets across the globe. Since then, a greater emphasis and oversight has been placed on risk management at banks and has resulted in passing of regulatory legislation, Basel III, which has called for increased risk management.

Basel III, which had its first version published in 2009 by the Basel Committee on Banking Supervision, is grounded in 3 main principles to counteract the ills which causes the financial crisis. The regulation called on for increased minimum capital requirements to absorb possible shocks to a bank's balance sheet, introduced measures to cushion banks as their balance sheets

evolved and introduced new regulation on leverage and liquidity management to manage possible excessive borrowing and risky behaviors by banks.

As expected, the effects of this regulation have been broad and far reaching. The Committee on the Global Financial System Report Number 60 (2018) found that in the decade after the Financial Crisis, the banking sector was forced to evolve. There have been changes in market capacity and structure as most banking sectors shrank, business models have changed with a move away from trading and complex structuring to less capital intensive activities like commercial banking and across the world banking profitability has fallen as a result of less leverage and risk taking but also as a result of a slow-down in most economies during that period.

The challenge therefore across the world, is for banks to manage their risks and avoid another crisis whilst remaining profitable and using their capital as efficiently as possible. Botswana's banking sector has not been immune to this challenge and this study aims to see how well the banking sector in Botswana has been able to balance prudent financial risk management while keeping shareholders happy.

### **Problem Statement**

In today's lively environment, banks are exposed to a variety of risks that include credit risk, market risk, interest rate risk, liquidity risk, foreign exchange risk etc. An efficient risk management system, therefore, should be in place to tackle such risks. According to Bernanke (2008), financial risk as a major challenge that is faced by financial institutions and identifies deficiencies in risk management as one of the key vulnerabilities among major financial firms in the private sector. Meyer (2000) highlights the importance of financial risk management and notices that banks in many emerging economies focus on risk management in their efforts to build a strong and sound financial system and to participate fully in the global economy.

The banking sector in Botswana plays a crucial role in the economy by finding the best projects to fund, while managing risks and pushing for profitability. It is therefore in the best interests of the Botswana economy that banks perform this role efficiently and sustainably. Since the Financial Crisis, the sector has had to reduce its risk taking while remaining profitable. The main aim of this research is to see how well the banking sector in Botswana has done in managing its financial risks and how this translates to profitability. We also aim to see which risks are the most important in achieving this goal.

### **Objectives of the Study**

1. To ascertain if there is a relationship between financial risk management and profitability in the Botswana banking sector.

#### Hypothesis

H1: Liquidity Risk management practices have a positive and significant statistical impact on Botswana bank performance.

H2: Credit Risk management practices have a positive and significant statistical impact on Botswana bank performance.

H3: Market Risk management practices have a positive and significant statistical impact on Botswana bank performance.

### **Significance of the Study**

The study has both managerial and academic implications. It is important as it evaluates the effect of financial risk management on the profitability of Botswana registered banks. The study will be of great benefit to management, as it will assist in identifying and controlling the components of financial risks that affect the financial performance of selected firms. The study will also help policy makers, as it will throw light on critical components that impact profitability of the selected financial institutions, thereby enabling formulation of relevant policies. The findings will be of assistance to stakeholders and prospective investors as the study explains critical risk components that influence organization financial performance. The study also contributes to the existing literature on the topic.

## **EMPIRICAL REVIEW**

Academicians and researchers have assessed the impact of financial risk management on the financial performance of organizations in various sectors. A review of those studies is presented below. The review will focus on developing countries globally but mainly in Africa:

### **African Perspective**

Adeusi, Akeke, Adebisi & Oladunjoye, (2014) collected secondary data from the financial statements of 10 banks in Nigeria for a period 2006-2009 to measure the impact of risk management practices on the financial performance of selected banks. Return on capital employed, return on assets and return on equity were the

dependent variables and cost of bad and debt loan, non-performing loan, liquidity, equity-loan asset, debt equity ratio, equity-total asset and managed fund were selected as independent variables. The findings showed an inverse relationship between return on capital employed/return on assets/return on equity/ and cost of bad and doubt loans. Debt-equity ratio, on the other hand showed a positive and significant relationship with all the dependent variables. Similarly, managed funds had a positive and significant relationship with all the dependent variables.

Olamide, Uwalomwa, and Ranti,(2015) looked at the impact of risk management on financial performance of 14 listed banks in Nigeria for the period 2006-2012. Financial performance was measured by return on equity and the independent variables to represent risk management included non-performing loan ratio, capital ratio, loan to total deposit ratio and risk disclosure. The results revealed that coefficient of non-performing loan, loan to deposit, risk disclosure and total asset exhibited an inverse non-significant relationship with the dependent variable. Capital risk, on the other hand, showed a positive insignificant relationship with the return on equity.

Adekunle, Alalade, Agbatogun and Abimbola (2015) researched on the effect of credit risk management on the financial performance of 10 listed commercial banks in Nigeria for the period 2006-2010. Credit risk management was represented by Ratio of non-performing loans and advances to provision for loans and advances losses, Ratio of provision for loans and advances to total loans and advances, ratio of non-performing loans and advances to total loans and advances and ratio of total loans and advances to total assets; whereas financial performance was measured by Return on Equity and Return on Assets. Findings reflect a significant effect of credit risk management on financial performance of the selected banks.

Paulinus and Jones (2017) investigated the effect of financial risk management on the performance of 15 deposit money banks in Nigeria for the period 2012-2016. Bank size was used as the independent variable and Return on Equity was selected to measure financial performance. The findings showed that bank size had a significant impact on return on equity of the selected money banks in Nigeria.

Another study by Fredrick (2012) on the impact of credit risk management on financial performance of commercial banks in Kenya also used the CAMEL parameters as proxy for credit risk management. The results showed that earnings had a strong relationship with financial performance (Return on equity) and that capital adequacy, management efficiency, liquidity and asset quality had a weak relationship with financial performance.

Another study was conducted by Maritim (2013) on the relationship between credit risk management and financial performance of Micro Finance Institutions in Kenya. Primary data was collected from the selected enterprises and correlation and regression analyses were used to determine the relationship. The results indicated a positive relationship between credit risk management and financial performance of selected institutions.

Wanjohi, Wanjohi, and Ndambiri, (2013), carried out an analysis of the effect of financial risk management on financial performance on the commercial banks in Kenya. Financial performance was represented by return on assets, which was averaged for a period of 5 years (2008-2012), and the elements for measuring financial risk management were collected through primary data. The collected data were then processed by multiple regression analysis. The results highlighted a positive relationship between financial risk management practices and financial performance among the selected banks in Kenya.

Using secondary data, Muteti, (2014), studied the relationship between financial performance and financial risk management among selected commercial banks in Kenya. The results revealed a positive relationship between bank size, bank deposits and capital management risks and financial performance. A negative relationship was also detected between liquidity risk, credit risk, interest rate risk and foreign exchange risk and financial performance of the selected commercial banks.

Chipa and Wamiori's (2017) study focused on impact of risk management on the financial performance of Insurance Companies in Mombasa, Kenya. More specifically, it examined the impact of liquidity risk management, firms' operational risk management and firms' enterprise risk management on the financial performance of selected Insurance companies. Primary data was collected from a target population of 150 respondents and descriptive and inferential statistics were used to analyze the data. The findings reveal that all the identified independent variables significantly influence the financial performance of Insurance companies in Mombasa, Kenya.

Lelgo and Obwogi (2018) examined the impact of financial risk on the performance of 13 registered micro finance institutions in Kenya for the period 2013-2017. Return on Assets was selected as the dependent variable to represent financial performance and credit risk, liquidity risk, interest rate risk and exchange rate risk were selected as independent variables. The study used secondary data and the findings underscore that both credit risk and interest rate risk negatively influenced the financial performance and that liquidity risk and exchange rate risk had positive impacts on financial performance.

Research by Juma and Atheru (2018) focused on the impact of financial risk on the performance of Commercial Banks in Kenya, more specifically on the effect of Liquidity risk, credit risk, interest rate risk and foreign exchange risk on the profitability of commercial banks. The study covered 42 commercial banks for period of six years (2010-15) and used secondary data for analysis. Using Return on assets to measure financial performance, the study revealed a positive and significant relationship between liquidity risk and return on assets and interest rate and return on assets; a negative and significant relationship between credit risk and return on assets and foreign exchange risk and return on assets.

Wamalwa and Mukanzi (2018) carried out an investigation on the influence of financial risk management practices on the financial performance of selected nine commercial banks in Kakamega County Kenya. The study used both primary and secondary data to determine the impact. The findings indicate that credit risk and capital risk management had a positive significant impact and liquidity management practice and interest rate risk management had a negative with no significant impact on the financial performance of the selected commercial banks.

Noor (2019) examined the effects of credit risk, liquidity risk, market risk and foreign exchange risks on the performance of transport firms in Mombasa, Kenya. The study was based on both primary and secondary data and used descriptive statistics, correlation and regression to analyze the data. The findings reveal that financial risk measured in terms of credit, liquidity market and foreign exchange risks have a positive and significant impact on the financial permanence represented by Return on Investment and Return on Assets.

A study conducted by Balungi (2018) looked at the effect of credit risk management on the performance of financial institutions in Uganda, a case study of Housing Finance Bank (HFB), Uganda Ltd. The study used both primary and secondary data and applied descriptive, correlation and regression analyses to establish the impact of credit risk (independent variable) on financial performance (dependent variable). Results indicate that there is a strong correlation between credit risk management and financial performance.

Serwadda (2018) conducted a study on the impact of credit risk management on the financial performance of 20 commercial banks in Uganda for the period 2006-2015. The study used non-performing loans, growth in interest earnings and loan loss provisions to total loans as independent variables and return on assets as dependent variable. The data was interpreted using descriptive statistics, correlation and regression analyses. The findings indicate that credit risk management influence the performance of selected banks. More specifically,

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banks' performance was inversely affected by non-performing loans that may expose the banks to higher levels of illiquidity and financial crisis.

A study by Kalu, Shieler and Amu, (2018) focused on establishing a relationship between credit risk management represented by credit risk identification, credit risk appraisal, credit risk monitoring and credit risk mitigation and financial performance of three (3) microfinance institutions in Kampala, Uganda. The study used both primary and second data and the findings indicate that the credit risk identification and credit risk appraisal have a strong positive relationship on financial performance. The other two variables, viz. credit risk monitoring and credit risk mitigation were found to have a moderate positive relationship with financial performance of selected firms.

Harelimana, (2017), examined the role of risk management on the financial performance of Unguka Bank Ltd in Rwanda for the period 2012-2016. The study used credit risk, operational risk, liquidity risk and interest rates as determinants of risk management. The results indicated a strong relationship between risk management practices and financial performance in the selected bank in Rwanda.

### **Global Banking Perspective**

In a review on the impact of risk management practices on the Islamic bank's financial performance for the period 1998-2012, Yousfi (2015) identified credit risk (debt and risk), market risk (inflation, interest rates and financial crisis), liquidity risk (liquidity and capital) and operational risk (efficiency, income and cost) as independent variables and return on assets and return on equity as dependent variables. The findings indicated a positive and significant impact of market risk on financial performance and a negative and significant impact of credit, liquidity and operational risk management practices on return on assets.

To measure the relationship between financial risks and financial performance of selected insurance companies in India, Arif and Showket, (2015) selected management risk, solvency risk, liquidity risk, underwriting risk, volume of capital and size of insurance companies as independent variables and return on assets as the proxy for financial performance. The findings underscored a 55% influence on financial performance by management risk, solvency risk, liquidity risk, underwriting risk, size of the company and volume of capital.

Nair, Purohit and Choudhary (2014) studied on the impact of various dimensions of risk management with the business performance (financial and non-financial) of International Islamic Banks (IIB) in Qatar. It was an empirical study with a sample 62 banks, which used multiple regression analysis to establish the

relationship between selected variables. The findings indicate that risk assessment analysis, risk management practices, risk identification and credit risk assessment influenced the business performance.

Research by Haque and Wani, (2015) focused on evaluating the relationship between financial risk and financial performance among 10 selected leading Indian banks from public and private sectors. The findings revealed that there was significant impact of credit, capital and solvency risks on the financial performance of selected banks. On the other hand, interest rate and liquidity risks did not show any significant effect on the financial performance of these banks.

Research on the effect of credit risk management on the financial performance of 13 Jordanian banks for the period 2005-2013 by Alshatti (2015), revealed that credit risk management has an impact on the financial performance. The study identified capital adequacy ratio, credit interest /credit facilities ratio, facilities loss/net facilities ratio, leverage ratio and non-performing loans/gross loans ratio as independent variables and return on assets and return on equity as dependent variables. The findings highlighted a positive effect of non-performing loans/gross loans ratio on financial performance, a negative impact of facilities loss/net facilities ratio on return on assets and no effect of capital adequacy ratio and credit interest/credit facilities ratio on return on assets. It also showed an impact of credit interest/credit facilities ratio and the leverage ratio on return on equity.

In their study on the effect of credit risk management on financial performance of selected commercial banks in Sri Lanka, Perinpanathan and Vijeyaratnam (2015), used return on equity to measure financial performance and indicators of bank's soundness viz. capital adequacy, asset quality, management efficiency, earnings and liquidity (CAMEL) were identified to represent credit risk management practices. The study disclosed a strong impact of CAMEL parameters on the financial performance. More specifically, earnings had a strong positive and capital adequacy, management efficiency, liquidity and asset quality had a negative relationship with financial performance. The study also found CAMEL model as a reliable proxy to measure credit risk management practices.

The study by Bagh, Khan, and Sadaf, (2017) sampled 18 top performing large, medium and small commercial banks in Pakistan to determine the effect of risk management practices on the financial performance of selected commercial banks. The study used capital adequacy ratio, operational risk, non-performing loans, interest rate risk and liquidity risk as independent variables and Return on Equity as dependent variable. The results indicate that risk management practices



have significant impact on financial performance of selected small, medium and large commercial banks.

Mardiana and Dianata, (2018) evaluated the impact of risk management on the financial performance of 5 listed Islamic Banking Companies in Indonesia for the period 2011-2016. Risk management was identified by capital adequacy ratio, operating efficiency and non-performing loans. Financial performance was represented by Return on Assets. The findings highlighted a significant but negative impact of operating efficiency on return on assets and capital adequacy ratio and non-performing loan had a negative and insignificant impact on the financial performance (Return on Assets) of the selected banks.

### **Other Industries and Sectors**

Iyakaremye (2015) examined the relationship between financial performance and financial risk of five agricultural companies listed in Nairobi Security Exchange. The study used return on assets, return on equity and return on sales to measure financial performance and debt to equity, debt ratio and Z prime as independent variables representing financial risk. The secondary data was regressed and the results indicated that there is a strong positive relationship between financial risk and financial performance among the selected agricultural companies. More specifically, Z prime had the most significant impact on the financial performance, with debt to equity ratio and debt ratio having an impact to some extent on the financial performance.

A study by Matayo and Muturi (2018) centered around measuring the effect of financial risk on the financial performance of 13 selected large-scale supermarkets in Nairobi, Kenya. The secondary data collected was regressed to determine the effect of financial risk on the financial performance of the supermarkets. The findings indicate that the two independent variables used in the study viz. operational and market risks had significant effect on the financial performance of supermarkets measured by return on assets.

### **Research gap**

The above literature highlights the fact that although a good number of studies had been conducted on risk management, in most of the studies, the main focus was on credit risk management. This paper investigates the impact of all components of financial risk management that have a bearing on financial performance of all commercial banks in Botswana. It may also be noted that very

few studies have been conducted in Botswana on this topic. This study, therefore, is tailored to fill the research gap that currently exists in Botswana and to offer recommendations to the banking sector and risk management policy makers.

## CONCEPTUAL FRAMEWORK

Drawing from literature and based on the objectives of the study, the following conceptual model has been developed:

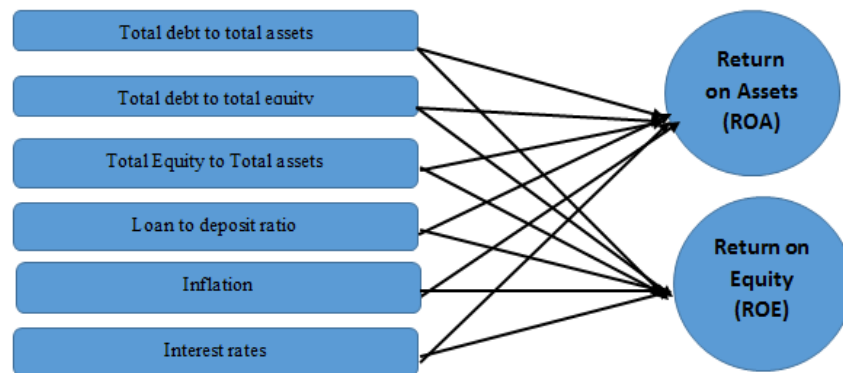


Diagram 1: Conceptual Framework

## DATA AND METHODS

The study is premised on evaluating the effect the financial risk management on financial performance of all commercial banks in Botswana. This descriptive

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study sourced monthly secondary data from Bank of Botswana Financial Statistics (BFS) database. The study covered a five year monthly data from January 2014 to December 2018. This dataset has resulted in a total of 60 observations (5\*12). The latest period possible was of keen interest, and convenience sampling technique was thus applied on the basis of data availability for all the variables under study. Descriptive and inferential statistics were used to analyze the data. Importantly, correlation and regression analysis techniques were applied.

Secondary data collected comprised of aggregate data for a population of all commercial banks in Botswana for in the period under study. There are currently 10 commercial banks operating in Botswana and these are; African Banking Corporation of Botswana Limited (trading as 'BancABC'), Bank Gaborone Limited, Bank of Baroda (Botswana) Limited, Bank of India (Botswana) Limited, Barclays Bank of Botswana Limited, Capital Bank Limited, First National Bank of Botswana Limited, Stanbic Bank Botswana Limited, Standard Chartered Bank Botswana Limited, and State Bank of India (Botswana) Limited (Bank of Botswana, 2019).

Statistical Package for Social Science (SPSS) was used to analyse the data. Multiple regression analysis was utilized. In the regression model, financial performance, which is the dependent variable, was measured by Return on Total Assets (ROA) and Return on Equity (ROE) respectively. These profitability ratios have been used in most studies in the area, for example (Yousfi Imane, 2015). Independent variables comprised of selected financial risk management ratios.

### **Variables and their Measurements:**

The independent variables included ratios that measure financial risk such as credit risk, liquidity risk and market risk that we have adopted from similar studies in this topic. Credit risk was measured by the ratio of total debt to total assets (TDTA) and Total debt to total equity (TDTE); Liquidity risk was measured by Total equity to total assets (TETA) and loan to deposit ratio (LD); while market risk was measured by inflation (INF) and real interest rate (INT). Inflation was measured by consumer price index (CPI) while the real prime rate was used as a proxy for interest rates. Descriptive statistics, correlation analysis and multiple linear regression techniques were used to assess the significance of the relationship between financial risk management and profitability of commercial banks in Botswana. Table 1 shows a summary of variables used and their measurements.

Table 1: Variables used and their Measurement

Variables	Variable Type	Abbreviation	Measurements
<b>Dependent Variables</b>			
Return on Assets		ROA	Net income / Total Assets
Return on Equity		ROE	Net income/Total Equity
<b>Independent Variables</b>			
Total debt to total assets	Credit risk	TDTA	Total commercial bank liabilities to total assets
Total debt to total equity	Credit risk	TDTE	Total commercial bank liabilities to total equity
Total Equity to Total assets	Liquidity risk	TETA	Total commercial bank equity to total assets
Loanto deposit ratio	Liquidity risk	LD	Total commercial bank loans and advances to total deposits
Inflation	Market risk	INF	Consumer price index (CPI)
Interest rates	Market risk	INT	Real prime rate

**Model:**

The regression models are presented in equation 1 and 2:

$$ROA = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon \quad (1)$$

$$ROE = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon \quad (2)$$

Where;

X1=TDTA,

X2=TDTE

X3=TETA

X4=LD

X5=INF

X6=INT

$\alpha$  =constant

$\epsilon$  =error term

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## RESULTS AND DISCUSSIONS

### I. Descriptive Analysis

Table 2 is a presentation of the descriptive statistics. The mean value for the return on assets (ROA) is 0.15% while the return on equity (ROE) recorded a mean value of 1.38% over the five year period. Since the standard deviations for all the variables is small, it shows that the data is not widely dispersed, except TATE which recorded a higher standard deviation ( $\delta=32.69$ ).

Distributional property of the data further indicates negative skewness (skewness statistics) for return of asset ( $Sk = -0.331$ ), return on equity ( $Sk = -0.337$ ), total debt to total assets ( $Sk = -0.072$ ), loan to deposit ratio ( $Sk = -0.595$ ) and interest rates ( $Sk = -0.014$ ). Ratio of total debt to equity, total equity to total assets, and inflation both registered positive skewness. The normal distribution is symmetric and has a skewness of zero. If the distribution of a data set has a negative skewness, then the left tail of the distribution is longer than the right tail. Thus, positive skewness implies that the right tail of the distribution is longer than the left. Therefore the data is to a greater extent, negatively skewed.

Meanwhile kurtosis which measures the thickness of the tail ends of a distribution in relation to the tails of the normal distribution was positive for all variables except macroeconomic variables of inflation ( $kt = -0.0251$ ) and interest rates ( $kt = -0.067$ ). The normal distribution has a kurtosis of three, which indicates the distribution has neither fat nor thin tails. Consequently, if an observed distribution has a kurtosis greater than three, the distribution have heavy tails when compared to the normal distribution. Since all the kurtosis coefficients in Table 2 are less than 3, the data have thin tails when compared to the normal distribution.

Table : Descriptive Statistics

N	Minimum		Maximum		Mean		Std. Deviation		Skewness		Kurtosis			
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error		
60		-.03		.29		.1533		.05748		-.331		.309	1.172	.608
60		-.28		2.56		1.3890		.51919		-.337		.309	1.177	.608
60		87.91		90.03		88.9748		.39640		-.072		.309	.858	.608
60		727.14		903.14		808.1857		32.69342		.225		.309	.901	.608
60		9.97		12.09		11.0252		.39640		.072		.309	.858	.608
60		74.13		87.62		82.2562		2.88413		-.595		.309	.430	.608
60		2.60		4.60		3.3583		.59923		.998		.309	-.251	.608
60		2.60		5.74		4.0320		.67498		-.014		.309	-.567	.608

## II. Correlation Analysis

The correlation analysis shows the direction and size of the relationship between the data variables. The correlation results are presented in Table 3. The return on assets (ROA) is positively and significantly correlated with return on equity (ROE) ( $r = 0.994$ ). This outcome is expected since ROA and ROE are theoretically directly related, and this relationship is determined by the equity multiplier (EM), which is the amount of assets per dollar of equity capital (Mishkin and Eakins, 2012). A positive and significant correlation at 5% level was found between ROA and inflation ( $r = 0.280$ ,  $p = 0.030$ ), and negatively and significantly correlated with interest rates ( $r = -0.268$ ,  $p = 0.038$ ). All the other variables yielded insignificant correlations with ROA. Under ROE model, only market risk variables of inflation and interest showed statistically significant correlations. In particular, a positive and statistically significant relationship was found between ROE and Inflation ( $r = 0.281$ ,  $p = 0.030$ ), and a negative and significant relationship was observed with interest rates ( $r = -0.256$ ,  $p = 0.048$ ). These results are therefore similar to those found under the ROA model.

In terms of cross-correlations among the independent variables, high and significant correlations were found between the following ratios; TDTE and TDTA ( $r = 0.998$ ), TETA and TDTA ( $r = -1.000$ ) and, TETA and TDTE ( $r = -0.998$ ). Further, LD was found to be significantly and moderately correlated with TDTA ( $r = -0.571$ ), TDTE ( $r = -0.579$ ), TETA ( $r = 0.571$ ) and INT ( $r = 0.465$ ). As in the above output, it is worth-noting that when there exist highly correlated independent variables in the model, then multi-collinearity effects are said to exist

(Zainodin et al, 2011). The dangers to multicollinearity is that it reduces the precision of the estimate coefficients, which in turn weakens the statistical power of the regression model. Multicollinearity constitutes a threat, both to the proper specification and the effective estimation of the type of structural relationship commonly sought through the use of regression techniques (Farrar & Glauber, 1967).

Table 3: Correlations

		ROA	ROE	TDTA	TDTE	TETA	LD	INF	INT
ROA	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	60							
ROE	Pearson Correlation	.994**	1						
	Sig. (2-tailed)	.000							
	N	60	60						
TDTA	Pearson Correlation	-.022	.066	1					
	Sig. (2-tailed)	.869	.617						
	N	60	60	60					
TDTE	Pearson Correlation	-.037	.052	.998**	1				
	Sig. (2-tailed)	.779	.695	.000					
	N	60	60	60	60				
TETA	Pearson Correlation	.022	-.066	-1.000**	-.998**	1			
	Sig. (2-tailed)	.869	.617	.000	.000				
	N	60	60	60	60	60			
LD	Pearson Correlation	.150	.108	-.571**	-.579**	.571**	1		
	Sig. (2-tailed)	.253	.409	.000	.000	.000			
	N	60	60	60	60	60	60		
INF	Pearson Correlation	.280*	.281*	-.024	-.013	.024	.017	1	
	Sig. (2-tailed)	.030	.030	.858	.922	.858	.900		
	N	60	60	60	60	60	60	60	
INT	Pearson Correlation	-.268*	-.256*	.162	.167	-.162	-.465**	-.022	1
	Sig. (2-tailed)	.038	.048	.216	.201	.216	.000	.870	
	N	60	60	60	60	60	60	60	60

\*\* . Correlation is significant at the 0.01 level (2-tailed).

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

□

### III. Test for Multicollinearity

According to Saunders et al. (2012), the simplest diagnostic is to use the correlation coefficients, extreme collinearity being represented by a correlation coefficient of 1. The rule of the thumb is that the presence of high correlations, which is generally anything above 0.90, indicates substantial collinearity. To solve for multicollinearity, Zainodin, Noraini and Yap (2011) proposes the removal of multicollinearity source variables through a three stage approach. The idea is to regress consecutively each explanatory variable on the remaining ones until the multicollinearity problem is eliminated. As a result, the most common variable is removed first, then the model is re-run. Therefore TDTE was removed automatically using SPSS, since TDTE had a high and significant correlation with TDTA and TETA of 0.998 and 1.000 respectively. Other techniques for testing this problem is the variance inflation factor (VIF).

### IV. Regression Analysis

#### i. The ROA model:

The regression analysis was then run with the remaining variables. The revised models is represented in equation 3;

$$\text{ROA} = \alpha + \beta_1\text{TDTE} + \beta_2\text{TETA} + \beta_3\text{LD} + \beta_4\text{INF} + \beta_5\text{INT} + \epsilon \quad (3)$$

The regression results for ROA model are presented in Table 4(a-c). The r-squared value for the model is 0.230, indicating that 23% of the variation in the return on assets can be explained by the changes in the predictors (INT, INF, TETA, LD, TDTE). Therefore 77% of the variation can be explained by other variables outside this model.



**Table 4a: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.480 <sup>a</sup>	.230	.159	.05271

a. Predictors: (Constant), INT, INF, TETA, LD, TDTE

However, the joint effect of the variables is revealed by the F-statistic, which is 3.231 and it is significant at 5% significant level ( $p = 0.013 < 0.05$ ). This shows that the ROA model is fit to predict the overall outcome.

**Table 4b:ANOVAa**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.045	5	.009	3.231	.013 <sup>b</sup>
	Residual	.150	54	.003		
	Total	.195	59			

a. Dependent Variable: ROA

b. Predictors: (Constant), INT, INF, TETA, LD, TDTE

The regression coefficient under the ROA model are shown in Table 3c. A negative and significant relationship is found between the ratio of total debt to total equity (TDTE) and ROA, with a coefficient of -0.009 and  $p=0.022$ . This indicates that a one unit increase in TDTE will reduce ROA by 0.009 units. This ratio measures credit risk, therefore shows that there is a negative and significant relationship between profitability as measured by return on assets and credit risk. Thus, if credit risk increases, profitability as measured by ROA goes down.

Likewise, there exist a negative relationship between, the ratio of total equity to total assets (TETA) and ROA, with a coefficient of -0.717 and  $p=0.020$ . This indicates that a one unit increase in TETA will reduce ROA by 0.117 units. This ratio measures liquidity risk, therefore shows that there is a negative and significant relationship between profitability as measured by return on assets and

liquidity risk. However, the other ratio of liquidity risk, loan to deposit ratio (LD) was found to be positive but statistically insignificant ( $p=0.967$ ).

On the other hand, inflation was found to positively and significantly affect bank performance as measured by ROA (Beta=0.31,  $p$ -value=0.009). This shows that a one unit increase in inflation will increase ROA by 0.031 points. Though this magnitude is small, it was found significant. Meanwhile interest rates had a negative and insignificant relationship with ROA ( $B=-0.020$ ,  $p$ -value=0.091). Inflation measures market risk, therefore it shows that there is a positive and significant relationship between profitability as measured by return on assets and market risk.

**Table4c: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	15.012	6.297		2.384	.021
	TDTE	-.009	.004	-4.923	-2.365	.022
	TETA	-.717	.300	-4.942	-2.389	.020
	LD	.000	.003	.007	.041	.967
	INF	.031	.012	.328	2.701	.009
	INT	-.020	.012	-.234	-1.718	.091

**ii. The ROE model**

The revised ROE model is presented in equation 4.

$$\text{ROE} = \alpha + \beta_1\text{TDTE} + \beta_2\text{TETA} + \beta_3\text{LD} + \beta_4\text{INF} + \beta_5\text{INT} + \varepsilon \quad (4)$$

The regression results for ROE model are presented in Table 5 (a-c). The r-squared value for the model is 0.225, indicating that 22.5% of the variation in the return on assets can be explained by the changes in predictors (INT, INF, TETA, LD, TDTE). Therefore 77.5% of the variation can be explained by other variables outside this model. Consequently the predictive power of this model is slightly less than the ROA model. The F-value is also statistically significant as shown in Table 5b ( $F=3.140$ ,  $p$ -value=0.015).

**Table 5a: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475 <sup>a</sup>	.225	.153	.47768

a. Predictors: (Constant), INT, INF, TETA, LD, TDTE

**Table 5b: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.582	5	.716	3.140	.015 <sup>b</sup>
	Residual	12.322	54	.228		
	Total	15.904	59			

a. Dependent Variable: ROE

b. Predictors: (Constant), INT, INF, TETA, LD, TDTE

The ROE results are similar to those of the ROA model. As shown in Table 5c, the coefficient of credit ratio of TDTE was found statistically significant ( $b = -0.072$ ,  $p\text{-value} = 0.035$ ) and kept the same negative sign as in the ROA model. Likewise, under liquidity risk, only TETA was found statistically significant ( $b = -0.6066$ ,  $p\text{-value} = 0.030$ ) while LD was found positive and statistically insignificant. Moreover, inflation was found statistically significant with a  $p\text{-value}$  of 0.010. The coefficient of inflation was 0.283, which indicates that if inflation increases by one percent, ROE will increase by 0.283%. Meanwhile, interest rates were found to negatively affect ROE, however this result was insignificant.

**Table 5c: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	125.569	57.064		2.201	.032
	TDTE	-.072	.033	-.4513	-2.161	.035
	TETA	-6.066	2.718	-.4632	-2.232	.030
	LD	.005	.030	.027	.161	.873
	INF	.283	.106	.327	2.678	.010
	INT	-.178	.105	-.231	-1.691	.097

a. *Dependent Variable: ROE*

### Summary of Results.

Research findings of this study suggest the following:

- 1 TDTE has a significant negative relationship with ROA
- 2 TDTE has a significant negative relationship with ROE
- 3 TETA has a significant negative relationship with ROA
- 4 TETA has a significant negative relationship with ROE
- 5 LD has an insignificant positive relationship with ROA
- 6 LD has an insignificant positive relationship with ROE
- 7 INF has a significant positive relationship with ROA
- 8 INF has a significant positive relationship with ROE
- 9 INT has an insignificant positive relationship with ROA
- 10 INT has an insignificant positive relationship with ROE

## DISCUSSION OF FINDINGS

The discussions are made in relation to the following hypotheses;

**H1: Liquidity Risk management practices have a positive and significant statistical impact on Botswana bank performance.**

Under liquidity risk management as measured by TDTE, a negative and significant relationship between liquidity risk management and profitability as measured by both return on assets and return on equity was detected. This shows that when liquidity ratio decreases, profitability goes up, hence there is an inverse relationship between liquidity risk management practices and profitability. Hypothesis 1 is thus not accepted. This outcome is contrary to the study of Noor

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(2019) who examined the effects of liquidity risk, alongside credit, market risk and foreign exchange risks on the performance of transport firms in Mombasa, Kenya. The findings reveal that financial risk measured in terms of both credit, liquidity, market and foreign exchange risks have a positive and significant impact on the financial performance represented by Return on Investment and Return on Assets.

Further, these findings are contrary to Adeusi, Akeke, Adebisi & Oladunjoye, (2014) study on Nigerian banks collected secondary data from the financial statements of 10 banks in Nigeria for a period who found out that Debt-equity ratio which was a proxy for liquidity in this study, revealed a positive and significant relationship with all the dependent variables, which included among others, return on asset and return on equity. These results are also contrary to the studies of Wamalwa and Mukanzi (2018) and Haque and Wani (2015), who found no significant impact of liquidity risk on the financial performance of the selected commercial banks.

Nevertheless, these findings on the impact of liquidity risk on bank profitability are found similar to some studies. For example, Muteti (2014) studied the relationship between financial performance and financial risk management among selected commercial banks in Kenya and the results revealed a negative relationship between liquidity risk, credit risk, interest rate risk and foreign exchange risk and financial performance.

## **H2: Credit Risk management practices have a positive and significant statistical impact on Botswana bank performance.**

A negative and significant relationship was found between credit risk as measured by TETA and profitability, under both the ROE and ROA models. As a result, hypothesis 2 was not accepted. Literature has found both negative and positive relationship between credit risk management and profitability. This finding on the impact of credit risk management and profitability is different to some studies where a positive and significant relationship was found (Noor, 2019; Wamalwa and Mukanzi (2018). Furthermore, a positive and significant relationship was found in Uganda by Kalu, Shieler and Amu, (2018) who focused on establishing a relationship between credit risk management represented by credit risk identification, credit risk appraisal, credit risk monitoring and credit risk mitigation and financial performance of three (3) microfinance institutions in Kampala, Uganda. In this regard, their findings were contrary to our results.

Meanwhile the results of this study are similar to those of studies performed in Kenya (Muteti, 2014); Yousfi, 2015; Lelgo and Obwogi, 2018), and Uganda

(Serwadda, 2018), who all found a negative and significant relationship between credit risk and bank profitability.

**H3: Market Risk management practices have a positive and significant statistical impact on Botswana bank performance.**

Inflation was found to positively and significantly impact the profitability of banks. However, interest rates were found to negatively affect profitability, but the coefficient was found to be statistically insignificant. A lot of studies reviewed in this subject used interest rates as a proxy for market risk. Hypothesis 3 was partially accepted. Though a positive and significant relationship was found between inflation and profitability, interest rate appears to be the variable widely used in most studies to measure market risk. The insignificant result of the impact of interest rate risk on bank profitability is similar to research done by Haque and Wani, (2015) who found that interest rate and liquidity risks did not show any significant effect on the financial performance of these banks.

Meanwhile contrary results were found in the studies of Noor (2019) in Kenya whose findings reveal that financial risk measured in terms of credit, liquidity, market and foreign exchange risks have a positive and significant impact on the financial performance represented by Return on Investment and Return on Assets. On the other hand, Lelgo and Obwogi (2018), using regression analysis showed a significant negative relationship between interest rate risk and the MFIs' financial performance, and a significant positive relationship between exchange rate risk and the MFIs' financial performance. A negative and significant relationship was also found in the study of Muteti, (2014) in Kenya who assessed liquidity risk, credit risk, interest rate risk and foreign exchange risk and financial performance of the selected commercial banks.

## **CONCLUSIONS AND RECOMMENDATION**

The importance of financial risk management on profitability have been underscored in most studies. A large part of this role arises from the need to assess risks of potential projects and businesses in the economy and appropriately price them to ensure the projects are correctly funded and structured, whilst making the investments worthwhile for the funding bank. Therefore one of the bank's biggest functions is striking the balance of correctly assessing and managing risk whilst creating sustainable profits and value for shareholders. However, since financial crisis of 2008, a greater emphasis and oversight has been placed on risk

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management at banks and has resulted in passing of regulatory legislation, Basel III, which has called for increased risk management. The main purpose of this study was to assess the role played by risk management practices on profitability of commercial banks from a developing nation context.

For the purposes of this study, risk management was assessed in terms of financial risk management, and in particular; credit risk, liquidity risk and market risk and profitability was measured by return on assets and return on equity. A positive relationship was expected among the three risk management practices. In terms of liquidity risk management, a negative relationship was found contrary to other previous studies who found a positive relationship (Adeusi, Akeke, Adebisi & Oladunjoye, 2014; Kalu, Shieler and Amu, 2018; Noor, 2019). However, these results were in sync with results from other studies in the African continent who also found a negative relationship (Muteti, 2014; Yousfi, 2015; Lelgo and Obwogi, 2018; Serwadda, 2018). Therefore the implications are that when liquidity risk management increase, bank profitability goes down. Perhaps, this is due to the fact that greater emphasis and oversight placed on risk management at banks ends up reducing their profitability, hence there is an evidence of a tradeoff between safety and profitability. Similar negative results were obtained between credit risk and bank profitability, indicating that the need to increase the credit risk management has resulted in reduced profits for commercial banks. Inflation was the only variable that was found to be positively and significantly impacting on bank profitability. However, this outcome was not corresponding to the results from another market risk variable, interest rate risk which yielded negative and statically insignificant results. As a result, the outcome of market risk on bank profitability remains inconclusive in this study.

The implication of these findings are that banks should strike a proper balance between risk management practices and profitability, so that any risk management practices performed by banks should yield more profits. Based on the outcome of this study, we recommend that banks engage in appropriate liquidity, credit, and market risk management efforts that will yield profits for the banks.

#### **Areas for future research**

More variables and different proxies could be included to adequately capture the relationship between profitability of commercial banks and their risk management practices. Further, an expanded dataset that captures the pre-crisis period of 2008 and the post-crisis could be included to capture any structural differences in the dataset. This expanded dataset could also capture the development of new legislations such as the Basel Accords and any moratoriums induced in the Botswana banking sector in order to shed more light of their impacts on the profitability of commercial banks

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**AN EVALUATION OF CITIZEN SATISFACTION WITH E-  
GOVERNMENT SYSTEMS IN BOTSWANA: A MULTI-CRITERIA  
SATISFACTION ANALYSIS**

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**ABSTRACT**

In this day and age, all governments across the world try to deliver valuable services through the public sector to both citizens and businesses. E-Government has permitted governments to accomplish this goal. Information Technology is progressively being viewed as a key factor in improving the way the public sector delivers services to citizens. The aim of this paper is to measure and analyse citizens' satisfaction with Botswana's e-government information systems. The research focuses on the evaluation and analysis of citizens' satisfaction. The methodological approach is based on the principles of multi-criteria modelling, using the multi-criteria satisfaction analysis (MUSA) method. The factors that constitute citizens' satisfaction in this research were identified by the literature review and are namely usability, reliability, efficiency, functionality, portability, maintainability and operational readiness test. Data collected from 131 questionnaires were analysed preliminarily through descriptive statistics and bivariate analysis.

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Further analysis using the multi-criteria satisfaction analysis (MUSA) method was done as the main aim for this research. The research results have shown that the overall satisfaction with e-government systems can be characterised as moderate and attributes that need improvement were identified.

**Keywords:** E-Government, Multi Criteria Satisfaction Analysis (MUSA), Multi Criteria Modelling, User Satisfaction, Operational Readiness

## INTRODUCTION

E-government technologies promote efficient and effective government, facilitate easy access to government services, provide greater public access to government services and enable government to be accountable to citizens (Yao and Zhao, 2010; Farelo and Morris, 2006; Prybutok et al., 2008). As a result, governments of many countries across the world are embarking on an effort to provide quality e-government services to their citizens (Onyancha, 2007).

In this study, citizen's satisfactions with services provided by e-government system are evaluated. Citizen satisfaction is one important reflector of e-government service performance; hence for citizens to be satisfied their expectations of the systems should be met (Mishra et al., 2010; Yao and Zhao, 2010). In order to effectively evaluate the performance of e-government, practical and theoretical measures of citizen satisfaction must be included (Yao and Zhao, 2010; Gupta and Jana, 2003). To carry out this evaluation, this paper examines the e-government systems literature and evaluates some of the software quality tools and frameworks that have been proposed. The intention is to come up with system characteristics that can be used as evaluation criterions. These reviews assist the researcher to identify factors that influence citizen satisfaction with e-government and help guide governments and government system designers to know what changes to make during the maintenance of government portals. This knowledge helps to point out significant factors in citizen satisfaction and e-service quality, in general.

Finally, this study applies the Multi-criteria User Satisfaction Analysis (MUSA) method to aggregate the individual judgments of the surveyed population into a collective value function. The essence is to evaluate the respondents satisfaction level both globally (overall) and partially and supply a complete set of results that explains citizen satisfaction level and an in depth behaviour and expectations.

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## LITERATURE REVIEW

In this day and age, all governments across the world try to deliver valuable services through the public sector to both citizens and businesses. Electronic government (e-government) has permitted governments to accomplish this goal. E-Government is the use of electronic communications devices, computers and the internet to provide public services to citizens and other persons in a country or region (Jeong, 2007; Heeks, 2008). E-government is also defined as the employment of the Internet and the world-wide-web for delivering government information and services to the citizens (United Nations, 2006). In general it is the utilization of Information Technology (IT), Information and Communication Technologies (ICTs), and other web-based telecommunication technologies to improve and/or enhance on the efficiency and effectiveness of service delivery in the public sector (Jeong, 2007). E-government promotes and improves broad stakeholder's contribution to national and community development, as well as deepens the governance process. The possibilities enabled by this initiative have raised expectations of citizens demanding better, faster and more access to government services (Zaid et al, 2014).

E-government consists of the digital interactions between a citizen and their government (C2G), between governments and government agencies (G2G), between government and citizens (G2C), between government and employees (G2E), and between government and businesses/commerce (G2B)(Heeks, 2008). The main benefit of this initiative is to deliver valuable services through the public sector to both citizens and businesses while the challenge remain broad and go beyond technology in general literature since e-government on its own affects many aspects from organizational structure to private partnerships (Allen et al, 2001 and Zaid et al, 2014).

### Citizen Satisfaction Analysis

Citizen satisfaction is a measure of how products and services supplied by a company meet or surpass citizen expectations (Muhtaseb et al., 2012). In order to measure citizen satisfaction, there must be the inclusion of the quality factor to provide important information regarding the quality of services (Wilkin and Hewett, 1999). This makes e-government and e-service quality a key to the success or failure of online organizations and institutions (Alanezi and Basri, 2010; Mukumbareza, 2014). Research on e-government service quality is still limited and at an early stage in its development (Yao and Zhao, 2010; Kasubiene and Vanagas, 2007). For this reason, research on factors related to an e-government evaluation index is still minimal.

Furthermore e-government services can be evaluated depending on the level of maturity they are at (Mukumbareza, 2014). Different scholars have developed different models to show the maturity levels for e-government systems, although the models have named stages differently the development activities within the stages are the same. The four different characteristic of e-government development stages are (Layne and Lee, 2001):

A web presence where the government portal publishes certain basic information.

An interaction, which refers to a government portal providing more information, saving and printing forms, communication with citizens via email, search engines.

A transaction where a website offers transactions ranging from triggering of process, electronic form of full electronic implementation of service and corresponding processes, including cash handling, final product and payment, if required.

A transformation stage, which refers to integrated services where many processes can occur without the citizen being involved

Furthermore, in order to measure citizen satisfaction with e-government services or any other e-services quality factors are considered (Kaisara and Pather, 2011). E-service quality can be defined as the citizen's evaluation of and opinions about the excellence of e-service delivery (Alanezi and Basri, 2010; Santos, 2003). In an e-government environment, e-service quality is measured by realisation of the potential advantages of the internet for the benefit of citizens in their interaction with government (Alanezi and Basri, 2010). E-government service quality is therefore the degree to which an e-government system enables citizens, businesses or agencies to achieve their governmental transactions.

Citizen satisfaction is the core measurement of e-government service quality (Jinmei, 2011). E-government systems should provide services conveniently, sending and receiving information even when physical offices are not open (Hao, 2011; Horan, Abhichandani and Rayalu, 2006).

### **Software Quality Models**

There are various software quality models and this section highlights the most popular models in the literature, their contributions and disadvantages. These models are McCall's software quality model, Boehm's software product quality model, Dromey's quality model, FURPS quality model and ISO/IEC 9126.

McCall's Quality Model

McCall's model is one of the most frequently used software quality models (Panovski, 2008). This model provides a framework to evaluate the software quality through three levels. The highest level consists eleven quality factors that denote the external view of the software (citizen's view), while the middle level provides twenty three quality criteria for the quality factors. Such criteria represent the internal view of the software (developers' view). Finally, on the lowest level, a set of matrices is provided to ration the quality criteria (McCall et al. 1977). According to Fahmy et al. (2012), the contribution of the McCall Model is assessing the associations between external quality factors and product quality criteria. However, the disadvantages of this model are the functionality of a software product is not extant and not all matrices are objectives, several of them are subjective (Behkamal et al. 2009).

### **Boehm's Quality Model**

In order to evaluate the quality of software products, Boehm proposed quality model based on the McCall's model. The proposed model has presented hierarchical structure similar to the McCall's model (Boehm et al. 1978). Many advantages are provided by the Boehm's model namely taking the utility of a program into account and extending the McCall model by adding characteristics to explain the maintainability factor of software products (Fahmy et al. 2012). However, it does not avail an approach to assess its quality characteristics (Panovski, 2008).

### **FURPS Quality Model**

The FURPS model was presented by Robert Grady in 1992. It's worth mentioning that, the name of this model comes from five quality characteristics including Functionality, Usability, Reliability, Performance and Supportability. These quality characteristics have been divided into two categories: functional and non-functional requirements (Alrawashdeh et al, 2013). The functional requirements defined by inputs and probable outputs, while non-functional requirement comprises reliability, performance, usability and supportability. However, the one disadvantage of this model is the software portability has not been considered (Al-Qutaish, 2010).

### **Dromey's Quality Model**

Dromey's model extends the ISO 9126: 1991 by adding two high-level quality characteristics to introduce a framework for evaluating the quality of software products. Therefore, this model comprehends eight high-level characteristics. Such characteristics are organized into three quality models including requirement quality model, design quality model and implementation quality model (Alrawashdeh et al, 2013). The main idea behind Dromey's model discloses that, formulating a quality model that is broad enough for different systems and assessing the associations between characteristics and sub-characteristics of software product quality (Behkamal et al. 2009).

### **ISO/ IEC 9126 Standards**

It is an international standard used to evaluate software quality in terms of performance, safety or satisfaction. The ISO 9126 quality model presents three aspects of software quality which address the internal quality, external quality and quality in use (ISO, 2004). Thus, this model evaluates the quality of software in terms of the external and internal software quality and their association to quality attributes as a hierarchical structure of characteristics and sub-characteristics. The highest level consists of six characteristics that are further divided into twenty one sub-characteristics on the lowest level. The main advantage of this model is that it could be applied to the quality of any software product (Fahmy et al. 2012).

As a summary of this section, Table 1 compares the quality characteristics of discussed quality models. It is visible that some characteristics are not much considered like correctness, human engineering, process maturity, performance, supportability and changeability. Therefore, this paper will not pay attention for such characteristics. On the other hand, two reasons to adapt the ISO 9126 quality model as a base of evaluating e-government systems quality include the generality of the ISO 9126 model, since it could be applied to measure the quality of various systems and it is consider ability of common quality characteristic.

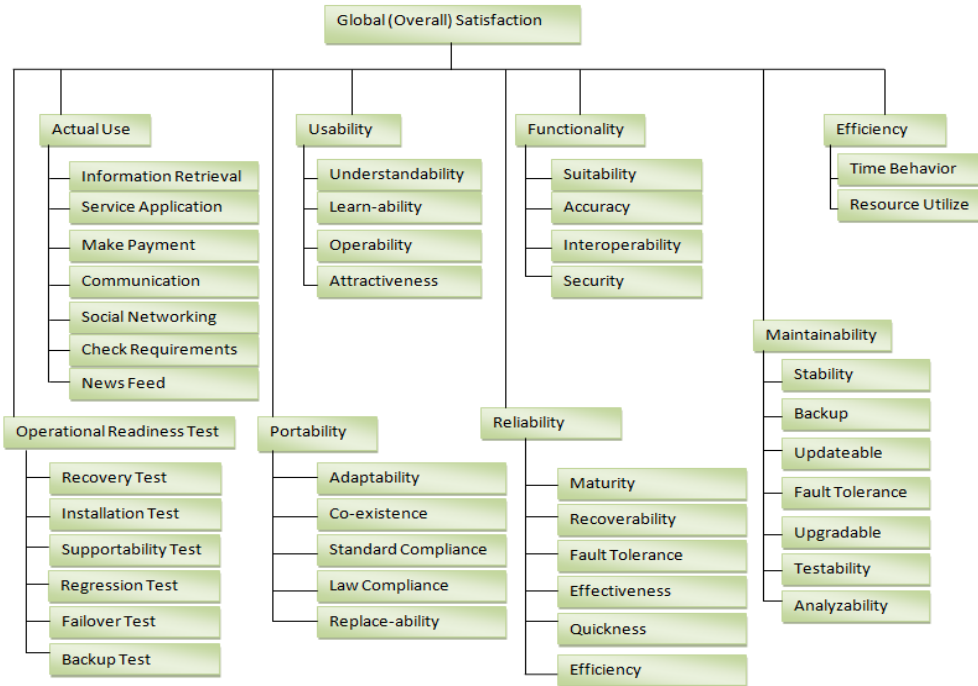


**Table 3: Comparison between the Software Quality Models**

Quality characteristics	McCall	Boehm	FURPS	Dromey	ISO 9126
Functionality			X	X	X
Usability	X		X	X	X
Testability	X	X			X
Correctness	X				
Efficiency	X	X		X	X
Understandability		X	X	X	X
Reliability	X	X	X	X	X
Flexibility	X				
Human Engineering		X			
Integrity	X				
Interoperability	X				
Process maturity				X	
Performance		X			
Supportability		X			
Maintainability	X			X	X
Changeability		X			
Portability	X	X		X	X
Reusability	X			X	

## METHODOLOGY

The study was carried out on a sample population of 170 participants using questionnaires as the data collection instruments. The analyses are divided into two sections whereby the first section is composed of the demographic data of the participants and the second section is citizen satisfaction analysis guided by the research objectives. The set of satisfaction criteria in this study is based on system software product quality model ISO 9126. We used some questions from this model but we added more to capture the operational readiness of the e-government systems prior to release. The hierarchical structure of the set of criteria and sub-criteria about citizen's satisfaction is presented in figure 1.



**Figure 6: Satisfaction Criteria Hierarchy**

The demographic data were analysed using descriptive statistics whereby frequency tables, graphs and pie charts were used to present the findings while the second section was analysed using ordinal regression analysis to test the satisfaction of the respondents on different components of e-government system services provided.

Citizen satisfaction for all criteria and sub-criteria was measured using a 5-point Likert scale ranging from “strongly disagree” to “strongly agree”, in which “1” equals the negative end and “5” the positive end of the scale. The questionnaires were completed in a setting which was fair and at the respondent’s own pace. The questionnaires were randomly distributed to the different ministerial departments. A typical respondent for the survey is a person who has interacted with at-least one e-government system; hence the research covered almost all governmental departments regardless of work position. The study questionnaire was distributed to a total of 170 citizens between the period of July and September 2018. From 170 questionnaires distributed, 136 responses were

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received while 34 questionnaires were discarded due to incomplete and unanswered submission.

### **The MUSA Method**

The research implements the Multi-criteria Satisfaction Analysis (MUSA) methodology in order to assess citizen satisfaction with e-government systems. MUSA method was developed by Grigoroudis and Siskos (Grigoroudis and Siskos, 2002; Siskos and Grigoroudis, 2002) The basic principle of MUSA is the aggregation of individual judgments into a collective value function, assuming that citizen's global(overall) satisfaction depends on a set of criteria representing service characteristic dimensions. The global satisfaction is denoted as a variable  $Y$  and the set of criteria is denoted as a vector  $X = (X_1, X_2, \dots, X_n)$ . MUSA was chosen over other statistical and econometric methods because it gives reliable answers to the following criticism of other methods, namely:

Most of the statistical models that are used to analyse consumers' behaviour cannot deal with qualitative variables, and whenever this happens, the variables are a priori encoded which may result in information distortion.

Many methods focus mostly on the description of the characteristics which affect citizen's satisfaction (e.g. perceived usefulness) and not on the synthesis of these characteristics to a global satisfaction index.

Lastly, several methods need information which is difficult to be collected (e.g. citizen's expected utility, trade-offs, etc).

This preference disaggregation methodology is implemented through an ordinal regression based approach in the field of multi-criteria analysis used for the assessment of a set of a marginal satisfaction functions in such a way, that the global satisfaction criterion becomes as consistent as possible with citizen's judgments. The MUSA method also provides also a set of normalized indices that help in further analysis of the satisfaction measurement. These indices include (Grigoroudis & Siskos, 2002):

**Weights:** The satisfaction criteria weights represent the relative importance of the assessed satisfaction dimensions. Thus the decision of whether a satisfaction dimension is considered important by citizens is also based on the number of assessed criterions.

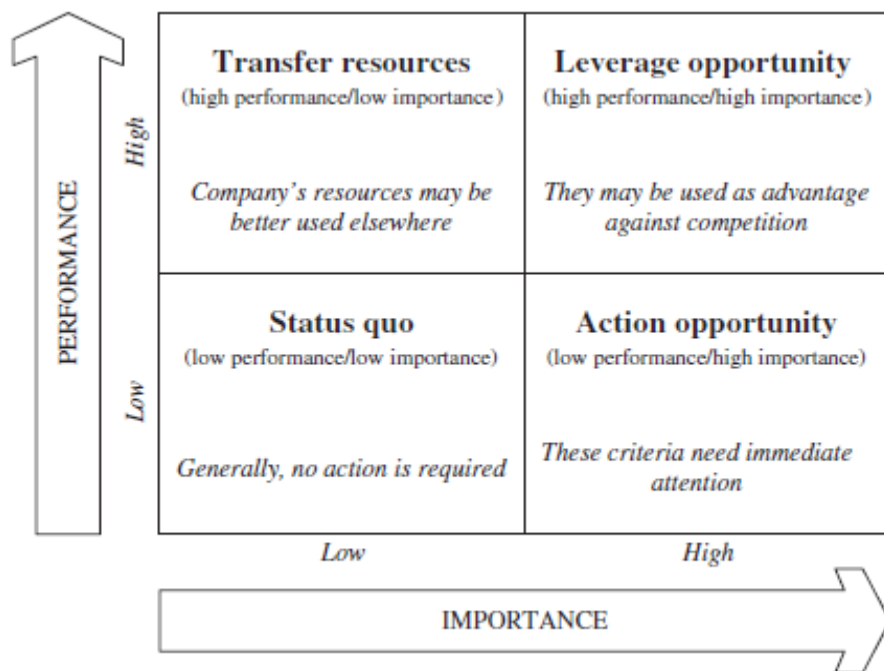
**Satisfaction indices:** These average indices show, in the range  $[0,1]$ , the level of citizen overall or criteria satisfaction; they may be considered as the basic average performance indicators for the government.

Demanding indices: These indices are normalized in the interval  $[-1, 1]$  and calculated based on the set of estimated added value curves; these indices show citizen's demanding level and may be considered as an indicator for the extent of government's improvement efforts.

Improvement indices: The average improvement indices are normalized in the interval  $[0, 1]$  and show the improvement margins on a specific criterion; the output of improvement efforts depends on the importance of the satisfaction.

Furthermore, the MUSA method analysis yield a series of additional diagrams revived from the aforementioned results and these include (Grigoroudis & Siskos, 2002):

Action diagrams: These diagrams are established through the groupings of criteria weights and satisfaction indices (figure 2). They represent the strong and the weak points of the business organization, indicating which satisfaction dimensions should be improved.



**Figure 7: Action Diagram**

Source: (Manolitzas & Yannacopoulos, 2011)

Improvement diagrams: by combining action diagram and demanding indices together, a series of improvement diagrams may be developed that may be used to rank improvement priorities; as the action diagrams can only indicate which satisfaction dimensions should be improved, these diagrams can determine the output or the extent of improvement efforts needed (figure 3). These diagrams are rather dynamic, since they are able to illustrate only the current situation of citizen's behaviour.

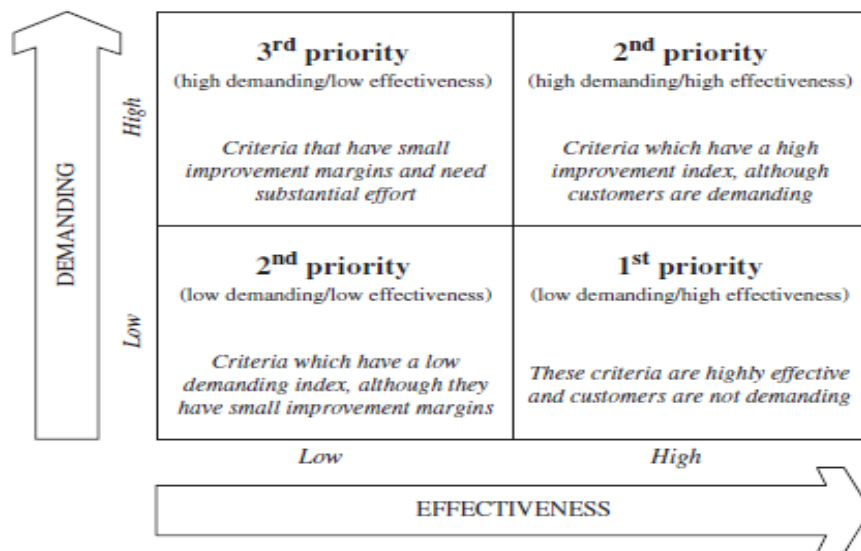


Figure 8: Improvement Diagram

Source: Manolitzas & Yannacopoulos, 2011)

## FINDINGS

### Demographical Analysis Results

Our sample was composed of 43% respondents who identified themselves as males and 57% as females. Majority 39 % ( 53) of the respondents were in the age bracket of 21-30 years and they were seconded by 38.2 % ( 52) of the participants who confirmed that they were in the age bracket of 31-40 years. 17.6 % ( 24) of the respondents indicated that they were in the age bracket of 41-50 years. Lastly,

5.1 % ( 7) of the respondents indicated that they were in the age bracket of 51-60 years.

## Citizen Satisfaction Results

### Global Satisfaction

The global satisfaction function is an important outcome of the MUSA model, since it express the real value that citizens give in a determined level of satisfaction. Citizens seem to be quite satisfied with the provided service; given that the average global satisfaction index has a quite high value 86% (figure 4). Likewise, the added value curve for the global set of criterions function value is 58.8% which indicate that the citizens are particularly none demanding. This means that citizens will be satisfied even if only a small part of their expectation is met.

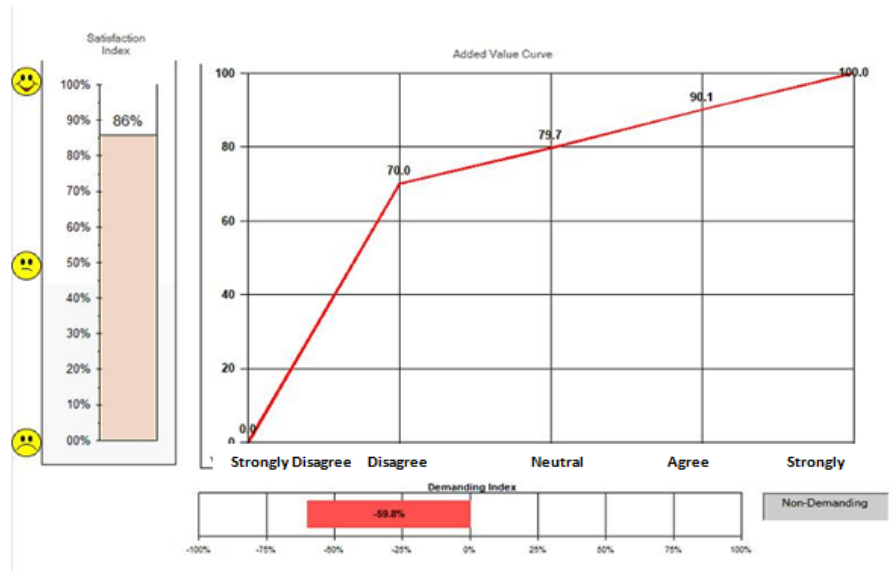


Figure 9: Global Satisfaction

### Partial Satisfaction

Satisfaction indices show, in the range of 0–100%, the level of partial satisfaction of the respondents for the specific criterion, similarly to the global satisfaction index. Figure 5 represents the satisfaction indices of all eight criterions. The criteria satisfaction analysis as shown in figure 5 confirms that the

users of e-government systems services were only satisfied with its usability (81.30%). The results also show dissatisfaction with Actual use (44.40%), Functionality (19.40%), Efficiency (27%), Maintainability (20%), Portability (40%) and operational acceptance/operation readiness (24%). The participants confirmed moderate satisfaction with Efficiency (50.6%). From this graph, we notice that some criterion achieve very high satisfaction indices while some websites achieve very low indices.

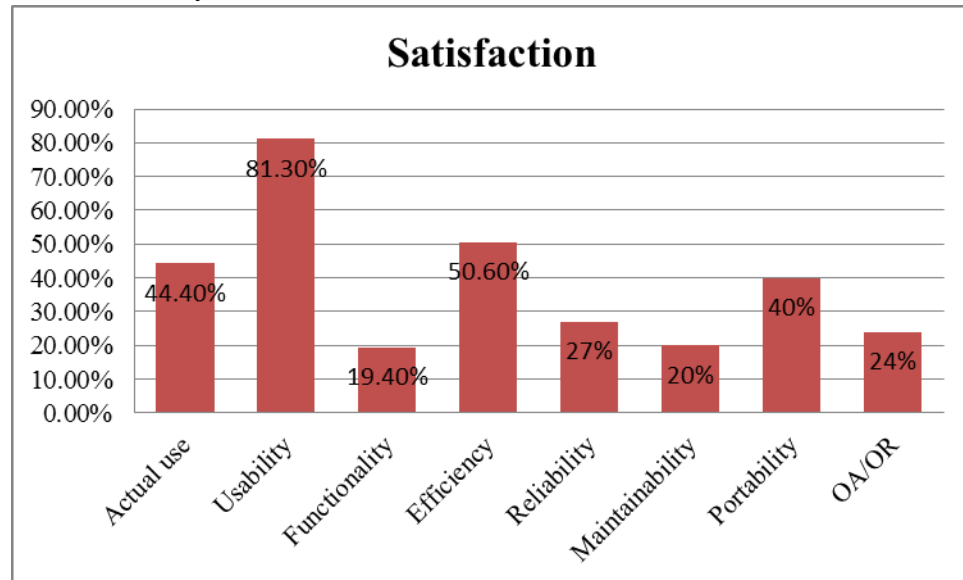


Figure 10: Partial Satisfaction Indices

### Criteria Weights

Weights of the criteria show the relative importance of each criterion within a satisfaction dimension. With regards to importance of the criteria (Weight of the criteria) as shown in figure 6 efficiency (50.6%), Portability (48.8%) and Actual use (44.4%) have the highest weight whereas Functionality (27.4%), Reliability (19.2%), and Operational acceptance/Operation readiness (13.8%), Usability (12.2%) and Maintainability (5.2%) had low weights in a declining order.

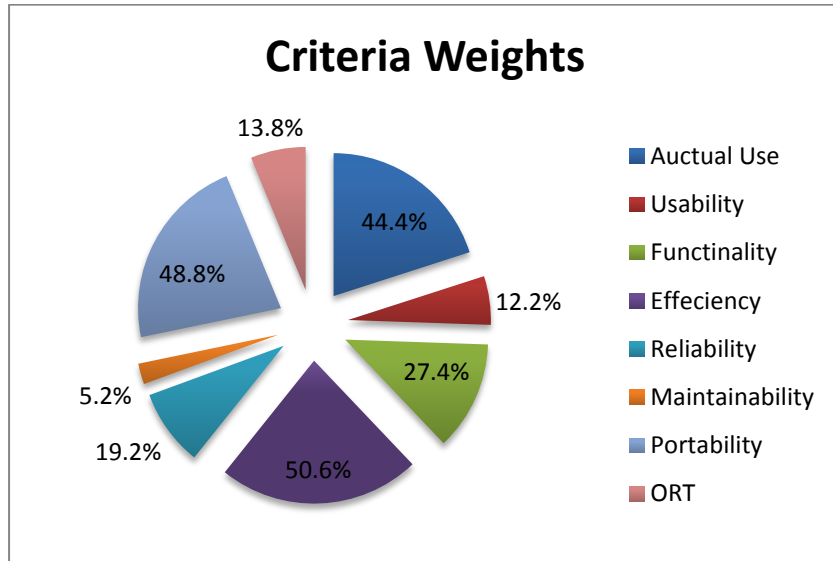


Figure 11: Criteria Weights

**Average Demanding Indices**

Demand indices are normalized in the interval [0%, 100%], and they correspond to the average deviation of the estimated satisfaction value curve from a normal (linear) function. Figure 7 represents the demand index for the eight e-government system criterions. In general, the higher the demand index, the more the satisfaction level that should be improved in order to fulfil respondent’s expectations. The results show that the citizens are non-demanding.

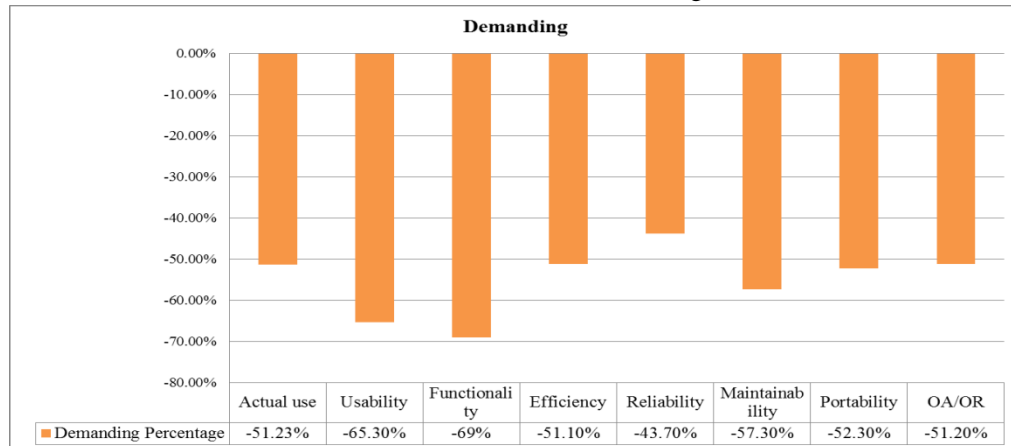




Figure 12: Demand Indices

Figure 8 shows the impact values for the all eight e-government system criteria; clearly the all the systems archived very low impact values, which means that those systems need to increase improvement efforts, which is expected to create relatively large improvements in overall satisfaction, so they will increase their competitiveness.

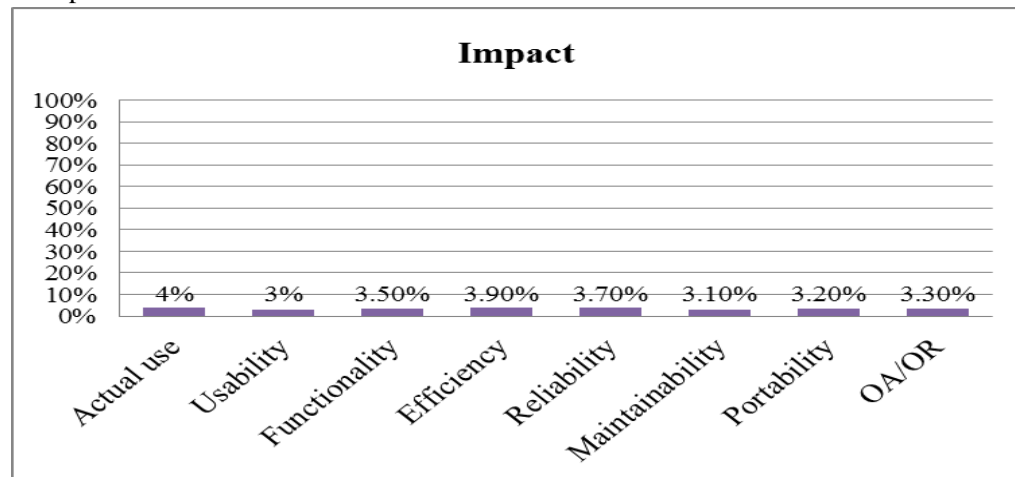


Figure 13: Impact Values

### Results Diagrams

MUSA results regarding the basic criteria can also help in the formation of an action diagram through the combination of weights of satisfaction criteria and the average satisfaction indicators. Hence the strengths and the weakness of citizens satisfaction can be determined and a recommendation of where improvement efforts should be focused.

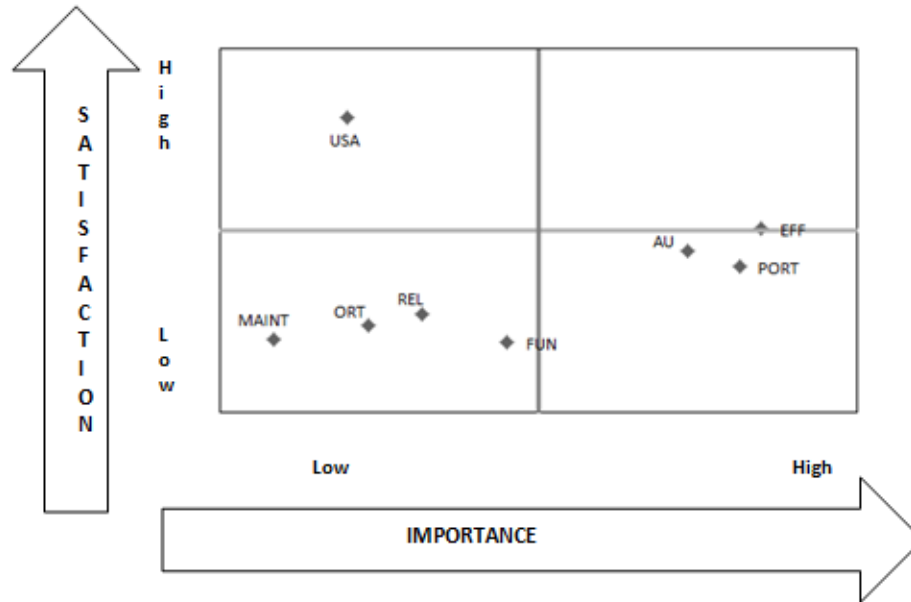


Figure 14: Action Diagram

In Figure 9 we observe that only system usability criteria is at transfer resources area with high performance low importance wherein resources that were allocated to carry out this usability attribute must be move they are most needed. Furthermore, the criterions: maintainability, operational readiness test, reliability and functionality belong to the area of status quo with low performance and low importance satisfaction hence these criterions must remain as they are no is required. Moreover, system actual use and system portability occupy action opportunity area with low performance and high importance satisfaction indices. These criterions need immediate attention in order to increase citizen satisfaction. Resources that were allocated to system usability need to be moved to these criterions in order improve performance of these systems. Finally, system efficiency falls into leverage opportunity area with high performance and high importance and therefore e-government systems administrators must focus their efforts on improvement, so that it can be used as a competitive advantage.

Apart from the action diagrams, MUSA application produces improvement diagrams. Action diagrams have the ability to indicate which dimension of satisfaction must be improved. Conversely, they do not define the outcome of the

effort that must be made neither do they allow a determination of how much improvement is needed. Improvement diagrams on the other hand take into account citizen's level of demand and are used in order to rank improvement priorities. Improvement diagrams are divided into quadrants according to demand and effectiveness. Thus, priority should be given to satisfaction criteria having large room for improvement and needing little effort. Finally, satisfaction dimensions should rank last in terms of priority with low dissatisfaction levels needing substantial effort to improve (Kyriazopoulos et al., 2007).

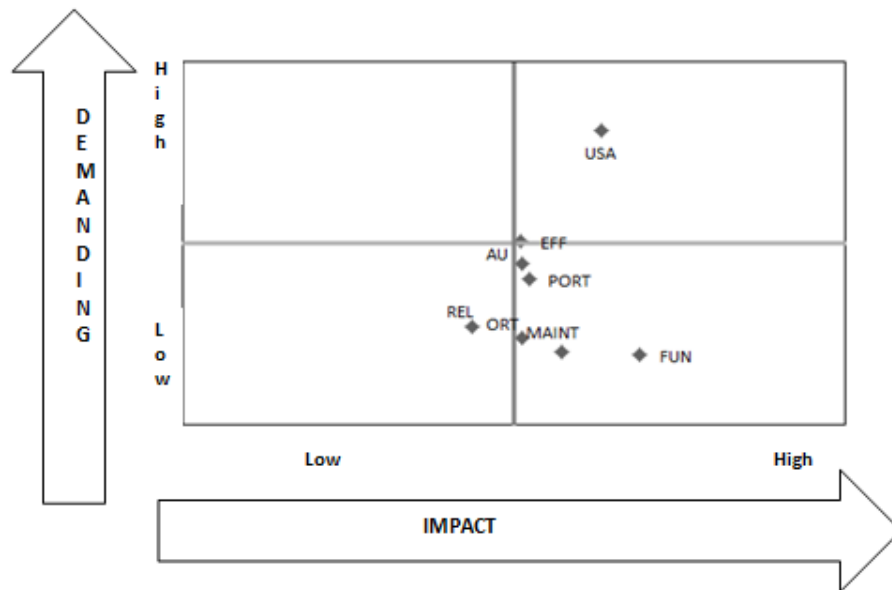


Figure 15: Improvement Diagram

The improvement diagram (Figure 10) suggests that the improvement efforts should focus on the functionality, maintainability, operational readiness, portability, actual use and efficiency criterions due to the high impact and observed low demand level. That means that a small effort made by the government to improve these attributes is expected to create relatively small improvements in overall satisfaction looking at the non demanding behaviour of citizens. Subsequent efforts must be given to system reliability attribute due to the observed low demand level with low impact. Finally, last priority for

improvement should be given to system usability due to its high impact and high demand indices.

## **DISCUSSIONS AND CONCLUSIONS**

The study adopted multi-criterion satisfaction analysis method to evaluate citizen's satisfaction with the e-governance system in Botswana. Ordinal regression analysis was adopted in measuring the weight of the criterion. The results show that multi-criterion satisfaction analysis index model was viable for evaluation of citizen's satisfaction with the e-governance system in Botswana. This can be confirmed by the global satisfaction index of 86% and can further be used in measuring satisfaction with various type of service quality.

The demand indices confirm that the citizens had a higher expectation from the e-government system in terms of better functionality, usage, efficiency, portability, maintainability and operation use and readiness. This provides the basis for their dissatisfaction. Also, this informs the government that intend to adopt e-government system with the aim of transforming service delivery to involve all stakeholders in the design and implementation so as to ensure proper service delivery that is satisfactory to its citizens.

Additionally, due to rapid growth and adoption of technology in government administrative processes more research should be done in this area to evaluate the impact of the transformation on service delivery. Finally, most of the participants to this study were dissatisfied with the e-government system due to lack of knowledge on how to use the system to access government services; hence more awareness should be created on how to use the e-government systems.

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## **THE USE OF BUSINESS INTELLIGENCE IN THE BANKING INDUSTRY OF BOTSWANA FOR COMPETITIVENESS.**

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### **ABSTRACT**

This paper investigates the role of business intelligence in the banking industry. Business intelligence does not only enhance a business' performance but also increases its competitiveness. Given the ever changing global market and client needs and expectations, banks have had to devise new methods of conducting their business in a manner that would not only meet their customer expectations but also exceed them. Hence, the use of business intelligence to among others enable them to quickly and accurately assess the credit worthiness of their customers before extending any credit to them. Given these high value capabilities, business intelligence has provided the tools and techniques that many businesses including banks have found to be hard to resist. This paper therefore, highlights the critical role that business intelligence plays in businesses with specific focus on banks. Literature on business intelligence use in banks was reviewed including an observation of websites of ten (10) privately owned commercial banks in Botswana. This paper therefore, demonstrates that business intelligence is to banking, what oxygen is to human beings.

**Keywords:** Business intelligence, competitiveness, performance, banking industry, banks.

### **INTRODUCTION**

Banking is one of the businesses where the most competitive thrive and survive even the most turbulent phases of the business (Campanella, Della Peruta, & Del Giudice, 2017). Digitalization and modernization of technology in the financial sector has made competition in banking to be even tougher (Taneja, 2015). Ubiparipović and Đurković (2011) argue that the banking industry is one



of the industries with a highly dynamic market, changing client demands and fierce competition. As a result of this, the banking industry then requires appropriate systems in place, to ensure that there is better management and decision-making processes that will enable the bank to remain relevant and competitive in the market in which it operates.

Business intelligence (BI) is one such system that can help propel a bank to high heights in the highly competitive banking industry. Although BI has been described in various ways, there is consensus that BI is about a set of tools, technologies and processes that businesses use to transform data into information and knowledge for improvement of their decision processes (Chen, Chiang, & Storey, 2012; Foley & Guillemette, 2010; Marefati & Hashemi, 2012a, 2012b; Wixom et al., 2014). BI comprises tools that help a business to be efficient in gathering, processing and presenting information in a manner that would allow the business to act on that information as may be appropriate (Taneja, 2015).

Many writers believe that the use of BI in almost all organizations where it has been used has resulted in improved performance and competitiveness (Gibson, Arnott, Jagielska, & Melbourne, 2004; Hannula & Pirttimaki, 2003; Watson & Wixom, 2007). BI is seen as a solution that enables all those who adopt it to use available information to exploit the competitive advantages of being a market leader and having a better understanding of customer needs (Ranjan, 2009). BI systems therefore, have inbuilt mechanisms that can assist banks to leverage customer data for insights that can lead to better management practices and business decisions. Most banks that have adopted BI systems have realized high profitability for their products, reduced risk and fraud, and earned high competitiveness (Cabrita & Bontis, 2008; Moro, Cortez, & Rita, 2014; Ubiparipović & Đurković, 2011).

A survey of some commercial banks in Botswana was attempted through the assessment of websites and publications from those banks. It appears from such assessment that all the banks in Botswana have adopted BI systems as part of their daily activities. This observation is in line with the picture shown above where banking institutions across the world seem to have embraced BI systems in high proportions.

## **METHODS**

This paper has reviewed secondary literature on the use of BI in banking in order to establish why most banks would adopt BI systems. Studies by such

scholars as Marefati and Hashemi (2012a), Ubiparipović and Đurković (2011), Taneja (2015), Owusu, Agbemabiasie, Abdurrahman, and Soladoye (2017), Moro et al. (2014), Ritacco and Carver (2007) and others, showed that indeed many banks across the world have seen the value of BI and have adopted different components of the system.

This paper also assessed websites of all the ten privately owned commercial banks in Botswana being First National Bank Botswana (FNBB), Barclays Bank Botswana (BBB), Standard Chartered Bank Botswana (SCBB), Stanbic Bank Botswana (SBB), Bank of Baroda Botswana Ltd, Bank Gaborone, Capital Bank, State Bank of India Botswana, Bank of India Botswana Ltd and Bank ABC. Although there are a few government owned banks in Botswana, most of the government owned banks were created to serve specific purposes and only focus on that, while privately owned commercial banks offer a variety of services like vehicle and property financing, personal loans, business financing and more, making them service providers to a wider and more diverse clientele.

Of particular interest to this paper however, was data storage, retrieval and analysis capabilities. This information is not readily available in the banks' websites given the confidentiality of such especially as it relates to the banks' customer base. However, information relating to all the services they offer is readily available in the websites. FNBB, BBB, SCBB in that order, seem to be the leading banks in Botswana in terms of multiple BI system capabilities if their websites are anything to go by. FNBB in particular, has capabilities for customers to make self-assessment to see if they qualify for any loans offered by the bank (Botswana, 2018). All the three banks have automated functions that enable customers to make financial transactions on line. FNBB and BBB have other options to allow their customers to make deposits even through the Automated Teller Machines (ATMs).

Secondary data from publicity materials from all the ten commercial banks in Botswana was also reviewed. This largely comprised brochures and leaflets on products and services offered by the banks and the requirements for accessing the said services.

## **COMPONENTS OF A BI SYSTEM**

Although the approach on what comprises what can be termed a BI system differs from author to author, there is generally an agreement by some like Negash and Gray (2008), Negash (2004), Wu, Barash, and Bartolini (2007), Choi et al. (2007), March and Hevner (2007), Patel, Gupta, Punde, Pillay, and Vyas (2015) and others, that a BI system should comprise one or more of the following:

**Data Warehousing:** This component of the BI system allows businesses to store business data in a central place called data warehouse. This would be data collected from various sources both within and outside of the business. This data is a historical summary of past transactions by the business and past actions by competitors (Patel et al., 2015). Upon analysis, this data can provide serious insights that could enrich any managerial decisions that need to be taken. According to Negash (2004), a data warehouse is the key component of a BI system because in addition to giving insights about historical information, it can also have some analyzed data that has gone through the Extract, Transform and Loading (ETL) tools and then reloaded in to the data warehouse along themes or distinct categories that it may represent. In the end it is able to increase a business's competitive advantage (Choi et al., 2007).

**Extract, Transform and Loading (ETL) tools:** These are tools and processes that are responsible for extraction of data from one or more source systems and transforming the said data to different formats before loading them in to the BI data warehouse (Schink, 2009). ETL tools are able to manipulate data and present it as information that can be used for decision making (Gibson et al., 2004). Dayal, Castellanos, Simitsis, and Wilkinson (2009) argue that historically ETL tools were considered supporting instruments for the data warehouse and seen as a sub set of the data warehouse. ETL tools usually come in three stages:

1. The extraction stage: In this stage, access is made to data coming from different sources (Schink, 2009).

2. The transformation stage: In this stage, data is transformed into useful information for decision makers and then loaded in to the data warehouse (Olszak & Ziemba, 2007).

3. The load stage: The load stage is responsible for ensuring that the transformed data has been appropriately aggregated and filtered (Olszak & Ziemba, 2007).

**Online Analytical Processing (OLAP) techniques:** OLAP techniques are responsible for analyzing complex data in the data warehouse on real time for decision makers. They have properties for fast searching of the required data from the huge data on the database that is constantly being updated with transactional data (Olszak & Ziemba, 2007). OLAP also allows for access, analysis, generation of reports and sharing of information that is stored in data warehouses (Olszak & Ziemba, 2007). This assists managers to analyze data from multiple perspectives

in order to appreciate the information before them from different angles before taking final decisions (Matei, 2010).

**Data mining:** Data mining usually involves identification of rules and relationships of data stored in the data warehouse for the appreciation of decision makers (March & Hevner, 2007). In this component of the BI system various patterns, generalizations, regularities and rules in the data are discovered and appropriately noted. Knowledge from the data mining process can assist managers in making predictions about possible outcomes of some decisions that they are likely to take (Olszak & Ziemba, 2007). More often than not, data mining would utilize such strategies as classification, estimation, prediction, time series analysis, and market basket analysis in order to reach reliable decisions on the basis of the data before them (Zeng, Xu, Shi, Wang, & Wu, 2006).

**Corporate Performance Management (CPM):** This component of BI has some tools that allow business managers to access data and statistics on certain products. Corporate Performance Management also involves the use of key performance indicators (KPIs) like revenue, overheads and operational costs to monitor and manage performance (Rodriguez, Saiz, & Bas, 2009). This would quickly inform the business how certain products and services are doing in the market including giving indications on which market segments such products are doing well or not doing well (Rodriguez et al., 2009).

**Real-time BI:** This component of BI is one that many business managers find most interesting and more useful (Azvine, Cui, Nauck, & Majeed, 2006). It has capabilities for real time alerts on any new developments in the business and allows the business to also react immediately including through modern communication methods like emailing, digital displays and other messaging systems (Azvine et al., 2006). Through this BI component, businesses are able to know at what time customers interact more with the business and which products do they make most enquiries about. The business may then know when and how to make messages that would have great impact on their customers.

**Data Sources:** This component of BI involves structuring the data from the data warehouse in ways and forms that each business unit can utilize meaningfully for the success of their unit (Guha, Wrabetz, Wu, & Madireddi, 2012). Some of this data can be presented in the form of spreadsheets, pie charts, tables or graphs (Guha et al., 2012).

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## CHARACTERISTICS OF A BI SYSTEM IN A BANKING ORGANIZATION

Given today's highly competitive banking and financial industry, many banks have had to look at systems like BI to help keep them in business (Ubiparipović & Đurković, 2011). According to authors like Ubiparipović and Đurković (2011), a BI system is mostly important in a bank for the following critical functions:

- Analytical Customer Relationship Management
- Bank Performance Management
- Enterprise Risk Management
- Asset and Liability Management and
- Compliance

**Analytical Customer Relationship Management:** A BI system has inbuilt tools that focus on customer segmentation (Kaur, 2016; Ubiparipović & Đurković, 2011). Through this function of the BI system, the bank is able to tell who its customers are, who its most profitable customers are, what their needs are and what their expectations from the bank are (Ubiparipović & Đurković, 2011). This could assist the bank come up with new products and services that could help keep and increase their customers in any chosen category.

**Bank Performance Management:** Through this function of the bank BI system, the bank is able to manage its liabilities and receivables in a manner that would ensure balance and continued bank liquidity (Ubiparipović & Đurković, 2011). The bank's management will therefore, be forever conscious of the bank's performance in the market at any given day and will be in a position to take the appropriate action when there is need (Kaur, 2016).

**Enterprise Risk Management:** In this function, the bank is able to manage and monitor its risk through inbuilt tools with in the BI system that would allow management to identify, analyze, measure and control any risks and threats that the bank may be facing (Moro et al., 2014; Ubiparipović & Đurković, 2011). These risks could either be in relation to the performance of the bank as a whole or its individual units and products (Moro et al., 2014). Sometimes the risks are in relation to bank clients (Moro et al., 2014). BI tools in this component therefore, should allow the bank to know which of their clients is riskier and unlikely to repay a debt.

**Asset and Liability Management:** Just like when analyzing the level of risk when dealing with clients, this component of a bank BI system should enable the bank to quickly ascertain how balanced the client is, in relation to their assets and liabilities (Ubiparipović & Đurković, 2011). The BI system should be quick to

alert the bank about the liquidity status of the client by reviewing all information about the client's asset and liability status (Ubiparipović & Đurković, 2011). The ability to get this information would allow the bank to make informed decisions on whether to invest on the client at hand and if so, the level at which the bank can invest on such a client.

**Compliance:** In relation to this component within the BI system, there are tools that ensure that the bank complies with all banking regulations and laws that govern banking (Ubiparipović & Đurković, 2011). The bank would then have all regulations and legal instruments that it should comply with in its data warehouse. In the event there is an activity that moves the bank away from complying with the given regulations and laws, an indication will be given to management for appropriate corrective measures (Ubiparipović & Đurković, 2011).

## LITERATURE ON USE OF BI IN BANKING

Although there does not seem to have been enough academic focus of BI use in the Botswana banking sector, there is huge evidence elsewhere of studies that have been done on BI and the banking sector. Such studies largely focused on the developed world especially Europe, the Americas and Asia banks (Hannula & Pirttimäki, 2003; Radivojevic et al., 2012; Thompson, 2004; Ubiparipović & Đurković, 2011). These studies focused on among others specific areas that banks benefited from the adoption of BI systems.

Ubiparipović and Đurković (2011) is one scholar who did a study on how the application of BI in banking can improve a bank's performance and reduce inherent risks that come with the business of banking. Although the study was largely focused on how BI can be applied in banking, it proved crucial for this paper in that it gave credence to the position that BI has a far more rewarding role in the banking industry than has been so far chronicled by business scholars. This paper therefore, adds to the foundation laid by Ubiparipović and Đurković (2011) and others, and further demonstrates that BI is not just a good system but a must adopt, for all banks that desire high profitability and competitiveness in the market in which they do business. As indicated in this paper, BI has inbuilt tools that allow a bank to know who its most profitable clients are which can then assist management to come up with initiatives to keep and further motivate its most profitable clients to stay with the bank.

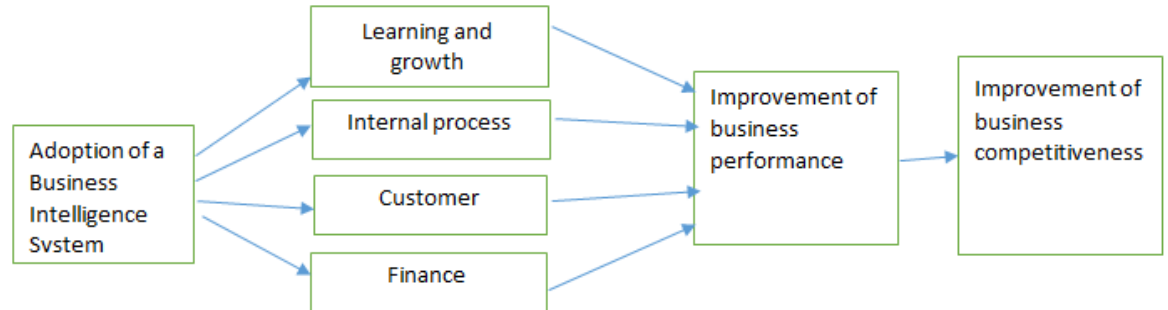
Taneja (2015) is one of those scholars who focused on how BI can improve a bank's performance particularly in the Customer Relationship Management area. The aim of Taneja (2015)'s study was largely to demonstrate that indeed BI is the

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way to go for banks as demonstrated by Indian banks which have adopted the BI system in large numbers. The study by Taneja (2015) then identified Customer Relationship Management as one key area where BI could assist banks to retain their most profitable customers and also attempt to motivate others. Unlike this paper, the study by Taneja (2015) did not focus on the use of BI to leverage competition in the market per se, but focused more on customer retention. This paper therefore, adds more on the foundation laid by Taneja (2015) that BI will not only assist in retaining a bank's most profitable customers but will also enable the bank to dominate its market and perform better than its competitors.

A study by Owusu et al. (2017) demonstrated that a BI system does have a positive impact on the internal processes of a bank which could result in high customer retention. This study in particular highlighted that sometimes managers and analysts use the BI system for identifying incompetent business processes which need re-assessment and re-consideration (Owusu et al., 2017). Although this study largely focused on how BI helps in improving bank's processes in order to boost performance, it will equally prove useful for this paper because, improvement in performance can also lead to improved competitiveness (Radivojevic, Tepsic, & Tepsic, 2012), which is the subject matter of this paper.

Most literature on BI therefore, shows that the BI system has a lot of benefits for all organizations that use it including banks (Hannula & Pirttimaki, 2003; Radivojevic et al., 2012; Thompson, 2004; Ubiparipović & Đurković, 2011). According to Thompson (2004), some of the common benefits that come with the use of a BI system includes enabling a business to access accurate information exactly at the time it is needed in order to assist in decision making. Improved customer satisfaction, increased revenues and savings in the deployment of Information Technology software and equipment, are some of the other benefits that businesses using a BI system experience (Taneja, 2015). According to Owusu et al. (2017), the adoption of a BI system in a business like a bank would result in an improvement in all the business's critical functions as illustrated in Figure 1.



**Figure 1.** Business functions that benefit from adoption of a BI system.

**Source:** Adapted from Owusu et al. (2017).

As demonstrated in Figure 1, the adoption of a BI system directly impacts critical functions of a business. In line with Kaplan and Norton (2001), the learning and growth perspective enables a bank to identify areas that support organizational change, innovation and growth. The adoption of a BI system therefore, empowers business employees to be able to contribute to the growth and success of the business in support of the overall company corporate strategy (Ritacco & Carver, 2007). Through BI, business employees will be able to monitor the business new product development processes and be in a position to focus on the areas that can contribute to business growth and profitability (Hočevár & Jaklič, 2010).

BI can also have a huge positive impact on the improvement of a business's internal process efficiency (Hočevár & Jaklič, 2010). It assists a bank or any business to identify any gaps in its internal systems and in the end leading to appropriate interventions like business process re-engineering. According to Kaplan and Norton (2001), the internal process perspective addresses the question of what the business should excel at. A BI system improves a bank's business internal process in line with the bank's strategic priorities (Hočevár & Jaklič, 2010).

The customer perspective is concerned with how customers view the business and its services (Kaplan & Norton, 2001). In this case, the concern will be whether or not the customers have a positive attitude towards the bank and its services. In line with Kaplan and Norton (2001), the basis of any business strategy is its value proposition to its customers. This is one critical area that differentiates one business from another. Improvement in the business internal systems as a result of the adoption of a BI system therefore, results in increased customer



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satisfaction. Increased customer satisfaction would then lead to customer retention and continued business growth (Isik, Jones, & Sidorova, 2011).

The financial perspective relates to activities meant to increase business revenues (McLean, 2006), which could be a result of the BI system having enhanced the business's learning and growth function, internal processes and customer satisfaction. According to McLean (2006), increased business revenues are the ultimate goal of any business. This paper therefore, argues that a bank with a BI system that focuses on enhancing a bank's performance will still improve the bank's competitiveness because an improvement in performance usually results in the improvement of competitiveness as well, as also observed by Majeed (2011).

### **BI USAGE IN BOTSWANA BANKS**

In Botswana, a look at the private commercial banks shows that they have all adopted the BI system as a core function. These banks include First National Bank Botswana (FNBB), Barclays Bank Botswana (BBB), Standard Chartered Bank Botswana (SCBB), Stanbic Bank Botswana (SBB), Bank of Baroda Botswana Ltd, Bank Gaborone, Capital Bank, State Bank of India Botswana, Bank of India Botswana Ltd and Bank ABC. Some of these banks like the FNBB (Botswana, 2018) actually have a Senior Business Intelligence Officer responsible for among others the following:

- Accumulating information for review of work progress that provides input to reporting.
- Decision making and the identification of improvement opportunities.
- Diagnosing symptoms, causes and possible effects of threats in order to solve emerging problems.
- Designing and providing tools to assist in the effective management of the database and transaction processing environment.
- Developing processes for collecting, aggregating, matching, consolidating, quality assuring, persisting and distributing data to ensure consistency.
- Adhering to identified best practices in providing advice and support from a specialist perspective.
- Advising on and assist with the development of business plans and proactively identifying new opportunities with the relevant stakeholders.
- Analyzing and developing recommendations from data and business analyses and formulating them into business plans.

Although taking different looks and formats, all commercial banks in Botswana have adopted BI systems to assist them store customer information, retrieve such information as and when needed and also to generate reports as needed. BI systems which are embedded in bank websites, also store data on all products that the bank offers and requirements for customers to get approval on attaining the products and services offered (Botswana, 2018). When examining the banks' websites and also when perusing through some job descriptions of bank business intelligence personnel, there is no specific mention for monitoring the activities of competitors with a view to out compete them. In other words, although the adoption of a BI system eventually results in the enhancement of the bank's competitiveness, the immediate target seems to be on performance enhancement. It is however, still possible that some banks may have BI systems aimed at enhancement of competitiveness but keeping such information away from public consumption in order to safeguard its intentions and competition strategies. Again it is also possible that most banks may not have BI systems that focus on enhancement of competitiveness but only on performance enhancement with enhancement of competitiveness only being inevitably achieved but not due to a direct focus on it.

## **CONCLUSION**

The findings of this paper therefore, demonstrate that BI has become an important asset to the banking industry and other businesses that desire to remain relevant and competitive in the market in which they do business. The field of academia stands to benefit greatly from the literature and new insights brought about by this study. The banking industry will also find the paper very useful in that they may learn more about the potential of BI which if utilized could propel them to high success. It is clear from the findings of this paper that the banking industry is one of those that have adopted BI at a very high rate. All the ten commercial banks in Botswana have BI systems in place. Their continued use of the BI system could be an indication of the benefits that they gain from the system. It is therefore, possible to conclude that the usage of the BI system in the banking industry in Botswana is very high and assisting the banks to not only perform optimally but to also be competitive in the market.

In hindsight, however, a more interactive study with the banks in Botswana could have enhanced the quality of the finds of this research. A specific questionnaire to the banks could possibly yield more fulfilling findings than what has been generated by this research through assessment of banks' websites and publications. Herein therefore, lies another room for future research and academic enquiries in this field in order to produce more robust results.

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**THE PREVALENCE OF BUSINESS INTELLIGENCE (BI) USAGE  
IN TOURISM FIRMS IN GABORONE**

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**ABSTRACT**

This paper investigates the extent to which tourism firms in Gaborone use business intelligence systems for purposes of boosting their performance and competitiveness. Using a list of tourism firms provided by the Department of Tourism, questionnaires were distributed to 115 tourism firms in Gaborone. A total of 81 firms responded, representing 70.4% of all tourism firms that were in the sampling frame. Of this number, 59.2% said they had adopted business intelligence systems in their operations. Although these are preliminary results of an ongoing study, it is evident however, that medium and large tourism firms tend to use business intelligence systems more than smaller firms and that such usage has resulted in better efficiency in business processes. There is also evidence from the study that travel organizers' firms tend to use business intelligence systems more when compared to accommodation firms.

**Keywords:** Business intelligence, tourism firms, performance, competitiveness, Gaborone.

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## INTRODUCTION

Although there is no unanimity on what business intelligence (BI) is, Ranjan (2009) posits that there are two main approaches to BI. The first is where BI is seen as an application of human intelligence to business affairs. This involves the application of human cognitive faculties and artificial intelligence technologies in the management and resolution of existing business problems (Ranjan, 2009). In this case, businesses would adopt highly advanced computational methods that act and perform functions that can cognitively be done by human beings (Ranjan, 2009). Business information would be captured, stored and analyzed through BI systems for decision making by business executives. One main advantage of this approach to BI, commonly known as artificial intelligence is that it helps reduce human errors that could often occur in data processing (Lu, Li, Chen, Kim, & Serikawa, 2018). Business processes would be automated for better efficiency resulting in improved profits for the shareholders (Lu et al., 2018). This approach to BI therefore, advocates for the transformation of the business in to a computerized creature that has systems and processes that act and function like the human brain. Business processes would act quickly and promptly in response to new situations that present themselves (Lu et al., 2018). They would generate a response as if they were human beings (Lu et al., 2018). Omoteso (2012) also adds that the system can offer intelligent advice and provide an intelligent justification when prompted to do so.

The second approach is where BI is seen as valuable business information that assists businesses in decision making (Ranjan, 2009). In this case BI is regarded as expert information, knowledge and technologies that help businesses function better (Ranjan, 2009). Mariani, Baggio, Fuchs, and Höepken (2018) also share this view of BI when they say that it comprises all the activities, applications and technologies needed for gathering, analyzing and visualizing business data for purposes of supporting operational and strategic decision-making. In this approach, BI is looked at broadly and is believed to offer historical, current and predictive views of business processes (Kimball, Ross, Thornthwaite, Mundy, & Becker, 2008). Typical BI functional components as per this approach include reporting, Online Analytical Processing tools, analytics, data mining, business performance management, benchmarking, text mining and prescriptive analytics (Kimball et al., 2008). According to Ranjan (2009), therefore, a business with BI systems as outlined in the second approach has more knowledge about all factors affecting business success and is therefore, able to effectively learn from the past and forecast the future. Such a business would be able to gather and utilize accurate knowledge about customers, competitors,

business partners and analyze the state of the business environment as well as its internal operations in real time. This knowledge would then enable the business to make quality decisions (Ranjan, 2009).

As also observed by Ranjan (2009), the first approach limits BI to adoption of artificial intelligence technologies in businesses. It narrows BI to mainly the use of computational techniques like artificial intelligence and robotics to perform roles that would normally be done by human beings (Ranjan, 2009). The second approach on the other hand, equally captures the idea carried in the first approach, but proceeds to broaden the scope of BI to include adoption of all technologies, applications and tools meant to assist in making accurate and timely business decisions (Babu, 2012; Ranjan, 2009).

This paper therefore, adopts the latter approach because of its practical and more robust potential in understanding the prevalence of BI usage in tourism firms in Gaborone. This study will therefore, contribute to growth of literature and knowledge in the application of BI in local tourism businesses. Existing literature on BI use in tourism was largely conducted in the developed world and not in third world cities like Gaborone. The field of academia therefore, stands to benefit from new insights brought about by this study.

Given the Gaborone city's vantage status as a tourist destination and the city's rapidly urbanizing growth, it is of academic interest to study how tourism firms in the city have taken advantage of technological innovations like BI to boost their performance and competitiveness. Indeed many studies have been conducted on Botswana tourism attraction areas (Mbaiwa, 2004, 2005; Mbaiwa & Stronza, 2010; Stone & Rogerson, 2011). However, such studies have largely focused on tourism areas that are largely wilderness based like Maun and Kasane (Lepetu, 2012; Manwa & Manwa, 2014; Mbaiwa & Stronza, 2010; Stone & Stone, 2017). The potential of cities like Gaborone has not received the highest of attention from researchers and academics alike (Paskaleva-Shapira, 2007; Rogerson, 2011, 2013).

Although the concept of BI is not new to academia (Fleisher & Bensoussan, 2003; Hannula & Pirttimaki, 2003; Pirttimaki, 2007) and the tourism industry in particular (Fuchs, Abadzhiev, Svensson, Höpken, & Lexhagen, 2013; Fuchs, Höpken, & Lexhagen, 2014), its potential impact in enhancing competitiveness of individual tourism firms has not been adequately covered in academia. This study therefore, attempts to fill that gap and to bring to light some issues that may be of importance to both academia and the tourism industry in general.

This study will review literature on what other studies have found out about the prevalence of BI usage in tourism firms and why there has been such prevalence and usage of BI if there has been. The study will proceed to state the



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methods that were used to collect and analyze data. The results of the study will also be presented and later discussed. At the end, some conclusions will be reached with some recommendations for future studies and researches.

## **LITERATURE REVIEW**

Studies on use of BI in the tourism industry are not new (Buhalis, Leung, & Law, 2011; Buhalis & O'Connor, 2005; Fuchs et al., 2013; Fuchs et al., 2014; Höpken, Fuchs, Keil, & Lexhagen, 2015). However, existing studies have largely focused on BI use in tourism destinations for enhancing competitiveness (Fuchs et al., 2013; Höpken et al., 2015). BI is credited to have contributed in no small measure to high competitiveness to destinations where it was adopted (Buhalis et al., 2011; Hočevar & Jaklič, 2010). Sweden is a good example of where BI systems were adopted resulting in the growth and high competitiveness of the tourism industry of Sweden (Höpken et al., 2015). However, there has not been enough focus on individual tourism firm's usage of BI systems (Mariani et al., 2018), hence this study which will focus on BI prevalence in tourism firms constituting one destination.

Studies by authors like Fuchs et al. (2014), Fuchs et al. (2013) and Höpken et al. (2015) have shown that the presence of detailed reports and analysis of data made possible by BI soft wares and tools eliminates guesswork in businesses since all the information required for assisting in decision making would be available. This also enables business executives to make long term futuristic decisions on the basis of rich information available to them (Fuchs et al., 2014; Guarda, Santos, Pinto, Augusto, & Silva, 2013). Such executives are able to know how the business is performing, which areas need improvement, whether there is a recurring trend in sales either increasing or decreasing, or whether there are potential gaps in the market that need to be filled. Since BI enables businesses that have adopted it the flexibility to sieve through data and create reports within a short space of time, it then follows that businesses that have adopted it have a serious competitive advantage when compared to those that have not (Guarda et al., 2013). This study will therefore, bring more light to these assertions by showing the status in relation to the above for tourism firms in Gaborone.

Despite these obvious benefits of BI systems, knowledge on how BI is being used to inform decision making in the tourism industry, especially firm against firm competition, and what results have been achieved, has not been well captured (Adventure Travel Trade Association, 2009; Carvalho & Costa, 2011). Many researchers in tourism do not seem to have focused on the use of BI to enhance a

tourism firm's competitiveness in the market (Nzonzo & Chipfuva, 2013). In addition, studies done on the use of BI in tourism were mainly meant to determine how BI can enhance a country's destination competitiveness and not how tourism firms have been individually able to benefit from the use of BI (Fuchs et al., 2013; Fuchs et al., 2014). This study is important in that it fulfils this academic gap in that it unveils BI prevalence in individual tourism firms for purposes of gaining high competitiveness.

One study that had a focus similar to this paper was conducted in Ghana by Hinson and Boateng (2007). The study by Hinson and Boateng (2007) focused on the benefits of e-business to selected tourism firms in Ghana and also on how tourism firms management were committed to e-business. The study found that there was low usage of e-business in the tourism firms that participated. Among the main reasons for low uptake of e-business was lack of management commitment to e-business (Hinson & Boateng, 2007). The study is important to this study because it looks at the adoption of e-business which is a technological innovation just as BI is (Buhalis et al., 2011). In fact, e-business falls within the broader BI concept (Buhalis & O'Connor, 2005). BI encompasses use of e-business or e-commerce and other more advanced applications and technological innovations that assist businesses to make prompt yet accurate decisions (Olszak & Ziemba, 2003). The study by Hinson and Boateng (2007), therefore lays a foundation for studies like this one. Although the findings of this paper are at variance with those of the study by Hinson and Boateng (2007) because of among others different geographical locations of the two studies and the different periods at which the two studies were conducted, this paper widened the scope by focusing on all elements of BI systems in order to come up with more robust findings.

The study by Fuchs and Höpken (2011) looked at the implications of ICT adoption in tourism companies in a period of 15 years by reviewing literature during that period. The study largely focused on ICT initiatives like introduction of websites and automation of tourism services. Despite the benefits that came with ICT adoption in tourism, the study identified some challenges that came with it like big data and its management. Although this study just like the one by Hinson and Boateng (2007) largely concentrated on what can be called e-tourism or e-business, it has proved quite useful for this paper. As observed by authors like Buhalis and O'Connor (2005), BI is an ICT innovation. The import from the study by Fuchs and Höpken (2011) is that tourism firms long adopted ICT and have never stopped engaging in ICT innovations like BI. This paper therefore, takes the ICT adoption and use in tourism to another level. The paper focuses on not just ICT, but ICT innovations and how prevalent they are in tourism firms. It

therefore, brings new knowledge and a new dimension to ICT innovations in tourism.

## METHODS

This study has been inspired by the positivist theory of research and adopted the quantitative methodology. Since the aim is to know about the prevalence of BI usage in tourism firms, quantitative methods were preferable. Quantitative methods are usually good for studies like this one because of their ability to cover more populations (Delice, 2010). Inclusion of more populations is needed for generalizability of the findings (Delice, 2010). A self-administered questionnaire which is a quantitative tool of collecting data was used to collect data from 115 accommodation and travel organizers companies in Gaborone in the accommodation and travel organizers sectors. Out of the possible 150 firms, as per the Department of Tourism records of licensed firms in the two sectors in Gaborone, 115 were reached. Of this number, 81 responded. Table 1, shows in more detail the sampling distribution and how the participation in the research was like.

		Number not reached.		Number of those reached but did not participate.		Reasons for those not reached or those who did not participate.
Total number of accommodation and travel organizers' firms licensed in Gaborone.	150	35	23.3%	34	22.6%	Not traceable.
Total number of accommodation and travel organizers' firms reached.	115					Not traceable.
Number of accommodation firms reached.	45					Some unwilling while others promised to respond but never did.
Number of accommodation firms that participated	38					
Number of travel organizers' firms reached.	70					Some not traceable, others unwilling to participate while others promised to respond but never did.
Number of travel organizers' firms that participated.	42					

**Table 1:** How participation in the study was structured.

## DATA ANALYSIS

After collection of the data through the questionnaire technique, it was imputed in to the Statistical Package for Social Sciences (SPSS) and a frequency analysis of the results done. Relevant literature was also consulted in order to assist with why the results reflected a pattern that they did in relation to BI prevalence among travel organizers and the accommodation sectors.

The data was run through the SPSS and tables showing the results of BI systems prevalence were generated as shown in Table 2. All the results showing the extent of BI usage in the various types of accommodation and also on travel organizers firms were laid bare as also shown in table 2.

Of the 81 tourism firms which responded, 38 (46.9%) were for accommodation while 42 (51.8%) were travel organizers tourism firms. 1 (1.23%) did not indicate whether it was in the accommodation sector or the travel organizer's sector. In the accommodation sector, 15 (39.4%) said they had a BI system while 23 (60.5%) said they do not have a BI system. As for the travel organizer's sector, 33 (78.5%) said they had a BI system while 9 (21.4%) said they had no BI system as shown in Table 2.

Does your company have a Business Intelligence system?			Type of business					Total
			Guest house	lodge	Selected Service hotel	Fully Serviced Hotel	travel organizers	
Yes	location of company	Gaborone	2.6%	2.6%	7.8%	26.3%	80.4%	59.2%
No	location of company	Gaborone	42.1%	2.6%	5.2%2	10.5%	21.9%	40.7%
Total	location of company	Gaborone	44.7%	5.2%	13.1%	36.8%	99.8%	99.9%

**Table 2:** Accommodation and travel organizer's sectors and their usage of BI systems.

## DISCUSSIONS

From the findings of this study, it appears that most accommodation firms in Gaborone do not use the BI system. Table 2, shows that BI systems usage among accommodation firms in Gaborone is more prevalent among the bigger firms, being selected service hotels and fully serviced hotels. The accommodation firms that were covered in this study included guest houses, selected service hotels and hotels. The results show that 2.6% of guest houses use the BI as compared to 7.8% and 26.3% for selected service hotels and fully serviced hotels respectively.

On the other hand, it appears that most travel organizers' tourism firms in Gaborone use BI systems. The results in Figure 2, show that 80.4% of travel organizers firms covered in this study use BI systems against 21.9% of those who do not. Although there is evidence of both the accommodation and travel organizers' sectors having adopted the BI system in Gaborone, it is evident that there is more prevalence of BI use in the travel organizers' sector. As shown in Figure 2, 80.4% of travel organizers firms in Gaborone use BI systems while only 39.3% of accommodation firms use BI systems.

According to Chen, Chiang, and Storey (2012), the travel organizers' sector needs the BI system more because unlike the accommodation sector, it has to deal more with issues of price wars, competitive promotional campaigns and travel safety and security. With a BI system in a travel company, it becomes possible to access dashboards that supply with accurate information about flight trends, prices, and operating capacity for various travel destinations at any given time (Buhalis & Licata, 2002; Chen et al., 2012). One BI application that is common in travel organizers' companies is Amadeus Travel Intelligence (Buhalis, 2004). The Amadeus travel intelligence application is an integrated data warehouse that contains all information about flight travel in the world like airline schedules and prices (Barnett & Standing, 2001; Buhalis, 2004). This then assists firms that have the Amadeus and other applications to customize travelers travel in a manner preferred by clients, including routes, airlines, ticket prices and times that clients wish or prefer to travel on (Barnett & Standing, 2001). Travel organizers' firms that have adopted the Amadeus and related applications are therefore, more advantaged than those that have not (Braun, 2005).

## CONCLUSIONS

Based on the findings of this study, it can be concluded that there is high prevalence of BI systems usage in the accommodation and travel organizers' sectors in Gaborone. Of the 81 firms that were covered in this study, 59.2% indicated that they had a BI system in place. There was more prevalence of BI systems usage in the travel organizer's sector which recorded 78.5% of firms that indicated that they have BI systems in place. Of all the accommodation firms that were covered 39.3% said they had BI systems. However, looking at the specific responses in the accommodation sector, it appears that the bigger accommodation firms like selected service hotels and fully serviced hotels tend to use the BI system more. Of the 15 accommodation firms which said they had BI systems, 86.6% of them were either selected service hotels or fully serviced hotels. Smaller accommodation firms like guest houses do not seem to use the BI system. 94.1% of all guest houses that were covered in this study indicated that they did not have any BI systems in place. It can therefore, be concluded that there is a high usage of BI systems in the travel organizers' sector in Gaborone as well as the larger accommodation firms.

Although this study had targeted all the 150 tourism firms in Gaborone in the accommodation and travel organizers' sectors, only 81 firms were finally able to participate. This is a little more than 50% of the entire population. Of this number 59.2% said they use BI systems while 40.7% said they do not use BI systems. It is therefore possible that had all the 150 tourism firms participated in this study, the results could have been different. With more time and money, future researches could exhaust all avenues available in order to reach as many firms as possible.

This study adopted the quantitative methodology. As a result, it is not able to provide more insight in to why some tourism firms have adopted the BI system while others have not. Mixed methods could therefore, be adopted in future for more robust results.

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## UNDERSTANDING THE ROLES OF EFFECTUATION AND BRICOLAGE IN THE OPPORTUNITY CREATION FRAMEWORK.

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### ABSTRACT

The process of entrepreneurship is identifying and exploiting opportunities. Entrepreneurial action can also result in forming, rather than merely encountering opportunities. Researchers, like Alvarez and Barney (2007), also distinguish two approaches to entrepreneurial action, discovery and creation. In opportunity creation, opportunities for entrepreneurial profit are formed endogenously through action.

Effectuation processes focus on what can be done, given the capacity to influence and means at hand, to move toward a future endpoint. Effectuation was developed in the context of entrepreneurship and it assumes that an opportunity may arise through control-based strategies.

Bricolage was initially described by Levi-Strauss (1967) as ‘making do with what’s on hand’. This was extended by Baker and Nelson (2005) and applied to the process of value creation. They observed that some entrepreneurs prefer to engage in a process of “making do by applying combinations of resources at hand to new problems and opportunities”.

These are new concepts to most entrepreneurship researchers, yet extremely useful in the understanding of opportunity creation. This conceptual paper will assist in the understanding of these concepts, and clarify the roles of effectuation and bricolage in the opportunity creation framework. A discussion section should attempt to bring the concepts to reality by highlighting realistic examples.

**Keywords:** Effectuation, bricolage, opportunity, entrepreneurship, resources.

## INTRODUCTION

The purpose of this conceptual paper is to contribute to cutting edge debate in entrepreneurship. Current debate in entrepreneurship revolves around innovation in high-tech enterprises, new product development, business model innovation, and similar areas. These are areas where participants face uncertainty and risk. New constructs and theories are being defined. At the cutting edge are constructs like effectuation, bricolage and opportunity creation.

It is necessary for researchers in the field of entrepreneurship to be familiar with these terms and their principles, because, perhaps for the first time, entrepreneurship enters its own independent and non-eclectic phase. It is an opportunity that should not be missed by researchers, as taking it up could enable us to play a meaningful role in the promotion of the new, technological-type enterprises.

The paper initially defines and discusses the three themes: effectuation, bricolage and opportunity creation. Next, common threads of the themes will be highlighted, showing pertinent relationships among them. Possible areas of application of the themes will briefly be discussed, followed by a general discussion. Conclusions and recommendations for future research will round-off the paper.

### **Context**

As we enter the 21st Century, most African and developing countries face opportunities in young and growing populations, ballooning populations of educated youths, and amazing in-exhaustible, fast growing technological opportunities. However, these opportunities fail to yield any tangible benefits as the majority of the graduating youths end walking the streets of the growing shanties and towns. As if this is normal, most of the governments' demeanour continues to match the previous century one, where progress was taken for granted, with little initiative from the local rulers.

For most African rulers, success is seen from an individualistic perspective, rather than the national perspective – “If I be elected and become a Minister, then I will have the opportunity for personal accumulation”. Progressive Governments in Europe and the east concentrate on leadership in the area of innovation since they realize that this is the way to benefit their populations. Many of the African Governments do not even realize that the world is now tackling the fourth revolution – they are still wallowing at the first stages of the Industrial Revolution.

Countries in the East, China, Singapore, Malaysia, and lately India, Dubai, etc. seem to have managed to progress over generations of technology and have caught up with the Western Nations. Their Research and Innovation Agendas, now talk to those of the more developed Western Nations. They have managed to do this in a matter of decades. This demonstrates how serious their governments have been.

When we come to the research dialogue in entrepreneurship, we can now clearly see that the agenda being pursued by these eastern countries is significantly different from that agenda still being pursued by African researchers. We continue asking mundane research questions in line with mundane projects taken up by our entrepreneurs. Researchers in the east deal with high-tech entrepreneurs, because the majority of start-ups in Asia are high-tech. In Africa, it is very difficult to find high-tech start-ups, even from engineering graduates. This, to an extent, dictates the research agenda. A number of questions need to be answered in the African context: who is responsible for the determination of the country's range of start-up projects? Do Governments' Development Plans endeavour to determine this range of projects? How can they be made to do so? Does the system of education determine the kind of start-ups young people come up with? What is the difference in this education between these two regions? We need to find the underlying causes of the separation of Asia and Africa in terms of the development agenda. It is clear that, following the different development agendas, Asian start-ups seem to be more high-tech than African start-ups. Hence, in their entrepreneurship research agendas, the Asians are asking different research questions since most of their start-ups are facing uncertainty while, perhaps those in Africa are still dealing with the simpler types of risk.

### **Problem Statement**

African researchers have been left behind. In entrepreneurship research, the frontiers are further away from us than other researchers in the global fraternity. We need to keep up in terms of constructs and theories we use.

This problem emanates from the structural problems discussed above. Solutions to such problems may lie mainly in other spheres, but as researchers, we can contribute by pointing them out and suggesting ways to solve them.

An issue that affects University researchers is the kind of education we continue to participate in. Insightful ordinary people have started questioning us whether we are convinced that ours is a positive contribution. A lot of us have started to defend the status quo. We have come up with theories like Human Capital Theory (Becker, 1962) that absolve Universities from taking responsibility for producing unemployed graduates. We state that our task is to educate; the

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employer must train. Yet the issue might be deeper than that. Are our graduates trainable?

Universities seem to engage in some empty competition to produce numbers. The more numbers we produce, the more we get financial support; and the shallower our graduates become. Recently, Universities have embarked on entrepreneurship and significant numbers of graduates are coming off stream. The performance of these graduates has also been dismal. They can neither create the jobs nor can they employ themselves. Surely, we need to go back to the crossroads! We have been following the process of causation for too long instead of choosing effectuation.

### **Purpose of the Article**

The main purpose of this article is to introduce three concepts that are relatively new in entrepreneurship literature. These concepts are variously referred to as ‘themes’, ‘processes’, or ‘constructs’. While they are many such new concepts, of interest are effectuation, opportunity creation and bricolage. These concepts will be defined and clarified, and pertinent examples will be given, including pertinent examples in Botswana. Any relationships among them will also be explained.

Start-ups are important in African countries since the more they are, the faster the rate of development. Africa also needs to start thinking about the quality of start-ups, not only the quantity of start-ups. Quality of start-ups relates to the sophistication of the activity being started up. The fast growing of the less developed countries, like China, India, Viet Nam, etc., now promote start-ups at the higher end of the technological scale. If African countries are to catch up, they need to operate at that level. A lot of uncertainty exists at that level, which necessitates concepts like effectuation.

## **THEORETICAL FRAMEWORK**

Sarasvathy (2001a) contrasted causal approaches to developing business from effectual approaches. “*Causal rationality starts with a predetermined goal and a given set of means, and seeks to identify the optimal, such as fastest, cheapest, or most efficient alternative to achieve the given goal*” (Heikkila and Heikkila, 2017:201). The effectuation process is more subjective, and starts with available resources and capabilities of the entrepreneur, then takes this “*set of means as given and focus on selecting between possible effects that can be created with that set of means*” (Sarasvathy, 2001a).

Managerial Thinking – Causal Reasoning

Distinguishing Characteristics:

Selecting between given means to achieve a pre-determined goal.

Entrepreneurial Thinking – Effectual Reasoning

Distinguishing Characteristics:

Imagining possible new ends using a given set of means.

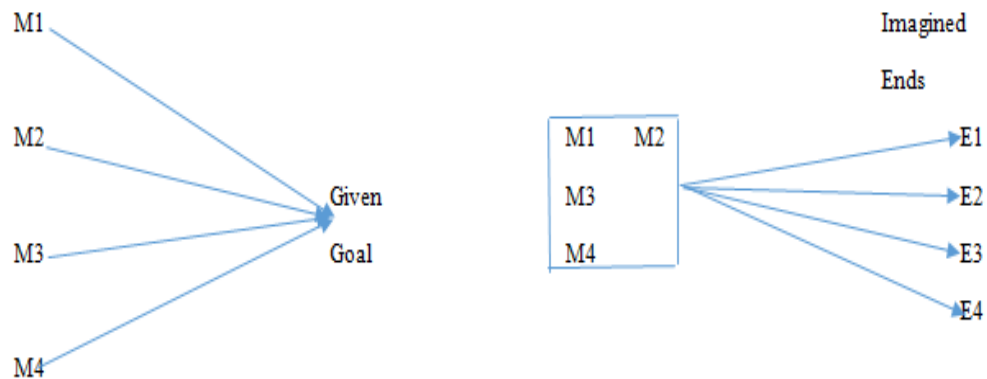


Figure 1: Causal and Effective Reasoning (Sarasvathy, 2001a)

**Effectuation**

Sarasvathy (2001b:244) defines an effect as “the operationalization of an abstract human aspiration”. Effectuation basically tries to do just that.

Fisher (2012) defined effectuation as a mode of entrepreneurial behaviour under conditions of uncertainty. Sarasvathy (2001b) brought a different dimension to effectuation by stating that actors can create a variety of effects when they attempt to exert influence over things they can control. In other words, effectuation processes do not set a specified end point, but focus on what can be done, given resources at hand, to move toward a yet-to-be-determined near-term future end point. To determine the means through which the actor can exert control over the world, he/she has to first ask who they are, what they know and whom they know (Sarasvathy, 2001b). The diagrams above provide the distinguishing characteristics of causation and effectuation – “choosing between

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means to create a particular effect” (causation) versus “choosing between many possible effects using a particular set of means” (effectuation).

A crude example can be given which relates to our kind of education: if one of us is asked to come up with a curriculum, what do we normally do?: google existing curricula across the world, pick the best or what we believe to be a combination of the best. We are even required to demonstrate sufficient benchmarking. We are definitely choosing between different means to create a particular effect. If we can think outside the box, we need to come up with many possible curricula using our own creativity and then choosing what is best for our situation. Possible curricula could emanate through discussion with employers or industry leaders who know gaps in the market that could be filled by new entrepreneurs, not established Harvard or UCT curricula.

Another example can be found in the area of research. One can say causation is akin to deductive reasoning where you start off with a definite ending in mind, disproving an already known theory (pre-specified). Sure, one can choose between means to do that. On the contrary, effectuation would be akin to inductive reasoning where you use a particular set of means to generate a choice effect from among many possible effects. The technique of allowing issues to unfold can give more meaning to effectuation as it allows contingencies to be built in.

From the questions used to determine means through which the actor can exert control, Effectuation Theory has been developed which suggests two ways of understanding effectuation: as a mode of behaviour; and as a sequence of activities with different starting and end points (Sarasvathy, 2001b; Fisher, 2012). As a mode of entrepreneurial behaviour, Effectuation Theory converges on four principles:

- a) Affordable loss rather than expected return;
- b) Strategic alliances rather than competitive analysis;
- c) Exploitation of contingencies rather than exploitation of pre-existing knowledge; and
- d) Controlling an unpredictable future rather than predicting an uncertain one (Sarasvathy, 2001b, p 252).

There are three assumptions about the opportunity, context and actor in effectuation:

1. Effectuation assumes that an opportunity may arise via the control-based strategies.
2. For context, effectuation was developed through entrepreneurship-related think-aloud experiments with expert entrepreneurs (Sarasvathy, 2001b; 2008).

3. Effectuation does not address the motivations of entrepreneurial actors directly, but the means-based principle includes answers to the question, who am I? The actor in effectuation influences his/her environment through his/her means and iterates based on the response from the environment.

From a process perspective or as sequences of activities, Effectuation Theory introduces an “episode” concept defined as the sequence of events. These processes are not homogeneous across episodes, but differ in terms of five process characteristics:

- a) Perception of uncertainty;
- b) Nature of aspirations;
- c) Information processing;
- d) Orientation of new goals; and
- e) Attention to new goals.

These characteristics also led to two overall types of effectuation processes: Externally- motivated Effectuation (Type 1) and Internally-motivated Effectuation (Type 2) (Jiang and Ruling, 2019).

To further explain some of the concepts above, Jiang and Ruling (2019) state that “affordable loss” means that the entrepreneur will only take up downside risks they can handle, those that cannot be handled are avoided. In “strategic alliances”, entrepreneurs acting in the effectuation mode tend more strongly towards negotiating pre-commitments and creating alliances with stakeholders; while with “exploitation of contingencies”, entrepreneurs acting in the effectuation mode seek to exploit unexpected events and opportunities. Entrepreneurs acting in effectuation mode control an unpredictable future through control of uncertainty by taking a set of means as given and seeking to create outcomes that are possible with their set of means.

### **Bricolage**

Effectuation and bricolage are closely related (Fisher, 2012). Bricolage is applied to people with a good understanding of resources at hand, innovative, good use of a combination of resources at hand to solve problems or pursue opportunities, and an active self-correcting trial-and- error “make-do” behaviour. Entrepreneurs that are passionate about developing their firms and inventing new solutions are more likely to engage in bricolage (Stenholm and Renko, 2016). Further, bricolage is a form of effectual reasoning of an entrepreneur to avoid risks firms experience during their critical early years (Stenholm and Renko,



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2016). Effectuation can be seen as an innovation driver, while bricolage is seen as one of the innovating methods (Christensen, 2009).

The originator of the term 'bricolage', Levi-Strauss (1967), initially described two types of bricolage: ideational bricolage and material bricolage. Ideational bricolage describes the process of recombining earlier myths to create new myths serving new functions; whereas material bricolage represents the combination of resources at hand to find novel and workable approaches to overcome problems and exploit opportunities (Baker and Nelson, 2005). Rather than focusing on activities that give them an advantaged resource position, as perspective on entrepreneurial action infused by strategy and organizational theory suggest, or acting in ways to shape near-term reality as the logic of effectuation suggests, bricoleurs engage in a different activity entirely. They use resources on hand to solve the problem in a new way, or combine existing resources to potentially unlock a new source of value.

Hence, while both effectuation and bricolage might operate in situations of some uncertainty, effectuation aims at shaping an unspecified near-term future, while bricolage aims at solving either a known or unknown problem. Both effectuation and bricolage seem to apply in a world of formed opportunities, rather than encountered opportunities. Bricolage represents a form of value creation that does not depend on the Schumpeterian assumption that assets are withdrawn from one activity for application in another (Baker and Nelson, 2005:362). Hence, bricoleurs often draw from unrelated or undeveloped resources during the opportunity-creation process. Baker (2007:705) clarifies an act of bricolage this way: *"simply seeking out or paying discount prices does not, of course, constitute bricolage. But making use of a resource because it is available cheaply or for free, rather than because it is the 'right' resource, and then combining it with other resources to take advantage of some new opportunity exemplifies bricolage"*. Hence, the measure of bricolage depends not on the cost of the item, but on its comparison to the 'right' resource and its use. Using the resource for its intended purpose does not constitute bricolage.

In our crude examples above, a bricoleur working on a curriculum would 'draw from unrelated or undeveloped resources' (their conception of need in the real world and non-academic sources on the ground). We should note that these resources are available cheaply, they are not obviously the 'right' resources, but can be combined with other resources to take advantage of new opportunities. In the research example, a bricoleur is typified by a qualitative researcher going into the field with one or two general focus research questions (not a detailed structured questionnaire) and use the creativity and knowledge of research subjects to create new theories. The concept of ideational bricolage, where earlier

myths are combined to come up with new myths applies here, even though it might be necessary to explore the concept further.

### **Opportunity Creation**

Shane (2003) asks: Why do some people and not others discover opportunities? And, why do some people and not others act to exploit them?

Two approaches to entrepreneurial action are presented: discovery and creation. Under ‘discovery’, the product or factor market imperfection is taken as given, since the mechanism that generates the imperfection is exogenous to the process. It is the imperfection that presents the opportunity. Under ‘creation’, it is how the market imperfection is generated, and the mechanism, human action, is endogenous to the process (Alvarez and Barnes, 2007; Wood and McKinley, 2010).

Three assumptions are discussed concerning opportunity, context and actor in opportunity creation:

1. In opportunity creation, opportunities for entrepreneurial profit are formed endogenously through action. Hence, opportunities cannot exist apart from the actions that form them, and the human social institutions requiring human action for their generation and social agreement for their persistence (Alvarez, Barney, McBride and Wuebker, 2014).
2. The decision-making context in opportunity creation is that of either Knightian uncertainty, where outcomes or probabilities cannot be estimated ex-ante, or Knightian risk where they can be estimated ex-ante.
3. The role of the actor in opportunity formation is a necessary condition for opportunity formation, yet there are few explicit assumptions about their cognitive or behavioural aspects.

Related to opportunity creation is opportunity shaping. Opportunity shaping is the process to transform and connect internal and external resources for opportunity creation (Abdelgawad, Zahra, Svejenova and Sapienza, 2013). Effectuation enables new firms to shape opportunities (opportunity shaping) with different ways of resource combinations, such as reconfiguring and transposing through a series of strategic experiments (Guo, Cai, and Zhang, 2016). Hence, effectuation has a positive effect on opportunity shaping, which in turn affects opportunity creation. This implies a positive relationship between effectuation and opportunity creation.

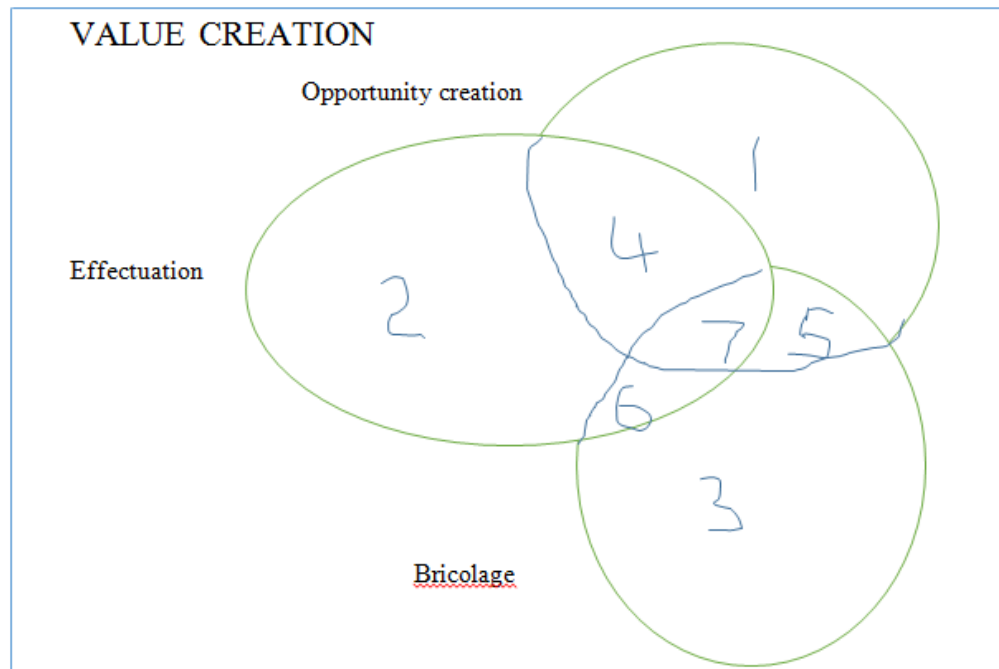
Prior research has suggested that both reconfiguring and transposing (opportunity shaping) involve some degree of bricolaging, or the recombining of resources at hand in creative ways to address emerging opportunities

(Abdelgawad *et al.*, 2013). Hence, if effectuation has a positive effect on opportunity shaping and opportunity creation, it should have a positive effect on bricolage.

If in the above crude examples, the curriculum developer and the researcher can use effectuation to generate those imagined ends, they can better succeed as effectuation enables them to mobilize both opportunity creation and bricolage.

### **Conceptual Overlaps for Opportunity Creation, Effectuation and Bricolage**

The three frameworks' universe is value creation, or they speak to value creation although they do not represent all forms of value creation. Some forms of value creation that are not included are causation and opportunity discovery. The diagram below depicts the overlaps, which explain their relationships.



**SOURCE:** Welter, Mauer and Wuebker, 2016

Area 1: This represents opportunity creation without bricolage and effectuation. Hence, there are many different ways to form the competitive

imperfection. Opportunity creation can be considered under other behavioural models.

Area 2: This represents effectuation in the absence of opportunity creation and bricolage. This demonstrates that effectuation may apply to fields beyond entrepreneurship (Sarasvathy, 2001b). The heuristics of effectuation may be applied to non-business decisions, like making dinner, which is outside the bounds of opportunity creation and would not require bricolage. Strictly speaking our two crude examples above might fall into this category.

Area 3: This area represents bricolage without effectuation and opportunity creation. In many situations, bricolage may not be directed toward the formation of an opportunity or rely on heuristics of effectuation.

Area 4: This represents the overlap between effectuation and opportunity creation that excludes bricolage. (1) An entrepreneur may have the means on hand that are put to their typical use, thus not involving bricolage. (2) An entrepreneur may be independently wealthy and, thus, able to finance all the appropriate required resources.

Area 5: This refers to situations that involve both opportunity creation and bricolage and it excludes effectuation. This represents aspects of opportunity creation such as human resources drawn from the entrepreneur's social network, that involve making do with what's on hand in novel ways (Banerjee and Campbell, 2009).

Area 6: This shows effectuation and bricolage coinciding in the absence of opportunity creation. It may represent situations outside the economic sphere in which effectuation is applied and informed by bricolage. Effectuation has a characteristic of serving a particular function and evolving to serve another. The saying "turning swords into plough shares" demonstrates this characteristic of effectuation, where a tool was primarily made for something, but can be co-opted for something else. This also represents 'evolutionary' bricolage.

Area 7: This represents the overlap of all three of the concepts. These are situations in which an effectual decision model requires the making do with what's on hand in novel ways, while pursuing the creation of a market impaction. Sarasvathy (2001b) used the example of the company U-Haul, which used customers as sales people to rapidly gain a nation-wide network. This is quite common with Network Marketing Companies. The use of customers, who are not typically sales people, but an available resource, represents bricolage. Using principles of effectuation, customers became committed stakeholders that created the opportunity. In Network Marketing, customers are seen as independent business people who create large pools of permanent consumers.

In African economies, including that of Botswana, the street vendors depend greatly on strategic alliances, where a fellow street vendor's business can be pushed by fellow vendors in their absence. When a so-called vendor's customer comes in the absence of the vendor, those present, even though they trade in the same wares, will not 'take' the customer but transact business on behalf of their fellow vendor who might be sick or doing some other chores like purchasing, and keep the proceeds for him/her. They know that the same will happen in their absence. Competition is at some different level.

## DISCUSSION

To achieve the impossible, one has to see the invisible. That is how effectuation can be defined and separated from causation. What is currently considered as logical and normal in this era is the process of causation. Unfortunately, our economic and management theories are based on causation. Even where entrepreneurs and innovators are trained, they are first grounded in the principles of causation which is seen as objective and logical. Unfortunately, this approach seems to create conservative entrepreneurs, who, although accepting some level of risk, strive to minimize risk. In doing so, they also minimize the number of ends to only one goal in this scenario.

This paper's main interest is the situation where the three concepts overlap since this is where the relationships can be clarified. A Mr Jia Jiang, founder of Fearbuster.com, wrote a book titled *Rejection Proof* published in 2015. He always had a dream to be in business and when he got employed by one of the large companies after graduating with Computer Science and an MBA, he exceedingly got frustrated. His wife urged him to leave his job and pursue his dream, and his project was to establish an *app*. He did all that could be done including hiring experts to design the *app*. When he approached possible financiers, he was turned down flat. He found out that he could not take a no as it hurt him so much that he even feared to pursue other possible financiers. Instead of pursuing the project, Mr Jia Jiang decided to confront his fear of rejection by going through 100 days of requests (most of which could be seen as ridiculous) to various people he could identify. The objective was for him to be rejected by all, which to his reasoning would strengthen him to be rejection-proof. Some of these requests generated responses that put him on the news. At the end of the 100 days, Mr Jia Jiang abandoned the initial project of establishing the *app* since he was now fully involved in a 'new' industry, that of fear-bustering.

Mr Jia Jiang demonstrates what we can term a transition from causation to a decision model that combines effectuation and bricolage while creating something that would impact the market even though it was not his intention, in the first place. In his attempt to create an *app*, we note that even though this could be classified as causation, he had very little resources that he had to make do in novel ways by hiring students to work on a part-time basis developing his *app*. His idea was that, once the *app* was developed, it would attract funders. It could have attracted funders if Mr Jia was patient enough and was able to take rejections and still continued to seek help. He failed to persist in this direction since he just could not take rejection at this time, hence his decision to strengthen his resistance. In the process of doing this, the American public learnt something about him, showed some appreciation, diverting him completely from his initial path of causation.

Mr Jia took a difficult decision, something akin to impossible, when he decided on 100 days of rejection. In effectuation, the means initially available to a person is virtually themselves. This is why they have to ask the three questions: Who am I? What do I know? And whom do I know? Mr Jia seemed to be lacking in all three areas – he did not know much about himself, he only discovered too late that he could not take rejection, he had no technical experience although he knew where to get it from; and he did not seem to know many possible financiers. He had to work on these, hence he shelved his initial project. In the process on working on them, however, Mr Jia came across a set of means that led him to a number of possible effects, and the effect he finally selected is not the original one. Seeking rejection was a difficult project and it was emotionally painful. Yet he utilized simple and free resources and the effect was unexpected. He combined effectuation and bricolage to create an unexpected opportunity.

If our entrepreneurs are to succeed in operating in both effectuation and bricolage modes to achieve the creation of opportunities, they have to accept uncertainty. The kind of projects that will place us into the correct development path involve a lot of uncertainty. New technology projects are of that nature. Secondly, the entrepreneurs need to be clear and convinced on their initial three means – who they are: or are they capable to do what it takes; secondly, what they know: or do they have what it takes; and thirdly, whom they know: or have they built sufficient networks.

## CONCLUSION

The paper aimed to relate effectuation and bricolage in the opportunity creation framework. We have demonstrated that effectuation directly affects bricolage on the one hand, and opportunity creation through opportunity shaping.

An effectuator aims at affordable loss rather than expected return. Strategic alliances are more important for the effectuator than competition. He/she exploits contingencies in the process of controlling an unexpected future. Bricolage, which is a form of effectuation, can occur when the individual understands resources at hand in order to make do. An entrepreneur in the effectuation mode finds it easier to be a bricoleur. Opportunity creation results from endogenous action taken by the entrepreneur. It is affected by the levels of both effectuation and bricolage.

A number of realist, though crude examples have been outlined to demonstrate the three constructs. From entrepreneur literature, it seems that both entrepreneurs and entrepreneurship researchers in the Eastern countries are better at mastering effectuation, and bricolage, hence improving their opportunity creation better than their African counterparts. Effectuation teaches us to ask three questions about ourselves: who we are, what we know, and whom we know. These will not only enable us to effectuate, but to bricolage as well in the process of opportunity creation.

Both researchers and entrepreneurs in Africa need to learn from these concepts in order to stretch themselves to the level of global competitors.

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## THE EFFECTS OF RESOURCE DEPENDENCE AND RESOURCE-BASED THEORIES ON BRICOLAGE IN SOCIAL ENTERPRISES

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### ABSTRACT

This conceptual paper defines and discusses a number of new constructs in the field of entrepreneurship. While following a paper written by Desa and Basu (2013), the paper, citing from several later papers, clarifies resource mobilization, bricolage, optimization and social entrepreneurship. The two resource theories, Resource Dependence Theory and Resource-based View, are brought into an analytical framework that shows the effects of organizational prominence and environmental munificence as antecedent conditions on whether social enterprises would bricolage as opposed to optimizing.

A number of realistic examples from prior literature and a few in the current Botswana environment are highlighted to assist in our conceptualization. The concept of social bricolage is also highlighted through a process, which provides an opportunity to bring several other practical examples. The paper's major purpose is to open vistas into developing entrepreneurship theories that are not part of the current debate in Botswana. It is recommended that local researchers pick up the thread and enrich the discussion through empirical research.

**Keywords:** Resource Dependence, Resource-based, theory, bricolage, optimization, social entrepreneurship.

## INTRODUCTION

The purpose of this paper is to conceptually explore emerging concepts in entrepreneurship. The paper will put into context bricolage, optimization, the Resource Dependence Theory, the Resource-based view and their role in social entrepreneurship.

Resources and their mobilization are at the heart of the success of all types of enterprises. An enterprise that fails to mobilize resources is prone to fail. This includes enterprises for profit, for non-profit, private or public enterprises, even governments and countries.

Resources are scarce. This is self-evident, not only for certain types of organizations, but for all organizations and all people. Hence, scarcity of resources is contingent on the attitude and reaction of the person or organization affected. There is nothing absolute about the scarcity of resources, rather it is relative both in the conceptual sense and practical sense. This is why resource theories are important. They try to explain, not only relationships among variables affecting and being affected by resources, but also major players' attitudes, aspirations and behaviours.

The objectives of the paper are as follows:

1. To explain the concepts of resource mobilization, bricolage, optimization, and social entrepreneurship;
2. To demonstrate the roles played by the two theories Resource Dependence and Resource Based in social entrepreneurship;
3. Introduce antecedent conditions into the discussion;
4. Cite examples in area of social entrepreneurship; and make useful conclusions and recommendations for future research.

### **Resource mobilization**

Literature distinguishes two methods of resource mobilization: optimization and bricolage. Where standard resources, with proven capability for a specific application for which the resources are intended, are acquired, literature classifies this as optimization (Garud and Karnoe, 2003). High quality resources enable firms and other organizations to enhance their operating and organizing efficiencies and realize desired ends (Venkataraman, 2000). Firms that engage in optimization have a clear idea of the goals they want to accomplish and the quality of the resources they need to achieve these goals. Most people and organizations engage in optimization, and it is considered normal not to embark on a project if the quantity and quality of resources deemed necessary are not

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available. A University can only launch a new programme if there are properly-trained lecturers, and preferably experienced professors.

There are, however, other firms and individuals who “make do by applying combinations of resources already at hand” (Baker and Nelson, 2005:33). These firms and individuals are said to use bricolage. This is a concept popularized by Levi-Strauss – making do with what is at hand (Levi-Strauss, 1967). Whereas optimization focuses on goal-directed resource acquisition, bricolage focuses on addressing opportunities and problems with existing undervalued, slack, or discarded resources that are often available for free or cheaply.

Bricolage has started to assume various forms. At the broader level, there is what is called “necessity-based” bricolage where firms and individuals engage in bricolage out of necessity because they cannot afford the costs of the more standard resources. We see this happening in the private universities using graduates on internship as lecturers. This is assuming that these universities cannot afford to pay qualified lecturers, which might not be true. There is also what is termed “ideational bricolage” (Carstensen, 2011) where bricolage may result in pioneering capabilities (Gundry, Kickul, Griffiths and Bacq, 2011). Firms and individuals following ideational bricolage may recognize potential in discarded undervalued resources which might be combined in novel ways to create value (Seelos, Mair, Batililana & Dacin, 2010). Surely, all of us are encouraged to undertake ideational bricolage.

Optimization and bricolage are not mutually exclusive processes, but complementary. Hence social ventures usually use both processes. A non-Governmental organization can use optimization when it is munificent and take on bricolage when resources are scarcer.

To demonstrate the breadth of resources and the extent to which bricolage can be taken, Baker and Nelson (2005:333) provide a list of illustrative examples of characteristics of bricolage. Only a few of them are listed below:

*Resources at hand*

- Social myths and fragments of myths as material at hand for construction of new ideologies (Chao, 1999);
- Existing social network contacts as resources for building technology businesses (Baker, Miner and Easley, 2003);
- Constitutional and legal fragments used to construct new laws and constitutions (Hull, 1991; Tushnet. 1999);
- Elements of prior musical recordings as materials for creating hip-hop music and elements of current African American and Latino urban culture for creating Indian youth subculture in New York (Maira, 1999);

- Prior and existing institutions and elements of failed institutions as the building material for new institutions (Stark, 1996:995); institutions built “not on the ruins but with the ruins” of the old regime.

Re-combinations of resources for new purposes

- For the development of the Danish wind turbine industry, many different resources were reused, combined, and deployed by constellations of different players, with the entire bricolage process supporting and demonstrating “distributed agency” (Garud and Karnoe, 2003), rather than “heroic” individually-driven entrepreneurship.
- Biological evolution “makes a wing from a leg or a part of an ear from a piece of a jaw. “...” It is always a matter of using the same elements, of adjusting them, of altering here and there, of arranging various combinations to produce new objects of increasing complexity. It is always a matter of tinkering” (Jacob, 1977:1164-1165).

Making do

- “In broadly diffused engineering ideology, bricolage is usually associated with second-best solutions, maladaptation, imperfection, inefficiency, incompleteness, slowness, but as a matter of fact in many design situations it is the only thing that we can reasonably do when we are engaged in action. The outcomes of it are hybrid, imperfect, transient artefacts, which perhaps do not look very elegant, have lots of bugs and gaps, frictions and unusable components, but they do their job and can be improved” (Lanzara, 1999:347).
- Participants in the Danish wind turbine industry who relied on bricolage prevailed competitively over their U.S. competitors who sought “breakthrough” solutions that did not rely on prior approaches and artefacts (Garud and Karnoe, 2003).
- Regarding twentieth-century American legal scholars: “None of these men developed brilliant original theories... Pound and Llewellyn, jurisprudential bricoleurs were able to jam-crack their storehouse of handy ideas in a brilliant fashion to create something innovative if no inventive” (Hull, 1991:000).

Negative Illustrations

- In human embryonic development, a process developed through bricolage, “about 50% of all conceptions are estimated to result in spontaneous abortion.... This reveals the imperfections of a mechanism

that is at the very core of any living system and has been refined over millions of years” (Jacob, 1977:1165).

- Use of bricolage by Australian primary school teachers results in lack of academic success by children (Hatton, 1989; Dent and Hatton, 1996).
- A shaman’s attempts to use bricolage by incorporating Maoist, Chinese nationalist, and shamanic elements into a ritual to help a community deal with an insane resident resulted in failure and the community’s rejection of the shaman (Chao, 1999).

### **Social entrepreneurship**

Social Enterprises are organizations that pursue social missions to create social value, rather than maximize profits (Austin, Stevenson and Wei-Skillern, 2006). Serious discussions and debates on social entrepreneurship emerged during the last two to three decades even though the concept, like bricolage, always existed (Dacin, Dacin and Tracey, 2011). Zahra, Gedajlovic Neubaum and Shulman (2009) distinguish three types of social entrepreneurs:

- a) The social bricoleur who tackles small-scale and local social needs;
- b) The social constructionist who tackles underserved needs to introduce reforms and innovation to the broader social system; and
- c) The social engineer who addresses social problems in existing structures in order to introduce revolutionary changes (Zahra et al., 2009).

Di Domenico, Haugh and Tracey (2010) define “social bricolage” as a set of six processes:

- a. The making do;
- b. The refusal to be constrained by limitations;
- c. The improvisation;
- d. The social value creation;
- e. The stakeholder participation; and
- f. The persuasion of significant actors (Di Domenico et al., 2010).

These processes are related and most of them seem to feed on each other. Traditional entrepreneurship places ‘limitations’ in the form of scarcity of resources to an extent that an entrepreneur might have to seek resources as an activity, or abandon the initial opportunity (Baker and Nelson, 2005). The alternative is to refuse to be constrained by the ‘limitations’ (Di Domenico et al., 2010). This implies that one will have to ‘make do’ with what is in existence, or improvise. Senyard, Baker, Steffens and Davidsson (2014) utilized the old adage “necessity is the mother of invention” as apt to describe bricolage. If the bricoleur does not have the resources, they are not shy to approach those that can help – the

stakeholders and other significant actors. The innovation where a manufacturer utilizes customers as salespeople is an interesting example of this. For social entrepreneurs, social value creation is the result of all these bricolage processes.

## THEORY

Two Theories are pertinent to the discussion of bricolage in social enterprises: Resource Dependence Theory (Pfeffer and Salancik, 1978) and the Resource-based view (Penrose, 1959; Barney, 1991). Desa and Basu (2013) explain both theories and discuss how they affect behaviour of social bricoleurs.

### **Resource Dependence Theory (RDT)**

In some organizations, performance becomes inextricably linked with particular resource providers. These resource providers might be banks supplying finance, of indeed skilled professionals, or just workers. These resource providers will have high asymmetric power in their relationship with that particular organization. They can use this power to extract excessive benefits from the local organization (Hillman, Withers, and Collins, 2009) or uncertainties in the performance of the resource providers themselves can jeopardize its performance.

The theory, in short, implies that resource-dependence on some particular resource providers or providers, on the part of any organization, is not good. Hence firms or organizations should endeavour to reduce resource dependence on any one resource supplier. This can obviously be done by finding alternative sources for that resource or equivalent resource. This reduction will reduce opportunism on the part of any one resource provider (Hillman et al. *op. cit.*). Under the RDT, an optimization process is suggested focussing on standardizing the resource base and increasing the number and diversity of resources mitigating resource dependencies.

Still under RDT, firms concerned about excessive dependence on powerful resource providers can look for alternative resources that are substitutes, even though imperfect (McDougall and Oviatt, 2000). This is bricolage. The concern of the firm choosing this approach is stability, even though they might not be operating efficiently, unlike the firm following the optimization route pursuing efficiency.

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### **Resource-based View (RBV)**

Organizations assemble resources to create capabilities and leverage those capabilities to create value (Sirmon, Hitt and Ireland, 2007). Similar to RDT, an organization's approach to resource assembly could also be from either the optimization or the bricolage approaches. A visionary firm structures its resource set by acquiring market resources at seemingly high prices with a goal of bundling these resources into a competency that pioneers new capabilities addressing a market opportunity. The firm may buy high quality inputs from specialized suppliers or hire talented employees from a limited labour pool. This explains the high prices the firm might have to bear. This could make it dependent on powerful resource providers, which might seem risky from an RDT perspective. But these risks may be worth taking for the firm to build a valuable, rare, and hard-to-imitate competency. In this case, optimization may be the appropriate strategic approach for a firm seeking superiority.

On the other hand, with resource costs high, a firm may structure resources by focusing on accumulating discarded, slack, or undervalued resources. Such a firm is not seeking superiority as a goal, but satisficing.

Applying this discussion to social enterprises, it can be stated that theories have provided insights into when and how firms might use optimization and/or bricolage approaches to mobilize resources. Desa and Basu (2013) used these insights to develop hypotheses for when social ventures would adopt a bricolage approach and when they might adopt an optimization approach. They came up with two antecedent conditions – organizational prominence and environmental munificence.

#### ***Organizational prominence***

Desa and Basu (2013) state that important resource providers avoid young and smaller organizations since these suffer from the “liability of newness” or the “liability of smallness” (Stinchcombe, 1965). This seems to be the curse of small and micro-enterprises, as they find it difficult to attract funding from banks. Funders for social enterprises would rather donate their resources to prominent organizations as they are more likely to get more publicity from that than if they donate to small unknown enterprises. It is these young and small ventures that may intuitively adopt RDT logic and engage in bricolage for resources (Baker and Nelson, 2005). Moreover, from the RBV perspective, they may seek to minimize costs and satisfice their aspirations by seeking to combine readily available resources. In other words, lack of organizational prominence might lead firms to

indulge in necessity-based bricolage. Struggling ventures become bricoleurs trying to access low-cost resources.

As time goes on, the organization grows and becomes more prominent, hence overcomes the liabilities of newness and smallness (Mishina, Dykes, Block and Pollock, 2010). From an RDT perspective, there is little need for such to bricolage. However, for highly prominent organizations, the RBV logic becomes silent in predicting an increased level of bricolage.

#### ***Environmental munificence***

Environment munificence is defined as the extent to which critical resources are available to incumbent firms through their environments (Castrogiovanni, 1991). When environmental munificence is low, competition for resources intensifies adversely affecting firm profitability and organizational slack (Bradley, Wiklund and Sherpherd, 2011). In this case, resource providers will have high asymmetric power relative to firms seeking their services, leading to higher prices for such services.

In line with RDT logic, the venture or firm that requires the resources is likely to look for alternative resources to substitute for the standard resources (Hillman et al., 2009). Moreover, consistent with RBV logic, it may adopt a satisficing approach and seek to combine available low-cost resources in the best possible manner. Therefore, in low munificent environments, social ventures are likely to adopt a greater degree of bricolage, which is typically necessity-based.

As munificence increases, there will be more providers of resources. RDT logic argues against social ventures' use of bricolage. However, when munificence is extremely high, even bricolaged resources are of high quality and adequate for venture implementation. In line with RBV logic, social ventures recognize the considerable value that can be generated through the combination of bricolaged resources. The table below attempts to summarize the above discussion.



STRATEGY	ANTECEDENT	RESOURCE DEPENDENCE THEORY (RDT)	RESOURCE-BASED VIEW (RBV)
<b>Optimization</b>	<b>Organizational Prominence (High)</b>	<p>To reduce dependence, find alternative resources, which reduces opportunistic tendencies of resource-givers: efficiency.</p> <p>'Liability of smallness' is reduced as the firm becomes more prominent.</p> <p>From an RDT perspective, there is little need for such firms to bricolage.</p>	<p>Visionary firm structures its resource set by acquiring market resources at seemingly high prices so as to bundle them into a competency for new capabilities: superiority.</p> <p>For highly prominent organizations, RBV logic becomes silent in predicting an increased level of bricolage.</p>
<b>Optimization</b>	<b>Environmental Munificence (High)</b>	<p>When munificence is high, there are many resource providers and firms avoid bricolage or bricolaged resources are of high quality when munificence is very high.</p>	<p>In line with RBV logic, social ventures recognize considerable value that can be generated through a combination of bricolaged resources.</p>
<b>Bricolage</b>	<b>Organizational Prominence (Low)</b>	<p>To reduce dependence, firms look for alternative resources: stability.</p> <p>Small firms suffer 'liability of smallness' – necessity-based bricolage.</p>	<p>Where resource costs are high, structure resources by accumulating discarded, slack or undervalued resources.</p> <p>Minimize costs and satisfice aspirations by seeking to combine readily available resources.</p>
<b>Bricolage</b>	<b>Environmental Munificence (Low)</b>	<p>Where munificence is low, competition for resources intensifies; firms look for alternative</p>	

		<p>or substitute resources: bricolage.</p> <p>Resource providers have high asymmetric power and charge high prices for their <b>services</b>.</p> <p>RDT logic dictates that firms look for alternative resources.</p>	<p>RBV logic dictates that firms adopt satisficing approaches and seek to combine low-cost resources.</p>
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**Source:** Formulation by Researcher based on Desa and Basu (2013) analysis.

## DISCUSSION

What is now clear from the Desa and Basu (2013) analysis is that bricolage in organizations is contingent on a number of issues, prominent among which are the theory the organizations are presumed to operate under, and the antecedent conditions. The table constructed above shows clearly that bricolage might not be at the firm's or individual's whim. The majority of firms are forced by circumstances to adopt bricolage. Yet, the fact that a firm experiences poor environmental munificence, does not make it necessarily an accomplished bricoleur. Baker and Nelson (2005:357) cite what they term "bricolage capabilities" which means that firms may differ in their ability to apply bricolage 'skilfully'. In fact bricolage capabilities, besides the other factors above, can be seen as a competitive priority in very crowded and competitive markets, where a decline in resources might see least capable firm disband or forego opportunities (Baker and Nelson, 2005).

The theories discussed in this paper, help to emphasize that the resource-constrained environment is the element tying together social entrepreneurship and bricolage (Desa and Koch, 2014). For both theories, bricolage can only occur where organizational prominence is low and/or where environmental munificence is also low. These imply the inability of an enterprise to command resources due to either its size or just their unavailability.

If we were to assume that a social entrepreneur initiates operations, their size and/or availability of resources in the market will partly determine whether they would follow the optimization route or bricolaging. If they are a large operation and/or there is environmental munificence, they will find it easy to mobilize resources, hence they are likely to follow the optimization route. From the RDT

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perspective, resource providers do not possess symmetric power, hence there is no need to bricolage. However, for such prominent social ventures, RBV logic is silent in predicting whether or not there will be bricolage.

If the social venture initiating operations is small and/or environmental munificence is low, resources are likely to be more costly or just not available, hence the venture is likely to opt for bricolage. Such ventures suffer from the “liability of smallness”. RDT logic dictates that such firms look for alternative and cheaper resources. Also, RBV logic requires that such firms adopt satisficing approaches by combining low-cost resources.

In addition to cited examples from Baker and Nelson (2005) above, it might help clarify the arguments if we cite the Botswana example of private colleges that mushroomed at the turn of the century. The Botswana Government faced so much pressure from school leavers that it prioritized education in its budgets, and private colleges that set up, whether small or large, found it easier to be financed. It could be concluded that the first decade of the 21<sup>st</sup> Century saw private educational colleges pursuing the optimization route. They were quite profitable because the main financier was prepared pay whatever the colleges levied. These expenses were still low for the government compared to financing students in foreign countries.

The global recession changed all that around 2008/9. The resources that seemed plentiful for the government were now reduced. Environmental munificence was reduced from the private colleges’ perspective. Government drastically reduced the numbers of students allocated to these colleges, hence the colleges were forced into necessity bricolage. This type of social bricolage follows a process as discussed above (Di Domenico et al., 2010). This process or processes are discussed using the colleges as theoretical examples.

The colleges had to “make do”. While prior to the crisis, it was a matter of choice for a college to intensify the recruitment of the so-called ‘private’ students (students not financed by government), now it was a survival necessity. Secondly, colleges had the option to request for an allocation of graduate interns to teach certificate and diploma programmes. After the crisis, most colleges increased the use of these interns. Some were even using them to teach degree programmes. They were ‘making do’.

A number of these colleges felt so much of the pinch that some considered closing down. However, high schools continued producing their graduates, hence, even though government was cutting back, there were still possible takers. The colleges refused to be constrained by the ‘limitations’. Some had ‘made the hay while the sun shone’, yet others tried all types of alternative financing options. Bricoleurs refuse to be constrained by limitations.

A social enterprise, like education, could compete in the commercial market for funds. A number of investors were persuaded that indeed education is a profitable investment. This was never thought possible before 2008 when the government demonstrated that indeed education is a social good. This is akin to improvisation on the part of the private colleges. One college had even persuaded the Botswana Development Corporation (BDC) that it was worthwhile investing in. Social enterprises are set to create 'social value' unlike commercial enterprises that must generate profit. The example we have been looking at of private colleges cannot fully fit the model of social enterprise in that sense since they are really created to generate profits. Social value in the sense of education being some social value seems only incidental. There are, however, some social enterprises that solely create social value, like the Red Cross, United Nations and Church enterprises.

These 'pure' social enterprises owe their sustainability to stakeholder participation. Churches run schools and Hospitals, not for profit, but to generate social value or social benefits. Most of the church projects would depend on donor finance and direct participation by their members and stakeholders, who, beside donating resources, put a lot of free labour and skills. This is the only way there can be sustainability in these enterprises.

To raise donations and get sympathetic consideration from governments, social enterprises have significant actors on their side. The United Nations Children's Fund (UNICEF)(formerly United Nations International Children's Emergency Fund) is good at placing significant actors as UNICEF Ambassadors to constantly have that persuasion. These are the proper social enterprises that work for the good of the public without necessarily expecting financial return, hence they create social value.

## **CONCLUSION AND RECOMMENDATIONS**

The paper explained the concepts of resource mobilization, bricolage and social entrepreneurship. It introduced two pertinent theories, Resource Dependence and Resource-based. It also explained antecedent conditions, Organizational Prominence and Environmental Munificence. Where each antecedent condition applies, theoretical assumptions were applied to determine whether an enterprise would optimize or bricolage. Hence, unlike some discussions of bricolage, the paper clearly showed the alternative to bricolaging and the conditions under which bricolage would and would not occur. A table was constructed based on Desa and Basu (2013).

In summary, social enterprises that are either organizationally prominent and/or that are in munificent environments, will tend to optimize. Social enterprises that are small (or organizationally non-prominent) and/or in non-munificent environments will tend to bricolage with an intention to satisfice. There are situations where very prominent organizations in munificent environments might bricolage with high value resources, demonstrating the other side of bricolage which does not exhibit penury.

To the extent that the entrepreneurial research dialogue in Botswana excludes concepts like bricolage and sectors like the social sector, our main recommendation in this paper is that researchers should strive to be *au faire* with current global entrepreneurial debates. This research needs to be extended to the empirical level to determine whether constructs such as bricolage can be discerned in daily operations. This is necessary if we have to dispel views that constructs like bricolage reflect mere traits of entrepreneurship.

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**THE TERRAIN FOR POVERTY ALLEVIATION AMONG THE  
YOUTH IN BOTSWANA: IS YOUTH ENTREPRENEURSHIP  
DEVELOPMENT FUND THE ANSWER?**

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**ABSTRACT**

Botswana has achieved an impressive development record since independence in 1966 and it belongs to a category of medium development countries. Despite this achievement, the country is grappling with developmental challenges such as poverty and youth unemployment. While poverty alleviation programmes have had positive impact on the well-being of the youth, they offer no long term solutions to entrenched structural poverty. This paper is based on the study that was conducted in South East District (Ramotswa), which sought to investigate the impediments and prospects of youth entrepreneurship development in poverty reduction. The specific objectives were to examine challenges faced by youth entrepreneurs; identify benefits of entrepreneurship to youth; analyse the potential of businesses operated by young entrepreneurs; and craft possible solutions to challenges they are facing. A cross sectional descriptive research design was adopted. Primary data were collected using questionnaires containing structured and semi-structured questions. Therefore, this paper seeks to determine whether youth entrepreneurship development fund can be the solution for poverty alleviation among the youth in the context of Botswana. The paper concludes by asserting the need for coherent and effective means that will ensure the realisation of sustained poverty reduction outcomes among the youth.

**Keywords:** Poverty Alleviation, Sustainable Development, Youth, Entrepreneurship, YDF.



## INTRODUCTION AND BACKGROUND

Evidence abounds that poverty eradication has attracted the attention of world body by making it as it's number one priority of Millennium Development Goals. In 2017, the Economic and Social Council (ECOSOC) Youth Forum provided a platform for youth to engage in a dialogue with Member States and share ideas on innovation, collective action and solutions to global problems (ECOSOC, 2017). In Botswana, while progress in reducing poverty in recent years has been encouraging, youth unemployment remains unabated henceforth, the main contributing factor to poverty among the youth. Notably, the government has formulated several social welfare policies and programmes to address poverty alleviation. However, the tendency has also been to subsume the youth into the general public, until in 1996 when parliament passed the first National Youth Policy and this fell under the Ministry of Labour and Home Affairs. The policy was revised in 2010 under the new Ministry of Youth, Sport and Culture. The Government of Botswana (GoB) through Ministry of Youth, Sport and Culture which was subsequently renamed the Ministry of Youth Empowerment, Sport and Culture Development (MYSC) in 2016; has formulated several programmes aimed at addressing youth challenges among them poverty.

However, for the purpose of this paper only one programme being youth development fund will be discussed. This paper builds on previous publications on youth entrepreneurship development conducted in Botswana which advocate for the need to develop effective measures to promote entrepreneurial spirits among youth (see for example, Assan, 2012; Mutuko, 2014; Themba & Josiah, 2015; Pansiri & Yalala, 2017). The paper acknowledged that in the past decade there has been an ongoing debate on small to medium micro enterprises (SMMEs) development and their contribution towards employment creation, poverty eradication and economic diversification. However, there is still a gap that has been noted in the scholarly literature from Botswana that focuses predominantly on Youth Development Fund (YDF) and its impact assessment. Notably, since the YDF has been in place for 10 years now since 2009, it sought to empower youth to own business and create sustainable employment opportunities. Until today, especially when considering the last decade, the authors of this paper are not aware of any study specifically conducted to examine the performance of the YDF in Botswana; hence that gap precipitated the need for this research. Though the YDF was meant to address poverty and youth unemployment, the country is still grappling with high unprecedented proportions of youth unemployment and poverty.

Currently the government has spent an investment of BWP1.2 billion for youth development fund projects in 10 years (MYSC, 2018). This notwithstanding, no lasting solution has been found to date, and the plight of the youth continue unabated. What makes the situation worse is the fact that, over the years since inception of the YDF there has never been any comprehensive and coordinated attempt to engage in a critical analysis about why poverty and youth unemployment is on the rise despite this policy intervention and other programmes. There is also a tendency by government officials to develop short-term quick fixes as solutions rather than long-term sustainable solutions (Nthomang & Diraditsile, 2016).

Against this background, the overall objective of this paper is to assess whether the youth development fund under its current state can be the answer to poverty alleviation among the youth in Botswana. Most importantly, the paper seeks to untangle how the YDF can be repositioned into a fund for the future to be able to directly improve livelihoods of the youth. Specifically, the paper presents a brief synopsis of the terrain for poverty alleviation among youth, overview youth development fund, followed by findings on implementation challenges, lessons learnt and the way forward. In conclusion possible strategic guidelines to alleviate poverty among the youth in Botswana are provided.

### **Statement of the problem**

Botswana is experiencing a 'youth bulge' phenomenon as youth constitute the majority of the current population in Botswana (Molebatsi & Kobedi, 2014). According to the 2011 Population and Housing Census, the youth accounted for about 46.5% of the total population (Statistics Botswana, 2014). Though youth can be defined differently from one country to another, the Botswana National Youth Policy of 2010 defines a youth as a person between 15 and 35 years of age. Therefore based on the 2011 census, it does not seem unreasonable to suggest that youth could be a powerful resource for the country, provided they are supported and able to become economically active members of society. Noticeably, according to AfDB (2016) Botswana's GDP growth rate stood at 5.4%, quite impressive by and standard. In regard to the fight against poverty, the country made considerable strides, with the number of poor people below the poverty datum line having declined from 30.6% of the population in 2002/2003 to 19.6% in 2009/10 (Statistics Botswana, 2015).

This of course did not mean poverty and unemployment suddenly disappeared. On the contrary, the unemployment challenge remained firmly a thorn in the flesh. The problem statement of this paper is that the government keeps allocating funds for YDF each year without evaluating whether or not the

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programme is effective in addressing the existing youth development challenges. To this end, it is not clear whether the government is getting value for its money. Mogomotsi, Mogomotsi & Badimo (2019) note that, poverty eradication programmes use up a significant portion of the annual national budget. In fact generating gainful jobs has been a major concern for youth development fund. Following a tracer study conducted in 2015/16 it was discovered that the number of projects refunded between 2009/10 and 2014/15 financial year stood at 5655 (Lute, 2017).

The study further revealed that the actual number of business traced was 4517 representing (86%). Out of the 4517 businesses visited, 3756 (83%) of them were operational, leaving 753 that were non-operational representing 16.7%. A further scrutiny into the financial performance of those that were operational revealed that 751(20) were making profit; 1418 (38%) were at breakeven; while 1291 (34%) were making loss. In addition, in terms of loan repayments the results of the study show that 1205 businesses (26.7%) service their loans and 3188 businesses accounting to 70.6% do not service their loans (Lute, 2017). Yet the government keeps allocating funds for YDF each year without evaluating whether or not the programme is effective in addressing the existing youth development challenges including poverty. Therefore, this paper seeks to find the answers as to whether youth entrepreneurships development, in particular, youth development fund can be the answer to poverty alleviation among youth in Botswana. Let us now. Let us now consider the terrain of poverty alleviation among the youth in Botswana below.

## **BRIEF REVIEW OF POVERTY ALLEVIATION AMONG YOUTH**

There is a substantial body of evidence showing that in recognition of the plight of poverty and all social problems associated with it, the government of Botswana introduced various programmes aimed at alleviating the scourge of poverty among the people of Botswana (see, Gobotswang, 2004; Selolwane, 2012; Bothale, 2015). Moreover, Nthomang (2012) notes that, Botswana designed and implemented a wide range of social policies and programs, inter alia; the Remote Area Development Programme 1978, the Rural Development Policy 1972 revised in 2002, the Destitute Persons Policy 1981 revised in 2002, and the orphan Care Programme 2001. All the aforementioned programmes were directly meant to reduce the incidence of poverty and mitigate its impacts.

Despite the efforts introduced, there has been no systematic attempt to look at poverty alleviation from the perspective of the youth. The tendency has been rather to subsume the youth into the general adult population. This has resulted in a lack of adequate understanding of the impacts of poverty alleviation programmes on the livelihoods of the youth. Noticeably, the Botswana Core Welfare Indicators Survey was designed as an improvement of the House Income and Expenditure Survey (HIES) were conducted in 1985/86 and 1993/94. From these surveys, it was realized that relative to adults, the majority of young people remained unemployed and as such they disproportionately experience every type of social problems including poverty. It was, perhaps, in response to the above concerns that the Botswana Government established numerous programmes to deal with the plight of the youth, henceforth in 1996; the Government formally adopted the first National Policy on Youth in 1996 as its chief strategy for youth development (Nthomang & Diraditsile, 2016). By doing so, the government recognized that the youth are disadvantaged and need urgent attention, as a result, the government developed programmes and strategies that ensured that young people are accorded the necessary support and a platform to improve their livelihoods and in the process, those of their communities.

However, the proliferation of poverty alleviation programmes among youth such as: Young Farmers Fund, Out of School Youth, Youth Empowerment Scheme, Constituency Sport Tournaments, Botswana National Service Programme, Youth Development Fund, just to mention a few, did not translate into creating sustainable employment opportunities and improving quality of life for the youth in a meaningful way (Mogomotsi & Madigele, 2017; Diraditsile, 2017; Lesetedi, 2018). Instead, there have been increasing concerns that the Youth Policy has not achieved its objectives. As a result, the National Youth Policy (1996) was subsequently reviewed and a new policy, the Revised National Youth Policy adopted in 2010 accompanied by the Revised National Plan of Action which is a framework for the implementation of the revised National Youth Policy, and it's the major policy instrument that provides a guide on how to operationalize the various programmes and activities that need to be carried out and time frames of such action as well as the agencies that have to act upon the tasks.

## **OVERVIEW OF YOUTH DEVELOPMENT FUND**

The Youth Development Fund was introduced in the 2009/10 financial year following the Out of School Youth Programme (OSYP) which was a 100% grant. The YDF was mainly introduced mainly for catering for the loan component in order to instill sense of responsibility to the beneficiaries. It is a youth

empowerment scheme that supports the launching of youth enterprises by offering them 50% grant and 50% interest free loans to the tune of BWP100 000.00 maximum (MYSC, 2009). Furthermore, it aims at empowering youth to own businesses and create sustainable employment opportunities for other young people in order to address unemployed and poverty. Its main objective as mentioned earlier on is to promote active participation of youth in the socio economic development of the country. Notably it targets the youth between the ages of 18 and 35 who are not in school or employed; underemployed and who have no particular academic background.

This measure was established mainly to support entrepreneurship among the youth as it was realized that the inability or difficulty that young people face to access credit was an obstacle for those who were aspiring to start their own enterprises. Moreover, this fund is a clear indication that the government has the political will of addressing the issue of youth unemployment thus its tireless effort of promoting citizen owned enterprises by the youth and going to the lengths of even equipping beneficiaries with necessary skills that are essential to ensure business success. This is one programme that guarantees direct employment if the beneficiaries succeed on their establishments.

## **METHODS**

The sample constituted of 93 youth participants operating businesses in the South East District aged between 16-35 years. Out of the 93 participants, they were more males as represented by 67% and 33% for their female counterparts. The study used the survey data collection method, and data was gathered using self administered questionnaires. The survey used a multi-stage stratified sampling design dictating that the analysis should use complex sample module to account for multiple stages of sampling. It is worth noting that, this was a case study of South East District, hence not all of youth operating businesses could be studied.

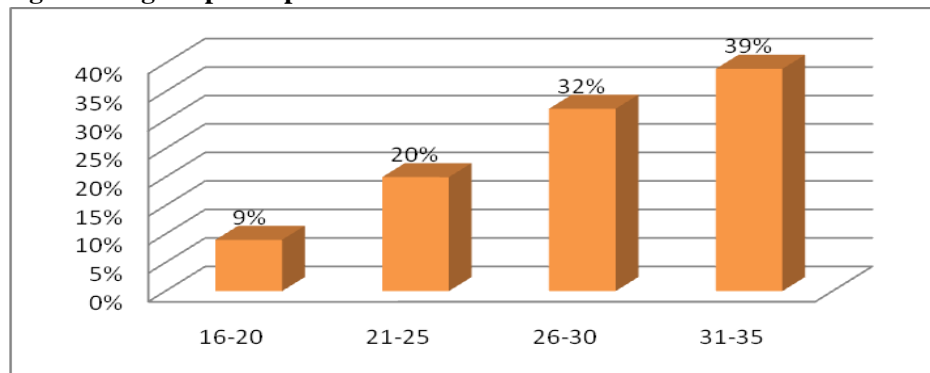
For the reason that generally it's impossible to study the entire population, the researchers relied on sampling to acquire a section of participants to observe. Since it was difficult to find a current database with all the youth in Ramotswa village that could be used as a sampling frame, purposive sampling was adopted. It is worth noting that the respondents who participated in the study were informed that the study was voluntary, as a result they were not coerced into providing information. They were fully informed about the nature and purpose of

the research. Accordingly, permission to conduct this research was obtained from the Ministry of Youth, Sport and Culture.

## **RESULTS AND DISCUSSION: YDF CURRENT CHALLENGES**

This section presents the study findings in order to inform research, policy, and practice interventions. It is worth to note that during analysis of the results major themes emerged. Noticeably, the themes emerged during the coding process. These are; saturation of the same time type of business, length of time in business, length of business in operation and services provided within South East District Council. For the purpose of this paper, following demographic characteristic (age of participants) only four themes are discussed below.

**Figure 1: Age of participants**



Source: Research data

The study established the age distribution of the young entrepreneurs who participated. A majority of respondents (39%) were in the age bracket of 31-35 years. The age bracket 16-20 years constituted the lowest number of respondents represented by 9% of the young entrepreneurs operating in the study area. The findings show that, a large percentage of the respondents who were engaged in business activities in the study were above 26 years of age (71%). This may be due to increased family responsibilities; as the youth grow older they become more innovative and creative which propels them to start their own businesses in order to be able to care for their families' welfare

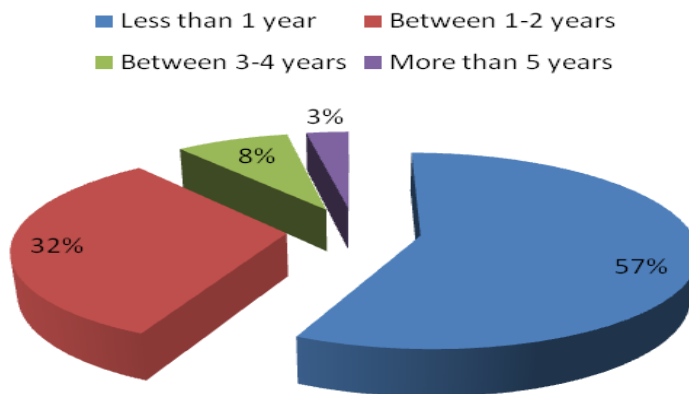
**Table 1: Saturation of the same type of business**

<i>Nature of business</i>	<i>Count</i>	<i>Percent</i>
Events management	22	23.6%
Internet café	14	15.0%
Fashion design/textile	10	10.7%
Poultry farming	8	8.6%
Hair salon	8	8.6%
Small stock farming	7	8.5%
Manufacturing	6	6.4%
Restaurants	4	4.3%
Car wash	4	4.3%
Laundry mat	3	3.2%
Horticulture	2	2.1%
Retail shops/spare parts	2	2.1%
Livestock farming	2	2.1%
Gymnasium	1	1.0%

Source: Research data

The results in Table 1 indicate that a majority (23.6%) of the respondents operate events management businesses, followed by the operation of an internet café which is represented by (15.0%) of the respondents. Establishment of a gymnasium was the least operated, only represented by a very small percentage (1.0%) of the respondents. The results show that youth in the South East District are engaged in various business activities. However, there is duplication among many businesses as the majority who invest in events management; internet café, fashion design, a hair salon, small stock farming, and poultry farming seem to compete with each other.

According to the 2011 Housing and Population Census the population of Botswana is approximately 2.2 million (Statistics Botswana, 2014). Henceforth this makes Botswana one of small countries in Southern Africa in terms of population. Evidence abounds that, in developed economies, the private sector takes a leading role in offering the market for the SMMEs. According to Pansiri & Temtime (2010) apart from numerous causes of business failures in the country, carrying capacity is a major challenge for businesses in Botswana, given the country's population size. Programmes for regional and international markets have not increased Botswana's footprint in international market either (Mutoko, 2014). This has implications for future policies and programmes on entrepreneurship development in Botswana.

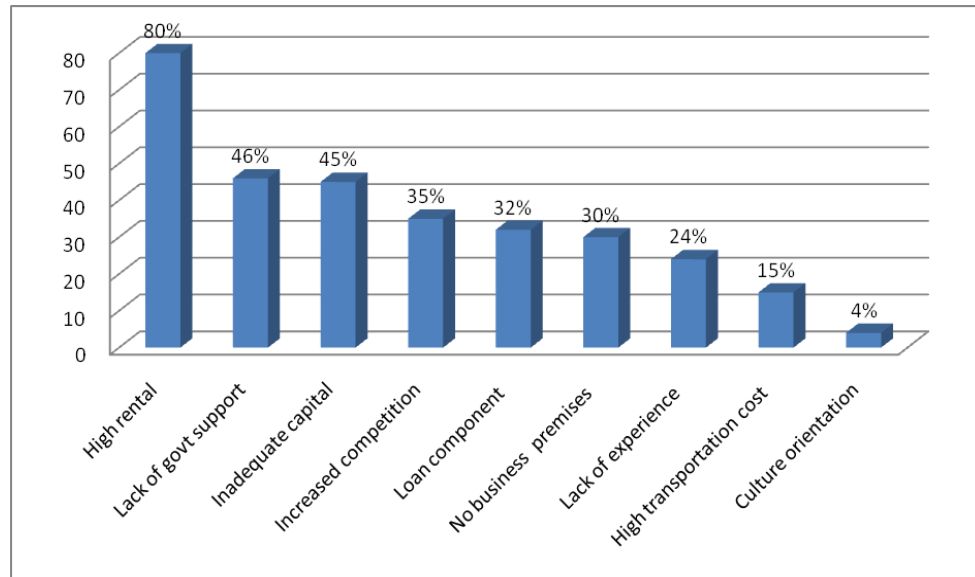
**Figure 2: Length of time in business**

Source: Research data

As indicated in the above figure, a majority of respondents (57%) stated that they had operated their business for a period of less than a year, followed by 32% of the respondents who had been in operation for between one to two years. Those who had operated for between three to four years constituted (8%), while (3%) had been in operation for more than five years. Another important finding was the fact that most of the businesses (89%) had been in existence for less than two years. This may explain the reason why most financial institutions tend to shun young entrepreneurs and limit loans to them as they are considered to be risky and that their enterprises may not survive the following five years.

The findings are in agreement with a study conducted by Williams (2012) on contextualizing youth entrepreneurship in Botswana that most of the youth businesses under Young Farmers Fund had been in existence for less than two years. Moreover, along the same lines, Modisane (2017) also has revealed that at least (80%) of Small to Medium Micro Enterprises (SMMEs) in the startup phase fail in the first 3-5 years of the establishment phase. This is largely due to a lack of business acumen to manage the businesses by youth.



**Figure 3: Length of business in operation**

Source: Research data

The results in figure 3 show that 80% of the respondents indicated high rental as the immediate impediment they face. Lack of government support system was the second (46%) followed by 45% who cited inadequate capital as a challenge. Lack of suitable business premises was indicated by 30% of the respondents. High transportation costs and cultural orientation were not pressing impediments as these were indicated respectively by 15% and 4% of respondents. Therefore, it can be said that young entrepreneurs in the South East District face numerous challenges which inhibit the expansion of their businesses.

The above findings also concur with Mutoko (2014) that, SMMEs in Botswana face tremendous challenges that threaten their survival and growth. Along the same lines Assan (2012) notes that, there are institutional challenges associated with attempting to build entrepreneurship capacity in Botswana. Moreover, Themba & Josiah (2015) further stated that institutions which are charged with building entrepreneurship capacity to succeed need to be capacitated in terms of resources.

**Table 2: Service providers in SEDC**

<i>Services providers</i>	<i>Count</i>	<i>Percent</i>
Local Enterprise Authority	21	22.5%
South East District Council	15	16.1%
Ministry of Youth	13	13.9%
Social & Community Development	12	12.9%
Ministry of Agriculture	10	10.7%
Micro-Finance Organizations	8	8.6%
Non-Governmental Organizations	7	7.5%
Community Based Organizations	6	6.4%
Others	1	1.0%

Source: Research data

Findings presented in the above table show that Local Enterprise Authority led in the provision of complementary services to the young entrepreneurs in the South East District with 22.5% of respondents indicating them as the main provider of such services. The South East District Council were second with 16.1% of respondents indicating their involvement, followed by 13.9% of respondents indicating Ministry of Youth Empowerment, Sports and Culture Development; 12.9% Social & Community Development; 10.7% the Ministry of Agriculture; 8.6% Micro-Finance Organizations; 7.5% Non-Governmental Organizations, and Community Based Organizations representing 6.4%.

It may be observed that the Local Enterprise Authority with other government departments dominate in the provision of complementary services as indicated by 76.1% of respondents. Generally, the young entrepreneurs have benefited to a significant extent from complementary service providers. Noticeably, the above findings are in agreement with Themba & Josiah (2015) as they indicate that the government of Botswana has always recognized the importance of business enterprise in economic development and mentioned network of institutions and programmes involved with entrepreneurship development such as; the Local Enterprise Authority, the Botswana Investment and Trade Centre, Botswana Development Corporation, National Development Bank. All the aforementioned institutions are state owned and therefore reflecting Botswana Government's efforts in promoting entrepreneurship in the country.

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## **LESSONS LEARNED AND KEY AREAS FOR REFORM**

We have learnt from the current study findings and in the scholarly literature available in Botswana that YDF funded projects have been experiencing a high failure rate due to various reasons which included lack of commitment by project owners, conflicting interests of beneficiaries, market penetration, limited business management and technical skills and high and unsustainable rentals (Assan, 2012; Themba & Josiah, 2015; Lute, 2017). The programme is without criticism both from social commentators and academics. In the year 2017, Public Accounts Committee (PAC) branded the YDF a “cash cow”. Members of the PAC asked the Ministry of Youth, Sport and Culture to consider suspending the programme in order to develop essential framework necessary for the success of the programme (Lute, 2017).

Therefore based on the lessons learnt and in light of the challenges presented above, it is pertinent to ask how can the programme be improved and/or implemented in order for it to address youth unemployment and social problems head on? Is the youth entrepreneurship development fund the answer to poverty alleviation among the youth? Clearly, as currently designed and implemented, YDF is not effective, and therefore needs to be re-designed. For instance, based on the current study findings and anecdotal evidence; beneficiaries ignore their obligations without consequences, there is risk of saturation of the same type of business, actual impact difficult to ascertain, and monitoring and evaluation is weak. Hence, it is the contention of the authors of this paper that there is a need to make the fund contribute significantly to macro-economic priorities such as economic diversification, import substitution and job creation. As a result, we propose key areas for reform below.

### **Fund structure overhaul**

Based on the findings and lessons learnt with regard to the implementation of the YDF, it is the contention of this paper that there is a need for repositioning the programme in order for it to achieve its objectives. Currently the program targets only youth not in employment, education or training (NEET). Therefore, we propose that the programme should be open to any youth on condition that they leave their job when approved for funding. Furthermore, the paper argues that government on its own cannot address the complex and multifaceted youth unemployment challenge which precipitates poverty. Henceforth, there is a need

for the fund structure to be overhauled on the grounds that as long as it is operated by government, political interference will continue to compromise the quality of the programme. It is time the MYSC consider that the programme be operated by the private sector and/or public-private partnerships with relevant stakeholders. This is suggested on the basis that currently the country is grappling with high youth unemployment as mentioned earlier in the paper. As a result, having effective and efficient public private partnership (PPP) will be critical for the youth employment creation. Perhaps, PPP could include young people themselves to conceptualize, design, implement, monitor and evaluate the programme.

### **A split of the programme**

This paper proposes that the Youth Development Fund should be split into two. The split will enable its transformation into a fund that supports youth ventures in production value chains and light manufacturing. There should be two components that address the social aspects and the purely entrepreneurial aspects. The latter aspect should be strictly to fund youth with a clear demonstration of superior business knowledge and aptitude through robust and/or rigorous screening. For instance value addition should be taken into consideration, arts, culture and tourism sector industries, mass employment and innovation that will create jobs for graduates. Moreover, projects that utilize technology and help Botswana into light manufacturing and food processing. Accordingly, funded enterprises must have potential to transform into mass employment generating agencies producing to export. With this arrangement, there should be a mandatory training and exchanges prior to fund disbursement. There should be monitoring, coaching, mentorship and exchange to support enterprise growth. In addition, smart partnerships with industries should be encouraged, 60% of YDF funds should be reserved for this proposed entrepreneurial component, and all administration of this fund be outsource or run by PPP as suggested earlier on.

On the flip side, the YDF for social aspects will continue to cover youth not in employment, education or training with 40% of the YDF annual subvention. This will work for those producing products not necessarily of any higher value addition, especially to support most rural applicants because they too deserve to benefit from YDF as the revised national youth policy of 2010 dictates. This component of YDF is proposed to be administered by MYSC through the District office, just as it is the case currently.

### **Study limitation**

The study findings should be cautiously interpreted on the basis of some limitations. The current study population may not be a representative of the YDF in other parts of Botswana since all participants were from one area of the country, therefore the study was location specific, not a national study covering the entire Botswana. Nonetheless, it is worth to note that the study has confirmed some relevant findings from previous studies on the subject.

## **CONCLUSION**

In conclusion, this paper sought to assess the contribution of the Youth Development Fund towards poverty reduction among the youth. One key lesson that can be noted perhaps is that- the political will on the part of the government is a key factor for positive outcomes where youth initiatives are concerned. However, despite investment of BWP1.2 billion in 10 years as indicated earlier in the paper, the youth are still in poverty and facing high unemployment. While the paper shows that the programme has had some successes and failures, it is apparent based on the findings and the literature, that failures outweigh the successes (see, Pansiri & Temtime, 2010; Themba & Josiah, 2015; Diraditsile & Maphula, 2018).

Clearly, it has not helped reduce poverty, and as a result, it can be concluded that the programme has a long way to go before it can effectively drive changes in the economy and in overall poverty alleviation. To this end, it can be concluded that under the prevailing conditions, the YDF cannot be an answer to poverty alleviation among the youth because too much political interference compromises the quality of the programme. When it was crafted, it was supposed to instill a sense of responsibility to the beneficiaries (50% grant and 50% loans) where it was meant to function as a revolving fund. However, as indicated elsewhere in the paper beneficiaries ignore their obligations without consequences. Perhaps if the proposed reforms can be used for policy and practice intervention by the policy makers in the government enclave, meaningful results will be achieved.

### **ACKNOWLEDGEMENTS**

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## **THE NEED FOR EVIDENCE BASED ENTREPRENEURSHIP AND SMALL BUSINESS POLICIES: BOTSWANA PERSPECTIVE.**

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### **ABSTRACT**

In recent decades, the promotion of entrepreneurship as a possible source of empowerment and job creation has attracted increasing policy and scholarly attention. Despite this, there has been no systematic attempt to assess the impact of entrepreneurship and small business policies in Botswana, youth development fund in particular. Therefore, this paper presents a study that sought to examine the strength and challenges of entrepreneurship programmes meant to address youth unemployment and also examine the role of government policy in the development of SMME'S with a focus on government funded projects. The study adopted a cross-sectional mixed method. The data was collected through a survey questionnaire. A total sample of 191 randomly selected respondents of which 94 were youth participants and 97 were key informants, provided information for this study. Youth participants were drawn using systematic sampling whereas key informants were drawn using purposive sampling, and for both participants data was analysed quantitatively through the use of SPSS. The findings show that lack of monitoring and evaluation is a major challenge of government entrepreneurship initiatives trying to create jobs in Botswana. This paper concludes that greater emphasis should be put on research to generate up to date and reliable data to support entrepreneurship development and small business policies and programmes.

**Keywords:** Entrepreneurship Policy, Small Businesses, Evidenced Based Policy, Innovation

## INTRODUCTION AND BACKGROUND

Each year the Government of Botswana under the Ministry of Youth Empowerment, Sports and Culture Development (MYSC) spends approximately BWP1.2 million on entrepreneurship and small to medium and micro enterprises (SMMEs). The above funds are allocated on constituency bases and since there are 57 constituencies in the country, each is given BWP 2 million for purposes of financing SMMEs belonging to young people between the age of 18 to 35 years (MYSC, 2013). However, the government has often been criticized for spending large amounts of money on unsustainable youth programmes with little impact on job creation, particularly entrepreneurship and SMMEs. Despite this huge amount of money spent, what we describe as entrepreneurship and SMME policy probably does not work but results in great waste of money (Malema, 2012). Evidence suggests that very few policies are carefully evaluated, and hence there is little knowledge about their cost efficacy. It does not seem unreasonable to suggest that there is little evidence in support of policy efficacy on entrepreneurship and small businesses.

This paper builds on previous work in the area of entrepreneurship development in Botswana which advocate for the need to develop effective measures for monitoring and evaluation of SMMEs. Some interesting studies have been undertaken on the subject (see, Assan, 2012; Themba & Josiah, 2015; Pansiri & Yalala, 2017). However, despite the well crafted SMMEs programmes, a glaring gap exists between research and programme activities in Botswana and entrepreneurship programmes are no exception. The government experiences high failure rates of small businesses financed by MYSC under youth development fund. It is unclear as to whether the problem is due to poor formulation and implementation of policies or possibly a failure of research which feed into the formulation, implementation and monitoring of SMMEs policies. Based on the foregoing, this paper presents a study that sought to examine the strength and challenges of entrepreneurship programmes meant to address youth unemployment. The aim of this paper is to provide a better explanation of the importance of using quality contextual evidences within the process of policy making. Although the explanation provided by this paper can be applied generally for any policy making process, this paper tries to apply this explanation within the context of SMMEs policies under MYSC.

The paper is structured as follows. Following an introduction, the paper presents section two, which is the statement of the problem. This is followed by section three which is a discussion of entrepreneurship and small business policies around the globe and locally in Botswana. Next, is section four which focuses on

the methodology. This is followed by section five which presents results and discussions. Finally, section six provides recommendations in terms of the way forward and concluding remarks for the paper

### **Statement of the problem**

There is a substantial body of evidence that Botswana has put a lot of effort to boost economic productivity by empowering SMMEs, particularly those that are run by citizens with 100% ownership (Botswana Institute for Development Policy Analysis [BIDPA], 2015). However, evidence gleaned from numerous official documents revealed that small businesses under MYSC collapse in less than a year in operation after getting funds. The success rate of SMMEs is relatively low (Mutoko, 2014). As indicated earlier, a glaring gap exists between research and programme activities in Botswana and SMMEs policies and programmes are no exception. It is imperative that policies and programmes be informed and guided by research. At a practical level, the programme should have an in-built monitoring and evaluation framework to determine the extent to which the programme is able to deliver on its mandate.

At present, there is lack of empirical understanding and feedback mechanisms of how small business policies and programmes are conceived, designed and implemented. It is only through the use of scientific data generated through empirical research that the government can design well-informed policies and programmes to effectively meet the needs and aspirations of the unemployed youth and thus reducing SMMEs high failure rates. Very few scholars have paid attention to the process of developing and implementing entrepreneurship policy in Botswana. This gap within the field of entrepreneurship policy is very important since the policy process always influences the content of policy.

### **Entrepreneurship and small business policies**

It is worth noting that the terms entrepreneurship and small business can be defined differently across countries and industries. They are submerged with semantics. Therefore based on the foregoing, according to this paper, the term small business is used to describe small and medium sized businesses financed under youth development fund (YDF). Notably, entrepreneurship in this paper is defined as the practical application of enterprising qualities, such as initiative, innovation, creativity, and risk taking in the work environment (either in self employment or employment in small start-up firms) and using the appropriate skills necessary for success in that environment and culture (Chigunta, 2012).

Notably, over the past decades, a compendium of studies have been conducted in both the northern and southern contexts on a wide array of enterprises and the development and growth of small business policies as a source of employment creation (Bride, O'Neil, & Martin, 2009; Naude, 2010).

According to Kachlami (2012) entrepreneurship policy has had a high priority for the Danish government in recent years. In 2003, a national action plan for entrepreneurship was introduced, emphasizing the importance of new firms and also setting goals for high growth start-up. Moreover, research and analysis unit under the Danish Enterprise and Construction Authority (FORA) presented the first policy report on entrepreneurship in Denmark. According to its mission statement, FORA ensures a fact based platform for effective business policy development; and since 2004, the development in entrepreneurship performance and framework conditions has been measured and monitored by Danish government to ensure that the country is on track (Kachlami, 2012). In Sweden; Almerud, Hjalmarsson & Lundberg (2018) notes that, there is a general shift from traditional SMME policy towards formulating a more entrepreneurship oriented policy. The ambition is to make running a business easier and more rewarding in Sweden through creating a world class business environment. According to the industrial statistics table as prepared by the Ministry of Economy in Japan, 99% of companies are SMMEs and they contribute 70% of total employment and 50% in manufacturing (Yamashita, 2014). SMMEs in Japan have contributed immensely to high economic growth by not only maintaining their market share but increasing in numbers overtime. This success is attributable to fundamental SMMEs modernization policy and particular characteristics observed in Japanese style management (Yamashita, 2014).

In Botswana, there is also a substantial body of evidence that shows that the government regards SMMEs as a fundamental element that plays a cardinal role in the national development objectives of the country (Mwobobia, 2012). In support of this, the government has formulated a number of policies to support small businesses in Botswana since independence in 1966. According to Sathyamoorth (2012) in 1974 Botswana Enterprise Development Unit was established in 1982, Financial Assistance Policy was introduced, in 1987, Integrated Field Services established in 1997, there was an appointment of small, medium, micro enterprise task force to address comprehensively SMME issues and steer the development of a policy for this sector, in 1998, final report to Ministry of Commerce and industry which was a policy paper on small medium and micro enterprises was approved by the National Assembly on the 15<sup>th</sup> December 1998 (Sathyamoorthi, 2002). Fast forward to the millennium, institutions dealing directly with entrepreneurship and small business where the

government introduced, for instance, in 2004, Citizen Entrepreneurship Development Agency (CEDA) and Out of School Youth Programme (OSYP) was introduced as well around the same time. In 2009, Youth Development Fund was established as a replacement of OSYP. This proliferation of SMMEs programmes and policies shows that the government of Botswana has always recognised the importance of business enterprise in economic development of the country (Pansiri & Yalala, 2017).

As mentioned earlier on under this section, the national assembly approved SMMEs policy in 1998, and the underlying principles of SMMEs policy are essentially to create an environment in which these enterprises will find themselves comfortable to flourish and grow; to provide integrated and comprehensive measures for the development of SMMEs which will ensure appropriate linkage between the various programmes designed for small businesses; to discourage as much as possible dependence on the government for assistance and also to make sure that the policy is effectively implemented with a provision for regular assessment of its performance (Policy on Small, Medium and Micro-Enterprises in Botswana, paper no: 1 of 1999, 10-11). The objectives of the SMME policy have been succinctly articulated in the above-mentioned White Paper.

The policy aims at achieving economic diversification, encouraging exports by small business enterprises, creation of employment opportunities, just to mention a few. Noticeably, the Policy of SMME in Botswana has 20 years without proper implementation, monitoring and evaluation. To this end, despite the introduction of the SMME policy, some scholars and social commentators argue that the reason behind the inefficiency of entrepreneurship and small businesses under YDF can be attributed to the process undertaken where policies are designed and implemented (Mogomotsi & Madigele, 2017; Diraditsile & Maphula, 2018).

## **METHODS**

This research made use of primary data as well as secondary data. The sample included 191 participants, 94 were the young people and 97 were the key informants from parastatals, private sector and government ministries. This gave a response rate of 93% which is satisfactory to draw conclusions from the study.

### **Sampling techniques**

Since the study had two different kinds of respondents a different technique was used for each group of respondents. For the young people a probability sampling technique was used. All young people who use MYSC services stood equal chances of being selected, either employed or unemployed. A registry book was borrowed from MYSC and systematic random sampling was used to select all the youth respondents. For key informants a non probability sampling technique was adopted, namely purposive sampling. Of all the parastatals, private sector companies and government ministries found in Botswana, the study focused on the organizations that have a business mandate related to the study focus. A total of five in each category were selected (5 government ministries, 5 parastatals and 5 private sector companies). These were individuals with knowledge on issues relating to youth development and empowerment, labour related issues and issues relating to the diamond industry.

### **Survey instrument**

There were two questionnaires used for the study, one for youth participants and the other one for key informants. Both questionnaires consisted of 4 sections: (a) demographic details; (b) the main contributing factors of youth unemployment; (c) challenges of SMMEs; (d) impediments associated with the policy making process; and (e) measures in place to address policy gaps. Notably, the questionnaire also included a number of vignettes accompanied by a series of closed ended questions.

### **Procedure**

The permission to undertake the study was sought from the relevant ministries in order to gain access to the study participants. The instruments (questionnaires) were self administered to selected participants in their respective workplace and the young people from MYSC. It is imperative to note that before the actual data collection, arrangements were made with the head of departments of the respective organizations.

### **Analysis**

The data was subjected to statistical analysis, hence the Statistical Package for Social Sciences (SPSS) was used for data analysis. Questions were analysed

through the use of descriptive statistics for instance, frequencies, percentages and charts. As for the few open ended questions, content analysis was used. This entails reading the responses a number of times and identifying key themes emanating and grouping them into manageable sub themes.

## RESULTS AND DISCUSSION

This section presents the results and discussion of the study with the view to inform policy, research and practice interventions. For the purpose of this paper, only three themes are discussed below, inter alia; challenges in implementation of youth development fund, small business lifespan, and effectiveness of youth development fund.

### Demographic characteristics

Table 1: Demographic details

<i>Summary</i>	<i>Youth Participants</i>		<i>Key Informants</i>		
Age	Count	%	Age	Count	%
15-20	8	8.5	20-30	28	29.5
21-25	40	42.6	31-40	28	29.5
26-30	32	34	41-50	26	27.4
31-35	14	14.9	50+	13	13.7
Missing value	-	-		2	2.1
Total	94	100		96	100
Gender			Gender		
Male	42	44.7	Male	42	43.3
Female	52	55.3	Female	54	55.7
Total	94	100		96	100

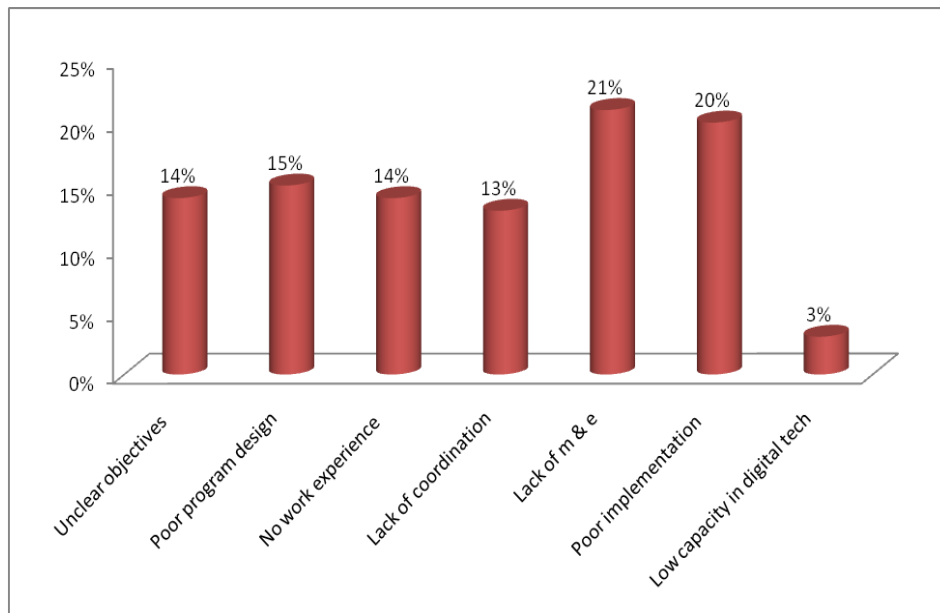
Source: research data

Table 1 above shows the age and gender distribution of the respondents. The study comprised of 191 respondents being (Youth participants and Key informants). According to the Botswana Revised National Youth Policy of 2010 youth comprised of people between the ages of 15 and 35, hence this definition

guided the study. Under youth participants, most of the respondents (42.6%) were aged between 21-25 years, followed by 34% aged 26-30 years and 14.9% were of those between 31-35 years. The last 8.5% comprised of those between the ages of 15-20 years. With regards to age representation of key informants, the age groups of 20-30 and 31-40 recorded an equal representation of 29.5%, this was then followed by 27.4 % of those aged between 41-50 years. The smallest group of respondents made 13.7% consisted of those aged above 50 years.

### Challenges of small business enterprise

Figure 1: Challenges of YDF



Source: Research data

One of the objectives of the study was to establish the challenges in implementation of youth development fund. The results in the above table shows that 21% of respondents indicated that the main challenge faced in implementing youth development fund is lack of monitoring and evaluation; followed by 20% of respondents who are of the view that poor implementation strategies is a great challenge for government funded projects aimed at assisting young people. Only 3% of the respondents were of the view that low capacity in digital technology is affecting implementation. The findings are in agreement with Kachlami (2012)

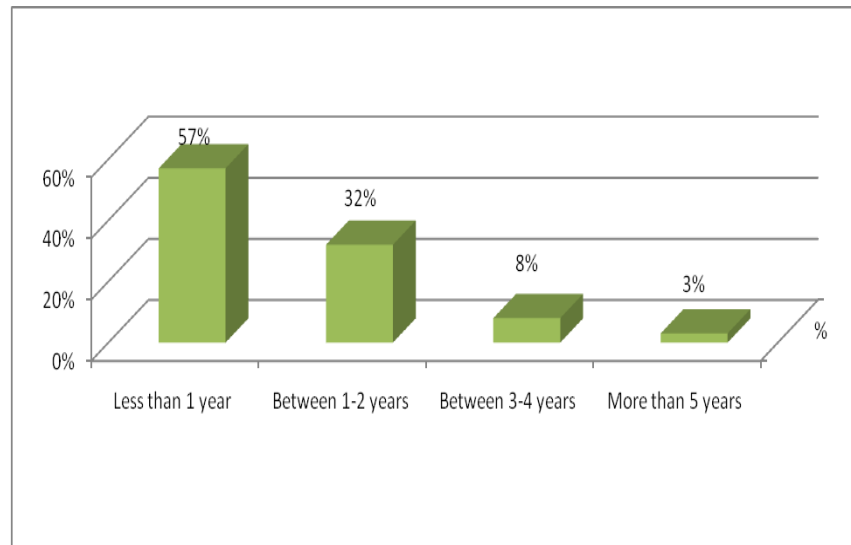


that it is impossible for SMME policies to be implemented smoothly on the grounds.

The author went further and mentioned sources of challenges such as the self interest of political and government officials, political lobbying, societal power structures and ideological considerations which play a critical role in making and shaping SMME policies while the best interests of the business owners gets lost. Nonetheless, it is worth noting that many scholars are not in agreement when it comes to a universal list of factors which may be attributable to the fact that not all SMMEs are the same, or operate within similar industries, or are run by people with a similar set of skills and endowments to run a business successfully. For instance, in the case of Botswana, many projects fail because not all young people have the aptitude to run a business. However, that seems to be overlooked in financing of small business.

### Small Business Lifespan

Figure 2: Youth development fund lifespan



Source: Diraditsile (2014)

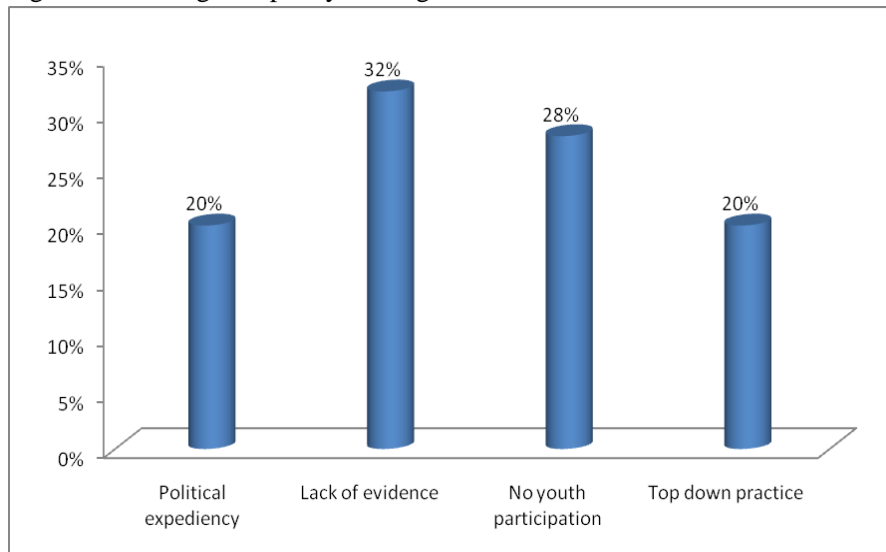
The figure above shows SMMEs survival rates in a study that was conducted by Diraditsile (2014) in the south east of Botswana. More than half of small businesses do not even make it through the first year of establishment as shown in the above figure, just a little over a quarter (32%) of them survive between 1 to 2

years and only 3% survive beyond the 5 year margin. With regard to the above figure, Olawale and Garwe (2010) in South Africa asserts that SMMEs are often established as a last resort as opposed to first choice. As a result, it can be argued that establishing a small business as a last resort can be offered as the main reason why SMMEs fail.

What emerged from the this present study, after reviewing scholarly literature in Botswana so far is that there is lack of empirical findings on how the identified causes directly impact or lead to failure/ leaving the whole endeavour vulnerable and subject to unending debate and scrutiny, without offering a reasonable solution to end business failure among SMMEs. A study conducted by Diraditsile (2014) shows that 79.8% and 46.2% of the respondents selected high rental and lack of government support, respectively, while 45% and 30.1% of the respondents selected inadequate capital and lack of suitable business premises, respectively, as major challenges of SMMEs failure factors in the south east of Botswana.

### Challenges within the policy making process

Figure 3: challenges in policy making



Source: research data

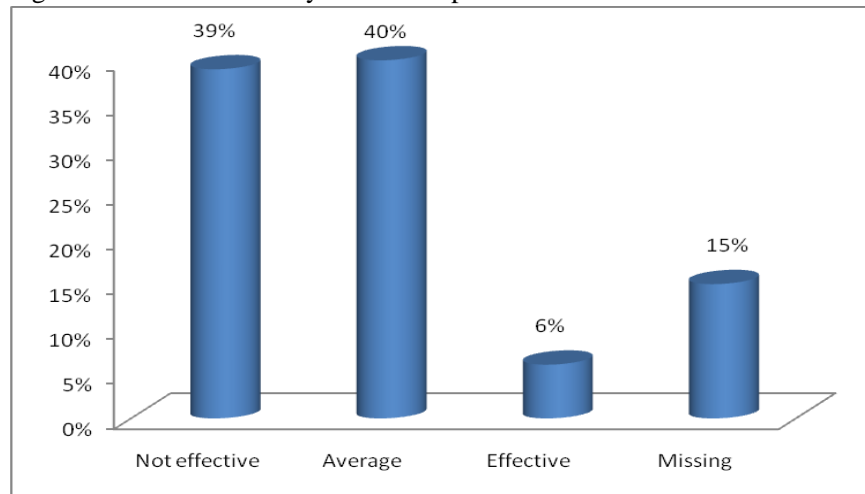
Close to a third of respondents (32%) are of the view that lack of evidence is the main challenge within the policy making process in Botswana, followed by 28% who indicated that non-involvement of youth in interventions which are

meant to benefit them is also a concern, followed by political expediency and the top down policy practice both represented by 20% each. This finding is in accordance with Diraditsile (2017) who states that many youth intervention programmes in Botswana suffer from the absence of lack of research, and further stated that the Botswana government is suspicious of scholarly research conducted by academicians. Hence it fails to put into use its intellectual resources to develop the country.

One of the present study's findings is that a significant number of participants have identified poor implementation as a challenge to government programmes. Accordingly youth development scholars in Botswana such as (Nthomang & Diraditsile, 2016; Sechele, 2016) have stated that government youth initiatives emphasize getting young people out of the streets, provision of funding to the beneficiaries and little attention is paid to the impact of the programme on the intended beneficiaries, in particular, sustainable employment creation and improvement of youth livelihoods. The propensity of government officials has been to focus on the number of projects funded, amount disbursed and the number of young people that have been assisted and not on whether such interventions have made any positive impact and improved the quality of life of the youth.

#### Effectiveness of small businesses

Figure 4: Effectiveness of youth development fund



Source: Research data

With regard to effectiveness of youth development fund the table illustrates that 40% of the respondents are of the view that the effectiveness of the

programme is neither effective nor ineffective. Furthermore, 14% of the respondents did not respond to this question. Only 6% are of the view that the youth development fund is effective. Based on the foregoing, Nthomang and Diraditsile (2016) noted that, there has been some laudable achievements from the youth development fund as reflected by the amount of money disbursed, number of projects funded and youth enrolled. They also argue that the small businesses have also succeeded in terms of getting some young people off the streets and keeping them positively engaged. Nonetheless, it does not seem unreasonable to suggest that successes of small businesses are far much outweighed by the challenges owing to the fact that the needs of the beneficiaries remain largely unaddressed by the youth development fund programme. In particular, there is very little and in some cases no noticeable change on the improvement of the quality of life of the small business owners. An intervention programme that does not improve the socio-economic conditions of the beneficiaries is a failure and should be reviewed with a view to make it better or be discontinued. Unfortunately, this has not happened with the current youth development fund.

### **Practical implications**

It is the contention of this paper that the need for evidence based entrepreneurship and small business policies is not a new argument. As such, the paper reiterates that policy making needs high quality evidence when designing and implementing policies. Therefore local governments at district levels must cooperate in developing an efficient and effective SMME policy. Since there is need for evidence based formulation the paper suggests developing an online application that will allow all beneficiaries to frequently upload progress reports. To ensure compliance, this could be made a requirement for funding that is made known to all aspiring applicants of government funded projects. Although this maybe expensive to maintain it will provide information which is easy to access by government officials and policy makers to use for making informed decisions, facilitate monitoring and evaluation and also enable the formulation of sound policies that are backed up by up-to- date information.

The aforementioned strategy is adopted from the Japanese Establishment and Enterprise Census which equips relevant stakeholders with necessary information for continuously revising SMME policy. Furthermore, the paper advocates for a more community and society based strategy for enhancing monitoring and evaluation. For instance, members of the society (especially government employees) should be encouraged and incentivized to mentor young entrepreneurs. The community should be made aware of newly funded projects in

their area to increase awareness and involvement of the community. Involving the community will have a synergic effect on the whole SMMEs performance and improve contribution to the economy. Moreover, projects that are given priority should be directly linked to the industrial policy of the country. They should support the overall aim and direction of the country.

#### **Limitation of the study**

The study findings should be cautiously interpreted on the basis that there are some limitations. The study population may not be a representative of small businesses under youth development in other parts of Botswana. We also recognise some limitations in the design of the questionnaire, particularly those that should have permitted multiple responses and not restricted participants to marking only one answer (for instance, see questions informing the figure on challenges of implementation of the youth development fund, challenges on policy making and effectiveness of the YDF programme).

## **CONCLUSION**

Evidently, entrepreneurship development and SMME promotion in Botswana have become one of the main priorities of the government in terms of improving youth livelihoods. Notwithstanding the crucial roles of SMMEs in the Botswana economy, studies on entrepreneurship and SMMEs development seems to be very limited, particularly quantitative assessments of impact of entrepreneurial capabilities and government policy on business successes. This research has revealed that while many small businesses may have limited growth ambitions, evidence does suggest that small businesses face many barriers that inhibit many from becoming innovators. To this end, this paper concludes by stating that there is the need for research evidence in informing entrepreneurship and small business in Botswana.

#### **ACKNOWLEDGEMENTS**

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## **AGILE MARKETING AND THE SURVIVAL OF FIRMS IN INTERNATIONAL MARKETS**

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### **ABSTRACT**

The study seeks to understand how firms survive in highly turbulent international environments. Interest is directed towards understanding how firms can generate and maintain new marketing initiatives in environments that are highly competitive and constantly changing.

Data was collected through interviews of Marketing Executives of two internationalised Botswana firms. The findings show that agility in marketing activities is of a great value in navigating uncertainty arising from a continually transforming complex international environment and rapidly changing customer expectations. Three key themes of (1) intimate and intense customer knowledge (2) continuous employee training and upskilling, and (3) continuous evaluation of competitive alternatives, emerged.

Finally, the study recommends that internationalising firms ought to embed processes for opportunity recognition, creation and exploitation to make their products commercially viable. The processes must address marketing practices that establish legitimacy for the internationalised firm.

**Keywords:** Marketing agility; surviving international markets; Internationalisation



## INTRODUCTION

Uncertainty is a key characteristic of any economic activity. However, planning in an uncertain environment is extremely difficult thus businesses attempt to reduce the impact of uncertainty by proactively anticipating change and getting equipped to manage it (Oetinger, 2004). Factors such as intellectual property, highly competent international suppliers, product quality and differentiation, and customer sophistication (Wiig, 2004) make the competitive environment even more demanding.

Changes in competitive environments are also due to rapid technological changes, talent and employee mobility, and increased rates of technology transfer (Yves Doz, 2008). These changes and complexities comprise of risks and uncertainties that could paralyse a firm.

In general, the international environment is more hostile (Hitt, 1997) as firms operate in diverse and inconsistent laws, national cultures, and industry forces (Rosenzweig, 1991). The business environment continuously develops, both in terms of diversity and complexity (Wiig, 2004) thus forcing firms to focus on efficiency and flexibility. Such firms have been labelled as agile (Charbonnier-Voirin, 2011; Van Oosterhout, 2010; Van Stekelenburg, 2012).

Agility highlights the competitive advantage enjoyed by a firm that can quickly adapt to market changes in a productive and cost-effective way. By operating in a dynamic and highly competitive environment, with unpredictable characteristics and identified forces, firms use agile processes to meet the changing market demand to gain competitive advantage (Johnston Jr., 2003). Agility requires a high degree of flexibility, both in the business model with existent subsystems and the organisational culture (Peterson, 2011). Agile firms can adjust their marketing mix to deliver greater customer value in response to unpredictable and changing market conditions (York, 2015).

Macroeconomic fluctuations and the increase in international firms from smaller, marginalised economies, has altered the competitive configuration among firms (D'Aveni, 2010). This increasing competitiveness has caused the shortening of firm life-spans in international markets. It is thus important to understand how those that survive adapt to the turbulent environment at the functional level. This paper contributes to understanding marketing agility of firms from marginalised

economies. The findings help firms to identify any strategic gaps in their practices and possible remedies.

## **LITERATURE REVIEW**

Successful firms have a clear understanding of the trends of turbulent business environments and forces that shape competition (Gbenga, 2011). The understanding enables firms to choose the appropriate strategic approaches. Dynamic capabilities literature has been the main stream of research used to explain how firms respond to changes continuous environmental changes (Ambrosini, 2009). Currently another stream of Marketing agility is being developed (James, 2016). Literature from both approaches is explored below.

### **Dynamic Capabilities**

The concept of dynamic capabilities has been a dominant paradigm for the explanation of competitive advantage (Ambrosini, 2009). The notion of dynamic capability lies at the heart of the firm's ability to make change in a systematic way that gives the firm competitive advantage over its peers (Ambrosini, 2009).

Dynamic capabilities allow firms to continually have a competitive advantage avoid developing core rigidities which inhibit development of inertia (Leonard-Barton, 1992). For a firm to sustain long-term competitive advantage, it uses dynamic capabilities sooner, more astutely, or more fortuitously than the competition to create resource configurations that have that advantage (Eisenhardt Kathleen and Martin, 2000). As such, these dynamic capabilities emphasize the development of management capabilities, and difficult-to-imitate combinations of organisational, functional, and technological skills to change existing operational mechanisms in order to meet new customer needs and finally improve performance (Helfat, 2003). Firms survive with deliberate insight into the changes in the environment and with the adoption of changes to update their ability to shape their operating capabilities to adapt to the new environment.

In turbulent environments, dynamic capabilities lead to a path breaking strategic logic of change if used to devise new resource configurations that will lead the firm into new positions, markets, capabilities, products, etc (Burgelman & Robert and Doz, 2001). Thus, the main motivation behind dynamic capabilities is the renewal of corporate strategy through internal organisational development with and within its ecosystem.

Since the dynamic capabilities view provides rich insights into corporate strategy as opposed to functional strategy (Bowman & Ambrosini, 2003), the view seems to under play the importance of operational capabilities that provide unity, integration and direction to resources and operational practices. Functional capabilities encapsulate both explicit elements and tacit elements (e.g. know-how, skill sets, leadership) for handling a variety of problems or dealing with uncertainty (Sarah, 2010). The evolutionary version of the dynamic capabilities view that embraces functional capabilities is the concept of marketing agility (James, 2016) as discussed below.

### **Marketing Agility**

Agility first came to be adopted in marketing through technology companies that used the process for their own software development and they experienced a much greater measure of success while being agile than when using waterfall processes characterised by extensive planning and long development cycles (James, 2016) (Cross, 2018). Waterfall is a sequential design process in which after one stage is completed, developers move on to the next stage. The problem is, waterfall by its nature is the opposite of agile. If something doesn't work out in, say, the second stage, one must go back and start over. But agility typically incorporates shorter development cycles, after which time something is launched, progress and priorities are reassessed, and the iterative cycle begins again (Sinclair, 2016).

Start-ups, in which marketing and technology were often much more closely linked than in traditional businesses, also saw quick benefits. Agility is fast, focused, prioritised and predictable. Agile marketing teams publish more content, can react to current events, are better on social media, make quick data-driven decisions, run tests every day, fail fast and learn often (James, 2016).

At a functional level, agile marketing enables firms to stay close to their customers and top-of-mind across multiple digital channels, whether it's via mobile, social media, internet or email (James, 2016). Cross-departmental teams collaborate and use shared data to achieve a common goal. Other benefits include increased transparency into what marketing does, thanks to cross-departmental collaboration, which can help increase support of marketing initiatives throughout the firm; better prioritisation of marketing initiatives; improved productivity; the

flexibility to increase speed-to-market; and ultimately, increased revenues and customer loyalty.

### **Agile Marketing Framework**

Agile marketing relies on people working together collaboratively. However, agile marketing does not mean uncontrolled or without process. It requires boundaries, rules and a level of governance commensurate with the marketing activity being delivered (Marjot, 2014). As such, agile marketing requires an actionable framework that (1) captures ideas and enable collaboration, (2) evaluate external threats, assess impact, determine response and action it fast, and (3) create and deliver cohesive marketing content and initiatives.

An actionable agile marketing framework requires consistent processes and systems to deal with processes of managing ideas and innovation, content, tasks and governance, and monitoring and/or responding to external events. Being able to respond quickly requires some form of process, boundaries and actors who understand their roles. Thus, understanding how firms respond, survive and grow in such turbulent environments is critical.

## **METHODS**

A case study research design was used for the study. As an evidence-based approach (Merriam, 1998), the case study method is appropriate for investigating an empirical subject matter within its natural setting when the 'how' and 'why' questions are asked (Yin, 2003). This study seeks to understand how firms respond, survive and grow in turbulent environments.

Two internationalised firms were purposefully selected for the study based on their potential to inform the research question (Maxwell, 2005; Patton, 1987). Both firms are from Botswana and have been in operating in the local market for several years and performing relatively well. The firms subsequently entered competitive and turbulent international markets and grew their market share.

Data was collected through interviewing Marketing Directors, Marketing Managers, and General Managers from the two firms. Multiple sources from the same firm were necessary to ensure reliability and increase credibility of the data (Stake, 1995; Merriam, 1998).

Senior and Mid-level managers were found to be suitable as representatives as they best understood their firm's best practices and processes, thus are privy to the details and circumstances of their firm operations. Many of the questions on the interviews involved circumstances and details about firm policies and strategies.

The interviews were conducted at the respondents' offices where they could retrieve any information for referencing. Prior to the interview, the respondents were called to arrange for a suitable time. A semi-structured interview approach was used to obtain insights on: (a) firm's background information and (b) participants' perceptions and experiences with collecting, analysing, and using data for the purpose of helping their firm to survive in turbulent environments.

With participant approval, the audio of the interviews was recorded to ensure accurate transcription. Handwritten notes were also taken during each interview, to enable tracking key points to return to later in the interview or to highlight ideas of interest or importance.

Ethical considerations were taken into place to ensure that the study is conducted in an appropriate manner. The participants were interviewed only after they had consented, and the research purpose, benefits, and process were explained to them. The participants were also informed of their right to stop the interview at any time, and protection of their personal and firm identity and confidentiality of information shared. To ensure transcript accuracy, each interview was transcribed, and the transcripts were presented to each interview participant for their review further to ensure accuracy.

### **Data Analysis**

For the purpose of the study and to maintain anonymity of both the firms and management of the firms, the firms were code-named as 'Firm A' and Firm B during analysis. During in-depth interviews, study participants described their processes of generating marketing initiatives that are in response to external events to survive and grow in highly turbulent international markets. Preparation of the data commenced with transcribing the audio into word document transcripts. The transcripts were then put into groups that reflected the general description by the participants.

The groups were assigned labels as interpreted from the participants' descriptions. Further analysis of the groups was carried out to determine common

themes. The emergent themes were woven into narrative passages, so that the findings emerged logically from the participants' responses. During the interpretation process, the researchers' technical knowledge of International Business informed the understanding of the participants' stories.

In order to convey the participants' information about the firm's processes accurately, the researchers focused specifically on what the participants were saying. The themes that emerged from this study came directly from the awareness of the healthy tension between the researchers' own biases and the participants' own meaning-making processes.

## **RESEARCH FINDINGS**

Both firms that participated in the study had been in operation for more than 30 years each in the Fast-Moving Goods (FMG) retail sector. Firm A had been operating internationally for 10 years while Firm B had 5 years international presence. International presence for both firms had been in Sub-Saharan Africa. Specifically, Firm A had been operating in markets that include South Africa, Zimbabwe, Zambia, Kenya, Mozambique and Tanzania, while Firm B operated in markets that include Namibia and Lesotho.

Three main themes emerged when exploring the role of agile marketing on the survival of organisations in international markets. The three themes arose from grouping the descriptions from the interviews according to their commonalities and distinctive features.

### **Theme 1: Intimate and Intense Customer Knowledge**

Firms comprehend that the goal of marketing in uncertain environments is to create a system that enables the inclusion of new information and emerging innovations into marketing more rapidly than quarterly or yearly plans allow. This was captured by firm A when management said,

“It formerly takes our marketing team multiple weeks or even months to get a good idea translated into an offer fielded to customers. One of the key elements of the successful generation of new marketing ideas is the acknowledgement of existing and potential customers that fall into groups or segments, characterised by their ‘needs’.” (Firm A)

Identifying these groups and their needs through market research and then addressing them more successfully than competitors is the focus of a firm's marketing strategy. In order to achieve this, firms maintain flexible ideas that can

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respond to changes in customer perceptions and demand. It may also help the firm identify new markets that can be successfully targeted.

“We work hands-on and day-to-day with customers, vendors, academics, government entities, and other partners in existing and complementary industries to co-develop new products, services, and/or solutions and bring them to market. We also use online platforms such as our Facebook page so that our customers can talk to us and we listen to the voices to validate our value proposition. We start off by knowing who our customers are, what is it that they want and how they feel we should work with them through our social media platforms, email and some even call us to give us feedback. In the end we are able to come up with relevant initiatives that we feel will be beneficial to them and their needs are addressed in the process.” (Firm A)

“Here in our firm we feel that it is important to always put all our employees in the forefront of generating new marketing ideas. The reason behind this method of idea formulation is because most of the employees are in touch with the grass roots customers, they deal with the problems that are faced by customers daily and are at a better position to come up with pragmatic solutions and ideas for our marketing initiatives.” (Firm B)

These firms place intimate customer knowledge as one of the key elements of conceptualising marketing agility. Intimate customer knowledge leads to intense customer knowledge. Firms do not only know their customers well but closely work and interact with them to identify opportunities (and threats). This gives the firms an in-depth understanding of explicit and latent needs of both, current and future customers.

Complete cross functionality is essential in achieving the goal of having a team that can start and complete a project, with many people able to jump in and help come up with marketing initiatives and drive tasks and/or projects towards completion. All team members fall within the same level in the hierarchy of the firm and they all have the necessary skills to help with any project the team might be working on. Firm A stated,

“Central to achieving the firm’s strategic objectives is our team of dedicated colleagues who have extensive expertise and experience in the retail industry. Our success is built on the efforts of well-trained and enthusiastic staff. The firm has an open physical and virtual environment that empowers people to do their jobs most effectively in the environment that is most conducive to them. These environment offers opportunities to foster transparency, communication, collaboration, and serendipitous encounters between teams and units across the

firm such that everyone is welcome to come forth with any ideas that they may have.”

Firm B further reiterated that,

“We encourage innovative idea generation from staff across all levels in the firm but because of the growth in the size of our firm in the recent years, it has gotten a lot tougher for us to get in touch with all our employees. We have formed committees to ensure that we engage every employee in the creation of new marketing initiatives. The committees have people from different departments who consolidate their ideas and process developing new marketing ideas. We have also suggestion boxes for employees who feel less comfortable with speaking out in the aforementioned committees.”

Both firms seemed to have a common understanding of the importance of having everyone in the firm involved in the generation of marketing ideas. When people work together, they are most likely to realise things often overlooked and can communicate about what is important, what can be reused, and what just does not work. No time is wasted on pointless marketing initiatives. Maximising the amount of work done is one of the pillar principles for both firms.

It is essential for an organization to generate marketing initiatives that integrate the uncertainty and complexities which arise from external conditions with the design and implementation of the value-creating processes to achieve customer value and ultimately superior performance in international markets. Agile firms have processes that acquire the right information about turbulent markets in order to be able to come up with ideas that are in response to the changes in those environments they are in. Firm A stated,

“We have entrusted selected management staff to oversee marketing operations and also conduct the necessary research on the possible environmental changes that are constantly taking place in the market.”

Firm B also added,

“We ensure that the firm crafts marketing ideas that are in response to the changes in the marketing environment by being proactive and engaging in research on the possible changes that are likely to occur.”

Research on the turbulent environment plays a central role in generation of intimate and intense customer knowledge that enables firms to generate the right marketing initiatives.

Theme 2: Continuous Employee Training and Upskilling



When asked how firms ensure that everyone internally understands their role in responding to environmental changes, it was clear that continuous training and upskilling of employees was critical. Employees training was said to be the firm's biggest line item expense. This means that the firms' productivity-and ultimately, its profitability-depends on making sure all the employees perform up to their full potential.

"Well, we place great emphasis on retaining our skills through ongoing training and development to ensure that everyone understands their role in the firm towards achieving strategic goals with the changes occurring operating environments." (Firm A)

Firm B said,

"We take the necessary steps to ensure that the employees are well versed in terms of skills to ensure they understand their role and are able execute their duties. Significant time and money are put into training our staff. The company has become known for its training with progressive internal management development programs and accredited external training initiatives providing attractive remuneration structures to motivate staff and extract best performance. We ensure our branch managers and staff receive regular training on store management and customer relations and are up to date with the latest trends in the FMCG industry. We believe our staff are the first point of contact for our customers and reflect our business and its strategy. Continuous on-the-job training warrants motivated staff that are well versed with the company culture and strategy."

Through training, everyone in the firm has a solid understanding of their role and knows what to do in response to environmental changes and be able to give effective input as well.

### Theme 3: Continuous Evaluation of Competitive Alternatives

Marketing plays a boundary spanning function through the integration of external and internal components of the business environment. As these external and internal components become more dynamic and complex, boundary functions must become more agile. Consequently, the firm's vulnerability lies in its marketing responsiveness. Thus, both continuously evaluated alternative offerings in the market to ascertain their own competitiveness.

"We evaluate our competitive environment by identifying potential competitive alternatives and substitutes that already exist in a particular market. After summarising potential competitors and their competitive offerings, we seek to understand how, if at all, the competitors compare to what we are envisioning.

To accomplish this, we develop a competitor offerings grid analysis. This analysis enables comparisons amongst various product offering attributes from a variety of competitors. Completion of this grid enables us to determine how our solution compares to those already in the market. It helps us understand how our product or service is different from existing and potential players.” (Firm A).

For a firm to maintain its competitive position, they rely on their ability to gather market intelligence. They investigate their competitors target customers, what they seek to achieve by using the competitor’s products, and their perception of value. This investigation opens avenues for understanding the firm’s external competitive strengths and weaknesses. Firm A stated that,

“Identifying and understanding our competitor’s customer base reveals insight into their level of development. A listing of a competitors’ major customers includes identifying, summarising, and discovering their basis of supplier/customer relationships. The insights become an asset us as we develop our “Go to market” strategy.”

“We do external evaluations regularly and systematically often spot trends before others thus providing competitive advantage.’ (Firm B).

Targeting the rivals’ customers can provide the firm with essential information regarding satisfaction and importance of need. The intelligence can be used to evaluate the firm’s own understanding of customer needs. Additionally, it provides an opportunity to initiate or meet the needs of customers that no other firm is serving (or poorly serving).

“A firm’s competitive environment is evaluated using Competitive Position Analysis framework which consists of threat of new entry, threat of substitution, supplier power, buyer power and competitive rivalry. The analysis helps us identify where power lies in a business situation. This is useful both in understanding the strength of a firm’s current competitive position, and the strength of a position that a firm may look to move into.” (Firm B).

“Simple, we listen to the radio, watch what they do on television, social media and other mediums to get to know what our competitors are up to in terms of what products and services they might be offering and their marketing concepts.” (Firm A).

Both firms emphasise the importance of generating an understanding of competitors' current activities and plans. This provides information to develop strategies that could create competitive advantage in the future and react to

environmental changes. Where intelligence cannot be gathered by the firms alone, they form partnerships with local entities suitable for the purpose.

“Local partnerships in each of our foreign operations have been formed in order to understand the needs of the different customers because customer satisfaction is very important. We might be the market leader in Botswana, but the conditions of domestic and foreign competition are very different. More competition exists in foreign countries since innovativeness in foreign countries is much more than Botswana. In order to understand and respond to the foreign market events, we engage in local marketing firms” (Firm A).

## **DISCUSSION AND CONCLUSION**

Marketing agility enables firms to adapt quickly, which is crucial when there is accelerated expansion in a turbulent international environment. Agile marketing also emphasises selective responsiveness, which implies the assessment of the extent of adaptation. This leads to a strategic focus and avoid missed opportunities and missteps in going international.

Firm response to the changes emanating from the external environment is critical for its development and future success. Many firms operate in environments characterised by rapid technological changes, short product life cycles, potential new entrants, rival manoeuvrings, and evolving customer needs and expectations (Thompson, 2008). All these circumstances occurring in a turbulent environment require appropriate quick responses (Diego, 2012). In this context, marketing agility is of great value in navigating uncertainty arising from a continually transforming complex international environment and rapidly changing customer expectations. Marketing agility ensures that firms can accelerate their internationalisation processes with better international performance (Birgit, 2018)

Overall, the study confirms that agile marketing, driven by marketing thought and posture, constitutes a useful “mechanism” for firms in their internationalisation efforts. However, firms must embed processes for opportunity recognition, creation and exploitation by knowing their customers intimately with intensity (Jillian, 2012). Processes must address resource mobilization, leverage and extension, including marketing practices that establish legitimacy for the firm and its offering. Since firm processes are based on customer and partner interaction to create solutions that best respond to latent and fast changing environments, firms need to allow for quick market acceptance and accelerated

penetration of markets, yielding early and growing returns from internationalisation.

Future research is needed to push the analysis of the importance of marketing agility for international firms. There is a need for further research into the exact mechanics that link marketing agility with the performance enhancing capabilities of international firms. A more detailed process agility construct may offer greater specifications of the effective internal agility requirements for successful international activity. Lastly, future studies may include multiple cases from different industries.

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## **DISTINGUISHING SAVERS AND NON-SAVERS: BASED ON PSYCHOGRAPHIC, SOCIO-ECONOMIC AND FINANCIAL MARKET FACTORS**

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### **ABSTRACT**

The main objective of this study is to explain differences between savers from non-savers on the basis of psychographic, social economic and financial market related factors. A survey research design using a structured questionnaire was conducted in order to test the hypotheses developed in this study. The unit of analysis was 986 individuals aged between 18 and 64 years, in paid or self-employment, residing in two major cities and two towns in Botswana.

The findings of the study based on independent t -test to discriminate savers from con savers based on personal values, attitudes, social economic factors and financial market related factors. While there was significant difference between savers and non-saver based on personal values, there was no significant difference based on attitudes, social economic factors.

Botswana savers and non-savers alike have strong positive attitude towards saving and as such social economic and financial related factors may be hindering savings..

**Keywords:** savers; non-savers; attitude; social economic factors; financial market; saving behaviour

## INTRODUCTION

Botswana is considered a middle income country with a relatively high rate of national saving (Loayaza, 2002, Radipotsane, 2006). However, this does not translate to personal and household savings as indicated by Bank of Botswana report (2017). The report showed household borrowing increasing significantly by as high as 61%, with majority of the population financing their needs by debts rather than savings in that year (Benza and Mguni, 2012). Being a middle income country, it is expected that the national savings in Botswana should be augmented by personal savings, which is not the case.

Empirical research on personal savings behaviour of consumers has been conducted since the 1950s (see, Dusenberry, 1949, Modigliani and Brumberg, 1954, Friedman, 1957). Most of the past studies tend to emphasize on the explanation of retirement savings and their implications on the economy. Substantial current empirical studies have been conducted on the various aspects of personal saving behaviour such as saving rate (Ippolito, 2002 Pjjpfer, & Fan, 2002, Ferrer-i-Carbonell, 2005, Ashraf, Karlan, & Yin, 2006), who saves (Bentzel, & Berg, 1983, Olando, Mbewa, & Jagongo, 2012, Anderson 2015) or the decision to save or not (Olando, Mbewa, & Jagongo, 2012, Anderson, 2015). Although different studies have contributed knowledge on the various factors that predict personal saving behaviour, the tendency is to focus on one factor at a time.

The purpose of this study is to identify the multiple factors that explain differences between savers and non-savers. In this study, personal saving behaviour is perceived to be explained by a combination of factors such as personal values, attitudes, socio-economic environment and financial market factors. An understanding of a combination of the various factors that affect personal saving behaviour is a comprehensive approach that provides an opportunity to design targeted communication strategies that could stimulate behavioural change with regard to enhancing the saving rate. In particular, the study sought to address the research question: What differentiates savers from non-savers? Specifically, this study seeks to investigate how savers and non-savers differ on the basis of personal values, attitudes, socio-economic environment, and financial market environment.



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## LITERATURE REVIEW

### Personal saving behaviour

Personal saving is defined as income not spent, or deferred consumption. Burton (2001) noted that individuals save out of their current income either without a particular aim in mind or save to acquire goods and services. People tend to vary according to the rate at which they save (Hong, Sung and Kim, 2002). The economic wellbeing of the nation is a sum of national income and saving as well as personal savings. When there is a decline in personal savings, or when personal savings become negative, the national economy is negatively affected (Radipotsane, 2006, Committee on Population, & National Research Council, 2012). Botswana has low personal savings (Elbadawi, Mweha, 2000) and high household borrowing, which is increasing significantly as high as 61% (Benza and Mguni, 2012; Bank of Botswana, 2017). Botswana being a middle level income country is expected to have high national savings reflected by high personal savings. This study will be beneficial in influencing policy that can enhance personal savings by understanding the characteristics of savers and how they differ from non-savers.

Botswana's economy has been growing at a high rate both in terms of social attributes and economics, with its national savings and investment rates exceeding that of all African countries (Ahmed, 2007; Jagadeesh, 2015). In addition, data from the World Bank report (1975-2018), demonstrated Botswana's high national savings in comparison with selected countries from sub-Saharan Africa as reflected in Table 1. However, these features do not resonate with the country's personal savings. For instance, the savings behaviour of members of the household in Botswana has been reported to be increasing at a relatively low rate over the years (Bank of Botswana, 2009), with the ratio of household borrowing increasing significantly as high as 61% (Bank of Botswana, 2017). The components of unsecured household credit, grew from 8.3 percent in 2016 to 8.8 percent in 2017, while the mortgage loans reduced from 6.3 percent to 4.8 percent over the same period. It is therefore clear that Botswana has a population that is financing its needs by debts rather than savings. This results into a low or none financial safety nets (Benza and Mguni, 2012). According to Benza and Mguni, (2012), of the total country credit and household credit constituted a larger share of total private commercial bank credit at 61 percent (60.1 percent in December 2016) depicting low saving behaviour.

Table 1: Comparative National savings

Country	Saving in %of GDP									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	1999
Botswana	33.0	39.3	38.1	37.4	41.6	38.5	44.7	44.7	36.1	49.9
South Africa	13.8	15.8	16.3	16.5	15.6	15.6	15.1	17.5	18.1	42.5
Nigeria	13.1	18.2	15.8	15.8	21.1	31.9	18.1	24.0	24.5	8.4
Kenya	6.2	9.4	11.2	11.3	10.5	12.5	9.6	13.5	14.0	11.7

Source: World Bank Data 1975-2018: Gross savings (% of GDP)

However, the low personal savings is not unique to Botswana. Loayaza (2002) noted that on average Sub-Saharan Africa saves less than 15 percent, while East Asia saves more than 30 percent of Gross National Disposable Income (GNDI). The study also reported that there is a significant and positive correlation between savings and economic growth. The higher the economic growth the higher the savings. The results supported the Harrod-Domar model (Bakare, 2011), which contends that the saving rate positively or directly related to the GDP. In other words, countries with positive per capita real growth are characterized by positive personal and government savings, increases in government investment, and strong increases in private savings and investment. On the other hand, countries with negative per capita real growth tend to be characterized by declines in savings and investments (Hope, 1997).

Despite Botswana's impressive macroeconomic performance and higher national saving compared to other peer countries (Ferrucci, & Miralles-Cabrera, 2007), the personal saving behaviour does not correspond to economic development. This could be explained by the poverty and inequality in the distribution of income and wealth between and within the urban and rural areas (Olando, Mbewa, & Jagongo, 2012). More than half of the rural population, and a considerable proportion of the urban population, have incomes which are inadequate to meet basic needs (Hope 1997) and thus low or negative savings. However, the low and or negative personal saving behaviour cannot be simply explained by the economic development (Ferrucci, & Miralles-Cabrera, 2007). Asian countries with the same or lower income depict higher personal saving

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behaviour. This therefore means that social, psychological, demographic and other market related factors affect personal savings behaviour (Nyhus, & Webley, 2001). It is thus necessary to research the behavioural predictors of personal saving behaviour rather than just to focus on economic conditions only.

### **Factors that affect Personal Saving Behaviour**

Different theories of personal saving behaviour such as (i) Modigliani (1966) life-cycle hypothesis; (ii) Modigliani and Brumberg, 1954 study of personal saving behaviour and aggregate saving propensities, as a process of economic growth; (iii) The permanent income hypothesis (Friedman, 1957); and (iv) the relative income hypothesis (Dusenberry, 1949) have been proposed in the literature. Although the theories show the diversity of savers and the effect of saving on economies and more especially the pensioners, the theories tend to explain personal savings from the economic perspective rather than psychological and social perspectives.

The life-cycle hypothesis proposed by Modigliani and Brumberg, (1954) has also been utilized extensively to examine personal savings and retirement behaviour placing more emphasis on demographics especially age. This hypothesis begins with the observation that consumption needs and income are often unequal at various points in the life cycle. Younger people tend to have consumption needs that exceed their income (Jin, Li, & Wu, 2011). Their needs tend to be mainly focus on housing and education, and therefore they have little savings. In middle age, earnings generally rise, enabling debts accumulated earlier in life to be paid off and savings to be accumulated. Finally in retirement, incomes decline, individuals consume out of previously accumulated savings. According to Alvarez-Cuadrado, & Long (2011), and Ferrer-i-Carbonell, (2005) the permanent income hypothesis proposed by Friedman, (1957) supposes that a person's consumption at a point in time is determined not just by their current income but also by their expected income in future years—also referred to as "permanent income". In its simplest form, the hypothesis states that changes in permanent income, rather than changes in temporary income, are what drive the changes in a consumer's consumption patterns. The theory implies that a person with a permanent job has more propensity to save than a casual or person with less certainty in employment. However, several past studies (Carroll, 1997 Campbell & Mankiw, 1990, Sanders, 2010), have rejected the permanent-income hypothesis using aggregate time-series data. One explanation for this rejection is that some households are liquidity-constrained due to dependency.

According to Sanders, (2010), and Runkle (1991) the relative income hypothesis proposes (Dusenberry, 1949) an individual consumption function that depends on the current income of other people. As a result, for any given relative income distribution, the percentage of income saved by a family will tend to be a unique, invariant, and increasing function of its percentile position in the income distribution. In African context a person living in well to do social-setup tend to save more than those living in poor society with more dependants.

While these theories try to explain the effects of income, age and familial influence on personal savings they do not provide a comprehensive perspective of who the savers are. As argued by Ippolito and others, (2002), (Soto, John, Gosling, & Potter, 2008, Pjpfjer, & Fan, 2002), savers save for different motives and not just as a percentage of income. This brings about diversity in saving characteristics since it is a behavioural norm and as such requires a behavioural approach.

Research into the determinants of personal savings behaviour has been substantial. In addition to these, different factors have been studied as shown in Appendix 1. There are various behavioural theories underpinning the choice of factors including the personality Trait theory and the savers economic environment and financial market environments, among others. According to the Neo-Freudian Personality Theory, heredity, early childhood experiences, and other social influences have a strong effect on who you become. Personality traits, which are defined as patterns of thinking, feeling, and behaving are relatively stable across time and situations. This has recently been recognized as important predictors of personal economic outcomes (Borghans, Duckworth, Heckman, & Ter Weel, 2008) which predict many economic behaviours. Among the five chief personality traits—neuroticism, extroversion, agreeableness, conscientiousness, and openness—conscientiousness influences several characteristics associated with earnings and wealth, including academic achievement, job performance, marital stability, physical health, and longevity (Hurd, Duckworth, Rohwedder, & Weir, 2012). Giddens (1991) has pointed out that the modern condition entail both opportunities and dangers for the individual. The material conditions within which and in response to which we form our personal identities are not benign but dynamic in response to the environment.

Empirical studies show that some consumers view saving differently dependent and driven by their personalities. Some savers incur and/or carry debt when they have adequate savings to pay up front, while others prefer to finance their expenditure with debt rather than savings while some prefer to save before expenditure. As such a single theory such as permanent income hypothesis (Friedman, 1957); or the relative income hypothesis and personality trait theory

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may not explain the personal saving behaviour. We hypothesise that a combination of several theories that combines multidimensional factors better predict the personal characteristic in saving behaviour.

Several factors need to be taken into account in predicting whether an individual will save or not. The factors that are used within this study are explained below:

**Attitudes:** According to Eagly and Chaiken (2007), Attitude has been defined as a psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour. Furnham (1985) Lunt, and Livingstone (1991), Pjajfer and Fan (2002) noted that psychological factors such as beliefs and feeling are a major determinant of the saving behaviour. At the same time, Fünfgeld, and Wang, (2009) noted that Attitudes can have predictive power and a more positive correlation of attitude to-wards behaviour on finances. According to Loibl and Scharff (2010), it was found that individuals who evaluate savings favourably were more likely to save than their counterparts. We can therefore hypothesise that: H1: There will be a significant difference between savers and non-savers based on their attitude

**Personal values:** According to Kahle (1983), Values are considered to be enduring beliefs about desirability of particular end-states of existence. In differentiating savers and non-savers, Kahle, (1983), list of values was used in identifying saving behavior since it is in the public domain that it relates more closely to consumer behaviour (Swinyard, 1998). For instance, it was found that heavy mall visitors placed more value on excitement, fun and enjoyment, sense of belonging, warm relationships with others, and security. Nonetheless, self-fulfillment, self-respect and a sense of accomplishment did not have any significant effects. The various types of personal values were also found to be effective in distinguishing segments (Muller, 1991), such as savers from non-savers. According to Soto, John, Gosling, & Potter, (2008) conscientiousness as a personal value is seen to be more strongly associated with both lifetime earnings and wealth and savings. We can therefore hypothesises that: H2: there will be a significant difference between savers and non-savers based on personal values.

**Social economic factors:** Lunt (1996) suggested that, in the economic environment with higher materialism and more opportunities that are accompanied by risks, are more important and should be placed on high pedestal than self-control. According to Ang (2009), an increase in the inflation rate, and an increase in expected pension benefits seem to stimulate household saving. However the expected pension benefits discourage household saving in the long run. Ippolito (2002) noted that changes in Wages affected savings. He noted that

increase in wages improved household economic environment which in return stimulated savings. We can therefore hypothesises that: H3: there will be a significant difference between savers and non-savers based on (i) Available Support systems (ii) Economic systems and (ii) Personal views of saving options.

Financial markets factors: According to Liu, & Woo, (1994) inadequate intermediation of imperfect financial markets causes households to save more in order to undertake lumpy physical investment in the future. They noted the less developed a financial market, the greater would be an individual's savings. Both investment-motivated savings and precautionary savings are the rational responses to the underdeveloped financial markets. Another market related factor that shape the saving behaviour is the Peer pressure and peer group (Erol, & El-Bdour 1989). This has an influence in selecting financial institution especially on choosing religious biased institutions. Financial literacy, among the society also shapes saving behaviour. The higher the literacy rate the higher the savings (Perry and Morris, 2005). Another factor that shape the saving behaviour is the difficulties in accessing the formal financial services such as proximity, the perceived low return of financial savings, limits to accessing deposited funds and high minimum requirements which inhibit the ability to save among households according to Radipotsane, (2006). We can therefore hypothesises that:

H4: there will be a significant difference between savers and non-savers based on (i) Financial literacy level (ii) how they perceive cost and returns (iii) External requirements (iv) Internal requirements and (v) reruns on savings.

## METHODS

A survey research design to collect data, using a structured questionnaire was conducted in order to test the hypotheses developed in this study. The unit of analysis was 986 individuals aged between 18 and 64 years, the study targeted paid or self-employment, residing in two major cities (Gaborone and Francistown) and selected towns (Lobatse and Selibe-Phikwe) in Botswana. A structured questionnaire was distributed to the respondents in their place of work entailed different measures of variables of personal saving behaviour and the selected factors. The sample was selected purposefully based on judgment by recruiting people at their workplaces based on premise that Individuals who are in paid or self-employment are more likely to save. The measures were taken from previous scales that have attained acceptable reliability scores and were adapted for this study. For instance, the attitudes were measured using Ajzen, and

Fishbein, (1977) on attitude-behaviour relations which was anchored on a five-point scale was adapted, while on personal values Kahle, (1983) list of values was used. For the measurement of financial market factors, Lusardi, and Mitchell, (2017) financial literacy and other financial market requirements was utilised. A scale to measure social economic factors was developed in qualitative study see (Matenge, Makgosa, & Mburu, 2016) and utilized in this study. A research permit was sought from the office of the Permanent Secretary in the Ministry of Finance and Development, to ensure ethics and was routed through the Office of Research and Development at the University of Botswana. The data was analysed using inter-item correlation's analysis with Cronbach Alpha, exploratory factor analysis with Varimax rotation. To test the differences between savers and non-savers, t-test was utilised.

## FINDINGS

### Demographic Profile of the sample

A total of 986 responded to the survey of which 63.2% were savers and 37.8% were non-savers. 40.1% of the respondents were male and 59.9% of the respondents were female of which 41% of the male were savers compared to 59% of the female. 33% of the respondents had attained tertiary level of education with 6% being graduates as indicated by Table 3. 41.7% of the savers were male while 49.3% were female. On marital status, 66% of the singles and 79% among savers and non-savers while 26% and 13% of the savers and non-savers were married. There was a fair distribution between the occupations starting with senior manager and unskilled worker at 4% and 17% junior manager/Supervisor was 8% among the savers. The non-savers however ranged from unskilled worker at 19% and senior manager and 1% while manager/Supervisor was 8%. On the Monthly Income before taxes 611 of the respondents were saver while 369 were non-savers.

Table 2: Demographic Profile of the Sample of Savers (n = ) and Non savers (n = )

Demographic Characteristics	Savers		Non-Savers	
	N	%	n	%
Age (Years)				

Less than 20	-	-	1	.3
20 to 29	203	34	168	45
30 to 39	234	40	130	36
40 to 49	120	20	58	16
50 to 59	31	5	7	2
60 or more	4	1	2	.5
<b>Gender</b>				
Male	246	41	147	40
Females	358	59	219	60
<b>Education</b>				
No Formal Education	5	1	8	2
Primary school certificate	18	3	27	7
Secondary school certificate	157	25	196	52
Tertiary diploma or certificate	234	38	88	24
Bachelor's degree or equivalent	153	25	41	11
Graduate degree or equivalent	46	8	13	4
<b>Marital Status</b>				
Married	164	26	47	13
Widowed	7	1	2	.5
Cohabiting	35	6	23	6
Divorced	7	1	8	2
Single	406	66	295	79
<b>Occupation</b>				
Senior manager	25	4	2	1
Professional	191	32	61	17
Middle manager	86	15	17	5
Junior manager/Supervisor	100	17	29	8
Skilled non-manual worker	63	11	48	14
Skilled manual worker	72	12	69	19
Semi-skilled manual worker	30	5	60	17
Unskilled worker	26	4	67	19
<b>Monthly Income before taxes</b>				
Less than P1, 000	47	8	81	22
P1, 000 to P4, 999	235	38	205	56



P5, 000 to P9, 999	161	26	52	14
P10, 000 to P14, 999	86	14	19	5
P15, 000 to P19, 999	39	6	3	1
P20, 000 to P24, 999	22	4	4	1
P25, 000 to P29, 999	10	2	2	.5
P30, 000 or more	11	2	3	1
Total	611	100	369	100

### Dimensionality and Reliability

To find out the difference between savers and non-savers based on attitudes, an inter-item correlation's analysis was carried out. Two dimensions with acceptable reliability scores ( $\alpha$ ), above .80 immersed feelings,  $\alpha = .87$  and beliefs  $\alpha = .83$ ) as indicated in table 3. The results attitudinal showed that feeling such as saving is fulfilling .73, saving is good.74 saving is satisfying .72, which indicate positive feeling. At the same time, strong beliefs on saving were inched as saving require immediate action, .60 saving require discipline .62 saving require commitment .67saving should start at young age .61

Table 3: Reliability and Dimensionality of Consumer Attitudes based on Inter-Item Correlations Analysis with Cronbach Alpha (n = 998)

Attitudes	Correlated Item-Total Correlation	Alpha if Deleted
<b>Feelings ( n = 995, mean = 4.32, <math>\alpha = .87</math>)</b>		
Saving is important	.52	.87
Saving is sensible	.60	.86
Saving is possible	.55	.87
Saving is fulfilling	.73	.85
Saving is good	.74	.85
Saving is exciting	.62	.86
Saving is beneficial	.67	.86

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Saving is satisfying	.72	.85
<b>Beliefs (n=998, mean = 4.29, <math>\alpha</math> = .83 )</b>		
Saving is an investment	.45	.83
Saving requires immediate action	.60	.81
Saving requires personal discipline	.62	.81
Saving requires a commitment	.67	.80
Saving provides security	.56	.81
Saving should start at a young age	.61	.81
Saving calls for the postponement of immediate satisfaction	.50	.83
Saving is long-term	.56	.82

#### **Socio-economic environment**

On the Dimensionality and Reliability of Perceived Socio-economic environment for saving using Exploratory Factor Analysis with Varimax Rotation, as shown in Table 4, three factors emerged from the exploratory factor analysis. The first factor was labeled as Support systems with an Eigen value of 3.09 representing 34.28% of the variance. The second factor, labeled as economic systems has Eigen value of 1.16 with 13.03% of the variance. The third factor was labeled as personal views with Eigen value of 1.12 representing 12.45% of the variance. The factors loadings of the items measuring the various factors ranged from .50 to .80, which signifies high factorial validity.

Table 4: Dimensionality & Reliability of Perceived Socio-economic environment for saving using Exploratory Factor Analysis with Varimax Rotation (n = 998)

	<b>Factor Loadings</b>	<b>Eigen values</b>	<b>% of Variance</b>	<b>Alpha</b>
<b>Factor 1: Support Systems</b>		<b>3.09</b>	<b>34.28</b>	<b>.66</b>
In Botswana the support for saving is not a priority for government.	.75			

In Botswana the family does not provide a good and adequate preparation for saving.	.71			
In Botswana the education system does not provide adequate teaching on saving.	.76			
<b>Factor 2: Economic Systems</b>		<b>1.16</b>	<b>13.03</b>	<b>.59</b>
Perceptions: In Botswana the cost of living is high.	.78			
In Botswana income levels are fairly low.	.77			
In Botswana interest rates are not suitable for saving.	.50			
<b>Factor 3: Personal Views</b>		<b>1.12</b>	<b>12.45</b>	<b>.65</b>
In Botswana most people consider owning cattle and goats a desirable choice.	.79			
In Botswana most people prefer to save in an informal group (e.g., Motshelo).	.80			
In Botswana most people are in debt	.58			

(1 =strongly disagree; 2 = agree; 3 = neither agree nor disagree; 4 =agree; 5 = strongly agree.)

### **Financial Market related factors**

A Dimensionality and Reliability of the Marketing Challenges associate with saving using Exploratory Factor Analysis with Varimax Rotation was carried out from which five factors emerged. The first was Perceived External Requirements with an Eigen value of 7.50 representing 34.10% of variance. The second was financial literacy with an Eigen value of 1.99 representing 9.06 of variance. The third was perceived cost of service with an Eigen value of 1.47representing 6.68% of the variances, while the forth was perceived internal access requirements with Eigen value of 1.04 representing 4.73% of the variance and the last was perceived returns of savings with Eigen value of 1.02 representing 4.62% of the variance. The factors loadings of the items measuring the various factors ranged from .42 to .82, which signifies high factorial validity as shown in table 5.

Table 5: Dimensionality and Reliability of the Marketing Challenges associate with Saving using Exploratory Factor Analysis with Varimax Rotation (n = 998)

<b>Rotated Component Matrix</b>	<b>Factor Loadings</b>	<b>Eigen Values</b>	<b>% of Variance</b>	<b>Alpha</b>
<b>Factor 1: Perceived External Requirements for Access</b>		<b>7.50</b>	<b>34.10</b>	<b>.82</b>
I need a permanent address.	.82			
I need to have a pay-slip	.81			
I need to have an identity document	.73			
I need to have credit references	.65			
When I need money, I cannot get it immediately	.43			
Financial institutions require a high minimum balance for saving.	.42			
<b>Factor 2: Financial literacy</b>		<b>1.99</b>	<b>9.06</b>	<b>.81</b>
I am not aware of available saving options.	.78			
I am confused about the savings options that I should use.	.76			
I do not have the skills required for developing a good saving plan	.73			
I never stick to a saving plan	.66			
<b>Factor 3: Perceived Cost of Service</b>		<b>1.47</b>	<b>6.68</b>	<b>.71</b>
I have to stand in queues for the service.	.73			
Financial institutions do not communicate effectively about the value of saving.	.64			
Financial institutions promote borrowing excessively.	.61			

The technology offered by financial institutions is difficult to work with.	.51			
<b>Factor 4: Perceived Internal access requirement</b>		<b>1.04</b>	<b>4.73</b>	<b>.75</b>
Saving in financial institutions is not safe.	.69			
Financial institutions are difficult to access	.54			
Making saving decisions is time consuming and complex.	.54			
I do not qualify to save in financial institutions.	.52			
Financial institutions have high charges on withdrawals of saving.	.42			
<b>Factor 5: Perceived returns for savings</b>		<b>1.02</b>	<b>4.62</b>	<b>.69</b>
Saving does not offer a good return.	.76			
My money is taxed when I save.	.64			
My money does not grow quickly when I save.	.63			

1 = Not a challenge at all; 2 = Definitely a minor challenge; 3 = Slightly a minor challenge; 4 = slightly a major challenge; 5 = Definitely a major challenge.

### Hypotheses testing

The following hypothesis were tested:-

H1: there will be a significant difference between savers and non-savers based on their attitude

H2: there will be a significant difference between savers and non-savers based on personal values

H3: there will be a significant difference between savers and non-savers based on (i) Available Support systems (ii) Economic systems and (ii) Personal views of saving options

H4: there will be a significant difference between savers and non-savers based on (i) Financial literacy level (ii) How they perceive cost and returns (iii) External requirements (iv) Internal requirements and (v) Returns on savings.

Out the 8 items tested on personal values 6 were confirmed as showing significant difference between savers and non-savers while 2 items did not show any significant differences. The items that showed significant difference were: - Being well respected  $t = 6.73$ ;  $p = .001$ , Security  $t = 3.23$ ,  $p = 0.002$ , sense of belonging  $t = 3.53$ ;  $p = .001$  self-respect  $t = 3.03$ ;  $p = .003$  while sense of accomplishment and self-fulfilment  $t = 1.31$   $p = .192$  and  $t = 1.46$ ;  $p = .144$  respectively, did not indicate any significant difference

A test on Attitudes indicated that there no significant difference between savers and non-savers on beliefs or feelings  $t = .93$ ;  $p = .355$  and  $t = -.12$ ;  $p = .906$  respectively

Test on the social economic factors also indicated no significant difference between savers and non-savers on all tested items, While financial market related factors indicates difference between savers and non-saver on only financial literacy  $t = 8.32$ ;  $p = .001$  as indicated on table 7.

It was thus indicated that H1: that there will be a significant difference between savers and non-savers based on their attitude and H3: that there will be a significant difference between savers and non-savers based on (i) Available Support systems (ii) Economic systems and (ii) Personal views of saving options were rejected while H2: that there will be a significant difference between savers and non-savers based on personal values was confirmed. H4: there will be a significant difference between savers and non-savers based on (i) Financial literacy level was strongly confirmed while the rest were rejected

Table 7: Test of Differences in Means for the Dependent variables

Variables	Means (SD)		Independent t-tests	
	Non savers	Savers	t	Sig.
<b>Psychographic Factors</b>				
<b>H1: Personal Values</b>				
Being well respected	4.53(.83)	4.13 (1.08)	6.73	.001
Security	4.61(.70)	4.45 (.84)	3.23	.002
Warm relationships with others	4.47 (.82)	4.12 (.98)	6.14	.001
Self-respect	4.76 (.64)	4.62 (.73)	3.03	.003
Sense of belonging	4.43 (.84)	4.23 (.88)	3.53	.001
Fun and enjoyment of life	4.10 (1.08)	3.74 (1.08)	5.10	.001
A sense of accomplishment	4.43 (.90)	4.35 (.85)	1.31	.192
Self-fulfilment	4.52 (.83)	4.44 (.82)	1.46	.144
<b>H2: Attitudes</b>				
Beliefs	4.30 (.72)	4.34 (.60)	.93	.355
Feelings	4.29 (.70)	4.29 (.61)	-.12	.906
<b>H3: Socio-economic factors</b>				
Support systems	3.60(.99)	3.58(.94)	-.44	.663
Economic systems	4.30(.72)	4.20(.71)	1.17	.246
Personal views of saving options	4.35(.70)	4.27(.71)	1.57	.117
<b>H4: Financial Market related factors</b>				
Financial literacy	2.94(1.22)	2.31(1.08)	8.32	.001
Perceived costs	3.13(1.05)	3.05(1.00)	1.27	.207
External requirements	2.08(1.24)	2.14(1.20)	-1.70	.089
Internal requirements	2.56(1.28)	2.39(1.17)	1.62	.107
Returns	2.83(1.27)	2.96(1.20)	-1.33	.184

## DISCUSSION

Psychographic factors such as attitude are a major determinant in saving behaviour. They do not however differentiate between savers and non-savers in Botswana as they both have strong beliefs that saving is important and have positive feeling about savings. This was in agreement with Pjijfer, and Fan, (2002), Tangari and Smith, (2012) who noted that psychological factors are a major determinant of the saving behaviour. This indicates that the difference between savers and non-savers in Botswana is not attitudinal but other environmental factors. As such a homogenous message can be used to targeting both effectively. Personal values on the other hand, depicted several factors that could differentiate saver from non-savers as noted by Swinyard, (1998) and Soto, John, Gosling, and Potter (2008). Personal values such as being respected,

security, self-respect and sense of belonging were significant differentiators between savers and non-saver. This indicates that, financial institutions should take into consideration these factors to craft products and messages that stimulate savings.

The study indicates that social economic factors such as support systems and economic systems do not differentiate savers from non-savers. They are affected equally by both. This in support of Ang, (2009), and Ippolito, (2002) that an increase in the inflation rate, and an increase in expected pension benefits seems to stimulate personal or household saving, while changes in wages may affect savings behaviour. The financial market related factors such as perceived costs and returns were not a significant differentiator of savers and non-savers. However financial literacy was significant differentiator of the two. This is in agreement with Brown, and Taylor, (2016) who noted that early training of children on the saving behaviour plays a role in financial education on preparing children for entry into a complex economic and financial environment in order for them to respond positively. It also indicate that the external requirement and internal requirements by the financial institution affects the savers and non-savers equally and thus may need to be addressed to stimulate more savings among savers while encouraging non savers to start saving.

## **CONCLUSIONS**

Differentiating savers from non-savers using psychological factors such as personal values and their responses to financial market related factors is more suitable for targeting purposes. This should be taken into consideration when developing communication strategies and especially targeting messages aimed at stimulating saving. It is also worth noting that Botswana savers and non-savers alike have strong positive attitude towards saving and as such social economic and financial related factors may be hindering savings. This calls for a policy shift to address both above factors to stimulate saving. Financial literacy is a major differentiator between savers and non-savers indicating a need for educational policy to stimulate saving from early age as well as educating adult non-savers to stimulate saving. At the same time financial institutions need to develop campaign that targets educating non-savers, especially utilising the personal values to stimulate a savings culture and behaviours.



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### **ABSTRACT**

The governments of Botswana and Zimbabwe have over time implemented policies meant to assist vulnerable groups such as destitutes, the elderly and remote area dwellers. While there are similarities in policies and outcomes and the effects of these policies vary immensely per country. In Zimbabwe, high levels of inflation affected fuel and food product prices adversely resulting in the rapid-contraction of the economy. Central issues relate to: food supply; unemployment; access to land and; legal, security and political rights. Botswana's economy has comparatively done well and made modest gains in poverty alleviation. Poverty alleviation criticism in both countries includes inter alia: low income; short-term nature of projects; no transfer of skills; inclusion and exclusion and targeting. Effective poverty reduction requires an in- depth understanding of the matter at hand. Poverty as such, is diverse and can take different forms. In most cases poverty measurement is limited to income and consumption. These dimensions extend further. Important to note as well is that economic growth has not necessarily meant reduction in poverty in Botswana and Zimbabwe.

**Keywords:** Poverty alleviation, Botswana, Zimbabwe, programs, strategies, policies.

## INTRODUCTION

The subject of poverty has been a major issue on both national and international scale discussions, predominantly among the developing countries (Balogun, 1999: 11-16). This phenomena is diverse and can take different forms. The United Nations defines poverty as the denial of choices and opportunities to participate effectively in society (Gordon, 2005). Haughton and Khandker (2009) define poverty as people's lack of key capabilities which results in inadequate income or education, poor health, insecurity or low self- confidence, or a sense of powerlessness or absence of rights such as freedom of speech. Poverty is also attributed to lack of access to means of survival such as water and food, lack of means of production, lack of human capital or skills necessary for one to make a living (SADC, 2008: 4).

In most instances poverty is only measured by income and consumption. Research illustrates that dimensions of poverty extend further to lack of, and low levels of education and income. The phenomena includes vulnerability, exposure to risk, not being heard and powerlessness. Furthermore, poverty is measured to keep poor people on the agenda, to be able to identify poor people so as to target appropriate interventions, to monitor and evaluate projects and policy interventions geared towards poor people and to evaluate the effectiveness of institutions whose goal is to help poor people (Haughton & Khandker, 2009: 5).

African countries still face high poverty levels which demand more government initiative and commitment (Magombeyi & Odhiambo, 2017: 2). Poverty in Africa has led to successive political problems due to leaders who want to remain in power for the longest time possible. The past two decades have however seen improvements in governance as well as economies of some African countries. It is against this backdrop that this paper compares policies, strategies, programmes as well as their outcomes and effects in Botswana and Zimbabwe.

### **A brief background on the political economies of Botswana and Zimbabwe**

The economic history of Botswana and Zimbabwe at the respective countries' independence provides an inverse illustration. At independence Botswana was among the poorest countries in the world and seemed likely to remain so (Jefferis, 1998: 300). Her GDP was estimated to be at US \$60 million consisting mainly of beef exports to Britain and South Africa. There was hardly any manufacturing outside the Botswana Meat Commission (BMC) let alone infrastructure to support

it (Tsie, 1998: 7). There was a crippling shortage of skilled human resources thus the country imported expatriate staff from Britain and other industrialised countries. More than two thirds of the population lived on draught relief food donated by international agencies such as the World Food Programme, Oxfam and USAID (Tsie, 1998: 7). However, in 1966 at the opening of Botswana's first parliamentary session, the then president Sir Seretse Khama noted that Botswana was poor but would conscientiously plan to alleviate this poverty and develop the people and resources within the country through all means possible (Edge, 1998: 333). The discovery of diamonds in the late 1960's (Molokwane, 2019: 51) resulted in Botswana's mineral led economy attracting a lot of foreign direct investment (FDI) elevating the country to a middle-income status by mid 2000s.

For Zimbabwe however, upon attaining independence in 1980, the country inherited a relatively sophisticated and diversified economy by sub-Saharan-African standards, with developed primary sectors and inter-sectoral linkages. Agriculture, mining and manufacturing sectors accounted for about 15 per cent, 8 per cent and 25 per cent of gross domestic product (GDP) respectively. Exports were also diverse, based on a variety of agricultural and mineral products (Hamdock, 1999: 291). The Zimbabwe Government adopted a socialist-inspired policy of 'Growth with Equity' in 1981 which set out to achieve economic growth and at the same time give people a share in this (Chinake, 1997).

A strikingly similar observation in the two countries' political trajectories shows single party dominance where the Botswana Democratic Party (BDP) and the Zimbabwe African National Union- Patriotic Front (ZANU – PF) have retained power since the country's independence in 1966 and 1980 respectively. It is against aforementioned economic and political backgrounds that this study is interested in understanding the development of public policies by the two countries in their quest to alleviate poverty. Performance of such policies and their programmes is also compared and analysed.

### **Poverty Alleviation in Botswana**

Poverty alleviation policies in Botswana are three pronged (Magombeyi & Odhiambo, 2017: 13). Firstly, there are policies that increase incomes and livelihoods for the poor. These include assisting entrepreneurs to enhance their productivity and be able to create employment opportunities. Secondly, there are those that support infrastructure development especially in basic services provision like health and education. Thirdly, there are policies that are mainly

focused on short- term relief and thus target the poor and socially vulnerable. These are social welfare programmes that involve creating employment in the rural areas and include among others the revised Public Works Program (Ipelegeng) (Siphambe, 2003: 24; Nthomang, 2018; Magombeyi & Odhiambo, 2017: 3, 4), the orphanages support programme, old age pensions and World War II veteran allowance.

The Ipelegeng programme aims at creating employment by engaging Batswana in community development projects such as road maintenance, slashing of grass, unblocking storm water drainage and promoting income generating activities such as catering (Nthomang, 2018: 27). A public works programme (PWP) such as this one have the potential for screening the poor because they impose the cost of foregone income which is lower for the poor (Dejardin, 1996: 11). The current wage of the workers is four hundred pula per month for casual labourers and five hundred and thirty four per month for supervisors. The employment is on temporary basis, done on rotations with employees working for six hours per day over a period of twenty days (Republic of Botswana, 2019).

In 2009 parliament decided to come up with strategies to diversify the economy of Botswana. The Economic Diversification Drive (EDD) initiative came into existence aimed at diversifying Botswana's sources of economic growth and income to the extent that the country becomes dependent on all sectors of the economy (Republic of Botswana, 2011). This diversification includes product and market diversification as well as diversification within the services sector and the manufacturing sector. After implementation of this programme a lot of Batswana owned companies won a lot of tenders in all sectors ranging from procurement to construction. This in turn created employment opportunities for a lot of youth who were then able to provide for their basic needs.

In 2015 Botswana took a bold step further to attain the Millennium Development Goal (MDG) target of 'reducing extreme poverty' by taking it upon itself to eradicate extreme poverty (Republic of Botswana, 2012). The country's poverty reduction initiatives are found in the National Development Plans and some of these programs include the Citizen Economic Empowerment Policy and Youth Empowerment Scheme (YES). From the education front, in the same year, the government introduced the Target 20 000 Initiative through the Ministry of Education and Skills Development (MESD) intended to upscale and upskill unemployed youth, equipping them with industry competencies (Republic of



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Botswana, 2015). In 2017, the statistics showed that by September 4,981 students were enrolled in the programme and by then 3,094 beneficiaries had completed or graduated (Kayawe, 2017). In the agricultural sector government policies and initiatives initiated include the Young Farmers Fund (YFF) meant to promote active participation of youth in the socio- economic development of the country and reduce rural urban migration.

### **Poverty Alleviation in Zimbabwe**

Since 1980, Zimbabwe has come up with several economic blueprints aimed at promoting sustainable economic growth and poverty alleviation. These included: the Poverty Alleviation Action Plan (PAAP) of 1993; Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) of 1999-2001; Zim-Asset of 2013; National Economic Revival Programme (NERP); Social Development Fund (SDF); Social Welfare Programme (SWP) sought to target food subsidies; Youth policy; Economic Structural Adjustment Programme (ESAP) (Sibanda & Makwata, 2017: 3) and; the land reform programme among others.

Early years of independence were marked by policies aimed at redressing colonial era imbalances by assimilating previously marginalized people into the mainstream economy. These people did not have the means and capacity to participate in the economic programmes and government had to assist them through providing free education, health, job creation and land resettlement. Later on the thrust was to wean off the citizens from too much dependence on government for survival with the economy moving from being tightly controlled to liberalization (Sibanda & Makwata, 2017: 3). After independence, the government's policy fulcrum was "Growth with equity". It was during this period that demographic and health indicators experienced rapid improvement. Further to this, life expectancy increased whilst infant, child, maternal mortality waned (Lopes & Chimanikire, 1998: 33) and the provision of education increased dramatically (Lopes & Chimanikire, 1998: 42).

Contemporary literature on poverty alleviation in Zimbabwe however illustrates that there have been misguided policies and maladministration that have brought the Zimbabwean economy to the verge of collapse. The problem with these policies, strategies and their PWP's have been associated with the ruling clique as a consequence of the government claim of generating employment for their citizens (Hague, 2007).

### **Challenges of poverty alleviation in Botswana and Zimbabwe**

Challenges to poverty alleviation efforts in Botswana vary in nature and scope. These include: high unemployment rate (Magombeyi & Odhiambo, 2017: 9, 11); health care issues including critical shortage of healthcare workers and this is worse in primary healthcare (Nkomazana, Mash, & Phaladze, 2015); stress on social services such as food subsidies (Mohamadieh & Pearce, 2009); corruption (Negin, Rashid & Nikopour, 2010: 1-7); agricultural policies that have not been able to make it possible for the country to be food sufficient and; illiteracy rates (Food and Agriculture Organization of the United Nations and Government of Botswana, 2014-2016:12).

For Zimbabwe, challenges to poverty include: lack of access to productive resources, such as land, agricultural inputs, capital and technology (Nkum, 1998); trying to achieve so many things simultaneously within a short space of time amid gravely limited resources (spray gun approach); (Zimbabwe Independent 2016); lack of effective buy-in and ownership of policies from stakeholders (top-down approach); lack of effective, ethical and strong leadership; lack of effective institutions that correct market failures, promote private property, promote innovation, reward responsible risk taking; high corruption and state capture which increases the cost of doing business and; uncertainty; and bad economic conditions (Zimbabwe Independent 2016).

### **A COMPARATIVE ANALYSIS OF POVERTY ALLEVIATION IN BOTSWANA AND ZIMBABWE**

Four factors have been considered for conducting comparative analysis by this study. These include: Targeting; Inclusion and exclusion; Beneficiary perceptions on programme and impacts and; Socio- economic benefits of poverty evaluation programs to beneficiaries. Discussion on these are as follows:

#### **Targeting**

Since most of the population severely affected by poverty is the vulnerable groups in our society most poverty alleviation strategies and policies target them. In Botswana, the social assistance program includes: public works programs (Ipelegeng); social old age pension; cash and in kind assistance for destitute

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persons and families who take care of orphans; nutrition programs for infants and pregnant and lactating women and school feeding for primary and secondary school children (Greenblott & Greenaway, 2007; Francis, 2001). PWPs programmes provide short term employment at low wages for the unskilled and semiskilled people (Derjadin, 1996; UNICEF, 2012: 68).

Self-targeting in PWPs that provides universal coverage means that the programmes are meant to provide work to every willing adult who is willing to work and is able to work at the determined wage rate of four hundred pula per month for casual labourers. The main providers of PWPs in general are ideally small private sector contractors, non- governmental organisations and Social Investment Funds.

The Botswana government in 2010 introduced the backyard gardening initiative which aims at eradicating poverty, promoting food security at household level and small scale entrepreneurship and income among its beneficiaries who are the poor and disadvantaged in society like the disabled. This initiative comprises of backyard fruit and vegetable production where beneficiaries are provided with a start-up of capital ranging from P 11, 626 to P15, 509 as a grant (Marumo, Madisa & Lesole, 2017). However in the case of Botswana evaluation shows that the programme has not made much contribution towards poverty as the programme was creating a culture of dependency on government hand-outs and poor targeting of the programme as it was used by those who were not meant to benefit from such programmes, resulting in them showing less interest and abandoning the projects (Marumo et. al., 2017).

In Zimbabwe it is generally argued that while numerous socio-economic and cultural factors prevent the poor people from joining the waged employment, PWPs by virtue of their strategies and modalities facilitate their entry. One of the objectives of PWPs is to alleviate poverty through employment creation. Further to this, PWPs are a means of creating high volumes of employment in the short term in a situation of unemployment and underemployment (Garnier, 1992:54). Islam (2005:90) strongly believes in the power of PWPs in transforming the lives of the poor people in rural areas.

Placing the responsibility of beneficiary selection with the local government through its councillors, ward coordinators and Village Development Committee (VIDCO) chairpersons has politicized targeting and led to the exclusion of individuals or households outside of close socio-political networks. Additionally,

women, older persons and the disabled either as individuals or their representative groups are sometimes not involved during the planning or decision making stages and consultation (Karenga, 2009:17). Tshuma (2008) established that in Zimbabwe beneficiaries were free to participate in the activities done by organizations. However, not so many were taking part in most activities except conservation, farming and fertilizer distribution. Minimal participation in most activities minimizes the chances of poverty alleviation agencies meeting their major goals.

For targeting to be judged as perfect it would include all the needy (zero exclusion error) poverty alleviation in Zimbabwe are targeting poor rural and urban communities, senior citizens, people living with disabilities, and child headed households, single mother headed households and rural poor in disadvantaged communities. (Tandi, 2015:30).

### **Inclusion and Exclusion**

Inclusion involves citizens' participation in decision making activities that affect their lives, allowing all groups to take part in the process, especially the marginalised groups. This process in return ensures the reduction of inequalities, elimination of any forms of exclusion and discrimination which results in social justice and cohesion (Dugarova, 2015; Silver, 2007; Sayce, 2001). The concept goes beyond the issue of material poverty as it is also seen as encompassing other forms of social disadvantages such as lack of regular and equal access to education, health care, social care, proper housing. The concept further encompass a wide range of reasons why individuals or groups might be excluded, such as discrimination against immigrants, ethnic minorities, the disabled, the elderly or ex-offenders. In short one can be socially excluded in a multitude of ways, for a multitude of reasons (Silver, 2007; Levitas, Pantazis, Fahmy, Gordon, Lloyd & Patsios, 2007).

In 2011, the regional Hunger and Vulnerability Programme revealed that poverty alleviation programmes in Botswana are well targeted as they address the poorest and most vulnerable social groups, are well apportioned geographically and avoid significant inclusion errors. A concern, however was raised with the exclusion prevalent in the Ipelegeng programme which provides insufficient work opportunities. Exclusion here entails multiple causes and takes diverse forms related to age, disability and location among many others (Ellis, 2010; Dugarova, 2015).

In Zimbabwe, the decision to take part or not to take part in PWPs lies within the individual household or individual time allocation model based on relative income that could be earned in a particular activity. Any individual may decide to work on a PWP as long as the work exceeds alternative income from other activities (Datt and Ravillion, 1994:1346). The likelihood of participation increases with the number of adult members in the individual household and the age of participant. The likelihood to participate also largely depend on income transfers such as remittances and gifts, level of education, weakness of the participants and in villages with higher wages for unskilled labour (Teklu and Asefa 1997:187).

Effects of inclusion and exclusion in targeted PWPs vary depending on the implementation of the programme. In some wards and districts, a system of rotation is used rather than targeting. The rotation system is where different homesteads benefit from participation in public works projects each month with the objective of reaching as many households as possible with income transfer. With this, it can be noted that, the rotation system works against targeting the transfers to households with needy and providing them with a significant number of transfers so as to attain a substantive seasonal impact on their situations.

According to Karenga (2009:17), placing the responsibility of beneficiary selection with the local government through its councilors, ward coordinators and VIDCO chairpersons has politicized targeting and led to the exclusion of individuals or households outside of close socio-political networks. Additionally women, older persons and the disabled either as individuals or their representative groups are sometimes not involved during the planning or decision making stages and consultation.

### **Beneficiary perceptions on the programmes and impact**

Literature illustrates that members of the community often perceive community projects as belonging either to Government or NGOS. Prescription of poverty reduction projects for communities by poverty alleviation agencies does not foster a spirit of programme ownership. Where an organization responsible for the project goes away or runs out of funds, the community members will have no motivation to repair and maintain the facility or to sustain the service. In order for any project to be maintained and sustained, the community members must have a sense of ownership and responsibility through among others, being involved in the

planning and management of the project. If communities cannot become more and more self-reliant and empowered, they simply will not develop and so poverty and apathy will eventually destroy them (Skovdal, Mushati, Robertson, Munyati, Sherr, Nyamukapa, and Gregson, 2013:320-342).

Often, perceptions of the beneficiaries, generally depend on the government's capacity to help avoid destitution, the stigma of poverty or the need to beg. The poverty alleviation programme beneficiaries in Botswana consider the registration procedures as being fair. Nonetheless complaints relate mainly to the under-coverage of some programmes which at the top of the list is Ipelegeng due to late or poor quality in-kind transfers and insufficient assistance to build sustainable livelihoods (UNICEF, 2012: 1, 68, 90, 102). When President Khama came into power and reintroduced the draught relief programme under the name Ipelegeng, a shift of mind-set occurred among citizens resulting in the policy being associated more with Khama himself than with the government.

People in support of the former president approved of the policy and even went to the extent of praising him as a poverty-sensitive leader (Hamer, 2016: 1). However, popular approbation for Khama's social protection approach, which has centred on what many citizens perceive as being the president's own PEPs, have been reinforced by the president's own actions (Hamer, 2016:23). A 2012 UNICEF report documents concerns about some of the Ipelegeng programme beneficiaries who lamented that they were neither informed about the programme's objectives and that they were expected to graduate from the programme upon being employed (UNICEF, 2012: 62). To the contrary, when asked if the programme had achieved its intended poverty eradication objectives, when analysed by region, a significant number in urban areas, urban villages and rural areas (76.3%, 83.7% and 66.7% respectively) felt that IP has been able to achieve its poverty eradication objectives (UNICEF, 2012: 137). In a different study, 73 percent of Ipelegeng workers stated a belief that employment opportunities in their Programme had stopped migration to cities; this observation was corroborated by 70 percent of urban respondents (Hamer, 2016: 19).

In the context of Zimbabwe, a similarity is drawn in terms of policy formulation and execution. The public works policy is designed by the central government and imposed upon the local authorities to execute. The question remains, 'can rural poverty be successfully alleviated using ideas that are made without the input of the intended beneficiaries?'. It can be argued that an interventionist strategy such as public works conceived in the mind-set of

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modernization to alleviate poverty should be suspected of reinforcing the institution through the creation of the dependency syndrome (Tandi 2015:12-14).

Some beneficiaries of PWPs are of the view that PWPs are seasonal and are of temporary employment hence rural dwellers will return to poverty during the periods when PWPs are not operational. Thus PWPs fail to produce permanent employment. It was also learnt that, some people in the ward were against the idea that the normal food payments are packets of maize meal, beans and at times cooking oil. It is authentic to say these people are left with no other income generating projects to get essentials like sugar, salt and so on. Against this background, it is logical to conclude that food payments has been criticised for a lack of diversity in food stuffs. Some beneficiaries also complained that where food is used as stipend, it takes a very long time to be given to them; hence people suffer from acute food shortages. In addition, it was also learnt that, another disadvantage of public works schemes are not able to continue after the end of major programs. Insufficient monitoring and evaluation also jeopardize the sustainability of projects as people will decide not to participate because of all those reasons (Tandi 2015:10-34).

Nevertheless, the ward councillors and VIDCO chairpersons felt that perceptions differ with individuals and from place to place. For example, in cases where PWPs were implemented procedurally, beneficiaries were satisfied and were now able to do things they could not previously do. Those at grassroots were able to attest to the real benefits of products delivered to them through the PWPs. However, where the policy governing the implementation of PWPs was not implemented procedurally, it precipitated scenarios where beneficiaries were having some negative attitudes and perceptions towards PWPs (Campbell, Scott, Nhamo, Nyamukapa, Madanhire, Skovdal, Sherr, and Gregson, 2013:110-122). Some beneficiaries felt that they were being exploited owing to the fact that sometimes cash or grain were often not available to pay them at the end of the month upon labour provision, a development that has occurred frequently in recent years. Owing to this, it can be argued that taking part in the PWPs has decreased owing to lack of interest, poor remuneration and the selection of beneficiaries by local authorities (Tandi 2015:10-30)

### **Socio- economic benefits of poverty evaluation programs to beneficiaries**

Various socio- economic benefits of poverty evaluation programs to beneficiaries both in Botswana and Zimbabwe are discernible. While it has

been proved that economic growth is necessary, but not sufficient to eradicate poverty (Mulok, Kogid, Asid, & Lily, 2012: 26), in Botswana, one of the advantages of the Ipelegeng Programme is that it has over the years provided much relief from hunger and destitution to the poor which in return earned them a sense of dignity in society (Nthomang, 2018: 31). Dignity has dimensions which are all important in the life of individuals. These include worthiness, self- respect, self- esteem and autonomy recognized as a foundation of freedom, justice and peace in the world for all people and experienced in many different ways that are both intensely personal and relational (Wright, Noble, Ntshogwana, Neves & Barnes, 2012).

Programme data reveals that Ipelegeng supports many other public institutions by providing volunteers. In 2010 the Botswana Police Service took an initiative to employ youth volunteers between the ages of 18 and 29 who are unemployed. This led to a reduction in crime levels (Nthomang, 2018: 30, 31). At inception, the backyard garden initiative proved to reduce incidence of poverty among beneficiaries in Ramotswa village from 52 to 15 percent in the village's agricultural extension area aiding food security and also creating additional wealth through the sale of surplus produce and homemade goods which provide employment (Gagnon, Forbes & Miller, 2007; Marumo, et. al., 2017).

For Zimbabwe PWPs have a variety of aims that include: increasing the income earnings of the beneficiary communities; creation of public goods such as new infrastructure or the improvement of existing infrastructure or service delivery; protecting people from large covariate shocks (for example floods and famine as well); protecting rural people especially if they lost their jobs and; fighting against poverty mainly through temporary employment (Phillips, 2004; Derjadin 1996; Tandi 2015:16).

Besides the second and most vital direct effect of PWPs is the development of the physical infrastructure in rural areas by communities. These physical infrastructures include road networks, construction of bridges as well as irrigation facilities and water storage tanks. The availability of these facilities uplifts the social status of the communities and promotes rural development that is necessary for durable and sustainable livelihoods (Carlo, Subbaro, and Milazo, 2009:16; Mvula, 2000:32; Karenga, 2009:12).



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## RECOMMENDATIONS

Poverty alleviation programmes in both countries have often been criticized for not really improving economic livelihoods of citizens thus appearing to be feeding them from hand to mouth. In this regard this study suggests a number of recommendations that can potentially facilitate poverty alleviation and resultantly an improvement in the economies of Botswana and Zimbabwe. These recommendations include: increasing investments on education by according their citizens especially the poor, free education and making realistic policies that can be achievable in a reasonable period of time using the available resources.

Agricultural growth and rural development are key to poverty reduction and growth (Wiggins, 2005: 4, 5). Agricultural growth can have a strong impact on food prices and as the poor usually spend a high proportion of their incomes on staple foods, productivity increases which result in declines in food prices, which benefit the poor. Improved agriculture production matched with access to markets increases income generation capacities of smallholder farmers and creates opportunities for people in rural areas, thereby improving livelihoods (Andriyana, 2019). Well-functioning markets are important in generating sustainable growth and expanding opportunity for poor people because they rely on formal and informal markets to sell their labour and products as well as to finance their investment and secure it against risks (World Bank, 2000).

The government of Botswana's initiative to diversify the economy through the EDD is a positive one as it likely to result in the country reducing its dependency on mining. For Zimbabwe, the government ought to capitalise on the country's attainment of maximum level of education should use its human capital to reduce poverty. Three areas where the government has comparative advantage include the regulatory environment, investment policies, and the creation of local level alliances (Sakuhuni, Chidoko, Dhoru, and Gwaindepi 2011:1-12). Dealing with poverty through sustainable livelihoods approach is a potential source of income (Krantz, 2001:7-20; Haida, 2009).

## CONCLUSION

Poverty remains a developmental challenge both in Botswana and Zimbabwe. Unlike most African countries Botswana however, the country has made strides in attempting to eradicate abject poverty. Some of the challenges facing Botswana in

the development process resulting in the existence of poverty include under development, insecurity, increased illiteracy, increased mortality rates, stress on social services and corruption. Poverty hinders development as limited, scarce resources are directed towards getting the citizens out of extreme poverty. For Zimbabwe, causes of poverty are multifarious. Governments' efforts to improve the economy should include public participation in development, investment in human capital, sustainable broad based economic growth and stiff penalties for corruption and economic crime. People empowerment (youth and women) in Zimbabwe can facilitate a shift towards sustainable socio-economic growth thus reducing the levels of poverty.

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**BURYING THE DEAD: INTENTIONS OF CHRISTIANS TOWARDS  
THE PURCHASE OF FUNERAL PRODUCTS AND RELATED  
SERVICES**

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**ABSTRACT**

This study adopts a consumer behaviour perspective by applying the Ajzen and Fishbein (1980)'s Theory of Reasoned Action (TRA) to offer insight into the purchase of funeral products and related services among Christians. Specifically, it investigates how attitudes and subjective norms explain consumers' intentions towards the purchase of funeral products and related services. By applying the TRA the link between intentions and its predictors are investigated thereby making a significant contribution to the rarely studied area in marketing. A structured questionnaire was self-administered to a purposeful sample of 500 Christians in Botswana, and 457 questionnaires were completed yielding a response rate of 91%. The findings of the study show that intentions to purchase funeral products and related services among the Christians were significantly and positively influenced by the motivation to comply. Respondents who have purchased funeral products before demonstrated stronger internal beliefs, evaluations, normative beliefs and intentions concerning the purchase of funeral products than those who had never purchased such products. The intentions of those who have purchased funeral products before were also significantly and positively influenced by evaluations, normative beliefs and motivation to comply, while the intentions of non-purchasers were only influenced positively and significantly by their motivation to comply. The focus on Christians from various denominations limits the study's generalizability to all Botswana consumers. The study extends the existing knowledge by adopting the consumer behaviour perspective to explain burial rituals in an understudied society such as Botswana.

**Keywords:** Burial rituals, Consumer attitudes, Funeral products, Intentions, Subjective norms, Theory of reasoned action

## INTRODUCTION

Funeral products and related services are normally purchased as part of the rituals of burying the dead in most societies. For instance, funeral practices and rituals have evolved to be more ceremonial and simultaneously attract more and more expenditure among American households in the United States (Beard and Burger, 2017a). Similarly, Kopp and Kemp (2007) established that in the United States, funeral products and related services represent the third largest expense consumers make in their lifetime. They also asserted that at one point or another; essentially everyone will purchase or consume funeral products and related services in their life time. The inevitable purchase of funeral products and related services is necessitated by the responsibility for surviving members to dispose the remains of loved ones (Katan, Nasrijal, Man, and Noor, 2019) and in facilitating the necessary arrangements consumers select products and services they deem appropriate (Beard and Burger, 2017a).

Despite this assertion, this area of consumer behaviour is largely unexplored (Bonsu, 2001). There is very little understanding of families' consumption decisions under such stressful situations (Kopp and Kemp, 2007). Walter, (2005) affirms that very little scholarly analysis exists in understanding why consumers select the various burial practices. For instance, research on why people choose to bury the dead or choose to view the body of the dead amongst others is limited (Theron, 2013). This gap amplifies the growing necessity for marketers to comprehend consumption of controversial and unwanted products and services (Beard and Burger, 2017a). It has been argued that consumers of these funeral and related products do not respond positively to promotional efforts (Fam, Waller and Zafer, 2004; Theron, 2013). The current study adapts the Theory of Reasoned Action that was proposed by Ajzen and Fishbein (1980) to predict consumers' intentions to purchase funeral products and related services. This theory, postulates that behavioural intention is the sole most accurate predictor of behaviour (Bagozzi, Baumgartner and Yi, 1991). These intentions are determined by consumers' attitudes towards the behaviour and subjective norms concerning the behaviour (Park, 2000). This study conceptualises attitudes and subjective norms as predictors of intentions towards purchasing of funeral products and related services.

Therefore, the current study's contribution is threefold. Firstly, it conceptualises the predictors of intentions (being subjective norms and attitudes) separately and investigates their effects on intentions. Secondly it assesses the differences in the linkages of attitudes, subjective norms and intentions between

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past purchasers and non-purchasers; and lastly concentrates on funeral products as a whole rather than just focusing on funeral insurance.

## **LITERATURE REVIEW**

### **Burying the Dead**

Death is a pervasive phenomenon that is surrounded by a lot of significance across the globe. The significance of death in the Western World for example is reflected in the observations made concerning cost implications of the expenditure incurred towards funeral products and related services (Kopp and Kemp, 2007). Funeral products and related services such as flower arrangements, hearses, coffins and caskets, embalming services, mortuary services, memorial service, funeral director, burial society membership, insurance, burial ceremony, and cremation (Banks, 1998; Bonsu, 2001; Walter, 2005; Case, Garrib, Menendez, Olgiatti, 2008) sometimes regarded as ‘end of life products’ (Kopp and Kemp, 2007), are often categorised as unwanted, offensive and controversial products (Fam, Waller and Zafer, 2004; Theron, 2013). This product category is also considered to be delicate, indecent, and immoral or are even feared, and are inclined to evoke feelings of distaste, disgust, and offence or outrage when promoted (Fam et al., 2004).

Death is an inevitable aspect of the consumer experience, and funeral products and services serve as functional means of disposing the remains of the deceased (Bonsu, 2001). Although these products may be seen as unwanted they are indeed necessary (Beard and Burger, 2017a). Therefore, marketers operating in the funeral industry need to be innovative when attracting customers in order to ensure that their businesses remain competitive (Beard and Burger, 2017b). In most societies, funeral products and related services provide an important platform for the surviving family to demonstrate their social, political and economic standing when burying the dead (Van der Geest, 2000). It is apparent that families seek to reinforce their identities and preserve a good image in their choice of burial rituals and consumption (Bonsu, 2001).

Over the years funeral products and related services have been highly commercialised leading to sky rocketing expenditure and a high variation of funeral practices across nations (Walter, 2005). Kopp and Kemp (2007) observed that funeral products and related services constitute the third largest expenditure in household in the United States. In the Western world, funeral expenditure

forms the highest expenditure in the lives of many people after consumption of automobiles and housing, (Theron, 2001; Beard and Burger, 2017a). Theron (2013) argues that overall, the funeral services industry is believed to constitute a multi-million Euro industry in the world. Furthermore, the author purports that the industry is estimated to be worth \$ 15 million in annual revenue in United States, £1billion in United Kingdom, and \$ 25.5 billion in China. The choice to spend more on funeral products and related services is exacerbated by social factors such as pressure to arrange a prestigious farewell (Van der Geest, 2000) and ensure an attractive gathering (Bonsu, 2001), which in turn gives preference to lavish burials as opposed to the lower cost alternatives like cremation (Banks, 1998). Evidently, burial ceremonies come with substantial financial hardship for families (Case et al., 2008). Notwithstanding that, industry players have perpetuated the popularity of traditional commercialised burials because of the profits they gain from purchase of their products and related services (Walter, 2005).

Despite the significance of the funeral industry to economies and households, the topic remains largely ignored in the field of marketing or consumer research (Katan et al., 2019). As noted by Bonsu, (2001), consumer researchers have neglected this area of research, by focusing on changing funeral and burial practices (Walter, 2005; Beard and Burger, 2017a; social marketing efforts aimed at educating consumers on prevention of life-threatening behaviours and diseases (Ross and McLaws, 1992) and determining the financial implications (Banks, 1998; Van der Geest, 2000; Case et al., 2008) rather than exploring the consumer behaviour aspects that give rise to these consumption variations. Thus, knowledge about factors that influence consumers to make purchase or consumption decisions during the time of losing loved ones (Kepp and Komp, 2010; Theron, 2013) is pivotal in order to bridge the knowledge gaps that exist in literature.

### **Purchase of Funeral Products in the West and Sub-Sahara Africa**

Funeral rituals are of great significance in the West with significant financial implications to households (Kemp and Kopp, 2010). Given that death is an inevitable aspect of the consumer experience there is need to comprehend consumption of funeral products and related services (Bonsu, 2001). Investigations about the consumption of funeral products and related services in Sub-Sahara Africa are scarce. Bonsu (2001) argues that similar to the Western World, less affluent parts of the world such as Sub-Sahara Africa attach more monetary value to funerals with emphasis on other related expenses in preparation

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for the burial such as entertainment, lavish food, and home renovations. The author argued that this situation is contrary to the widely shared assumption that the less privileged are prudent and careful in their product choices.

The available research based on samples from consumers from West Africa has noted that there has been a wide devotion to funerals over the years and recent expenditures during funerals are beyond comprehension (Omar and Owusu - Frimpong, 2007). For, example, in Ghana funerals are characterised by extravagant feasting and celebrations, coupled with high household expenditure in preparation for the event (Bonsu, 2001). They are one of the main social events in the society and are occasions for the family to reaffirm their prestige and economic excellence (Van der Geest, 2000). Case et al. (2008) found that societal pressure on families in South Africa compelled conspicuous spending in funerals especially where individuals were highly educated. In Botswana, the simplicity that used to characterise funerals has also been eroded (Sunday standard, 2018). As death tolls rose due to HIV/AIDS epidemic, elaboration in funerals to include expensive caskets, lavish feasts and fancy food has also increased (Denbrow and Thebe, 2013). The authors state that a big shift has been observed particularly from when the dead were wrapped in a blanket or animal hide and buried, followed by a simple meal served without seasoning. This change is evidenced by today's burials being lavish and flaunty affairs where mourners compete for the most lavish send-off (Sunday standard, 2018). The significance of funerals in affirming the family and the deceased's social standing is widely shared across countries in the Sub-Saharan Africa such as Ghana (Van der Geest, 2000); Nigeria (Omar and Owusu - Frimpong, 2007); South Africa (Case et al., 2008) and Botswana (Grant, 1987).

The reviewed past studies in the Western World and Sub Saharan Africa have provided useful insights into the understanding of consumer behaviour with respect to the purchase of controversial products and related services. In particular, emphasis has been on describing the spending behaviour during funerals, significance of funerals to the family or types of products that are consumed. Therefore, prior research falls short in explanation of the predictors of purchase intentions for funeral products and related services. This knowledge will equip marketers of the businesses in the funeral industry on how to channel their marketing efforts in order to enhance purchase intentions for these seemingly unwanted yet needed products and services. Moreover, this information can help consumers to be less susceptible to abuses when making purchase decisions made under severe stress and time constraints (Katan et al., 2019).

### **Intentions towards the Purchase of Funeral Products**

According to the Theory of Reasoned Action proposed by Ajzen and Fishbein (1980) consumer behaviour follows reasonably from intentions, which are subject to attitudes and subjective norms (Schiffman and Wisenblit, 2015). Intention refers to one's willingness to perform the behaviour in question (Albarracin et al., 2001), it is the antecedent that compels a consumer to perform varied behaviors (Katan et al., 2019). Ajzen and Fishbein (2005) determine attitudes by two components which are the evaluations and beliefs about the outcome of the behavior. Evaluations represent the consumer's assessment, emotions or feelings regarding the attitude object in question while beliefs consist of a person's knowledge and perceptions of the same (Schiffman and Wisenblit, 2015). Subjective norms refer to one's perceptions of their referent influence (Albarracin et al., 2001) and are characterized by normative beliefs and motivations to comply. Normative beliefs are concerned with what those who are important in their life think they should do in that situation while motivation to comply is about what others think should be done (Omar and Owusu- Frimpong, 2007). In this study, intentions to purchase funeral products and related services are conceptualized as a direct result of attitudes and subjective norms. Attitudes are conceptualized as comprising of beliefs and evaluations concerning purchasing of funeral products and related products while subjective norms are conceptualized as the beliefs that significant others have about purchasing funeral products and related services and their ability to influence compliance with their beliefs.

The Theory of Reasoned Action has been used to predict consumer behavior in many areas such as coupon usage behavior (Bagozzi et al., 1991); responsible sexual behavior (Ross and McLaws, 1992); purchase of controversial fashion apparel (Summers, Belleau and Xu, 2006); and online purchase intention on social media (Sin, Nor and Al-Agaga, 2012). Bagozzi et al. (1991) in their study on coupon usage behavior among female university staff using the Theory of Reasoned Action established that past usage was not mediated by attitudes or subjective norms and is the most important determining factor of future coupon usage behavior. They also revealed that intentions for state (passive) orientated respondents were influenced by subjective norms while those who were action (readiness to act) orientated were influenced by attitudes. An Australian study involving condom use in homosexual men, found that subjective norms and previous usage were good predictors of intentions to use condoms while attitudes poorly predicted usage (Ross and McLaws, 1992). Summers et al. (2006) also applied the Theory of reasoned action in a United States based study and determined that consumer's purchase intentions of a controversial luxury product in America were significantly predicted by attitudes, subjective norms,

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controversy perception and fashion involvement. Sin et al. (2012) also established that subjective norms in addition to perceptions of usefulness and ease of use influence consumer intentions to purchase through online social media websites. Although the Theory of Reasoned Action assumes that purchasing of funeral products and related services is a direct result of intention, the current study draws insights from previous studies (Ross and McLaws, 1992; Bagozzi et al., 1991) and uses past purchase behavior as a variable that moderates the relationships between intentions and its predictors.

Few studies have related consumer attitudes, subjective norms and intentions to purchase of funeral products and related services. Omar and Owusu- Frimpong (2007) confirmed the applicability of the Theory of reasoned action in predicting consumer intentions to purchase funeral insurance in a Nigerian based study. The major finding of the study was that subjective norms construct played a much more significant role in influencing intentions to purchase insurance in Nigeria accounting for 53 percent of the variance in intentions, while attitudes only accounted for 14 percent. Globally other studies have investigated the funeral industry and however delved into examining varying funeral practices (Shoemaker and Relf, 1994; Van deer Geest, 2000; Bonsu, 2001; Walter, 2005; Kopp and Kemp, 2010); understanding the evolution of the industry (Theron, 2013; Beard and Burger, 2017a); examining consumers' perception of companies' marketing efforts (De Run et al., 2012; Bear and Burger, 2017(2) ; and analysis of costs and expenditure associated with the industry (Banks, 1998; Case et al., 2008 ). In a more recent study, Katan et al., (2019), applied an extension of Theory of Reasoned Action being the Theory of Planned behavior in examining the determinants of consumers' intentions to purchase Islamic funeral plans. The study targeted Muslims based in Kuala Lumpur in Malaysia and confirmed the relevance of the theory in the prediction of intentions towards purchase of Islamic pre-need funeral plans. It further revealed that attitudes, subjective norms had significant correlations with intentions to purchase Islamic pre-need funeral plans.

Although these studies provide insight in understanding the funeral industry, a reasonable gap still exists in explaining how consumers arrive at making purchase decisions for funeral products and related services. The limitation of addressing a specific product type being pre-purchasing of funeral products by means of purchasing insurance and pre-need funeral plans (Owusu- Frimpong, 2007; Katan et al., 2019); not examining antecedents of intentions (Van deer Geest, 2000; Bonsu, 2001; Walter, 2005; Kopp and Kemp, 2010) and viewing perceptions as sole indicators of attitudes (De Run et al., 2012) lacks theoretical backing and a solid explanation of this consumer behavior aspect which is addressed in this study. The current study departs from existing line of research

because it (i) investigates the effects of subjective norms and attitudes on intentions and it conceptualizes the predictors of intentions separately, (ii) assesses differences in the linkages between attitudes, subjective norms and intentions are assessed between purchasers and non-purchasers and (iii) concentrates on funeral products as a whole rather than just focusing on funeral insurance.

Moreover, this paper applies a modified model of the Theory of Reasoned Action to the funeral market in Botswana in order to determine the consumers' purchase intentions towards purchase of funeral products and related services. In this instance, attitudes are conceptualized as multidimensional comprising of beliefs and evaluations; while subjective norms construct is also multidimensional consisting of normative beliefs and motivation to comply. Figure 1 below underpins the conceptualized relationships.

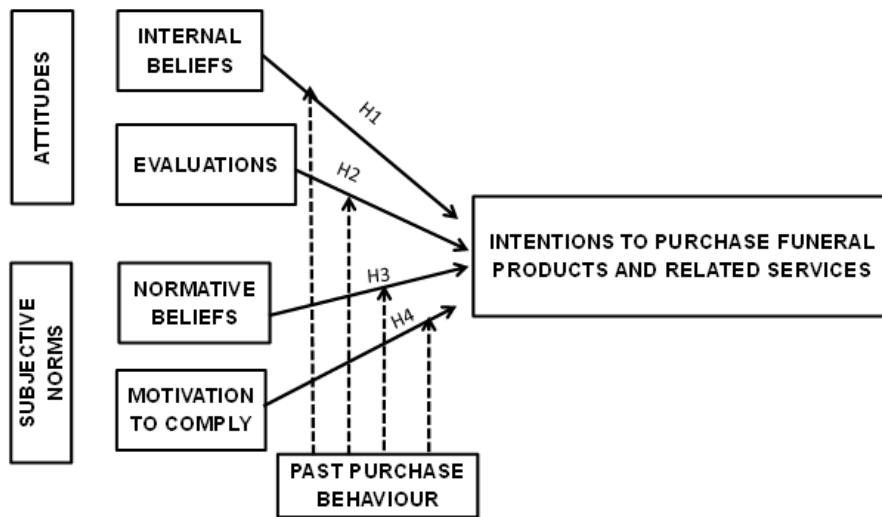


Figure 1: Conceptual framework - Attitudes, subjective norms and intentions towards purchasing of funeral products and related services

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On the basis of the reviewed literature, the following hypotheses in relation to attitudes, subjective norms, and intentions towards purchasing funeral products and related services were proposed:

H1: Internal beliefs will have a positive and significant effect on intentions to purchase funeral products and related services

H2: Evaluations will have a positive and significant effect on intentions to purchase funeral products and related services

H3: Normative beliefs will have a significant and positive effect on intentions to purchase funeral products and related services

H4: Motivation to comply will have a significant and positive effect on intentions to purchase funeral products and related services

## **RESEARCH METHODS**

### **Research instrument and Data Collection**

Data used to test the hypotheses proposed about the linkages between attitudes, subjective norms and intentions to purchase funeral products was gathered through a survey research design in a form of a structured questionnaire. The first part of the questionnaire included two (2) qualifier questions on religion; and questions on demographic information such as age, gender, household size and income. The second part contained measures of attitudes towards purchase of funeral products and services, subjective norms, and intentions. Statements on internal beliefs, evaluations and normative beliefs were inversely worded to encourage participation. All the statements for measuring attitudes, subjective norms and intentions were adapted from Antonides and Van Raaij, (1999). Specifically, attitudes were measured by a total of 11 items whereby seven (7) statements were used to measure internal beliefs while four (4) statements were used for evaluations. Subjective norms which were presented by a total of five statements included four (4) statements measuring normative beliefs and one (1) statements item for motivation to comply. Intentions were measured by two (2) statements. A five point Likert scale was employed where respondents were required to indicate their level of agreement to the statements (1 = 'Strongly disagree' and 5 = 'Strongly agree'). Lately, a question on prior purchase of funeral products was included to measure past purchase behaviour.

### **The Sample**

The research instrument was distributed for self-completion to a purposive sample of 500 respondents. In particular, respondents were recruited from several local churches in Gaborone Botswana and a private tertiary institution (Limkokwing University). Since the influence of religion has been established in societies and particularly on consumer behavior (De Run et al., 2010), the study targeted Christianity which was the most commonly followed religion in the country (Central Statistics Office, 2011). Of the 500 questionnaires distributed, a total of 457 questionnaires were sufficiently completed thereby resulting in a response rate of 91%.

Data was analysed using the Statistical Package for Social Sciences (SPSS 24). In particular, a path analysis using multiple regressions was used to test for the hypotheses where intentions were included as the dependent variable while components of subjective norms and attitudes were included as the independent variables. Except for motivation to comply where raw data was used in the analysis given that a single item was used, means were computed following tests of dimensionality and reliability to represent all the concepts that had multiple items. Prior to statistical tests on hypotheses, frequency tabulations were used to profile the sample while inter-item correlations with Cronbach alpha were used to test for dimensionality and reliability for various concepts.

## **RESULTS**

### **Demographic Profile of the Sample**

As shown in Table I, the sample was largely represented by female respondents (63%) who were young aged between 18 and 35 years (79%), single (75%) living in households that have 4 to 6 members (42%) and have earned either a tertiary certificate or diploma as the highest qualification (43%).

Additional analysis of the characteristics of the sample (not included in Table I) revealed that all the respondents were Christians who worshipped in various denominations or churches the top five being Baptist, Seventh Day Adventist, United Congregational Church of Southern Africa, Faith Mission and Roman Catholic. A majority of the respondents were employed working as accounting officers, human resource managers, branding and marketing managers, coordinators, lecturers, and information technology officers.

Table I: Demographic Characteristics of the Sample (n = 457)

Demographic characteristics	Frequency	%
Gender		
Male	171	37
Female	286	63
Age (years)		
18-23	138	30
24-29	149	33
30-35	72	16
36-41	39	9
42-47	29	6
48-53	20	4
54 or more	10	2
Marital Status		
Married	96	21
Single	343	75
Widowed	5	1
Divorced	5	1
Cohabiting	8	2
Household Size		
3 or Less	179	39
4 to 6	189	42
6 or more	87	19
Education		
Primary school	3	1
Secondary school	57	13
Tertiary certificate or Diploma	197	43
Bachelor's degree	168	37
Master's degree or higher	32	7

### Hypotheses Testing

Before the hypothesized effects were tested, firstly dimensionality and reliability were tested using inter-item correlations with Cronbach Alpha for concepts that were measured using multiple items. The results of dimensionality and reliability presented in Table II reveal that beliefs and evaluations achieved relatively higher corrected items to total correlations. The corrected inter item total correlations were greater than the recommended cut off point .30 (Cristobal, Flavián, and Guinaliu, 2007), ranging from .44 to .71 for internal beliefs as well as .47 to .63 for evaluations. In addition, the Cronbach alphas scores were within the acceptable criterion of  $\alpha = .70$  proposed by Nunally (1978). The component of subjective norms being normative beliefs and intentions also achieved strong corrected item to total correlations at .50. However, Cronbach alphas were not examined because each concept had only two items.

Further results based on descriptive statistics especially the means of each concept showed that most respondents hold strong internal beliefs, evaluations, normative beliefs and motivation to comply concerning the promotion of funeral products. Nonetheless, the intentions to purchase funeral products in the future are modest.

Table II: Dimensionality, Reliability and Descriptive Statistics

Key concepts	Means (SD)	Corrected Item-Total Correlations	Alpha if Deleted
Internal beliefs ( $\alpha = .82$ ; 5 items)			
Promotion of funeral products is not culturally sensitive	3.07 (.95)	.44	.84
Discussing funeral products brings bad luck to the family	1.91 (1.16)	.70	.76
Responding to promotion of funeral products is an irresponsible thing to do.	1.85 (.99)	.58	.80
Promotion of funeral products is disrespectful.	1.94 (1.13)	.71	.76
Promotion of funeral products is distasteful.	2.15 (1.19)	.68	.77
Evaluations ( $\alpha = .71$ ; 3 items)			
Promotion of funeral products is a bad thing	1.83 (.99)	.54	.63
Responding to promotion of funeral products is a bad deed	1.98 (1.05)	.63	.51

It is not important to purchase funeral products while someone is alive.	2.32 (1.35)	.47	.74
Normative Beliefs (2 items)			
My family would think that I will bring bad luck to them if I purchase funeral products	1.86 (1.11)	.50	-
My family thinks that purchasing funeral products is unnecessary	2.13 (1.17)	.50	-
Motivation to comply (1 item)			
It is very important to me what my family thinks of me.	4.05 (.98)	-	-
Intentions (2 items)			
In the future, I will purchase funeral products	3.94 (1.05)	.50	-
In the future, I will continue to respond to promotion of funeral products.	3.91 (.95)	.50	-

Secondly, bi-variate correlation analysis was performed in order to test the existence of associations between the key concepts measured in this study. This was necessary because according to the Tri-component model the components of attitudes (Schiffman and Wisenblit, 2015) being cognitive (beliefs), affective (evaluations) and conations (intentions) are correlated. The results in Table III confirms that there are several strong and positive associations among the following pairs: internal beliefs and evaluations, internal beliefs and normative beliefs, internal beliefs and intentions, evaluations and normative beliefs, evaluations and intentions, normative beliefs and intentions as well motivation to comply and intentions.

Table III: Correlations between concepts

	Internal Beliefs	Evaluations	Normative beliefs	Motivation to comply	Intentions
Internal beliefs	1	.81**	.72**	-.02	-.21**
Evaluations		1	.70**	-.01	-.22**
Normative Beliefs			1	-.07	-.23**
Motivation to comply				1	.20**
Intentions					1

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Note: items for internal beliefs, evaluations and normative beliefs were negatively worded;

\*\* P = .001

Third, multiple linear regression was used to investigate the effects of attitudes and subjective norms on intentions using the entire sample (n = 457). In order to run the multiple linear regression means representing each concept were used except for motivation to comply as a single item was utilized. More importantly, although the Theory of Reasoned Action utilizes aggregated scores representing attitudes and subjective norms in this study, components were utilized. The results presented in Table IV shows that motivation to comply is the only variable that has a significant and positive effect on intentions.

Table IV: Hypotheses testing using Multiple Regression

<b>R<sup>2</sup> = .09</b>	<b>B</b>	<b>T</b>	<b>Tolerance</b>	<b>IVF</b>
Internal beliefs	-.03	-.36	.29	3.41
Evaluations	-.12	-1.44	.31	3.25
Normative beliefs	-.11	-1.64	.44	2.27
Motivation to comply	.18	4.15*	.99	1.01

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Dependent variable: intentions

\*\*\* P = .001;  $\beta$  = standardized beta; Note: items for internal beliefs, evaluations and normative beliefs were negatively worded.

Fourth, a decision was taken to assess the data further in order to gain more insight into the relationships between attitudes, subjective norms and intentions. In particular, the concepts were compared between those who have purchased

funeral products (n = 217) and those who have not purchased funeral products (n = 240). Results in Table V, show that significant differences do exist in the internal beliefs, evaluations, normative beliefs and intentions to purchase funeral products between those who have purchased funeral products and those who did not. In particular, those who have purchased funeral products hold strong internal beliefs, evaluations, normative beliefs and intentions than those who have not purchased funeral products.

Table V: Differences in Attitudes, subjective norms and intention on the basis of past purchase of funeral products

Key concepts	Means (SD)		T
	Have Purchased funeral products	Have Not purchased funeral products	
Internal beliefs	1.99 (.69)	2.37 (.97)	-4.84***
Evaluations	1.78 (.74)	2.27 (.99)	-5.96***
Normative beliefs	1.76 (.82)	2.21 (1.08)	-5.02***
Motivation to comply	4.09 (.89)	4.02 (1.06)	.83
Intentions	4.06 (.79)	3.80 (.92)	3.21***

Note: items for internal beliefs, evaluations and normative beliefs were negatively worded.

\*\*\* P = .001

Finally, multiple linear regression analysis was conducted using separate samples of those who have purchased funeral products (n = 217) and those who did not (n = 240), to find out the whether the direct effects of attitudes and subjective norms on intentions hold using the two categories of consumers. A comparison of model estimates based on purchase behaviour as a grouping variable represents a special case of using a categorical variable as a moderator. The results presented in Table VI shows that evaluations, normative beliefs and motivation to comply have a positive and significant effects on intentions among those who have purchased funeral products before while the effects of internal beliefs were insignificant. Among those who have not purchased funeral products before only motivation to comply has a significant and positive effect on intentions.

Table VI: Hypotheses testing using Multiple Regression using separate samples

Concepts	Those that have purchased funeral products ( $R^2 = .12$ )				Those that have not purchased funeral products ( $R^2 = .08$ )			
	B	t	Tolerance	IVF	B	T	Tolerance	IVF
Internal beliefs	.04	42	.39	2.52	-.13	-1.02	.26	3.79
Evaluations	-.22	-2.11**	.40	2.45	.005	.04	.29	3.48
Normative Beliefs	-.17	-1.96**	.42	2.37	-.05	-.49	.42	2.37
Motivation to comply	.13	-2.05**	.99	1.10	.22	3.49**	.99	1.10

Note: items for internal beliefs, evaluations and normative beliefs were negatively worded.

## DISCUSSION AND CONCLUSION

Findings of the current study have demonstrated that Christian respondents have modest intentions to purchase funeral products, strong positive attitudes, and strong subjective norms concerning the purchase of funeral products. Although the intentions are modest, respondents were more likely to continue purchasing funeral products subject to motivation to comply. These results are consistent with prior literature on purchase of funeral products and related services in Africa, particularly funeral insurance in Nigeria, where consumers' intentions were observed to be determined by normative factors (Omar and Owusu-Frimpong, 2007).

Results also show that respondents with prior purchase of the products exhibited stronger internal beliefs, evaluations, normative beliefs and intentions than their counterparts who did not have any prior purchase. These results support findings from previous research which has shown that past usage is a good indicator of future usage intentions especially in coupon usage (Baggozi et al., 1991) and condom usage (Ross and McLaws, 1992). Lastly, results indicate that evaluations, normative beliefs and motivation to comply affected intentions in respondents who has prior usage while their counterparts were only influenced by



motivation to comply. This implies that Christians who have taken a decision to give the dead a befitting burial by way of purchasing funeral products before are more likely to continue to purchase funeral products in future. The likelihood to continue to purchase funeral products will also increase among Christians as a result of positive evaluations, positive beliefs about what the family expect from them as well as the degree of compliance with the family opinions.

Besides the examination of direct effects of attitudes and subjective norms on intentions, which is consistent with the Theory of Reasoned Action, this study extends the literature by investigating the moderating effects of past purchase behaviour. This implies that purchase behaviour does not only precede or follow intentions, but it also serves as a moderating variable. In addition, the findings suggest that businesses operating in the funeral industry such as funeral parlours and insurance companies should pay attention to consumers' perceptions of social influence, particularly the finding that motivation to comply influences the intentions for both users and non-users. Development of promotional strategies and communication messages could tap on the essence of motivation to comply in order to influence action. It is essentially important to target family with marketing communications since generally consumption of funeral products and related services is decided upon as a group with input from close family members of the deceased (Grant, 1987). Companies in this business need to ensure constant communication in order to enable families to be aware of alternatives available so as to aid decision making at the time of need. It is also essential that good customer service and after service is offered to clients who have purchased products and services before because their prior usage is most likely to influence their future usage and that of others around them.

The key limitation of the study is that it focused on Christian Botswana consumers in the capital city. Thus this sample may not be representative of the entire population. Future research could extend this study by exploring differences into other religions and also into other religious sects within the Christian religion. Another limitation relates to the self-report measures used in gathering the data. This is so because in consumer behaviour studies it has been argued that self-reports are not actual behaviours but a perception of one's beliefs about their behaviour (Pepper, Jackson and Uzell, 2009).

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## **THE EFFECTIVENESS OF THE ETL PROCESS IN PREPARING DATA FOR ANALYSIS: A CASE OF TRAFFIC ACCIDENT CLAIMS IN BOTSWANA**

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### **ABSTRACT**

A data warehouse (DW) plays a pivotal role in converting data to information that could be used for quality decision making by managers. The Extraction, Transformation and Loading (ETL) process is a very critical process in data warehouse development. This is a process that ensures that data is extracted from the data sources, transformed and loaded into the data warehouse hence the name ETL. For quality decision making, the data that is loaded in the data warehouse must be accurate, consistent and in the right format. This can only be achieved if the data goes through the ETL process. The problem with the current accident and claims data is a number of errors, inconsistencies, misspellings in data and isolated or dispersed data sources. This poor quality or defective data can lead to poor business decisions. The purpose of the ETL process is to integrate isolated data sources and removing errors and inconsistencies from data in order to improve the quality of data. The Motor Vehicle Accident (MVA) fund and Botswana Police source systems were selected because MVA relies on Botswana police for accident statistics therefore a clear need for data integration because of the isolated systems. In this paper we demonstrate the effectiveness of the ETL process using Microsoft SQL Server 2014. The ETL is preferred because the data is cleaned before being loaded in the data warehouse thus ensuring the accuracy and quality of the data. In particular, we use Microsoft visual studio to develop and build the required packages. Furthermore, we deploy Open Refine tool to clean messy/ dirty data. In this paper, data was successfully extracted from the MVA fund and Botswana police source systems. The data went through the

transformation process and loading in the data warehouse to make it ready for decision making. This process has demonstrated successful integration of data from various data sources which also ensures easy access of data from a central repository. Sample reports were generated after the ETL process to demonstrate its success and effectiveness.

**Keywords:** Extraction, Transformation, Loading, Data Warehousing, Accident and Claims Evaluation

## INTRODUCTION

Decision makers in any organization need accurate information in a timely manner and in the right format. Data warehouse builders are often faced with a huge task of extracting data from the source systems, transforming and loading of data into the data warehouse. Rainardi [1] defines a Data Warehouse as a source of data in the enterprise that extracts, cleans, conforms, and delivers source data into a dimensional data store and then supports and implements querying and analysis for the purpose of decision making. In building a data warehouse it is pivotal that data goes through the ETL process. According to Sheta et.al [2] the ETL is the process of extracting data from source systems and carrying it into the data warehouse. This paper will demonstrate the implementation of the ETL process for accident compensation claims in Botswana. This involves extraction, transformation and loading of relevant data into the target dimensions to provide strategic information. Data used in the ETL process was collected from the Motor Vehicle Accident (MVA) Fund and Botswana Police source systems. The data was extracted and loaded in the DW. The rest of this paper is organized as follows; in section II we describe the SQL server platform. Section II is followed by the description of the data sources. The next section describes the ETL process. In section V we discuss the reporting and analysis of data after the ETL process.

### The SQL server platform

The ETL Process was done through the SQL Server platform which supports data Integration, Analysis and Reporting. SQL Server Integration Services (SSIS) is used for integrating data from different source systems. It contains a data-flow engine to transfer and transform data to and from various data sources through its operations such as Aggregate, Sort, Lookup, Merge, Merge Join, Union All, Data Conversion and Audit. It also has graphical tools and wizards for extraction, transformation, and loading. SQL Server Analysis Services (SSAS) enable users to accommodate multiple analytic needs within one solution and also creation of

the OLAP cubes. SQL Server Reporting Services (SSRS) provide a platform that supports the authoring and delivery of interactive reports to the entire organization. After the development and loading, the data is used to generate reports for data analysis. Figure 1 present the architecture of a data warehouse including all the components of Business Intelligence.

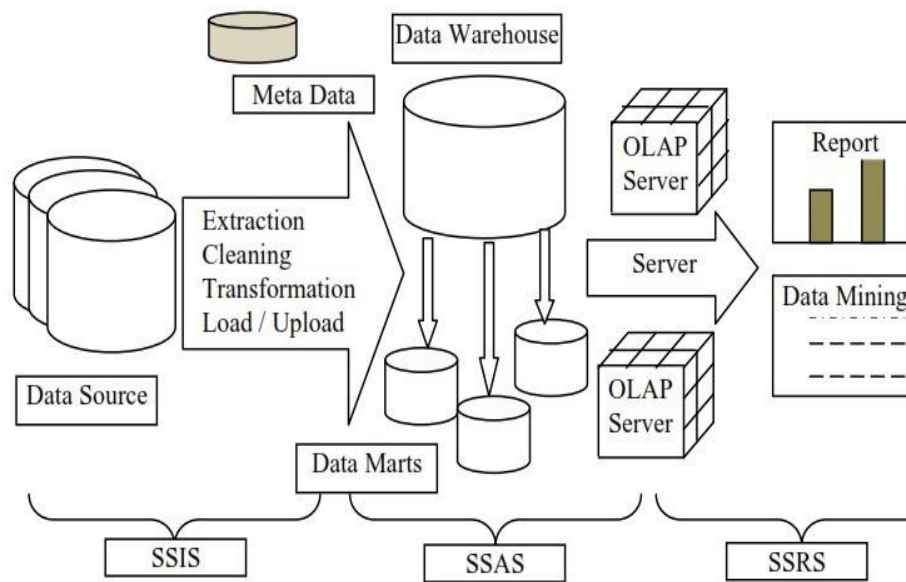


Figure 1: DW Architecture

Picture by [2]

### Problems/shortcomings of the current data

Data is a core and vital business asset that needs to be managed to ensure quality and precise business decisions in any organization. Managers need accurate, relevant and timely information. The problem with the current accident and claims data is errors, inconsistencies, misspellings in data and isolated or dispersed data sources. Currently, MVA fund relies on external data from Botswana Police database for accident statistics. Due to dispersed and isolated data, information is not easily available for optimized decision making more especially where there is a need for inter system communication. This requires all the information to be availed centrally which is currently not the case at MVA.

The aim of the ETL process is to integrate the data sources and removing errors and inconsistencies from data in order to improve the quality of data.

### **The data sources**

Data was extracted from both internal and external data sources of the MVA fund. The internal data sources include; claims data, lodgment data, payment data and fraud data. The external data has two sources files containing the accident and the causality details data. The target dimensions are the accident dimension, the claim dimension and fraud dimension. Even though the raw data on fraud was not provided because of its sensitivity, the fraud dimension is included to emphasize its importance and how it complements the whole solution. The data is extracted from the sources files and loaded into these dimensions. Data is stored in dimensional tables in the data warehouse. The accident dimension should assist in generating reports pertaining to evaluation of accident regarding time, location, type, and victims. The claims dimension will help in evaluating the cost of the claims in terms of type, frequency, time, location and customers. The records in fraud dimension should help in evaluating the existing fraud occurrences and establish predictive models to unearth unusual patterns. The fact table stores measures and metrics. Figure 2 shows the star schema of the dimensions where the data will be loaded.



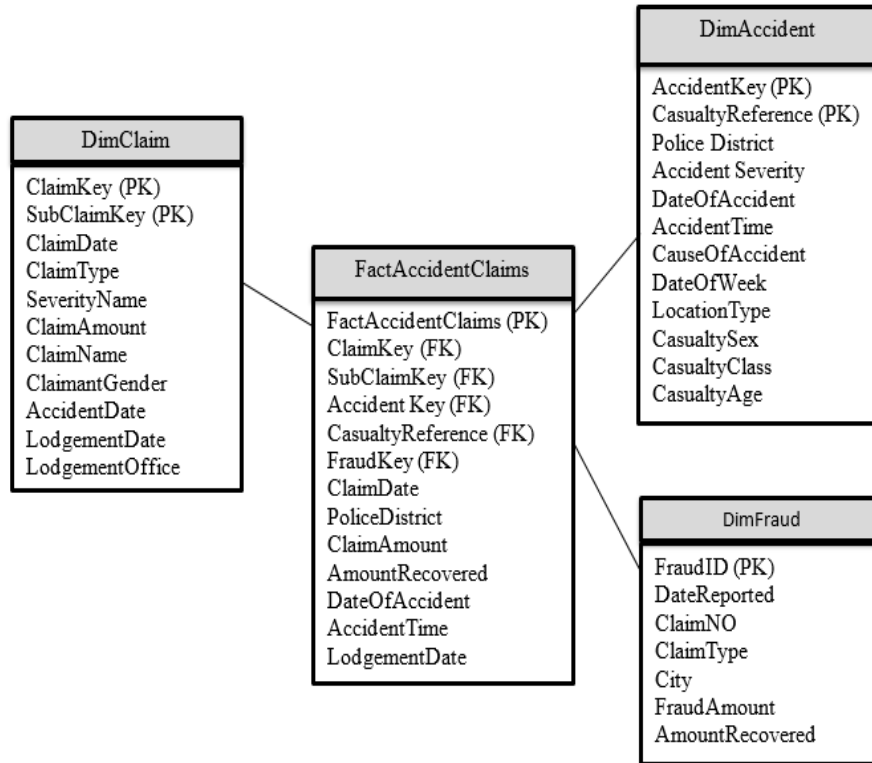


Figure 2: Data warehouse dimensions

A. Internal data sources

- The Claims Data File

The claim file has the following attributes; Claim No, SubClaim, claimant, Date, claimant, Injured Party, Claim Type, Severity Name, and Diagnosis Desc. Data in the claims dimension should help answer strategic questions such as ‘what types of claims exist’ or ‘which types of claims occur more or less’.

- The Payment File

The payment file contains data pertaining to the payment made on each claim by location, amount, gender and other attributes.

- The Lodgment File

The lodgment file contains data about the location where the claim was first lodged as well as the date the claim was initiated. The location is very important in helping decision makers to discover places where more or less claims occur.

#### B. External Data Sources

- Accident File

The accident file has the following attributes; Accident Key (PK), Police district, Time, Accident Severity, Cause of Accident, Day of Week, Location Type). Codes are used to represent the actual values of attributes. The data gives details of each accident.

- Causality Details File

The casualty details file provides details about the accident victims. This data provides the gender, the class and the age of the accident victims. Figure 3 presents the snapshot of the causality details file;

Accident Key	CASUALTY REFERENCE	CASUALTY CLASS	CASUALTY SEX	CASUALTY AGE
108340	1 3	1		15
108344	1 2	2		37
108346	1 1	1		17
108357	1 1	1		32
108358	1 2	1		39
108358	2 2	2		36
108358	3 2	1		22
108358	4 2	1		39
108358	5 2	1		30
108358	6 2	2		14
108358	7 1	1		42
108366	1 1	1		34
108366	2 2	2		21
108368	1 3	1		20
108375	1 3	2		29

## THE ETL PROCESS

The ETL process consists of the following stages; data extraction, transformation and loading. The ETL is not a one-time event because new data will be added to the data warehouse on a regular basis typically monthly or even weekly depending on the business requirements related to specific data elements. In the next sections we discuss these processes.

### **A. Data Extraction**

In this step, data is extracted from Excel files which are from the MVA and Botswana police databases. The source files are claim files and the accident files. The SISS will be used to integrate separate files.

### **B. Data Transformation**

Transformation is the process responsible for data validation, data accuracy, data cleaning, data type conversion and business rule application. Data extracted from the claims and accident sources is transformed using in-built transformations contained in SSIS. Transformation can take place while data is being extracted from the originating source systems.

### **C. Data Loading**

This is the process of loading data into the end target. After transformation, dimensional tables and fact tables are populated with the data. The data passes through a sort editor to remove duplicates [2].

### **D. Extraction of Accident Data**

Since there were two separate data source files, the merge transformation was used to join the two data files. The accident and causality files were linked and sorted using the accident key which should match in both files. The result of the merge was loaded in the accident dimension with all the attributes required to answer the user's questions. Figure 4 is an illustration of the merge transformation;

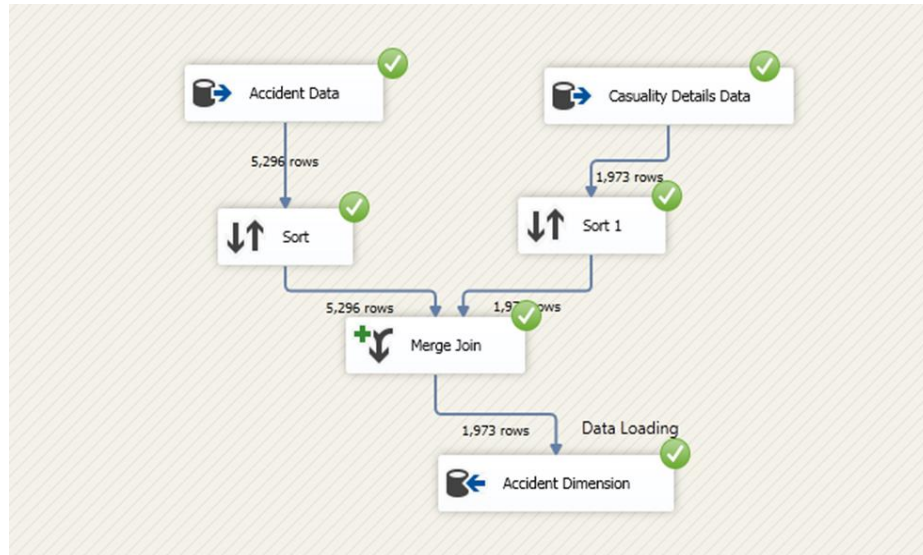


Figure 4: Accident ETL Process

The data transformation also involves data types conversion so that they match the data types in the new data warehouse. Table 1 shows some of the converted data types.

Table 1: Data Types Transformation

Attribute	Data type	data Type in SSIS
<b>Accident Key</b>	Int	<b>DT-I4</b>
<b>Police District</b>	Varchar	DT-STR
<b>Accident Date</b>	Date	DT-DBTIME

#### E. The Extraction of the Claims data

The ETL process for the claims data involves three files which are claims file, payment file and lodgment file. These files were also combined using merge join.

Because there were three files, two merge joins were required. Figure 5 shows the ETL process for the claims data;

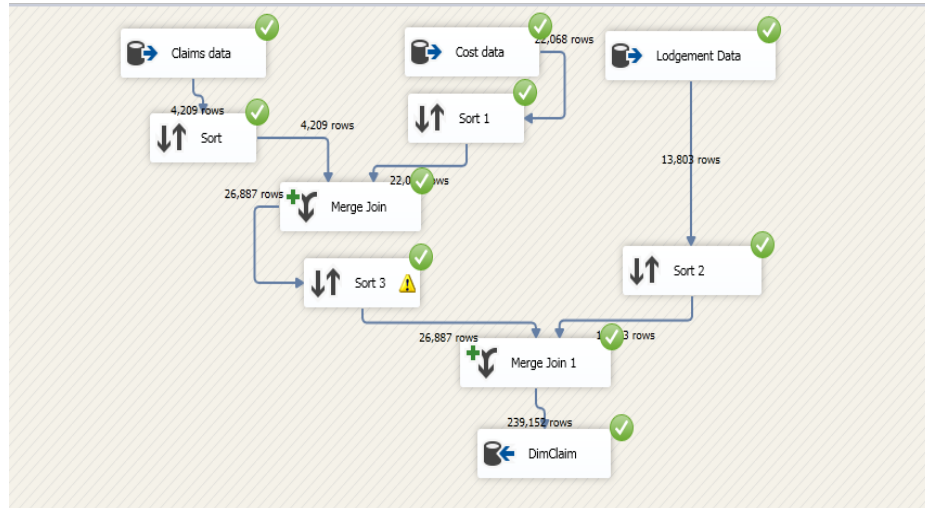


Figure 5: Claim file merge Join

#### F. Cleaning of Messy (Dirty) Data

“Messy data” refers to data that is riddled with inconsistencies, either because of human error or poorly designed record systems [3]. Cleaning data aims at fixing erroneous data and to deliver clean data for end users (decisions makers). The data cleaning operations involves dealing with missing data, rejecting bad data and correcting inconsistencies in data. The inconsistencies in data can cause problems during analysis of data. The errors identified in the claims data include;

- Misspellings
- Date that appeared as text instead of date format
- Missing data or blank cells.

The OpenRefine tool was used to correct the errors identified in the data.

#### • Accident Data Cleaning

There were few errors identified in the accident data. The file did not have any missing data therefore there was no intensive data cleaning required for the accident data. However, there was an error in the capturing of data where a negative -3 was captured instead of a 3. Figure 6 shows this error in OpenRefine

cleaning tool. There were also inconsistencies with numbers as other numbers where written as 1 while others were written as 01.

2	0	108301	03
1	0	108302	13
2	0	108303	03
2	0	108304	03
2	0	108305	13
1	-3	108306	02
2	0	108307	13
1	0	108308	03
2	0	108309	13

Figure 6: Inconsistency in data

- **The Claims File Data cleaning**

The spelling errors were found in the claim type, claimant names and the city. The errors were corrected by clustering the attributes in OpenRefine to identify and correct the errors. In the data cleaning process all the misspelled words were corrected, the blank cells were stored as null and the date was converted to date format.

- **Inconsistencies in names**

The word service was misspelled hence it was corrected from Future Medical Expenses Caretaker Serv to Future Medical Expenses Caretaker Service. The other name Future Medical Expenses Special Educat was also corrected to Future Medical Expenses Special Education. Other inconsistencies were in the location names. Different names were used to mean or refer to same location. This poses a problem during data analysis because these locations will be treated as different locations while it is same location. One of the errors is that commas and other

symbols are used as delimiters while in other records they are not used e.g. Game City Gaborone and Game City, Gaborone. Some letters are capitalized while others are not e.g. Mmankgodi and MMankgodi. OpenRefine helps with replacing the error with the correct value by clustering all the names with inconsistencies and the user can decide on the correct name to apply. Figure 7 shows some inconsistencies in locations and how they were corrected.

		Keying Function	fingerprint
<ul style="list-style-type: none"> <li>Bontleng, Gaborone (2 rows)</li> <li>Bontleng -Gaborone (1 rows)</li> </ul>			
<ul style="list-style-type: none"> <li>Tati Siding (3 rows)</li> <li>Tati siding (1 rows)</li> </ul>		<input type="checkbox"/>	Tati Siding
<ul style="list-style-type: none"> <li>Game City Gaborone (2 rows)</li> <li>Game City, Gaborone (1 rows)</li> </ul>		<input type="checkbox"/>	Game City Gaborone
<ul style="list-style-type: none"> <li>Ramotswa station (2 rows)</li> <li>Ramotswa Station (1 rows)</li> </ul>		<input type="checkbox"/>	Ramotswa station
<ul style="list-style-type: none"> <li>Mmankgodi (3 rows)</li> <li>MMankgodi (1 rows)</li> </ul>		<input checked="" type="checkbox"/>	Mmankgodi
<ul style="list-style-type: none"> <li>Sowa Town (3 rows)</li> <li>Sowa town (1 rows)</li> </ul>		<input type="checkbox"/>	Sowa Town
<ul style="list-style-type: none"> <li>Mochudi (61 rows)</li> <li>mochudi (1 rows)</li> </ul>		<input type="checkbox"/>	Mochudi
<ul style="list-style-type: none"> <li>Francistown Tatitown (1 rows)</li> <li>TatiTown Francistown (1 rows)</li> </ul>		<input checked="" type="checkbox"/>	Francistown Tatitown

Figure 7: Inconsistency in location names

- Date Conversion**

The date was in text format and it needed to be converted to date format for proper analysis. If the date is not converted the system will read it as text instead of date. Figure 8 shows date in text format in an Excel file.

A	B	C	D
City	Claim No.	SubClaim	Date
Serowe	105621	2	23.08.2011
Orapa	105622	3	06.07.2011
Francistown	105622	4	08.07.2011
Maun	105624	1	16.06.2011
Maun	105624	1	16.06.2011
Maun	105624	2	24.06.2011
Middlepits	105630	4	11.07.2011
Tsabong	105630	6	02.08.2011
Palapye	105631	1	17.06.2011
Palapye	105631	1	17.06.2011
Gaborone	105633	1	17.06.2011
Selibe Phikwe	105635	1	17.06.2011
Gweta	105636	2	20.06.2011
Gweta	105636	2	20.06.2011
Gweta	105636	2	20.06.2011

Figure 8: Date in text format

Figure 9 shows the step by step process of converting the date to the correct format OpenRefine.

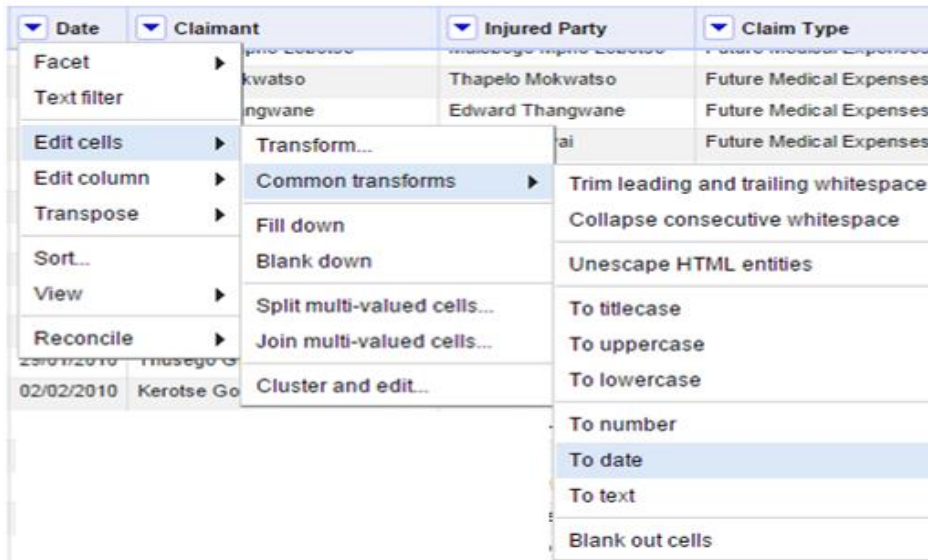


Figure 9: Date Conversion



The cleaning process resulted in data that has correct spellings for cities, claimant names, correct date format, blank cells replaced with null value and correct names for claim types. Once the data has been cleaned, accurate and improved data analysis can be performed. The OpenRefine software was used as a supplementary tool because of the limitations in data cleaning by SQL Server during the transformation process.

## **REPORTING AND ANALYTICS**

The purpose of the ETL process is to turn data into information and information into knowledge that could assist managers to come up with appropriate business actions. The reporting and analysis are facilitated by Business Intelligence, data warehousing, business analytics and knowledge management. The analysis of data involves activities such as data mining, forecasting or predictive analytics, this takes advantage of statistical analysis techniques to predict or provide certainty measures on facts [4]. Once the data has been loaded users can do Query and Reporting which is about asking questions of the data that may not have been asked before or extracting answers from the data warehouse. Furthermore, users can generate graphs, dashboards, and OLAP reporting technologies that allows faster generation of new reports which analyse the data.

### **A. Reports generated after the ETL Process**

This section presents examples of some of the reports that can be generated after loading of data in the data warehouse. Figure 10 presents a report from claims dimension after the ETL Process.

Year	Claim Type	Claim Number	Claim Amount
2010			
	Future Loss of Earnings or Income		
		104653	5000.0000
		104703	10657.3900
		104300	10837.2800
		104827	30882.8000
		104181	36430.2700
		103977	49108.9600
		104721	58960.0000
		104849	78481.8600
		103257	118859.9800
		104808	120537.7400
		103508	130800.7900
		104261	14147.8600
		104698	18515.0000
		102765	28000.0000
		104871	70000.0000
	Future Loss of Support		
	Future		

Figure 10: Claims report

This report is used to analyze data by claim year, the claim type, claim number and claim amount. The report above shows how users are able to extract data from higher to lower hierarchies. This is referred to as drilling. Drilling down is an analytic technique whereby users navigate among levels of data from the most summarized to the most detailed data [5]. With drilling users are able to get into the deep details of the data in the data warehouse. Decision makers take business actions based on the results generated in the report.

The other report on claims shows that most people are claiming for the medical expenses-rehabilitation, funeral expenses and loss of support, loss of earnings or income and medical expenses-special education respectively as presented in Figure 11.

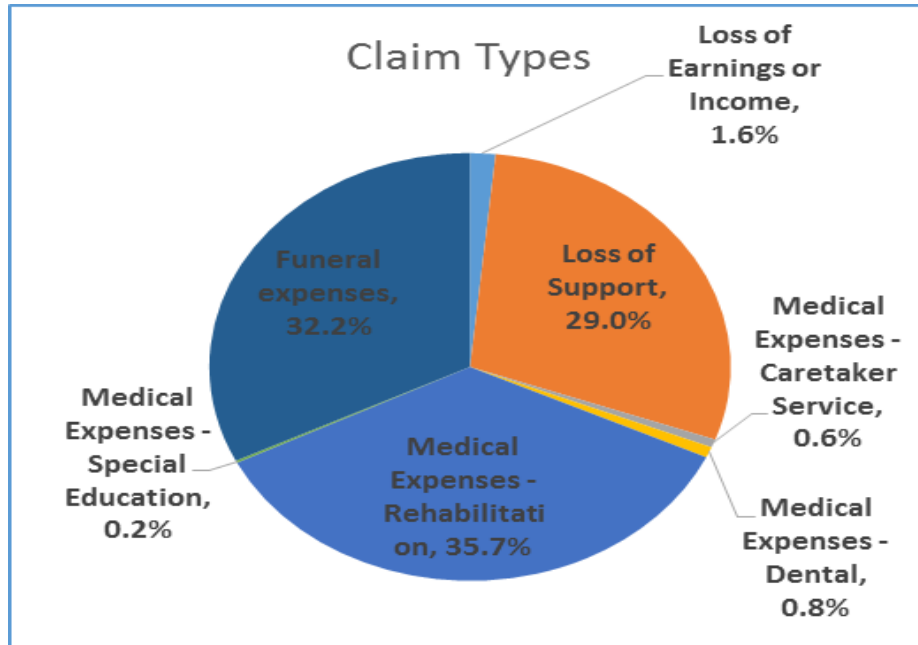


Figure 11: Claims by type

The distribution of road accidents by age and accidents severity shows that most people who were involved in the road accidents were between the ages of 30-39 followed by age range 20-29 and the less number of people are in age 70 and above. Figure 12 shows the distribution of accidents by severity and age;

<b>AGE</b>	<b>Fatal</b>	<b>Serious Injuries</b>	<b>Minor Injuries</b>	<b>Total</b>
<b>0-10</b>	14	41	83	<b>138</b>
<b>11-19</b>	14	56	110	<b>180</b>
<b>20-29</b>	89	152	360	<b>601</b>
<b>30-39</b>	91	169	361	<b>621</b>
<b>40-49</b>	40	64	130	<b>234</b>
<b>50-59</b>	22	29	64	<b>115</b>
<b>60-69</b>	9	15	32	<b>56</b>
<b>70-79</b>	6	4	11	<b>21</b>
<b>80-89</b>	1	1	3	<b>5</b>
<b>90-100</b>	1		1	<b>2</b>
<b>Total</b>	<b>287</b>	<b>531</b>	<b>1155</b>	<b>1973</b>

Figure 12: Accidents by age

## CONCLUSION

The ETL process is important in preparing data for data analysis. This process ensures that the data that is analyzed is in the right format. The need for data integration cannot be overemphasized as demonstrated through this ETL process. The data integration was done by consolidation of the traffic accidents data from the Botswana Police with the MVA claims management data. The traffic data plays a pivotal role in the decision-making process at MVA's Injury Prevention department. The integration facilitates easy access of data thus enhanced decision-making process. It has been observed that many systems in Botswana are isolated resulting in slow service delivery. The SISS service has enabled integration of organizational data and systems from different source systems across many years. Provision of an analytical capability will lead to improved decisions. Because of the reporting facility there will be easier, quicker and more comprehensive reporting and querying capabilities. The capacity to analyze large amounts of historical data will also be realized.

## ACKNOWLEDGMENT

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**THE IMPACT OF THE FOUR-YEAR LEARNING  
PROGRAMME TO STUDENTS' CAREER  
ASPIRATIONS: THE CASE OF UNIVERSITY OF BOTSWANA  
ACCOUNTING AND FINANCE STUDENTS**

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**ABSTRACT**

The paper determine whether the students' career aspirations have changed from the time they enrolled for a particular programme during the first year until they have encountered socialisation throughout the four-year learning period, which includes the internship programme. Descriptive research design was used in the study. The research population for the study were all final year University Botswana undergraduate students studying a four year programme. Judgement or purposive sampling was used to select a total of 100 students from the final year Accounting and Finance students and, the two groups being equally represented in the sample. Primary data was used for the study and collected using a 5-point Likert skill questionnaire from 100 students from the two groups during their classes. Descriptive statistics and Independent sample t-tests were used to analyse the data. The internship programme is an eye opener to the students and help them to prepare for their careers. The four year socialization process, during students' studies did not cause any change in their career aspirations from the time, they enrolled for their respective programmes. The students who enrolled for the accounting and finance programmes were sure of the careers they intend pursue upon graduation. The findings stresses the importance of internship to students in deciding their careers aspirations upon graduation. The department of accounting and finance must continue with internship program, if possible increase its duration from ten weeks to six months and also assist finance students to secure internship places in finance related institutions.

**Keywords:** Career aspirations, internship, social influences, demographics, academic programmes, University of Botswana

## INTRODUCTION

Students enrol for different programmes at universities because of the career aspirations they want to pursue upon graduating whilst others are influenced to enrol in particular programmes by their parents or guardians or other circumstances that include sponsorship restrictions. Career aspirations are the vocational possibilities or work preferences given ideal working conditions that college and university students will want to pursue after graduating (Metz, Fouad, & Ihle-Helley, 2009). In this light, internship provides graduates with the first formal opportunity in a working environment which is a key determinant in their careers and is a chance for them to apply the theories learned in classrooms to real world situations in a working environment. Therefore, organisations through internship programmes are able to identify talented potential employees who can fit into its culture, vision and strategic goals (Kanye & Crous, 2007).

It has been revealed that undergraduate major field of study appear to have a significant impact on getting a job and securing employment at a level of bachelor's degree at an early age in one's career (Pascarella & Terenzini, 1991). By extension, such benefits accrue to those students majoring in fields that have the most direct and functional linkages with specific jobs (Pascarella & Terenzini, 1991). Accounting has been identified amongst those specialized fields that include among others; computer science, engineering, and nursing. Meanwhile, Astin (1993) posits that the faculty also have a bearing on students since faculties with strong orientation towards students tend to have more effects. Meanwhile, Luzzo (1995) examined gender differences in 401 college students' career maturity and the analysis revealed that female students scored significantly higher than male students on each of the career maturity measures: career-mature attitudes, career decision-making skills, and vocational congruence. As a result, gender is an important moderating variable in college students' career development.

Danziger and Eden (2006) investigates changes in Israeli accounting students' career aspirations during their course of studies, and the relationship between these and their perceptions of professional accountancy firms. The results show that accounting student' aspirations to pursue a career with a professional accountancy firm decline significantly between the first and postgraduate years, while their desire to work in the business sector increases. Moreover, the results show the same trend with regard to the student's positive perceptions of the above firms as future workplaces.

Hence, this study aligns to a general conceptual framework by Weidman (1989, p. 301) which showed that “undergraduate socialization can be conceived as a process whereby student (1) enters college as a freshman with certain values, aspirations, and other personal goals ; (2) is exposed to various socializing influences while attending college, including normative pressures exerted via (a) social relationships with college faculty and peers, (b) parental pressures, and (c) involvement in non-college reference groups, (3) assesses the salience of the various normative pressures encountered for attaining personal goals; and (4) changes or maintains those values, aspirations and personal goals that were held at college entrance.”

### **Problem Statement**

As evident in Danziger and Eden (2006) study, when juxtaposed with conceptual framework by Weidman (1989), postulates that career aspirations tend to change significantly between the first and postgraduate years due to the socialization processes involved. As a result, we expect a significant impact on career aspirations of University of Botswana accounting and finance students who as part of their four-year specialized degree programmes, have a 10 weeks internship programme as one of their compulsory courses. The overarching question is, “has the student career aspirations changed from the time they entered university, via the internship programme until they eventually complete their university degree studies?”

### **Objectives**

The main purpose of this study is to determine whether the students’ career aspirations have changed from the time they enrolled for a particular programme during the first year until they have encountered socialisation throughout the four-year learning period, which includes the internship programme.

The specific objectives are to;

1. Assess the role played by family members and parents in the students’ choice of programme of study
2. Examine why students have chosen their respective programmes of study
3. Assess the role played by the internship programme experiences towards career choice and preparation
4. Check if the students’ career goals, plans and aspirations has changed significantly during the four year degree programme



5. Establish whether there is any significant difference between the accounting and finance students in terms of their (i). Internship experiences and (ii). Career goals towards the end of the four year learning period.

### **Significance of the study**

The study is expected to inform the faculty on the appropriateness of the finance and accounting programmes in meeting students' careers aspirations. Further, it will inform the university management on the competitiveness of our accounting and finance degrees, both in terms of attracting new students as well as producing students that are motivated and confident of meeting industry demands. Moreover, the study will inform the internship coordinators of the significant role placed by internship programme in shaping student career goals and aspirations.

## **THEORETICAL FRAMEWORK**

Though several organizational variables have been identified in most socialisation studies e.g. Wheeler (1966), this study will adopt a more general conceptual framework developed by (Weidman, 1989), who summarised the socialisation process among three components; (1) individual, group and organisational influencers, (2) social processes through which these sources of socialising influencers are encountered by students and, (3) resultant socialisation outcomes in various colleges. As a result, this approach emphasizes two concerns in terms of the way people are socialised into an environment; namely, social interactions (interpersonal processes) and organization structures (the characteristics of educational institutions) with regard to exerting pressures on students. In a nutshell, the framework explores set of socialization process, concentrating largely on normative context and interpersonal relations among members. As a result, it considers the joint socialization of (1) student background, (2) normative influences exerted by academic and social structure and (3) mediating impact of parents and non-college reference groups during college life as students participate in the immediate campus social structure (Weidman, 1989).

We find this model more appropriate as it aligns fully to our specific objectives. However, the effect of parental influence and non-college reference groups will be relegated to a lesser importance. Therefore, for the purposes of this study, we will pay more attention to the collegiate experience in influencing

career outcomes, which will form our conceptual framework. The generalised model is summarised below, with the arrows bidirectional; Source; (Weidman, 1989, p. 299)

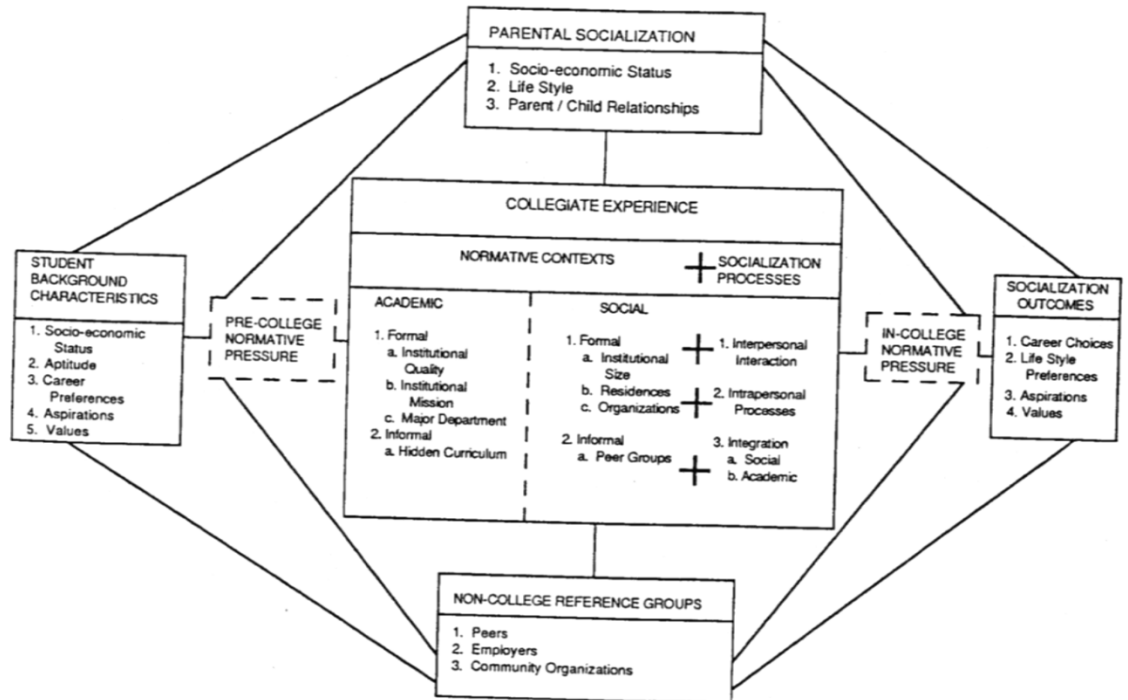


FIGURE 1. A CONCEPTUAL MODEL OF UNDERGRADUATE SOCIALIZATION

### An Overview of Previous Research

Career aspirations and choices of students are impacted upon by a wide variety of factors. Many of these factors have been studied over time to establish their significance in shaping the careers of many a student. These studies have been conducted across the many disciplines found in the academic sphere. This section of the paper identifies some of the common factors often examined to establish their impact on career choices that students make by the time they graduate from a degree programme. A significant amount of literature has been reviewed to ascertain the focus of previous studies in the broad area of student

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career aspirations and choices, with emphasis on accounting, finance and business areas of study.

This study aims at making a contribution to knowledge by focusing on two factors, being the four-year academic programme and the internship (industrial attachment) for students in Accounting and Finance at the University of Botswana. Numerous studies have been undertaken aimed at ascertaining the impact of different factors on career aspirations of students. The studies undertaken in different countries around the world have been based on different categories of tertiary education students and have focussed on different factors that impact career choices and aspirations of tertiary education students. The environments within which these studies were undertaken also differ, sometimes significantly so.

#### Studies on factors students consider in choosing a career

Numerous studies have sought to establish the factors that students consider in choosing a career in accounting, finance or other specialisations in the business areas (Rebele, Stout & Hassell 1991, Bundy & Norris 1992, Rebele, Apostolou, Buckless, Hassell, Paquette & Stout 1998, Piotrowski & Cox 2004, Oyer 2008, Sugahara, Hiramatsu & Boland 2009, Piotrowski & Hemasinha 2012, Shumba & Naong 2012).

The most frequently interrogated factors have been influence from family and peers as well as influence from academic staff (Astin 1993; Ahmed, Alam & Alam 1997; Shumba & Naong 2012); intrinsic, financial and job-related factors (Bundy & Norris 1992; Ahmed, Alam & Alam 1997); learner's own choice of career (Bundy & Norris 1992; Shumba & Naong 2012).

The findings of most of these studies have, not surprisingly, been varied as they have overlapped with regard to some of the factors. In summary, the main findings are outlined in the findings of the following research studies:

A study by Astin (1993) suggested that academic staff have a notable positive or negative influence on student career choices. As he points out, "student-faculty interaction has a number of fascinating effects on career outcomes. Most notable, perhaps, is the positive effect on choosing a career in college teaching. Clearly, this result suggests that interacting frequently with faculty produces in students a greater sense of identification with their faculty mentors. Student-faculty interaction also has positive effects on both career choices and major field choices

in all fields of science (but not in engineering, it should be stressed), and negative effects on the choice of a career or major in business.”

In 1997, Ahmed, Alam and Alam revealed that accounting students in New Zealand who intend to select a career in chartered accountancy give significantly higher priority to financial and market factors than those who have chosen a non-accounting career. Similarly, not surprisingly, they perceive the benefits of becoming a chartered accountant to be greater than the associated costs. Further, the results indicate that intrinsic factors, other factors and exposure to accounting at high school have no significant influence on this career decision. The study also showed that students choosing a non-accounting career view the accounting profession as dull and boring.

While the study by Bundy and Norris (1992) showed that accounting students listed job security as the job attribute considered most important in selecting their first job. This was followed by challenging and interesting work, advancement potential, employer-paid health insurance and personalities of supervisors and co-workers, in that order.

The study by Ahmed, Alam and Alam (1997) also examined the influence of various factors on accounting students' choice to pursue a professional career as a chartered accountant (CA) or to pursue a non-accounting career. The factors they explored included intrinsic factors, financial and job-related factors and other factors such as parent and peer influence, work experience, exposure to high school accounting and the student's perceived benefit-cost ratio to being a chartered accountant.

#### Impact of academic programmes and internships on student career choices

There are much fewer studies that sought to establish the impact of academic programmes on career aspirations and choices. Equally few are those studies that sought to establish the impact of internship programmes on student career aspirations and choices. As Rothman and Sisman (2016), noted it is surprising that given the value of internships to business students, few studies have examined their influence on undergraduates' career considerations. Studies that had a focus on the impact of academic programmes and internships on career aspirations and choices of students have mainly been outside the accounting and finance disciplines (Piotrowski and Cox 2004; Rothman 2007; Chuang, Walker and Caine-Bish 2009; Sugahara, Hiramatsu and Boland 2009; Moghaddam 2011; Kim and Park 2013; Rothman and Sisman 2016).

The outcomes of many of these studies can be summarised on the basis of the overall findings of the following studies: Piotrowski and Cox (2004) found that approximately fifty percent of the undergraduate students in business programmes aim to find employment in their chosen area of specialty.

The result of a study by Chuang, Walker and Caine-Bish (2009), also suggest that academic major plays an important role in students' career choice behaviour. Students rely on faculty expertise to help them make well-informed career goals. Further, the study suggests that differences in the academic areas and related professions impact students' career decision self-efficacy, career outcome expectations, and vocational exploration and commitment. Student career behaviours are shaped by the learning experiences unique to each programme. Students across the majors included in this study revealed significant differences in the variable of career outcome expectations. These expectations affect how students prepare for their future jobs.

Another study on the possible attraction of non-accounting students to a professional accounting career (CPA) in Japan by Sugahara, Hiramatsu and Boland (2009), has demonstrated the strength of a study programme in a professional area such as accounting in influencing the choice of career by students. In this study, the outcomes revealed that students who had work experience and majored in disciplines other than accounting/business were more reluctant to become a CPA. Accounting schools in Japan have simply attracted students who have previously majored in accounting at the undergraduate level and entered directly after graduating from university without any work experience.

A study by Moghaddam (2011) suggests that students overall find that the internships are an effective means of providing them with business education and preparing them for their future careers. Such perceptions/expectations are, however, stronger for those students who have not yet taken an internship than those who have taken or are currently taking one. This suggests that the internships while meeting the students' expectations overall with regard to their belief that internships were helpful in shaping their future career path and improving their job opportunities, all of their expectations were not met to the levels expected by students prior to undertaking internship. An interesting finding of this study was that students found internships more valuable than taking a regular course.

### **Summary**

The foregoing literature overview shows that, indeed, there has been considerable interest in seeking to understand the factors that influence student career choices and aspirations. Several studies have tended to focus on such factors as influence from family and peers as well as influence from academic staff, intrinsic, financial and job-related factors, learner's own choice of career and to a lesser extent, study programmes and internships. The findings of various studies that have been conducted on the broad topic of factors that influence students in their career choices and aspirations have yielded results that in some cases are complementary and in other cases are contradictory. What is evident is that students are impacted upon by a wide variety of factors as far as their career choices are concerned. What varies is the extent to which these factors impact the students. That also is function of a wide variety of other factors that include the programmes of study and environmental factors. However, there is limited research on the impact of academic programmes and internships or attachments, especially in accounting and finance. This study sheds more light on the impact of study programmes and internships on career choices and aspirations of accounting and finance students, albeit to a limited extent.

Thus, we propose the following hypothesis;

H1: Family members, parents and/or friends play a positive role in the students' choice of programme of study

H2: The internship programme experience plays a positive role towards career choice and preparation

H3: Students career goals, plans and aspirations has changed significantly towards the end of the fourth year of their undergraduate programmes

H4a: There exist a significant difference between the perceptions of accounting and finance students' career aspirations due to internship experience.

H4b: There exist a significant difference between the perceptions of accounting and finance students' career aspirations due to the four year socialisation process.

### **METHODOLOGY**

This was a descriptive study which sought to uncover the impact of a four year learning period, which is inclusive of internship on students' career aspirations. In this light, only 4th year Accounting and Finance student from University of Botswana were considered. The main reason being that at that time,

they would have completed the internship course as part of their programme at third year level and any change in career at this stage would be well informed. Marriott and Marriott (2003) has discovered a change in attitude among undergraduate accounting students from two UK universities, and in particular, when accounting students begin accounting studies, they have a favorable attitude towards accounting as a profession, but their enthusiasm wanes over the course of the programme. In order to assess students' careers aspirations, a survey method through use of semi-structured questionnaire was used. A survey method has been used in similar and related studies on assessing perceptions on career aspirations and impact of internship, see (Danziger & Eden, 2006; Kim & Park, 2013).

### **Data and Sampling**

The research population for the study were all final year University Botswana undergraduate students studying a four year programme. Judgement or purposive sampling was used to select a total 100 students from the final year Accounting and Finance students and, the two groups being equally represented in the sample. This department is comprised of students who study Accounting, Finance and Business Information Systems. These students all undergo an internship program at some point during the course of their four year degree. We used judgment or purposive sampling to select fourth year accounting and finance students. According to Zikmund, Babin, Carr, and Griffin (2013), judgment (purposive) sampling is a non-probability sampling technique in which an experienced individual selects the sample based on his or her judgement about some appropriate characteristics required for the sample member. In this context, the two groups all undergo same internship program during third year of their studies and are often attached to accounting departments of various organisations. Further, the two programmes are related since students undertake mostly same first and second year courses, only to specialise at their third year level. Nonetheless, most of the research in this area has been carried out with accounting students since accounting has long been regarded as a specialised area such as (Pascarella & Terenzini, 1991; Danziger and Eden (2006) .

We collected data from April to May 2018 on fourth year accounting and finance students who were enrolled in the two programmes and have already undergone internship course. A total of 100 questionnaires were self-administered to students from the two groups during their classes. Fifty questionnaires were administered to fourth year finance students and the remaining fifty to accounting students. Students voluntarily completed the questionnaires during one of the

classes in May when they were just about to finish the second semester. This period has been chosen because at this stage students are believed to have finished writing their tests therefore they would be willing and able to answer questionnaires and almost finishing their four year degree programme.

A semi-structured questionnaire was developed and adopted some questions from similar studies on student perceptions and career aspirations (Danziger & Eden, 2006; Kim & Park, 2013). The questionnaire was divided into two key Sections. Section A enquired on the students' demographics. Section B probed on the students' perceptions on their career choices, plans and aspirations. Thus, the first question comprised of a series of structured questions asking students eight reasons for choosing their respective programs, on a 5-point Likert scale, where; 1 is strongly disagree and 5 is strongly agree. The second question was the same 5 point Likert scale questions asking students about the significance of 10 internship experiences on shaping students career choices and preparation. The last key questions in section B comprised of closed and open-ended questions interrogating whether student's career aspirations have changed due to the course of their studies. The questionnaires were piloted before being given out to students.

### **Data Analysis**

Information regarding respondents' demographic profiles was summarized using frequency tables generated through Statistical Software for Social Science (SPSS). Paired-sample t-tests were performed to examine significant differences of mean scores for the respondents' perceptions on internship experiences and career goals towards the end of the four year learning period. In particular, T-tests were performed to examine the mean score for each of the internship experience results for a particular program of study, on a 5-point Likert scale (from 1-strongly disagree to 5-strongly agree). This was done, in order to investigate a possible moderating effect of internship experience on career aspiration.

Further, to that, respondents were asked if there was any change in career goals as a result of internship experience and to explain their assertions. The last set of questions sought to address if students' career goals, plans and aspirations has changed significantly during the course of their studies. In particular, students were asked about the clarity of their current career plans (ranging from 1-very unclear to 5 no definite career goals) and explain each choice. Finally, perception on students career intentions after graduation were assessed by ticking a set of



answers which included; related full time job, new career position, attend graduate school, and other. Of more interest via a follow-up open ended question was for those who intend to switch to a new career after graduation. As a result, themes were developed for all open-ended questions to get a get an overall perception on the questions asked.

### **Ethical Considerations**

Since this study involves collection of primary data, high standards of confidentiality were applied. Thus, information gained was used for the intended purpose and the identity of participation was anonymous to protect students' interest and future wellbeing. All participants were made aware that their participation in the study was voluntary. Further, a consent form was provided that was signed by the respondent, giving permission that they agree to take part in this research. Consequently, data was collected only after the research permit was issued.

## **DATA ANALYSIS AND FINDINGS**

Background information of the respondents is shown on Table 1. A total of eighty six (86) questionnaires were returned by the respondents which was 86% response rate. In terms of respondents' programme of study 42 (48.8%) were studying accounting whilst the other 44 (51.2%) were studying finance. In terms of gender, 28 (32.6%) were male and 58 (67.4%) were female. The majority of the respondents 80 (93%) fell within the 21-24 age group followed by the 25 - 30 age group that had 5.8% of respondents whilst 20 years had 1.2% of respondents. The majority of the respondents, 98.8% were single whilst only 1.2% of the respondents were married. The majority of the respondents, 29.10% had a GPA in the range 3 – 3.49 followed by GPA ranges of 3.5 – 3.99 and above 3.99 that both had 26.7 respondents respectively. The GPA range of 2.5 – 2.99 had 15.1% of respondents whilst the GPA range of 2 – 2.49 had 2.30% of the respondents.

Table 1: Background Information of Respondents

	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>		
Male	28	32.6
Female	58	67.4

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<b>Total</b>	<b>86</b>	<b>100</b>
<b>Age</b>		
20	1	1.2
21-24	80	93
25-30	5	5.8
<b>Total</b>	<b>86</b>	<b>100</b>
<b>Programme of Study</b>		
Accounting	42	48.8
Finance	44	51.2
<b>Total</b>	<b>86</b>	<b>100</b>
<b>Marital Status</b>		
Single	85	98.8
Married	1	1.2
<b>Total</b>	<b>86</b>	<b>100</b>
<b>Current GPA</b>		
2 – 2.49	2	2.3
2.50 – 2.99	13	15.1
3 – 3.49	25	29.1
3.5 – 3.99	23	26.7
> 3.99	23	26.7
<b>Total</b>	<b>86</b>	<b>100</b>

#### Role of family members in the students' choice of program study

The influence of family members, parents and/or friends who work in field/sector related to the programme of study are depicted on Table 2. The majority of the students at an average of 62% for both Accounting and Finance programmes had a family member(s) and/or friend(s) working in the field related to their programme of study. This is in line with the findings of Ahmed, Alam and Alam (1997) who concluded that parent and peer influence determined students' choice of programme. Therefore Hypothesis H1: is accepted, "Family members,

parents and/or friends play a positive role in the students' choice of programme of study".

Table 2: Role of family members in the choice of study programme

		Programme of study					
		Accounting		Finance		Total	
		Frequency	%	Frequency	%	Frequency	%
Family members or friends working in the field related to your programme of study	No	16	38%	17	39%	33	38%
	Yes	26	62%	27	61%	53	62%
<b>Total</b>		<b>42</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>86</b>	<b>100%</b>

### Reasons for choosing programme of study

The reasons of choosing respective programmes of study by students are depicted in Table 3. In particular, students were requested to state their degree of agreement with the identified reasons.

Seven out of the eight reasons evaluated by the students had means above the expected mean of 3 except for "career guidance at school/university" that had a mean of 2.66. The overall mean of the reasons for choosing respective programme of study by students was 3.77 which is greater than the expected mean of 3. This implies that in general the students were in agreement that they considered the stated reasons in deciding their programme of study.

Notably, "To equip me for a career in the finance and accounting industry" had the highest mean of 4.50 followed by "To learn about the accounting or finance industry" with mean of 4.47 and then "Opportunities of employment" with third highest mean of 4.10. The other reasons with means above 3 were "Good publicity about the profession", "The opportunity to study subjects I am good at", "Availability of financial support (i.e. scholarship, sponsorship etc.)" and "Encouragement from family and friends" with means of 3.88, 3.73, 3.71 and 3.09 respectively.

The respondents choose their respective programmes of study because of the need to learn and equip themselves for a career in accounting or finance sector and employment opportunities available in the sector. The good publicity of the profession, studying subjects you are good at, availability of financial support for

the respective programme of study and, encouragement from family members and acquaintances were the other factors considered by respondents in choosing programme of study. The outcomes are in agreement with the findings of Bundy and Norris (1992), Ahmed, Alam and Alam (1997) and Shumba & Naong (2012).

However, career guidance at school/university did not play major factor in deciding the programme of study for respondents because it had a mean of 2.66 below expected mean of 3.

Table 3: Students' reasons of choosing respective programmes of study

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
<b>Reasons for choosing programme of study</b>							
i) To equip me for a career in the finance and accounting industry	1.2%	1.2%	7.0%	27.8%	62.8%	4.50	0.778
ii) To learn about the accounting or finance industry	-	-	11.6%	30.2%	58.2%	4.47	0.698
iii) Good publicity about the profession	-	3.50%	37.2%	26.7%	32.6%	3.88	0.913
iv) The opportunity to study subjects I am good at	1.2%	17.4%	20.9%	27.9%	32.6%	3.73	1.132
v) Encouragement from family and friends	15.1%	16.3%	29.1%	23.3%	16.2%	3.09	1.289
vi) Career guidance at school/university	17.4%	27.9%	31.4%	17.5%	5.8%	2.66	1.134
vii) Availability of financial support (i.e. scholarship, sponsorship etc)	3.5%	9.3%	27.9%	31.4%	27.9%	3.71	1.083
viii) Opportunities of employment	1.2%	4.7%	15.1%	40.7%	38.4%	4.10	0.908
<b>Overall mean</b>						<b>3.77</b>	

Table 4: Role played by internship experiences towards students' careers

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
<b>Role played by internship experiences toward career choice and preparation</b>							
i) Experiences added value to my learning	1.2%	2.3%	12.7%	41.9%	41.9%	4.21	0.842
ii) Experiences had a positive impact on my learning	1.2%	3.5%	10.5%	43.0%	41.8%	4.21	0.856
iii) Experiences kept me actively engaged in learning	1.2%	3.5%	14.0%	48.8%	32.5%	4.08	0.843
iv) Experiences have had a positive impact on the broader community & region	1.2%	11.6%	27.9%	39.5%	19.8%	3.65	0.967
v) Experiences have helped me develop critical thinking skills	1.2%	5.8%	14.0%	44.2%	34.8%	4.06	0.912
vi) Experiences have helped me prepare for my career	2.3%	3.5%	11.7%	39.5%	43.0%	4.17	0.935
vii) Experiences have helped me prepare for my graduate school	4.7%	8.1%	15.2%	45.3%	26.7%	3.81	1.068
viii) Experiences let me apply theories and concepts in the real world	3.5%	7.0%	11.6%	45.3%	32.6%	3.97	1.023
ix) Experiences were more rewarding	2.3%	5.8%	27.9%	33.7%	30.3%	3.84	1.004
x) Experiences were more interesting and engaging to me	1.2%	7.0%	12.8%	43.0%	36.0%	4.06	0.938
<b>Overall mean</b>						<b>4.01</b>	

### **Role of internship experiences towards career choice and preparation**

The view of respondents on the role played by internship experiences towards their career choice and preparation was determined based on ten internship experience statements shown in Table 4.

All the ten internship experience statements had means above the expected mean of 3 with an overall mean of 4.01. This implies that students were in agreement that the internship experiences played a role towards their career choice and preparation.

Six out of ten internship experience statements had means above 4. The two internship experience statements “Experiences added value to my learning” and “Experiences had a positive impact on my learning” had the highest means of 4.21 and at the second position was “Experiences have helped me prepare for my career” with a mean of 4.17. The other experiences with means above 4 were “Experiences kept me actively engaged in learning”, “Experiences have helped me develop critical thinking skills” and “Experiences were more interesting and engaging to me”.

The other four experiences had means below 4 but more than 3.5, and these were “Experiences let me apply theories and concepts in the real world”, with a mean of 3.97, “Experiences were more rewarding”, with a mean of 3.84, “Experiences have helped me prepare for my graduate school”, with a mean of 3.81 and, “Experiences have had a positive impact on the broader community & region”, with a mean of 3.65.

The respondents were in agreement that the internship experiences had a positive effect and added value to their learning, kept them engaged in learning and helped them to prepare for their careers. The internship enabled them to apply theories and concepts learnt in real practical situations and prepared them for graduate studies. The findings are in agreement with the outcomes of Moghaddam (2011).

The internship experiences played a major role towards career choice and preparation of the respondents based on the overall mean of 4.01 for all the internship experience statements. A specific statement to role of internship, “Experiences have helped me prepare for my career” had a mean of 4.17, implying that the respondents agreed internship experiences played a role towards career choice and preparation. Therefore Hypothesis H2: is accepted, “The internship programme experience plays a positive role towards career choice and preparation”.

The impact of the internship experiences towards career goals of the respondents are depicted in Table 5. The majority of the students 60(69.8%) confirmed that the internship experiences caused a change to their career goals.

The reasons cited by respondents for change in their career goals after internship experience were the realization that either the accounting or finance sector was very broad, there were other careers they were not aware of, found it very difficult to work as a subordinate and preferred to be own boss and lack of passion and not being good in their respective sector either accounting or finance. The need to further studies by doing a professional course, development of a passion for a different career from the program of study due to internship experiences and realization that there were other financially fulfilling professions were also other reasons cited for change in career goals. Therefore the internship program was an eye opener to the students for other career goals they could pursue.

Table 5: Change in career goals due to internship experiences

	<b>Frequency</b>	<b>Percent</b>
Yes	60	69.8%
No	26	30.2%
<b>Total</b>	<b>86</b>	<b>100.0%</b>

### Impact of the four learning program to career aspirations

The respondents were asked on whether they had clear career goals/plans after graduation and their responses are portrayed in Table 6. The majority of the respondents 68 (79%) were sure on what the intended to do after graduation. 15.2% of the respondents it was unclear whilst 5.2% of the respondents had no definite career goals and did not know what to do after graduation.

The lack of employment opportunities in the job market, broadness of the finance/accounting led to the availability of numerous careers making difficult to decide on a career to pursue and, lack of knowledge of the different careers available were cited as the reasons by the students that either had no clear or definite career goals. The respondents also mentioned uncertainty of the future and the need to start their own business ventures as other reasons, why their career goals/plans were unclear or not definite.

Table 6: Career goals/plans towards the end of the four year learning period

	Frequency	Percent
No definite career goals	5	5.8%
Very unclear	1	1.2%
Somewhat unclear	12	14.0%
Somewhat clear	37	43.0%
Clear	31	36.0%
<b>Total</b>	<b>86</b>	<b>100%</b>

Table 7 depicts the plan of the students after graduation. 62.8% of the respondents intended to have a fulltime job related to their programme of study whilst 14% wanted to further their studies by attending graduate school. 11 (12.8%) of the respondents planned to pursue a new career unrelated to their program of study and 9 (10.5%) wanted to pursue other things. The findings are in agreement with Piotrowski and Cox (2004) found that undergraduate students in business programmes aim to find employment in their chosen area of specialty.

Few respondents (11%) wanted to have new careers unrelated to their programme of study because they had a passion for different careers to their

programme of study, believed that knowledge gained from the undergraduate programmes could be utilized in other sectors i.e. agriculture and did not like working environment of their programme of study. Lack of provision of practical skills that can be utilized in the workplace from program of study was also cited as another reason to pursue a new career.

Table 7: Career plans after graduation

	<b>Frequency</b>	<b>Percent</b>
Fulltime job related to your programme	54	62.8%
New career position unrelated to your programme	11	12.8%
Attend graduate school	12	14.0%
Other	9	10.5%
<b>Total</b>	<b>86</b>	<b>100%</b>

The majority of the students had clear plans on what they intended to do after graduation. 62.8% of the respondents intended to have a career related to their programme of study, which implies that their career goals, plans and aspiration had not changed significantly over four year learning period. Hypothesis H3: is rejected, which states that “Students career goals, plans and aspirations has changed significantly towards the end of the fourth year of their undergraduate programmes”.

### **Comparison of accounting and finance students’ career aspirations due to internship experience and four year socialization process**

Table 8 shows a comparison of accounting and finance students’ perceptions towards internship experiences. Accounting students had an overall mean of 4.30 as compared to finance students’ overall mean of 3.73 implying that accounting students agreed more to the internship experience statements as compared to the finance students. This is perhaps because finance students are often placed in accounting firms as a last resort during their internship placements, due to inability to find relevant spaces in finance-related institutions.

When an independent t-test was conducted for the means of the seven internship experience statements considered, eight had statistically significant results except for three internship experience statement had statistically insignificant results.



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The difference amongst the means of the internship experience statements for the accounting and finance students were all more than 0.50 for seven out ten internship experience statements and were statistically significant. Statistically insignificant differences were there for just three out ten internship experience statements. The statements were “Experiences kept me actively engaged in learning”,  $p=0.052$ , “Experiences have had a positive impact on the broader community & region”,  $p=0.139$ , and “Experiences have helped me develop critical thinking skills”,  $p=0.12$ .

The independent t-test results for the ten internship experience statements considered for the accounting and finance students were significant ( $p < 0.05$ ). The average t-test score for all the internship experience statements was  $t = 2.997$ ,  $p < 0.05$ . This implies that there was a significant difference amongst the means of the internship experience statements of the accounting and finance students. Therefore hypothesis H4a: is accepted which states that “There exist a significant difference between the perceptions of accounting and finance students’ career aspirations due to internship experience” because accounting and finance perceptions towards the ten internship experience statements were different.

Table 9 shows a comparison of accounting and finance students’ career aspirations due to the four year socialization process. Accounting students had an overall mean of 2.47 as compared to finance students’ overall mean of 2.29. When an independent t-test was conducted for the means of two statements regarding careers aspirations after the four year socialization process all had statistically insignificant results.

There were small differences between the means of the accounting and finance students, for the statements considered regarding their career aspirations after the four year socialization process. “What are your current career goals/plans” in which accounting students had a mean of 3.14 whilst finance students had a mean of 2.91. Accounting and finance students had means of 1.75 and 1.61 respectively for, “What do you intend to do after graduation?”

The independent t-test results for the two statements regarding career aspirations after the four year socialization process for the accounting and finance students were insignificant ( $p > 0.05$ ). The average t-test score for the three statements regarding career aspirations was  $t = 0.797$ ,  $p > 0.05$ . This implies that there was an insignificant difference amongst the means of the statements regarding career aspirations of the accounting and finance students. Therefore hypothesis H4b: is rejected which states that “There exist a significant difference between the perceptions of accounting and finance students’ career aspirations due to four year socialization process” because accounting and finance

perceptions regarding career aspirations after four social process are almost the same.

Table 8: Comparison of Accounting and finance students internship experiences

	Accounting		Finance		t-test for equality of means	
	Mean	Std. Dev	Mean	Std. Dev	t	Significance
i) Experiences added value to my learning	4.55	0.550	3.89	0.945	3.940	0.000
ii) Experiences had a positive impact on my learning	4.52	0.671	3.91	0.910	3.550	0.001
iii) Experiences kept me actively engaged in learning	4.26	0.701	3.91	0.936	1.972	0.052
iv) Experiences have had a positive impact on the broader community & region	3.81	0.890	3.50	1.023	1.494	0.139
v) Experiences have helped me develop critical thinking skills	4.31	0.749	3.82	0.995	2.579	0.120
vi) Experiences have helped me prepare for my career	4.52	0.634	3.84	1.055	3.616	0.001
vii) Experiences have helped me prepare for my graduate school	4.24	0.726	3.41	1.187	3.883	0.000
viii) Experiences let me apply theories and concepts in the real world	4.24	0.821	3.70	1.133	2.491	0.015
ix) Experiences were more rewarding	4.14	0.783	3.55	1.109	2.873	0.005
x) Experiences were more interesting and engaging to me	4.40	0.627	3.73	1.065	3.574	0.001
<b>Overall mean</b>	<b>4.30</b>		<b>3.73</b>		<b>2.997</b>	<b>0.033</b>

Table 9: Comparison of Accounting and finance careers goals towards the end of the learning period

	Accounting		Finance		t-test for equality of means	
	Mean	Std. Dev	Mean	Std. Dev	t	Significance
i) What are your current career goals/plans?	3.14	1.072	2.91	1.007	1.042	0.300
ii) What do you intend to do after graduation?	1.79	1.071	1.66	1.055	0.552	0.582
<b>Overall mean</b>	<b>2.47</b>		<b>2.29</b>		<b>0.797</b>	<b>0.441</b>

Table 6: Summary of accepted/rejected hypothesis

Hypothesis	Statement	Results
H <sub>1</sub>	Family members, parents and/or friends play a positive role in the students' choice of programme of study	Accepted
H <sub>2</sub>	The internship programme experience plays a positive role towards career choice and preparation	Accepted
H <sub>3</sub>	Students career goals, plans and aspirations has changed significantly towards the end of the fourth year of their undergraduate programmes	Rejected
H <sub>4a</sub>	There exist a significant difference between the perceptions of accounting and finance students' career aspirations due to internship experience	Accepted
H <sub>4b</sub>	There exist a significant difference between the perceptions of accounting and finance students' career aspirations due to four year socialization process	Rejected

### Summary of findings

Family members, parents and/or friends have an influence in the students' choice of program of study as revealed by the study that 62% of the respondents had a family member(s) and/or friend(s) working in the field related to their programme of study.

The respondents choose their respective programmes of study because of the need to learn and equip themselves for a career in accounting or finance sector and employment opportunities available in the sector. The good publicity of the profession, studying subjects you are good at, availability of financial support for the respective programme of study and, encouragement from family members and acquaintances were the other reasons for choosing the programme of study by respondents.

The internship experiences helped the respondents to prepare for their careers thereby playing a major role towards their career choice and preparation. The internship was an eye opener to the respondents because it made them aware of other careers they could pursue for their respective programmes of study.

The students had clear plans on what they intended to do after graduation. The four year learning period had not caused a significant change to the career goals, plans and aspirations of the students. In particular, 62.8% of the respondents intended to have a career related to their program of study.

There was a significant difference between the perceptions of accounting and finance students' career aspirations due to internship experience. The accounting students were more satisfied with their internship experiences as compared to

their finance counterparts. This could be due to the fact that finance students intern in accounting firms as a last resort during their internship placements, due to failure to secure relevant spaces in finance-related institutions. However, there was no significant difference between the perceptions of accounting and finance students' career aspirations due to four year socialization process. They still wanted to pursue a career related to their respective programme of study after the four year socialization process.

## **CONCLUSION AND RECOMMENDATION**

The study premised on identifying whether the students' career aspirations have changed from the time they enrolled for a particular programme during the first year until they have encountered socialisation throughout the four-year learning period, which includes the internship programme. Based on the empirical study and findings, it is concluded that internship was an eye opener to the students and helped them to prepare for their careers. The four year socialization process, during the respondents' studies did not cause any change in their career aspirations from the time enrolled for their respective programmes. The findings stresses the importance of internship to students in deciding their careers aspirations upon graduation. The students who enroll for the accounting and finance programmes are sure of the careers they intend pursue. Main recommendations include:

1. The department of accounting and finance must continue with internship program and if possible increase its duration from ten weeks to six months.
2. The department must assist finance students to secure internship places in finance related institutions.

## **LIMITATIONS & DIRECTIONS FOR FUTURE RESEARCH**

The study had limitations in terms of numbers of programmes considered for the study and sample size. For a better understanding of the impact of the learning period to students' career aspirations, future research should consider students from all the faculties of the university rather just focus on one faculty and a single department. Future researchers could also increase the sample size.

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## **TOUR GUIDE TRAINING AND TOURIST SATISFACTION: VIEWS FROM MAUN, BOTSWANA.**

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### **ABSTRACT**

Service quality is a critical component of travel and tourism industry. It is one of the standards that can be used by enterprises to measure their own level of attractiveness to customers. For the travel and tourism industry, it has been observed that the role of a tour guide in ensuring customer satisfaction is immense. Tourists in Botswana are experiencing poor service quality and customer dissatisfaction despite the fact that tour guides are being sent to a tour guide training institution. Therefore this study aims to establish how beneficial the training of tour guides in service quality and visitor experience is. The research employed the descriptive research design. The researcher made use questionnaires as the data collection instruments. Findings revealed that there was a high relationship between tour guides services and tourist satisfaction. Most tourists prefer moving around with tour guides hence making the tour guiding tour guiding knowledge and training critical. This paper recommends proper and compulsory tour guide training and licensing as a means to ensure customers satisfaction.

**Keywords:** Tour guide training, tourist satisfaction, visitor experience, travel and tourism, Maun



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## INTRODUCTION

The travel and tourism industry connotes an amalgamation of various enterprises providing different travel and hospitality products and services to visitors travelling away from their normal places of residence. These include accommodation, transport, banking, dining, entertainment as well as attractions (Mowforth and Munt, 2015). Accordingly, travel and tourism has been identified as the world largest service industry (Cetinkaya and Oter, 2016). Ababneh (2016) adds this industry also continues to be one of the world's key employment creators. Even better, Telfer and Sharpley (2008) observe that tourism has an inbuilt capacity to ensure wealth re-distribution, developmental knock on effect on other sectors, as well as exercise freedom from trade various. Thus, tourism is able to influence development in many countries around the world (UNWTO, 2013). For these, and other, reasons tourism is regarded as a very powerful force shaping human lives in modern times.

Being a service-based industry, travel and tourism relies heavily on quality and attendant customer satisfaction. To this end, one of the key players in the process of travel as well as provision of the requisite satisfaction is a tour guide. Put differently, the role of a tour guide is central to the delivery of a quality tourism product. Among the many services they provide, tour guides provide a useful interface between visitors, service providers, local communities and sometimes even government. They are entrusted with telling the story of the destination to the visitors. Therefore, the images and narratives they choose to share (or not to share) as well as how they share them, contribute to the overall perceptions of visitors on the destination. To this end, tour guide competencies become a critical aspect of the travel and tourism industry. According to Min (2015: 1043) "however, although extensive literature has been devoted to the service quality in the tourism field, there has been relatively little discussion of the service quality of the tour guide population, nor has there been any formal assesment of their quality of performance". This situation is particularly apparent in the case of Botswana where research in the field of tourism in general is relatively recent. Min (2015) underlines the importance of tour guides to the industry as their role has the potential to either make or break the business. On the balance of things, discussions on issues of tour guide competencies may not be easily divorced from those on tour guide training. As a result, in order to appreciate some aspects of tour guide competencies, this paper considers some sort of quasy relationship between tour guide training and customer satisfaction in the Maun region of Botswana.

## **LITERATURE REVIEW**

### **Tour guiding**

Tour guides are defined differently by different organizations.(WFTA, 2014) defines a tour guide as a person who guides visitors in the language of their choice and interprets the cultural and natural heritage of an area, and who normally possess area-specific qualifications usually issued and /or recognized by the appropriate authority. The other definition given by the Federation of Turkish Tourist Guides Associations (2013) is that a tour guide is a person who will introduce the country in the best way to the local and foreign tourists will help them during their tour, will give them the right information and who has an authority document issued by the culture and the Tourism Ministry. According to the International Association of Tour Managers (IATM), and the European Federation of Tour Guide Associations (EFTFGA) tour guide is a person who guides groups or individuals visitors from abroad or from home country around the monuments, site and museums of a city or region to interpret in an aspiring and entertaining, in the language of the visitor's choice.

On contrast, (Mancini, 2001, p.5) defined the professional tour guide as someone who takes people on sight-seeing excursions of limited duration. Some researchers have found the role of a tour guide to be much broader (Korotglu, 2009) even though the Oxford dictionary defines a guide simply as a person who shows others the way. The tourist guide has been identified to be one of the most important positions in the tourism industry and multifaceted role of the guides in tourism has been largely documented over recent decades (Reisinger and Steiner,2006). The multiple activities of tour guides in tourism and its sustainability which is relatively new have been misunderstood (Melia, 2012; Scherle and Kung, 2010; Skanavis and Giannouslis, 2010;Zhang and Chow, 2004 when compared with other tourism segments. Although there is no consensus on the definition of a tour guide (Cruz,1999, a number of authors have argued that tour guides should be out going, patient, and able to overcome a range of difficulties in the guiding process.

### **The relationship between tourist satisfaction and repeat business**

There is so much competition in today's tourism business environment. Having close relations with the customers for the business enterprises, which want to stay in the market and by contributing highly to its own continuous

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improvement, has become compulsory due to the great competition existing among the business enterprises in the industries (Bulut, 2011). Customer satisfaction is key to all service providers as a way of retaining the current and past customers. Customer satisfaction is a complex phenomenon in the study of consumer behavior as customers are heterogeneous and they come with different needs and targets (Leguma, 2013). In this context, regardless of the industry, business enterprises, which have become conscious of this necessity, are trying to increase the satisfaction level acquired from the offered goods and services and makes up the portfolio of more loyal customer by having close communication with their customers (Bulut, 2011). The importance of the customer satisfaction measurement has increased with quality, which is becoming more important in an increasing competition environment, (Qzturk, 2004). (Okello and Grasty, 2009) also lamented that high levels of customer satisfaction have the following impacts: increasing the number of repeat visitations, influencing the word of mouth recommendations and reducing customer complaints which are likely to undermine the organization's reputation. According to (Oliver, (1997) satisfaction is a judgment on a product or service or service feature or the product or service as whole. He continues to claim that satisfaction is a desirable end state of consumption and pleasurable experience. Furthermore, satisfaction is defined as psychological concept involving feeding the feeling of well-being or pleasure, which results from a customer obtaining what one hopes or expects from a product or service (Pizam and Ellis, 1999). In the context of tourism industry, tourist satisfaction is defined as the outcome of the comparison between expectation and experiences and the tourist (Truong and Foster, 2006). Satisfaction is primarily -referred to as function of pre travel expectations and post-travel experiences. On the condition that the experiences compared to expectations result in feelings of gratification, tourists will be satisfied and leave the destination with their good memory. Tourist level of satisfaction is characterized by many factors such as such as quality of transportation, accommodation and food beverage services, entertainment facilities, and local people, behaviors and attitudes of tradesmen and price policies (Kozak, 2003). Moreover, customer satisfaction with tourism products and services demands special attention because of the nature of tourism products. In the same context, Bowen and Clarke (2002) provide a useful analysis of the nature of the tourism products, stating that they have such distinctive characteristics as intangibility, inseparability, heterogeneity and perishability in nature (Leguma, 2013. In addition to that Jones and Sasser (1995) state that the relationship between satisfaction and loyalty is by no means linear, dissatisfaction of tourists

cannot be negotiated because of tourism industry being regarded as the highly competitive industry.

### **Guided Tour services and tourist satisfaction**

A guided tour is a special tourism product that is composed of many components organized and offered together by a tour operator (Bowie & Chang, 2005). The components of a guided tour include pre-arrival services, accommodation, restaurants, transportation services and the tour guide (Xu & Chan, 2010). Tourists are accompanied by a tour guide during the tour process contrary to the independent travel, which is performed by the traveller (Wang, Hsieh & Huan, 2000). Enoch (1996) describes a guided tour as a rational and effective way of organizing a holiday and provides an opportunity to make visit to many attractions in a short period of time. In addition to that, a guided tour is preferred mostly because of its cost effectiveness as the cost of transportation are shared among participants of the tour which differ from the independent travel (Leguma, 2013). Customer satisfaction in the tourism industry has become a complicated and interesting research topic to explore as the customers have distinctive characteristics such as heterogeneity and their perception and expectations tend to change over time (Leguma, 2013). As a result of this, the tourist satisfaction with guided tour is perceived as complex process owing to the composition of guided tours. According to (Huang, 2010), there are many tangible and intangible elements that compose the guided tour such as physical service features of the tour guided tour and intangible services features of the tour operator and intangible services provided by staff such as tour leaders or tour guides. Customer satisfaction is composed of hard tangible and soft tangible service. It is a combination of, on the one hand, the consumer's on the other hand, the customer's anticipation and perception of the vacation, their expectation prior to the tour, their attitudes and behavior (past travel experience and their perceptions of equity and unforeseeable events during services encounters (Bowie & Chang, 2005). Moreover, tourists are at an advantage of interacting with various sectors such as transportation, accommodation, restaurants and attractions. (Leguma, 2013) argued that this phenomenon creates a challenge in determining tourists satisfaction with guided tours as there are hardship to remember the performance of every component for the tourists and compare it with their expectations. Furthermore, maintaining the same levels of customer satisfaction in an environment involving many service encounters is complicated (Bowen & Clarke, 2002). On contrary Wang et al., (2007) argues that the success of guided tour operators can be affected by their skill to collect

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information about customer satisfaction and the use of information to improve service delivery(Qter,2010)There are a number of factors playing a significant role in the determination of customer satisfaction in the tourism industry such as customer's expectations, previous experience and customer behavior during the on tour process, the perception of equality and unforeseeable events. This group are classified in to two different groups, the first of which is internal factors constituting the customer's expectations, previous experience and customer's behavior during the tour and the perception of equity whereas the second group consists of external factors composing of the factors such as unforeseeable events together with source of streets for tourists for tourists. The customer satisfaction is three different stages of the tour by these factors pre-tour, on-tour and post tour (Bowie &Chang, 2005)

### **Benefits of Tour Guide Training**

Training of tour guides is of growing importance to companies seeking to gain an advantage among competitors. There is significant debate among professionals and scholars as to the affect that training has on both employee and organizational goals. One school of thought argues that training leads to an increase in turnover while the other states that training is a tool to that can lead to higher levels of employee retention (Colarelli & Montei, 1996; Becker, 1993). Regardless of where one falls within this debate, most professionals agree that employee training is a complex human resource practice that can significantly impact a company's success. The training industry as a whole has shown significant growth through the years.

The purpose of training is mainly to improve knowledge and skills, and to change attitudes or behavior. It is one of the most important potential motivators which can lead to many possible benefits for both individuals and the organization. Derek et al. (2000:55) looked at the training environment and the structure of organizations, and emphasized on the effects of internal political and cultural factors on training and development. Sherman et al (1996:16) argues that many new employees can be equipped with most of the knowledge, skills and attitudes needed to start work, but others may require extensive training to ensure their effective contribution to the organization. A majority however, will require some type of training at one time or another to maintain an effective level of job performance.

According to (Krietner, 1995) no matter how carefully job applicants are screened, typically a gap remains between what the employee does know and what they should know. An organization which desires to gain the competitive

edge in its respective industry, needs among other things, extensive and effective training of its human resources. Training is therefore a key element for improved organizational performance; it increases the level of individual and organizational competences. It helps to reconcile the gap between what should happen and what is happening between desired targets or standards and actual levels of work performance. Although many employers continue to have reservations about the cost and extent of tangible business returns from training, the development of skills has been identified as a key factor in sharpening competitiveness. Casio (1989:256) puts it this way “The economic and technological trends, the pace of innovation, change and development are growing faster year-by-year and as a result, provide clear signals that training and development are so relevant that both organizations and individual stakeholders must give a serious attention to.

### **Service quality in tour guiding**

The quality of service involved with tourism plays an important role in the process of delivery (Wyllie, 2000) and thus is the standard used to assess the effectiveness of a particular leisure service agency, including the tourism service sector. Service quality is an intangible, but crucial, area of interest to travel service providers.

Satisfaction of tourists is conceptualized to include three aspects or layers, namely satisfaction with the services provided by a tour guide, the tourist must be satisfied with the tour services provided and the overall experience of the tour must be a favorable one. Quality of services provided by tour guides has a direct effect on satisfaction of tourists with guiding services and an indirect effect on satisfaction attained from tour services and overall tour experiences provided (Huang, Hsu & Chan, 2010).

The quality of service provided by a tour guide is of considerable significance to the tourist. Most tourists have a favorable tour experience if the tour guide provides excellent service quality by touring through the most coveted points of attraction (Parasuraman et al., 1988). Also it is the responsibility and the job of the tour guide to give a blend of different points of attractions so that the tourists are not bored by their experience of touring out.

In regards of tour guiding, three major concepts would help in assessing the perceived service quality of tour guide, which are (i) core services delivery, (ii) customer orientation and (iii) communication effectiveness respectively (Heung, 2008).

For core service delivery, tour guide must be rich in knowledge content. The more the amount of information provided by the tour guide, the higher is the

quality of service provided as most tourists rate their tour to be favorable if they gain a lot of knowledge about the destination through a tour guide. The tour guide must be able to provide information about the cultural and rich heritage of a particular destination and must be aware of the policies and practices that are followed by a certain country, state or region so as to enlighten the tourists about these aspects.

A tour guide needs to provide quality service and helps in easing the extra efforts of the tourists by obtaining the tickets and making reservations. They also check on the operating hours of a certain tourist spot and will help if the tourist experiences any kind of problem during the trip. Overall tourist logistics are handled by a tour guide and this helps the tourists to attain the rest and relaxation and an overall hassle free trip. Hence the service quality provided in this matter is extremely important for the tourist to have a memorable trip (Independent Traveler.com, 2011).

One of the main attributes that a tour guide must have expertise in is to effectively organize and handle tourist groups. This needs them to coordinate with various vendors and suppliers of goods and services in order to make the overall tourism experience favourable. Moreover they must be adept at dealing with all kinds of people. They mostly mingle with both local people and with foreigners. A tourist group consists of heterogeneous people and a tour guide needs to tackle all of them including irate tourists. Time management is also an important factor which helps to determine service quality. The tour guide must effectively see to it that all the tourists adhere to the instructions given by the tour guide.

As for customer orientation, it is essential to denote the extent the guide puts tourists' needs and interests ahead of themselves in providing superior value to tourists (Heung 2008). They need to take tourists to proper shops so that they may be able to purchase items which are locally popular. These may range from an assortment of food items to dress material and antiques. The tour guide must be able to identify the right shops which sell wares which are famous for the particular destination. For example, a tourist visiting an island destination may like to purchase some antiques made of sea shells or conch etc (Scribd.com, 2003). Moreover, tour guides should not focus on short-term self-interest and should not adopt a hard selling approach (Heung 2008).

Effective communication is a significant aspect for tourists to assess the service quality of tour guide (Ap & Wong 2001). The tour guide must be fluent in the local language of the country as well as foreign languages so that the tourists can be explicitly explained about the points of attraction regarding a destination. Language barrier is a very serious factor which can hinder the service quality provided by tour guides (luxury – vogue.com, 2010).

Although previous studies have identified different attributes on service quality (Zhang and Chow 2004) and have discussed the service quality aspect of tour guides (Wong 2001; Heung 2008), the studies are however taken in the tourists' point of view but not on managerial perspective.

To conclude, a tour guide must have the ability to successfully communicate, interpret, handle emergency situations by solving problems and be polite so as to make the trip a memorable one. They must be friendly with the tourists and at the same time make them aware that it is the duty of the tourist to keep the place clean and not to litter around (Liao, Chen, Chang & Tseng, 2011).

### **The service gap in tour guide operations**

A tour guide is expected to provide diverse services so that the tour is a favorable one. All in all, the tourists expects a hassle free relaxed trip as all the travel logistics are supposed to be handled by the person who is responsible for the guided tour. It is the tour guide's incumbent responsibility to coordinate with local vendors and other miscellaneous service agent to ensure that the tourist does not run into any problems in an alien destination.

Parasuraman et al. (1985) have identified the concept of service quality gap between tourists' perceptions and their expectations. It has been often observed that there is a huge gap between the service provided by a tour guide and the satisfaction attained from the service by the tourist. When quality gaps occurred, it represents quality losses (Zenithal et al. 1990).

Sometimes the tour itineraries may promise something which is impossible to attain and this puts the tour guide in a difficult position. However one of the main challenges of a tour guide is to meet the tourists' expectations with limited resources and support provided by the Travel Company or agency responsible for taking the overall responsibility of the tour. Another challenge faced by tour guides is the language barrier and lack of communication skills which lead the customer to be dissatisfied (Prideaux, Moscardo & Laws, 2006).

Some of the critical issues which result in a service gap have been classified into six main categories such as immaturity of a particular tourist market, unhealthy business practices followed by travel agencies, issues related to human resources, exploitative policies of inbound tour operators, role conflict and mechanism followed to provide service quality (Sciencedirect.com, 2011).

One of the main reasons for a service gap between the services provided and the level of satisfaction attained is the fact that most travellers have different expectations which depends on the purpose of the trip. The reason for this gap is there is a lack of understanding in what tourists' expect (Fitzsimmons and



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Fitzsimmons 2008). Take the case of a beach destination – youths may like to go to the beach and have fun whereas elderly people would like to relax and would avoid indulging in loud beach parties. Depending on the kind of people the tour guide has to provide the exact blend of services which satisfies them (Chinese tourists blog, 2010).

Most tourists deem a trip to be a memorable one if the services provided during shopping were excellent. Some of the areas which need improvement by tour guides are providing information, concerns about the tourists' needs and abilities especially with regards to language barriers and the helpful attitude (Reisinger & Waryszak, 1994).

Low service quality perception will lead to a service gap to an extent of lack of key performance indicators which helps to monitor the performance of a tour guide (Zeithaml et al. 1990; smartdatacollective.com, 2010). Surveys should be conducted and proper resources must be allocated to tour guides to perform their professionalism.

All in all, the tour guide must put in a considerable effort so that the customer has a satisfied trip. Other than this, the travel service providers and other miscellaneous vendors involved should cooperate and coordinate effectively with the tour guides so that they provide a complete travel package to the tourists thereby attaining optimum satisfaction and reducing the service gap between the expectation of the tourists' and the services provided by the tour guides

### **Background of Tour guide in Botswana**

Tourism is currently the fastest growing industry in Botswana, the largest industry in the world and also the biggest employer. Historically, tour guiding is one of the oldest professions in the world. Tour guides were present since a number of decades ago; the profession has become an important function in the travel industry. Ap and Wang (2001) emphasized the contributions made by tour guides in enhancing tourists overall experiences and impression of a destination. A tour guide makes every visit a memorable one through his interpretation n skills and explanation. Zang and Chow (2004) lamented that quality of the service rendered by the tour guides in their interactions with tourists became influential in securing repeat and referral business to a destination.

## **METHODS**

The study adopted a descriptive research design. This is because research aims at describing recent phenomena. Descriptive data was collected through

questionnaires. One main advantage of the descriptive research design is that it has a potential to provide a lot of information obtained from quite a large sample of individuals.

According to Pilot and Hurgler (1995), descriptive survey aims predominantly at observing, describing and documenting aspects of a situation as it naturally occurs rather than explaining them. The design has an advantage of producing good amount of responses from a wide range of people. At the same time, it provides a more accurate picture of events at a point in time. Similarly Creswell (2003) assumes that descriptive statistical analysis limits generalization to the particular group of individuals observed and that no conclusions are extended beyond this group. Further, the researcher employed descriptive statistical tools such as percentages, frequencies and the mean in the analysis of data collected. Descriptive study simply describes and provides an understanding of a phenomenon usually with simply descriptive statistics and it is particularly valuable when an area is first investigated.

### **Sampling Strategy**

The researcher employed the probability sampling techniques under which the simple random sampling strategy was adopted. In simple random sampling the tour operating companies were given the folded papers in the containers written yes or no, all those who selected yes are the ones which were used for the sample. The researcher then made a request from human resources managers of the chosen organizations companies to avail the profiles of their trained and untrained tour guides. The researcher did human resources profiling as a way of collecting training qualifications from each qualifications. The researcher then used simple random sampling from each of the organizations to select two tour guides i.e trained one and untrained one therefore leading to sample size of 40 tour guides. The researcher then had to follow these guides so as to distribute questionnaires to at least three tourists out of the groups they were guiding. All in all from the table below the researcher had a research sample of 140 respondents.

Table 1 Population and sample size

	Research subjects	Population	Sample
1.	All tour operating companies in Maun	60	20
2.	All tourists booked in Maun	360	120
3.	Trained tour guides	100	20
4.	Trained tour guides	60	20
	<b>Total</b>	<b>580</b>	<b>180</b>

Source: Raw Data(November 2013)

### Target Population

The target population comprised of the tour operating companies in Maun and the study subjects were tourists, trained and untrained tour guides from these tour operating companies.

### Primary Data

Primary data is information originated by the researcher for the purpose of investigating the problem at hand (Duval,2005).Primary data is very important because it concentrates on its efforts to the targeted issues and it makes it easy for data interpretation as it would be easy for the researcher to collect and interpret data depending on their needs. The primary data was part of the study undertaken in 2013.The researcher Primary data is more recent as compared to secondary data and the information used the questionnaires . Secondary data was not easy to get as there was few literature on tour guiding. Relevant data for the topic was

gathered from online academic journals and the Botswana Tourism Organization and text book and various tourism and travel related travel magazines.

### **Data Collection Procedures and Instruments**

The initial step that the researcher carried out before conducting the research was seeking permission from the tour operating companies. This arrangement made it easy for the researcher to conduct the research freely. Management of tour operating companies allowed the researcher to carry out the study. The following instruments were used to collect data.

#### **Questionnaires**

Questionnaires were used for tourists and tour guides (both trained and untrained) to assess the role of tour guide training in visitor experience and service quality. Multiple choice questions were given to the tour guides and closed- end questionnaires were used for the tourists. The researcher gave out these questionnaires and waited for them to be filled in as agreed with the management. Multiple choice questionnaires were a good way of assessing the knowledge levels of the tour guides. Questionnaires were not costly to use for the researcher, the data was very easy and fast to collect. The use of multiple choice questionnaires ensured the researcher of exact information needed and these questionnaires were easy to analyze because they were close ended.

Some respondents felt that the questionnaires were too long and they left some questions unattended to and the researcher assisted them in the completion of the questionnaires. It was not easy to get information from other tourists as they felt it was time consuming and the researcher pleaded with them and explained the purpose of the research. Tour guides also had fear to complete the questionnaires fearing that they may lose their jobs.

#### **Data Analysis Plan**

The analysis of data is very critical in any research study as it helps to decipher meaning from the data and draw conclusions that answer the research questions and objectives. It also allows the researcher to make recommendations with respect to the research problem. Data was to be grouped according to the questions asked. The researcher made use of the STATA data analysis software. Data was then coded so that it could be transferred to a computer for the use of

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computer assisted data techniques. For the qualitative data, the researcher employed the comparative analysis, which requires the comparison of literature and the findings. To quantitative data the researcher made use of simple one ways tabulations and crossway tabulations which can be referred to in the appendices. For summarization of statistics, the researcher made use of the measures of central tendency, the mean and standard deviation in particular. The use of measures of association (correlation coefficients) helped the researcher to measure the relationship of variables. Inferential statistics were also used so as to compare the actual difference between the scores that were matched by using the two sample tests. Responses and findings were to be presented diagrammatically in the form of graphs, pie charts and cross tabulations. Discussions followed the findings and the presentations.

## **FINDINGS AND DISCUSSIONS**

### **Determining the impact of tour guides in tourists satisfaction amongst the tourists in Maun**

The researcher made an analysis of the impacts of tour guiding services and other factors in relation to tourist satisfaction. Service quality skills in this section were looked at simultaneously. The questionnaire for tourists covered the following sections. Looking at

Table 5.1 the question on the beauty of the environment indicated that 70% of the tourists were happy with the environment that they were in while 30% of the respondents were not happy with the environment. 30% is a huge number for tourist dissatisfaction. However this is an indication that apart from tour guiding services other factors have an impact on the tourists' experience. If sustainable tourism is not practiced it can lead to tourists' dissatisfaction. It is crucial to note that the service provider cannot provide a set of circumstances or environment in which tourists can actually have an experience, therefore it is vital that a tourism provider knows how to provide circumstances that will enhance the experience of tourists(Mossberg,2007).The results showed that the relationship with the reviewed literature. Larsen (2007) suggested that the tourist concept includes expectations, events and memories, "a tourist experience is a past personal travel related event strong enough to have entered long term memory" (Larsen, 2007:15).

Tour guide knowledge on sites is a very critical issue in tour guiding. The results were pleasing as 81.67% of the tourists indicated that tour guides were knowledgeable about the sites they operate in. Only 18.33% were not happy with

knowledge of the tour guides about the sites. This is in agreement with some researchers as (Parasuraman et al., 1998) lamented that the quality of service provided by a tour guide is of considerable significance to the tourist. He further emphasized that tourists have a favorable tour experience if the tour guide provides excellent service quality by touring through the most coveted points of an attraction. Also it is the responsibility and the job of the tour guide to give a blend of different points of attractions so that the tourists are not bored by their experience of touring out.

The research also revealed that 84% of the tourists wanted a guided tour in the near future while 16% felt that they did not require these services. This emphasizes the importance of the role of tour guiding services. This might be as a result of the fact that most tour guides were willing to perform at their best levels during the guided tours as away attracting the tourists for the next guided tour (Gronroos, 1978, Fine and Speer, 1998 and Chang, 2006) lamented that tour guides are the spokespersons representing the image and the reputation of the company. Tour guides are also seen as the salesperson of the next tour in the sense that if a tourist were satisfied and happy with the services provided, they will be willing to come back in the near future. It is however important to note that not all tourists require the services of tour guides. Depending on the types of tourists, some prefer to explore the environments

## **CONCLUSIONS**

Findings revealed that there was a high relationship between tour guides services and tourist satisfaction. Most tourists prefer moving around with tour guides hence making the tour guiding service vital. It can be concluded that tour guiding services are important and directly related to tourist satisfaction. It is however important to note that not all tourists require tour guiding services. Trying to force the service on to these types of tourists may lead to high services of dissatisfaction. Adventure tourists are most likely to be found amongst these tourists. From this study, it is also safe to conclude that training of tour guides leads to quality services being given to tourists and the result therefore being tourist satisfaction although there are a few cases which indicate that, tour guides can render quality services to tourists even without being trained. These are usually supported by their natural personality traits. It is also however very important to note that it is not only tour guiding that can affect the tourist satisfaction and experiences. Other influences such as environment and security also have a role to play as far as satisfaction levels are concerned. It can also be

concluded that some tourists do not need the services of the tour guides as they need adventure and exploration. Deducing from the main findings it can be concluded that tour guides were faced with the main challenge characterized by low salaries hence leading to high staff turnover and demotivation amongst tour guides. From the study it can also be concluded that most tour operating companies do not hire tour guides with the minimum qualifications as postulated by the Botswana Tourism Board. It can also be concluded that tour guides, as one of the main components of the tourism industry cannot be effective in performing their duties, unless, they enjoy the specialized training and necessary skills and capabilities to achieve highest development possible in their career

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## THE CAUSALITY RELATIONSHIP BETWEEN THE FINANCIAL SECTOR PROFITABILITY AND THE BOTSWANA ECONOMY

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### ABSTRACT

Previous research has lamented on both the importance and the symbiotic relationship between financial sector performance and the state of a country's economy. Findings of these studies are generally in concert in that the performance of the financial sector is intertwined with macroeconomic indicators. There is, however, a difference in opinion on the precise nature of the relationship between these variables. This difference of opinion has led to the development of three parallel strands of theory: demand-driven relationship; supply-driven relationship; and economic developmental stage. To the extent that an understanding of the precise nature of the relationship between these critical variables would promote efficiency, growth and prosperity, it was found imperative to investigate the phenomenon in the context of a developing economy. This paper examines the causal relationship between the financial sector index and GDP in Botswana. The study uses data over a period of 10 years from (2003-2013). This study timeframe is significant because previous research does not incorporate the critical periods in financial markets history over which the global economy experienced the economic cycle of the boom years (2003-2006), followed by a recession (2007-2010) and finally the recovery period (2010 and beyond). This global cycle provides an opportunity for new insights into how financial sector performance relates to the economy. The findings are suggestive of an existence of a stable long-run relationship between the financial sector and the economy. In addition, the results show that the economy granger-cause the financial sector index with no reverse causality observed. The implications of these findings are that policy makers should first make sure that the economy grows in order to stimulate financial sector development, and not vice versa.

**Keywords:** Granger Causality, Financial Services Index, GDP, Economy, Botswana

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## INTRODUCTION

The importance of the role played by capital markets in the global economy is unambiguous. To this end, investors, policy-makers and academics have played different roles in studying and debating about the symbiotic relationship between financial sector performance and the state of an economy. Fundamental to this discourse is the search for the 'holy grail' of market efficiency. Numerous studies have been conducted on this subject matter and many findings documented, albeit with contradictory outcomes. It is this lack of consistency in the results from previous studies that warrants further investigation.

In the pursuance of knowledge and understanding of the interaction between financial sector performance and the state of the economy, three mainstream schools of thought have emerged. The first is the supply-leading school of thought which posits that financial development leads to economic growth (Vazakidis & Adamopoulos, 2009; Bittencourt, 2012). The second school of thought advocates for the demand-following approach, arguing that economic growth drives financial development and performance (Odhiambo, 2004; 2010). The third school of thought argues for interdependent relationship and hence adopts a bidirectional causality approach in analysing the relationship between financial sector development and economic growth (Rousseau & Vuthipadorn, 2005).

Another interesting theoretical dimension was suggested by Patrick (1966) who hypothesised that the direction of causality between financial sector development and economic growth changes over the course of development. The study was suggestive that in the early stages of development (developing/underdeveloped countries) the supply-leading stimulates real capital formation and financial development; whereas in the latter stages of development (developed countries) the demand-leading catalyst was more prominent. This theoretical proposition is academically both appealing and robust, and hence a motivation for this study.

Botswana is a developing country that has an impressive economic transformation. Economic development has been rapid, compared with other developing countries, with the economy recording average growth rates of more than 10% per annum for most of the 1980s, largely emanating from revenue from diamonds (Akinboade, 1998). Furthermore, this rapid growth of the economy of Botswana transformed the country from one of the poorest in the world in 1966, to a middle income economy, with income per capita some eight or nine times that of the poorest countries in the 1980s; and by 1986, GDP at constant 1980 prices was P1 316 million, which was eleven times the 1966 estimate of P118 million (Akinboade, 1998). The Botswana Stock Exchange (BSE) is the local

bourse which has experienced an equally impressive performance in a short period of time. To date, the BSE is one of Africa's best performing stock exchanges, averaging 24% aggregate return in the past decade. This has allowed the BSE to be the third largest stock exchange in terms of market capitalization, in Southern Africa (Botswana Stock Exchange, 2017). In cognisance of the important role played by the financial sector in the wider economy, the BSE started a Domestic Company Financial Sector Index (DFSI) in 2013. As of to date, the BSE continues to be pivotal to Botswana's financial system, and in particular the capital market. The listed companies represent a spectrum of industries being; Banking, Financial Services, Wholesaling & Retailing, Tourism, Mining, Energy, Property & Trust, Security and ICT. In 2016, there were 34 listed entities on the BSE comprising of 24 domestic and 10 foreign companies, 41 listed bonds and four Exchange Traded Funds (Botswana Stock Exchange Annual Report, 2016). Still in the same year, the DCI depreciated by 11.3% to close the year at 9 400.7 points, down from 10 602.3 points at the end of 2015. This decline in the DCI in 2016 was explained by the overall performance of the domestic companies, particularly the general slowdown in share prices due to the subdued operational and financial performance of some of the listed companies. In particular, out of the 24 listed domestic companies as at the end of 2016, 12 registered share price appreciation, 10 registered share price depreciation and two were unchanged (Botswana Stock Exchange Annual Report, 2016). Historically, the DCI has been heavily influenced by the Banking sector. However, the 2016 BSE Annual report reveals that the market capitalisation of the Banking sector relative to total domestic market capitalisation has declined from 46.9% in 2012 to 30.5% in 2016 which is a positive move, primarily due to additional listings in other sectors such as Retail & Wholesaling and ICT (Botswana Stock Exchange Annual Report, 2016).

Another reason this study expects financial sector to play an important role on the economy is that Levine (2000) highlighted the important role of banks have in the development of any economy in that if banks perform well generally this is a sign that the economy is improving as more individuals and organization take loans. This will be reflected in the balance sheet of the banks leading to an increase in the share price and ultimate and increase in the financial sector index.

The BSE financial sector companies comprise of four commercial banks (First National Bank Botswana, Standard Chartered Bank Botswana, Barclays Bank Botswana and ABC Banc Botswana), the Botswana Insurance Holdings Limited and two other Financial Services Providers (Imara Holdings Limited and Letshego Financial Services Botswana).

Limited studies have been conducted in Botswana with regards to the relationship between the financial sector performance and the economy. While the limited Botswana literature on the subject matter have discussed aspects of the relationship between financial sector development and the economy (Eita and Jordaan, 2010; Akinboade, 1998), there are critical aspects that are both wanting and warrant a different approach.

First is the significance of the study timeframe. Previous research does not incorporate the critical periods in financial markets history over which the global economy experienced the economic cycle of the boom years (2003-2006), followed by a recession (2007-2010) and then finally the recovery period (2010 and beyond). This global cycle provides an opportunity for new insights into how financial sector performance relates to the economy.

Second, it is the secondary objective of the study to improve on measures used in previous studies. In particular, this study will use different measures to proxy financial sector. As already mentioned, the DFSI is a relatively new index and hence none of the previous studies have utilised this all-compassing measure. For example, Akinboade (1998) used non-mineral GDP while Eita and Jordaan (2010) used the ratio of liquid liabilities to GDP (M3/GDP) to proxy financial sector, measures that do not aptly represent the Botswana financial sector.

Third, while previous studies have delved on financial sector development (Eita and Jordaan, 2010; Akinboade, 1998), this study will explore the perspective of financial sector profitability. The study will use the DFSI to proxy profitability of the financial sector on the premise that the index is a composite share price movement, thus a reflection of changes in investor sentiments on future expected earnings of the underlying assets or companies.

## **LITERATURE REVIEW**

Studies on the relationship between financial sector development and economic growth can be traced back to Schumpeter (1911) who asserted that financial institutions and the availability of entrepreneurship are necessary and sufficient conditions for economic development. Since then a myriad of studies have collected empirical evidence that overwhelmingly support the notion of a positive relationship. For example, positive correlation has been found to exist between stock market development and economic growth (Atje and Jovanovic, 1993; Beck and Levine, 2004). Also, a study using time series data (1980-1995) conducted in the Middle East and North African countries on the association of both the stock market and banks to economic growth concluded that with well-

functional financial sector, stock markets can give a big boost to economic development (Rousseau and Wachtel, 2000).

Similarly, Levine, Loayza and Beck (1999) evaluated whether the exogenous component of financial intermediary development influences economic growth. Using traditional cross-section, instrumental variable procedures and recent dynamic panel techniques, the study found that the exogenous components of financial intermediary development to be positively associated with economic growth. However, Pagano (1993) caveated this relationship by posited that financial development is too generic a term and hence researchers must be more specific if the impact on growth is to be more meaningfully gauged.

Some studies have been conducted in Sub-Saharan Africa. For instance, the banking sector was been found to be the leading force behind the growth of African Stock Markets between 1990 and 2006 (Andrianaivo & Yartey, 2007). Yartey and Adjasi (2007) explored the critical challenges of stock market development in countries including Nigeria, Ghana and Tanzania and found stock markets to have contributed to the growth of large corporations, although evidence was inconclusive on the impact of stock markets on the wider economic growth.

There is limited understanding on the relationship between financial sector development and economic growth in Botswana due to the limited studies that have been conducted. Further, very little cue can be taken from studies conducted in other Southern African countries owing to the inconclusiveness of the results (e.g. Yartey & Adjasi, 2007). Only a few papers cover the growth of the Botswana Stock Exchange and mention that such growth is supported by a growing banking and financial services sector (Eiter & Jordaan, 2007). Eiter and Jordaan, (2007) examines the causal relationship between financial development and economic growth in Botswana. Granger causality through cointegrated vector auto regression methods is applied to test the causality between these economic factors in Botswana for the period 1977-2006. The paper finds evidence of supply-leading and demand-leading views when using different proxies for financial development. For example, when the ratio of deposit liabilities to non-mineral GDP is used as a proxy for financial development, the causality runs from financial development to economic growth, which supports Schumpeter's supply-leading view. In contrast, causality runs from economic growth to financial development when the ratio of private sector credit to non-mineral GDP is used as a proxy for financial development; thus, supporting the demand-leading view (Eiter & Jordaan, 2007). To improve on this pitfall of divergent views, we will use a single proxy for financial development and then capture a more recent time series (2003-2013).

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The approach of investigating the relationship between financial sector development and economic growth without due regard to the causal effect has been criticised. Patrick (1966), in a study carried in underdeveloped countries, opined that the causal nature of the relationship between these variables is a matter that should be employed to better understand the intricacies of the relationship, a prerequisite to a more robust theoretical framework and undertaking. Some research has been undertaken in this direction and different theoretical opinions have emerged and empirically tested. For example, some researchers, using national cross-sectional data argue that financial sector is a precursor to economic growth (Gelb, 1989; Fry, 1997; King & Levine, 1993; Levine, 1997, 1998; Rajan & Zingales, 1998; Levine & Zervos, 1998) while others argue that economic growth drives demand for financial instruments, and thus financial sector development (Robinson, 1952; Jung, 1986 & Ireland, 1994). Studies that examine the causality between financial development and economic growth take two broad econometrics approaches. Gelb (1989), Fry (1997), King & Levine (1993), Levine (1997, 1998) Rajan & Zingales (1998) and Levine & Zervos (1998) have used national cross-sectional data to model the relationship between financial development and economic growth. These studies tend to support the hypothesis that the causality runs from financial development to economic growth.

It is in this light that this paper is focused on the direction or causality relationship between financial development and economic growth within the Botswana context. Ndako (2009) used quarterly time series data (1983 – 2007) to examine causal relationship between stock market, banks and economic growth in South Africa. The study concluded that long-run bi-directional causality exists between financial development and economic growth in the banking system; but unidirectional causality is found from economic growth to stock market system in long-run.

A similar study by Caldero'n and Lin Liu (2002) pooled data of 109 developing and industrial countries from 1960 to 1994 in order to examine the direction of causality between financial development and economic growth. The study found that (i) financial development generally leads to economic growth; (ii) Granger causality from financial development to economic growth and Granger causality from economic growth to financial development coexist; (iii) financial deepening contributes more to the causal relationships in the developing countries than in the industrial countries.

Another study was carried by Demetriades and Hussein (1996) on causality tests between financial development and real GDP. Though the study findings provide little support to the view that finance is a leading sector in the process of

economic development, considerable evidence of bi-directionality and some evidence of reverse causation was found. The study highlights the fact that causality patterns vary across countries. To this extent, countries and economies are not homogeneous entities and inferences should be done with great caution.

Using annual data of 56 countries, of which 19 were industrialised countries, Jung (1986) studied not only the existence and characterization of causality, but also its temporal behaviour between financial and real development. Using currency ratio as a measure of financial development, least developing countries (LDCs) were characterized by the causal direction running from financial to economic development, and developing countries (DCs) by the re-verse causal direction, regardless of which causality concept is employed. Thus the study highlighted the importance of the stage of development as a mediating factor in the relationship.

Shun, Morris and Sun (2001) used a Granger causality procedure to investigate the relationship between financial development and growth. As opposed to a time series model used in many studies, this study estimated an Auto Regressive (VAR) model for nine OECD countries and China. The results presented a bi-directional relationship in half of the countries and reserve causality in three others. Though evidence showed little support that finance leads to economic development, the study cautioned that a general conclusion based on this outcome should be avoided. Meanwhile, Arestis and Demetriades (1997) examined the empirical literature on the relationship between financial development and economic growth from two approaches. The first approach was the issue of whether the financial system can contribute to the process of economic growth. The econometric evidence reviewed using time-series estimations on individual countries suggests that the results exhibit substantial variation across countries, even when the same variables and estimation methods are used. The second approach was the use of time series methods and data from five developed economies in examining the relationship between stock market development and economic growth. The findings revealed that, although both banks and stock markets may be able to promote economic growth, the effects of the former are more pronounced. Additionally, they showed that the contribution of stock markets on economic growth may have been exaggerated by studies that utilize cross-country growth regressions

In summary, there are three important observations from the literature: (i) a relationship does exist between financial development and economic growth, (ii) there is a causal effect in the nature of this relationship; (iii) countries are heterogeneous and cross-country studies in Africa are inconclusive; and (iv) a country's stage of economic development is mediating factor in the relationship,



i.e. while developed nations tend to show a bi-directional causality relationship between financial development and economic growth, LDCs tend to show causality running from financial to economic development and no reverse causality.

These are observations that form the premise of this study's research hypotheses:

H<sub>1</sub> There is a causal relationship running from Financial Sector Index to GDP.

H<sub>2</sub> There is a causal relationship running from GDP to Financial Sector Index.

## METHODOLOGY

The principal objective of this study is to test for the relationship between financial sector development and economic growth, with particular emphasis on the profitability aspect of financial sector. An econometric framework will be used for analysis of Botswana's economic data over a 10 year period (2003-2013).

In constructing the Financial Sector Index (FSI), the study uses the daily market capitalisation of the financial services and banking companies listed in the domestic board of the Botswana Stock Exchange (BSE). The data will be obtained from the Domestic Companies Financial Sector Index of the BSE. Economic growth, on the other hand, will be measured using the national Gross Domestic Product (GDP) figures. This data will be sourced from the Bank of Botswana (Botswana Central Bank) statistics.

The Granger-causality test (Granger, 1969), and in particular the cointegration and error-correction model, will then be used to examine the direction of causality between financial development and economic growth.

Engle and Granger (1987) proposed a two-step method of testing for cointegration which looks for a unit root in the residuals of a first-stage regression. Before testing for cointegration, the study first assesses whether FSI and GDP are unit root processes. Cointegrated variables share common stochastic and deterministic trends and tend to move together through time in a stationary manner even though the two variables in this study may be non-stationary. This paper therefore tests the null hypothesis of  $\rho = 0$  where  $x_t$  and  $y_t$  are the GDP and financial sector index and are not unit root stationary.

Since Granger causality test may depend critically on the number of lag structure term included (Granger, 1969), testing for cointegration will therefore be preceded by determination of the optimal lag structure in the model. In determining the optimal lags, the Akaike information criterion (AIC) and the

Schwarz information criterion (SC) will be used by setting maximum on e-views. The number of observations in the study allow for the maximum possible lag structure to be 12.

The paper assesses the cointegration between FSI and GDP by studying the following regression:

The null hypothesis of no cointegration among variables in equation 1 is tested (i.e.,  $H_0: 1Y \gamma = 2Y \gamma = 0$ ) against the alternative hypothesis (i.e.,  $H_1: 1Y \gamma \neq 2Y \gamma \neq 0$ ) using the F-test for the significance of the lagged levels coefficient in equation 2. In equation 2, when the GDP is the dependent variable, the null hypothesis of no cointegration among variables is tested (i.e.,  $H_0: 1X \gamma = 2X \gamma = 0$ ) against the alternative hypothesis (i.e.,  $H_1: 1X \gamma \neq 2X \gamma \neq 0$ ) using the F-test for the joint significance of the lagged levels coefficient in equation 2. If the estimated F-statistics is greater than the upper bound critical value, it can be concluded that the variables in question are cointegrated. Also, if the estimated F-statistics falls between the lower and the upper bound critical values, the decision about cointegration among the variables involved is inconclusive.

The presence of cointegration indicates that there is a long-run relationship between the variables and it is appropriate to test the direction of causality so once cointegration between the FSI and GDP has been established; now the study moves to test the causality.

The study will conduct a null test to establish if the index granger-cause the growth in the economy and also confirm the opposite.  $H_0 = \alpha_{11} = \alpha_{11} = \dots \alpha_{1m} = 0$ , will imply that the economy does not granger-cause an appreciation in the index similarly,  $H_0 = \beta_{11} = \beta_{11} = \dots \beta_{1m} = 0$  is used to confirm that the index granger-causes the economic growth.

### **Test Results**

Quarterly time series data was for Real GDP figures was obtained from the Bank of Botswana (BoB) archives while figures used to construct the Financial Sector Index (FSI) were obtained from the Botswana Stock Exchange (BSE) daily trading summary.

The raw daily FSI data converted to quarterly figures for uniformity with the GDP data. Brooks (2008) pointed out that it is not advisable to use daily data in research as daily data normally contains a lot of noise/ error term but the error term reduces with time as the price reverts to its true price.

In keeping with the Engle and Granger (1987) proposal for a two-step method, unit root test was used to ascertain the order of integration in the stationary test. Because of limited sample size, other tests (such as KPSS, Elliot-Rothernberg-Stock Point-Optimal and Ng-Perron) which require many observations were not used, the paper therefore uses the Augmented Dickey Fuller (ADF) test to test for unit root, and the results are presented in Table 1.

Null Hypothesis: FSI has a unit root  
 Exogenous: Constant  
 Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.787719	0.3812
Test critical values:		
1% level	-3.600987	
5% level	-2.935001	
10% level	-2.605836	

\*Mackinnon (1996) one-sided p-values.

Null Hypothesis: GDP has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.126629	0.6964
Test critical values:		
1% level	-3.596616	
5% level	-2.933158	
10% level	-2.604867	

\*Mackinnon (1996) one-sided p-values.

The unit root test results show that the GDP and FSI have a t-statistic of -1.78 and -1.12 respectively, which are above the critical points, and thus the null hypothesis cannot be rejected meaning that the FSI and real GDP have a unit root. In sum, both variables are non-stationary. To make the variables stationary, the study tested the unit root in the first difference and the results are shown below in Table 2.

Null Hypothesis: DFSI has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<b>Augmented Dickey-Fuller test statistic</b>	<b>-4.366627</b>	<b>0.0012</b>
Test critical values: 1% level	-3.600987	
5% level	-2.935001	
10% level	-2.605836	

\*Mackinnon (1996) one-sided p-values.

Null Hypothesis: DGDP has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
<b>Augmented Dickey-Fuller test statistic</b>	<b>-7.379019</b>	<b>0.0000</b>
Test critical values: 1% level	-3.600987	
5% level	-2.935001	
10% level	-2.605836	

\*Mackinnon (1996) one-sided p-values.

The results indicated t-statistic values of -4.37 and -7.38 for FSI and real GDP respectively. Both stationary test results using the first differences indicated statistical significance, an indication that the data was stationary, and thus the null hypothesis rejected at a confidence level of 1%.

Next was the test for optimality in the lag structure as a prerequisite to testing for cointegration (Granger, 1969). According to Engle and Granger (1987) the most common and widely used information criterions for the determination of the optimal lag structure are the Akaike information criterion (AIC) and the Schwarz information criterion (SC). Dudson (1991) showcased that both test are similar and using one over the other would not have any significant effect on the results. The general rule in determining the optimal lag is to choose the lag that gives the lowest Akaike information criterion value.

The number of observations in the study allow for the maximum possible lag structure to be 12. The appropriate lag order, up to the predetermined maximum (12) can be determined using the criteria mentioned previously. The results of the

tests to determine the optimal lag structure are reported in table 3 below. Using the Akaike Information Criterion (AIC) to determine the optimal lag structure, lag nine (9) gives the lowest information criterion value, hence most optimal for application.

Table 3: Optimal lag structure results using AIC and SIC

<b>Lag specifications</b>	<b>AIC</b>	<b>SC</b>
<b>2</b>	34.19	34.69
<b>3</b>	34.28	34.88
<b>4</b>	34.41	35.18
<b>5</b>	34.58	35.54
<b>6</b>	34.44	35.58
<b>7</b>	34.36	35.70
<b>8</b>	33.93	35.47
<b>9</b>	33.45	35.57
<b>10</b>	33.66	35.98
<b>11</b>	33.81	35.94
<b>12</b>	33.96	36.29

On the basis of the unit root test above, the cointegration test was performed to investigate long term relationship between the two variables. The guiding assumptions for testing for cointegration are:

- i. No deterministic trends & cointegrating relationships that do not contain intercepts
- ii. No deterministic trends & cointegrating relationships that have intercepts

- iii. Linear trends but cointegrating relationships that have only intercepts
- iv. The series & cointegrating relationships that have linear trends
- v. Quadratic trends & cointegrating relationships that have linear trends

In keeping with an approach used by Hiaso (2003), the test for integration assumed a linear trend and that the relationship has intercepts. Table 4 is a presentation of cointegration test results, followed by a summary presentation of the output on the other assumptions.

Table 4: Cointegration test; Information Criteria by Rank and Model

Date: 02/19/14 Time: 23:05  
 Sample: 1 43  
 Included observations: 32  
 Series: DFSI DGGP  
 Lags interval: 1 to 9

Selected (0.05 level\*) Number of Cointegrating Relations by Model

Data Trend:	None	None	Linear	Linear	Quadratic
Test Type	No Intercept No Trend	Intercept No Trend	Intercept No Trend	Intercept Trend	Intercept Trend
Trace	0	1	2	0	2
Max-Eig	0	1	2	0	2

\*Critical values based on MacKinnon-Haug-Michelis (1999)

Information Criteria by Rank and Model

Data Trend:	None	None	Linear	Linear	Quadratic
Rank or No. of CEs	No Intercept No Trend	Intercept No Trend	Intercept No Trend	Intercept Trend	Intercept Trend
Log Likelihood by Rank (rows) and Model (columns)					
0	-513.5639	-513.5639	-513.5212	-513.5212	-513.2963
1	-510.2161	-505.5087	-505.4798	-503.8558	-503.6373
2	-508.8271	-503.0579	-503.0579	-500.7105	-500.7105
Akaike Information Criteria by Rank (rows) and Model (columns)					
0	34.34774	34.34774	34.47007	34.47007	34.58102
1	34.38851	34.15680*	34.21749	34.17849	34.22733
2	34.55169	34.31612	34.31612	34.29440	34.29440
Schwarz Criteria by Rank (rows) and Model (columns)					
0	35.99670*	35.99670*	36.21063	36.21063	36.41319
1	36.22067	36.03477	36.14127	36.14807	36.24272
2	36.56708	36.42312	36.42312	36.49301	36.49301

From the results in table 4, five test types are established and the number of cointegrating equations were generated under each. For example, under the assumptions 1 of no intercept and no trend, and 4 of intercept and trend only, the equations did not have any cointegrating equation. Under the assumption 2 of intercept and no trend, a single cointegration was observed. However, two cointegrating equations at a significance level of 5% were observed under the

3rd and 5th assumptions of intercept and no trend and that of intercept and trend respectively. Having established some existence of cointegrating equations between the two variables; it implies the existence of a long-run causality in at least one direction (unilateral causality) between the two variables.

As the research focuses on a model that assumes intercept and no trend, table 5 below shows a close look at the cointegration test, from the table one can see that the variables are cointegrated with a significance level of 5%.

Date: 02/19/14 Time: 23:03  
 Sample (adjusted): 12 43  
 Included observations: 32 after adjustments  
 Trend assumption: Linear deterministic trend  
 Series: DFSI DGDP  
 Lags interval (in first differences): 1 to 9

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.395036	20.92646	15.49471	0.0069
At most 1 *	0.140466	4.843681	3.841466	0.0277

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*Mackinnon-Haug-Michelis (1999) p-values

Having established that the variables are cointegrated according to Duca (2007),” If two or more time-series are cointegrated, then there must be Granger causality between them - either one-way or in both directions. However, the converse is not true”. From the statement the expectation will be that there is causality with our variables.

Having gone through the robust process of calculation and qualifying the variables the final step would be to perform the Granger Causality test. Table 6 shows the results of the Granger Causality test.

Pairwise Granger Causality Tests  
 Date: 02/22/14 Time: 01:44  
 Sample: 1 43  
 Lags: 9

Null Hypothesis:	Obs	F-Statistic	Prob.
GDP does not Granger Cause FSI	33	2.23334	0.0860
FSI does not Granger Cause GDP		1.66839	0.1884

The results of the Granger Causality show that the null hypothesis that GDP does not Granger Cause FSI has to be rejected with a p-value of 0.086 at a significance level of 10% while a second test showed that the null hypothesis that FSI does not Granger Cause GDP cannot be rejected with a p-value 0.1884.

This therefore implies that the alternative hypothesis that GDP does Granger Cause the FSI has to be accepted. In the second test, a common definition of Granger Causality, in the case of two time-series variables, X and Y is: "X is said to Granger-cause Y if Y can be better predicted using the histories of both X and Y than it can by using the history of Y alone."

## DISCUSSION AND CONCLUSIONS

This study was set on the backdrops of three key observations made from the literature: (i) there is affirmation of a relationship between financial development and economic growth; (ii) there is a causal effect in the nature of this relationship; (iii) countries are heterogeneous and cross-country studies in Africa are inconclusive; and (iv) a country's stage of economic development is mediating factor in the relationship.

The contribution of this study to extant literature was in; (i) the significance of the study timeframe that accounted for a historical global economic cycle (2003-2013); (ii) improving measures used for Financial Sector by using the Botswana Financial Sector Index; (iii) exploring the perspective of financial sector profitability, instead of the conventional financial development approach.

Granger Causality test results were indicative that Real GDP has causality effect on Financial Sector profitability. By extension, these results laid credence to the demand-following response hypothesis. The implication of these findings to



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Botswana is that the economy should growth first in order to stimulate financial sector development. However, no causal relationship was found running from Financial Sector Profitability to GDP, thereby dispelling the “wealth effect” supposition.

These findings are consistent to those of other similar studies with existing empirical works (Mauro 2003, Rousseeu and Wachtel 2000, Adjasi and Biekpe 2005). These results were equally contradicted by Duca (2007) who found out that Real Gross Domestic Product is the one which granger causes the Financial Sector Index.

Similarly, Adebola and Dahalan (2011) argued for a causal relationship of the collateral value firms on macroeconomic activity. Notwithstanding the inconclusiveness above, Kar and Pentecost (2000) cautioned that the direction of causality between financial sector and economic growth is also sensitive to the choice of proxies for financial development. While this study used financial sector index, other studies have used different measures, i.e. stock market turnover ratio (Duca, 2007) and the ratio of credit provided by banks to private sector (Adebola& Dahalan, 2011).

Penm (2003), on the other hand, indicated that the very existence of a causality relationship between the financial sector index and the economy has been said to suggest some form of inefficiency in the market.

It is increasingly evident that the causality relationship between financial development and economic growth is both complicated and difficult, owing to such myriad of factors such as variable measures, stage of economic development, market efficiency and study timeframe. However, there is empirical traction on that developed nations tend to show a bi-directional causality relationship between financial development and economic growth, while the developing economies tend to show causality running from financial to economic development, with no reverse causality. The results of this study contradict this notion, a matter that could be attributable to Botswana’s unique position as a middle income developing country (Akinboade, 1998), and the nature of the measure for Financial Sector used. These are areas that warrant further study.

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**AN OVERVIEW OF OUTSOURCING AND  
STRATEGIC ALLIANCES AS ANEFFECTIVE  
CONTEMPORARY BUSINESS STRATEGIC TOOLS  
FOR STARTUPS AND SMALL BUSINESSES IN  
BOTSWANA**

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**ABSTRACT**

A firm's competitiveness is driven by its strategic orientation, which in turn is dependent on its resource capability. This study investigates the feasibility and suitability and relevance of outsourcing and strategic collaborations as contemporary and effective business strategic tools for start-ups and SMEs in Botswana. The study adopts an in-depth review of all relevant literature collected from different online database sources. Two different theoretical frameworks are used to examine the critical success factors for successful cooperative strategies, and identify the pragmatic approach to ensure long term sustainability and competitiveness. The findings of this study indicate that outsourcing and joint ventures may be appropriate business solutions for startups and SMEs in Botswana that are challenged in the areas of new product development, market expansion, production capacity, technological capability, etc. The study will hopefully benefit the prospective entrepreneurs and existing SMEs owners and/or managers wishing to consider cooperative strategies as preventative strategies to avoid infancy stage failures as well as enhancer to technological and innovative capability, and market competitiveness. Furthermore, the study may be of value for future research in the area of effective management of cooperative strategies adopted by small businesses in Botswana.

**Keywords:** innovation and creativity, outsourcing and strategic collaborations, startups, SMEs, business growth, conceptual framework.

## INTRODUCTION

The level of innovation and creativity among the emerging and the existing small businesses in Botswana is very low. As such, most start-ups and small business development do what is done by their predecessors by following what seems to work. This type of entrepreneurs never think about enterprise growth nor consider factors such as product diversification and service offerings, market, logistics and supply chain activities, etc., especially at the earliest stages of the enterprise (e.g. at ideation stage - conceptual stage of an idea). Most medium to large scale private enterprises in Botswana, were started through strategic partnership or alliances and franchising arrangements whilst others were established through technology licensing arrangements. Some started as distribution outlets for foreign based established enterprises and were later depending on demand for their products or service offerings, and factors such as transportation costs, comparatively lower production costs (e.g. wages and utilities, etc.) and the government incentives expanded through introduction of operations facilities. In addition, the business environment does not seem to encourage prospective entrepreneurs in these areas, to develop innovative or creative products and better services, business processes or business linkages that creates or expand markets for their products and services, and enhance the chances of the enterprise long term competitiveness and sustainability.

The paper thus examines outsourcing and strategic collaborations (strategic alliances) as contemporary and effective business strategic tool for startups and small businesses, which if properly executed and monitored and controlled may yield enormous benefits to most if not all stakeholders. The paper also explores cost implications or risks associated with using these strategies, the potential benefits that will flow to both the startups and the existing small businesses and the key drivers for successful and effective co-operative arrangements. It adopts two conceptual frameworks which the authors deem more appropriate for the startups and SMEs in Botswana because the ultimate goal of both is firm's gaining a competitive advantage. The first framework, Figure 3, An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage developed by Murray (2001). The second framework, Figure 4, Theoretical Framework of Strategic Alliance for Competitive Advantage developed by Muthoka and Kilika (2016). The choice of model will be determined by the firm's motivations or goals, that is, whether the alliance is to outsource specific assets from global suppliers or to take advantage of the other firms' resources, market or technological competencies (Muthoka & Kilika, 2016).

## BACKGROUND

Notwithstanding the Botswana government's intense efforts in promoting and developing sector based entrepreneurship the across the country, starting an innovative enterprise in Botswana remains a challenge. Most private enterprises in Botswana, especially those considered medium to large scale firm (by Botswana standards) were started through strategic partnership or alliances and franchising arrangements whilst others were established through technology licensing arrangements. Some started as distribution outlets for foreign based established enterprises and were later depending on demand for their products or service offerings, and factors such as transportation costs, comparatively lower production costs (e.g. wages and utilities, etc.) and the government incentives expanded through introduction of operations facilities.

An average citizen owned enterprise lacks innovation and creativity as they cannot easily afford to acquire technological know-how, let alone finance costs related to outsourcing or strategic collaborations. Therefore, in the early 1980s foreign investors who could not court wealthy citizen individuals and/or companies started these joint ventures with state owned enterprises such as Botswana Development Corporation Limited and National Development Bank (NDB). However, with passage of time more state-owned institutions were set-up though with much criticism because their mandates resulted in unnecessary overlaps. The exit mechanisms or harvesting strategies built into initial partnership arrangements appear to have been weak in terms of citizen and/or employee empowerment as the contracting corporations' interests were either sold to the co-partners or another foreign company without considering government incentives that these joint ventures enjoyed over the period of operation in Botswana.

Outsourcing in Gaborone has become a renowned strategy amongst public and private enterprises, however, due to none disclosure of held information, it remains unclear if these firms have a clear understanding of how this arrangement works and how it can be used as a successful and competitive strategic tool and how to successfully manage various stakeholders' expectations in order to realize desired outcomes. Despite their renowned dominance, the uptake of strategic collaborations and outsourcing is still very low amongst many citizen owned firms in Botswana. The majority of the small business firms still struggle not because they are less innovative but they have no idea how to identify the right partners to collaborate with. Furthermore, they probably have a vague

understanding of the benefits and costs associated with these strategic tools, other than that such arrangements help them reduce some costs and/or enhance their competitive advantage. In addition, they are not knowledgeable when it comes to choosing activities (whether core to the business or non-core) to outsource, and how to effectively manage these strategies for the benefit of stakeholders. Corbett (2004) posits that outsourcing begins with an understanding of the business's core identity or core competency, and as long as the firm understands its unique competitive advantage, it is positioned to consider what work they are doing that others could not perform better. He cautions that organizations may soon be more outsourced than insourced, and that should this happen, impact on the firms' executives, managers, alliances, shareholders, employees and customers will be enormous.

### **Study objectives**

The main objective of this study is to establish whether outsourcing and strategic collaborations is effective contemporary business strategic tool for startups and small businesses. Other objectives include, identifying the potential benefits that will flow to startups and existing small businesses; establish the ways and the extent to which both strategies create value for stakeholders, especially the firms' founding owners; and finding how best a prospective entrepreneur can successfully identify strategic partners and ensure successful execution of this strategy in terms of assets procurement and ownership, fair determination of reward for assets and technology utilization, transfer of expertise and innovation to the local firms, especially at the time of partners 'separation. Another objective is to search for the relevant and suitable conceptual frameworks for use by SMEs in Botswana.

## **LITERATURE REVIEW**

### **Introduction**

This section explores the scholarly information that adequately addresses the study objectives and helps provide practical solutions or answers for the questions pertaining to the use of strategic collaborations and outsourcing as strategic tools for startups and small business enterprises in Botswana.



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## **Outsourcing and Cooperative Strategies (Strategic Alliances) as Effective Contemporary Business Strategic Tool for Startups And Small Businesses**

With the rapidly increasing global competition, firms are left with no choice but to look for new innovative ways not only to gain better market positions or enhance financial positions but also to ensure long term sustainability. Outsourcing and cooperative strategies (strategic alliances) are embraced as competitive tools by firms regardless of their sizes for market positioning, innovative problems solving, product or business processes research and development, increasing their market and growing their operations across the globe.

### **Outsourcing**

Outsourcing is not a novel concept, the term dates to the 1970s. Initially this strategy involved information technology-related issues, but progressively more and more organizations realized that they could not be experts in everything they do. As a result, organizations freed some of activities and delegated them to third-party specialists (Koszewska, 2004). Beyond, the information technology, outsourcing strategy grew in scope and complexity as it covers functions such as administration, customer service, finance, human resource, procurement, sales and marketing, distribution, transportation, health care and more (Verma, 2000). Other scholars also agree that outsourcing is probably the most powerful tool in strategic management, and its modernization is in the forefront (Hamed, 2013).

Any contemporary worker knows and appreciates that outsourcing is the latest business model, and that it is growing not only in Botswana but in many countries worldwide. Unfortunately, the lack of consensus on what outsourcing means and the various interpretations placed on it by everyone makes it difficult to define. For example, Jean-Louis defines outsourcing as the contracted use and leverage of third party resources, assets and skills, with definite levels of quality and cost savings, to deliver services previously provided in-house, possibly involving the transfer of existing staff to the third-party specialist and transformation of the business processes and technology (Jean-Louis, 2006). Horacio on the other hand, looks outsourcing as a strategic direction pursued by organizations as a vigorous process linked to the strategic changes of an organization, that continually adapts its decision-making process to improving its effectiveness and performance (Horacio, 2012).

Bayode (2012) argues that understanding outsourcing as a strategy requires appropriate evaluation of the position of an organization, whether such a strategy will work and if not why and how to go about it (Bayode, 2012). Corbett opines that organizations may soon be more outsourced than insourced, and that such decisions and practices may significantly impact the firms' executives, managers, alliances, shareholders, employees and customers (Corbett, 2004). Farrell concurs that the outsourcing strategy should be tied to the overall corporate strategy; and that it entails understanding the firm's core competencies, risks and benefits as firms outsource more and more complex processes. He cautions that the firms' executives should also make sure that there are appropriate arrangements for meeting organizational objectives (Farrell, 2010). McIvor warns of the need to respond to market changes; further that the difficulty of predicting the direction of such changes may mean that organizations must focus on its core competencies (McIvor, 2008). Grevor (1999) defines the core competencies as the innovative combinations of knowledge, special skills, proprietary technologies, information, and unique operating methods that provide the product or the service that the customer value and want to buy (Grevor, 1999). In deciding whether or not to outsource, it is vital that firms know the activities/functions to outsource and the extent to which outsourcing could be carried out in order to maintain control over business activities (Zafar, 2013). There is no doubt that the kind of activities each firm chooses to outsource, differ from one firm to the other. The decision to assign outsourced activities to an external third party is strategic step that can determine the organization's future, hence, it must be informed (Koszewska, 2004). Rau cautions that the firm should first establish the reasons to engage in outsourcing prior to evaluating the effectiveness of outsourcing as a strategic tool, and/or how contractual relationships with various stakeholders would be appropriately managed or improved (Rau, 2007). Brannemo concurs that limited knowledge in outsourcing has resulted in some firms having outsourced so much of their production activities that they lost their ability to develop new goods and services (Brannemo, 2006). Alpesh posits that once an organization has prepared its outsourcing strategy, it should decide with whom to walk down the aisle (Alpesh, 2005).

### **Strategic Collaborations (Cooperative Strategies)**

Research addressing cooperative behavior is substantial and quite diverse with a number of authors attempting to offer conceptual foundation for the phenomenon of cooperative arrangement (Larson, 1991). Firms collaborate for various reasons including the desire to gain a competitive advantage over rivals

(Baird, Lyles & Orris 1992; Larson 1992) and to effectively control their production and inventory costs, speed product development, expand markets, or secure technology as well as strengthen their competitive advantage (Baucus, Baucus and Human, 1996; Larson 1992). Richard P. Nielsen concurs that cooperative strategies exist and have been useful and efficient in many situations although numerous studies focused more on competitive strategies. He cites a case of Ocean Spray Cranberries, Inc., a firm that was founded by independent and competing cranberry farmers who previously compete against each other. In this scenario, the cranberry growers own their own farms individually but market through the cooperatively owned Ocean Spray marketing cooperative.

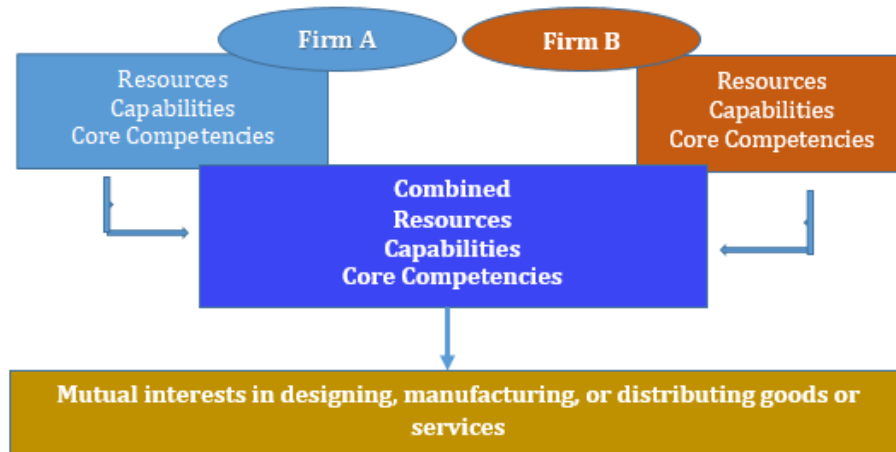
Steensma, Marino & Weaver (2000) assert that small entrepreneurial firms are playing an increasingly vital role in today's business environment. These independent startups and the entrepreneurs that lead them are responsible for much of the growth and innovation in the global economy. The authors add that the success of entrepreneurial firms is critical for the prosperity of the economies in which they operate. Further that the firms share a general constraint of limited access to funding, a constraint that can be corrected by cooperating with other firms with different and yet complementary resources, e.g. financial, technical know-how, marketing intelligence, etc. (Steensma, Marino & Weaver, 2000). Some firms enter into alliances for transaction-cost motives, resource-based motives strategic motives, learning objectives and motives relating to risk reduction (Muthoka and Kilika, 2016). Facebook and Yahoo collaborated in the area of a patent cross license, new advertising partnership, expanded joint distribution and joint media event coverage (David & David, 2015, pp 153).

Cooperative strategies entail structured cooperative agreements between firms (e.g., buyer-supplier alliances, marketing alliances, Research and Development alliances). The collaborations small entrepreneurial firms and startups to increase product and process innovation through R&D alliances, expand their production capacity through joint production agreements, share marketing expenses and expertise with long-term marketing arrangements, and reach foreign markets with distribution agreements (Steensma, Marino and Weaver, 2000; Larson, 1991). The authors argue that cooperative arrangements are more sustainable and distinct from single transaction market relationships.

Hitt, Ireland & Hoskisson (2015) define a cooperative strategy as a mean by which firms collaborate for the purpose of working together to achieve a shared objective. The authors define strategic alliance as a primary type of cooperative

strategy in which firms combine some of their resources and capabilities to create a mutual competitive advantage, to achieve a shared objective such as creating value for a customer. This strategy as per Figure 1 below, involves the exchange and sharing of resources and capabilities to co-develop or distribute goods and services, creates value for customers (e.g. a value that exceeds the cost of constructing customer value in other ways), and it establishes a favorable position relative to competitors. The outcome of this strategy is a competitive advantage called Collaborative (Relational) Advantage (Hitt, Ireland & Hoskisson, pp 264). David and David add that co-operative arrangements include joint ventures, research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross manufacturing agreements and joint bidding consortia (David & David, 2015, pp 154).

Figure 1: Strategic Alliance

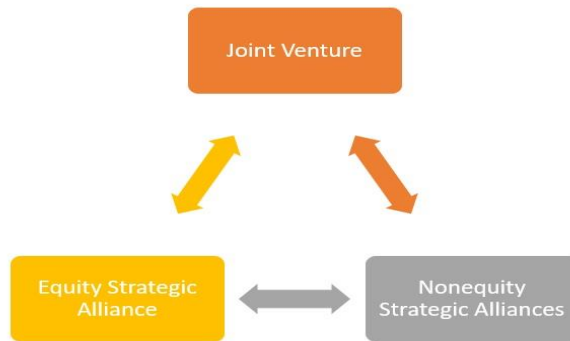


Source: Hitt, Ireland & Hoskisson (2015)

### Types of Strategic Alliances

There are three types of strategic alliances, namely joint venture, equity strategic alliance and non-equity strategic alliance. The joint venture requires two or more firms to create a legally independent company by sharing some of their resources and capabilities. Equity strategic alliance requires partners who own different percentages of equity in a separate company they have formed, whilst

the non-equity strategic alliance requires two or more firms develop a contractual relationship to share some of their unique resources and capabilities (Hitt, Ireland & Hoskisson, 2012 pp 266-267). David and David add that strategic partnering takes many forms including outsourcing, information sharing, joint marketing, and joint research and development (David & David, 2015, pp 154). Muthoka & Kilika posit that a combination of firm, environmental and partner-related motives stimulate SMEs to opt for a specific type of strategic alliance. The need to assess motives for alliance types is paramount because the firm motive and type of alliance sought will determine the selection of the strategic partner with whom to enter into alliance (Muthoka & Kilika, 2016).



Harrigan (1988) posits that although a lot has been written about joint ventures, past studies of joint ventures have often considered cooperative strategies from the perspective of firms that are expanding their business operations overseas. Although some research were carried out to examine how the dimensions of joint venture strategies should vary under different competitive circumstance, very little was said about how diverse industry conditions make joint ventures more (or less) appropriate as a competitive strategy alternative. The author further alludes that no general theory was developed for the use of cooperation as a generic strategy alternative within mature domestic economies until recently (Harrigan, 1988; Harrigan, 1985a and 1986).

Although these strategic alliances are ideal tools for small businesses wishing to grow, and startups wishing to have the right start, the probability of anyone of them being embraced by small businesses in Botswana are decimal because the majority of small businesses in Botswana are family owned businesses, most of

which lack entrepreneurial attributes such as innovation and creativity and limited market.

### **Why Strategic Alliances?**

There are various reasons why firms form strategic alliances, but most of the time such decisions is market driven. Nielsen (1988) asserts that the joint gains from pooling marketing resources would help them to accumulate the financial, managerial and knowledge resources to success fully enter and expand into national food production and distribution industries, and that the strategies eliminate competition amongst the partners. Muthoka and Kilika (2016) opine that strategic networks are relevant contingent strategies that firms of all sizes have adopted to deal with environmental pressures posed by the 21st century. Uddin and Akhter (2011) add that strategic alliances in which firms combine some of their resources to create competitive advantages, are the primary form of cooperative strategies. Hitt, Ireland & Hoskisson (2012) concur that strategic alliances allow partners to create value they could not develop by acting independently, and to enter markets more quickly and with greater market penetration possibilities. Further that lack the full set of resources and capabilities needed to reach their objectives, and that partnering with others increases the probability of reaching firm specific performance objectives. This is true of the small business in Botswana whose major constraint remain accessibility to funding and limited market. Thus, pooling their resources together to achieve a common objective of reaching new customers and broadening both the product offerings and distribution of their products without adding significantly to their cost structures (Hitt, Ireland & Hoskisson, pp267 – 268), if only they can effectively deal with the issues of trust, skepticism, suspicions, and greed.

David & David (2016) agree that strategic partnerships are being used increasingly to because they allow companies to improve communications and networking, to globalize operations and to minimize risk. Further that they are ideal for pursuing an opportunity that is too complex, uneconomical, or risky for a single firm to pursue alone. In addition, strategic partnerships can be used to achieve and sustain a competitive advantage when an industry requires a broad range of competencies and know-how than any firm can handle. Partnerships are more effective in enhancing corporate growth in market tied together by internet than mergers and acquisitions (David & David, pp 154). In the process of finding strategic alliances, various partnership approaches were recommended for different market cycles (Hitt, Ireland & Hoskisson, 2012). For example, in a Slow

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Cycle Market, firms may collaborate to gain access to a restricted market, establish a franchise in a new market and maintain market stability; Fast Cycle Market to speed up development of new goods or service, speed up new market entry, maintain market leadership, form an industry technology standard, share risky research & development expenses and overcome uncertainty; and in Standard Cycle Market, to gain market power (reduce industry overcapacity), gain access to complementary resources, establish economies of scale, overcome trade barriers, meet competitive challenges from other competitors, pool resources for very large capital projects and learn new business techniques (Hitt, Ireland & Hoskisson, 2012 page268 – 270).

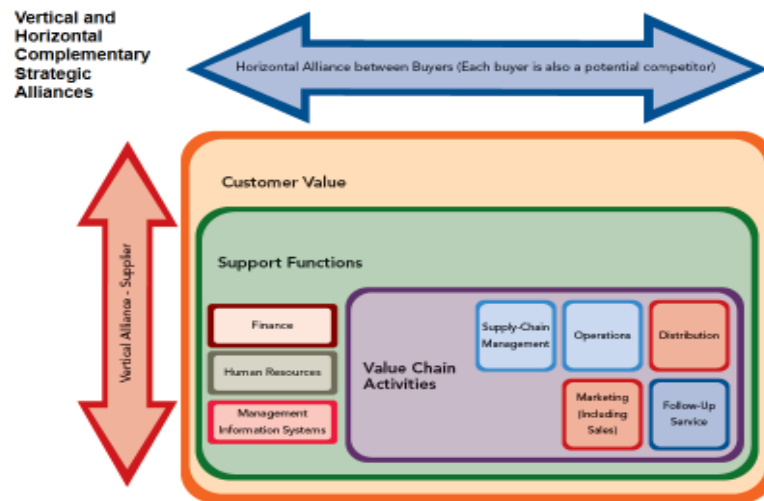
### **Business-Level Cooperative Strategies**

There are four business level co-operative strategies (see Figure 2 below) available to small businesses and startups in Botswana, namely, complementary strategic alliances, competition response alliances, uncertainty reducing alliances and competition reducing alliances. The complementary strategic alliances combine partner firms' assets in complementary ways to create new value. The strategies include distribution, supplier or outsourcing alliances where firms rely on upstream or downstream partners to build competitive advantage. The complementary strategic alliance is further divided into two components, namely, the vertical complementary strategic alliance and the horizontal complementary strategic alliance.

Vertical Complementary Strategic Alliance is formed between firms that agree to use their skills and capabilities in different stages of the value chain to create value for both firms. Outsourcing is one example of this type of alliance. Horizontal Complementary Strategic Alliance is formed when partners who agree to combine their resources and skills to create value in the same stage of the value chain. Focus is on long-term product development and distribution opportunities. The partners may become competitors which requires a great deal of trust between the partners (Hitt, Ireland & Hoskisson, 2012, pp 271-276). The Competition Response Alliances occur when firms join forces to respond to a strategic action of another competitor. Because they can be difficult to reverse and expensive to operate, strategic alliances are primarily formed to respond to strategic rather than tactical actions. Uncertainty Reducing Alliances are used to hedge against risk and uncertainty. These alliances are most noticed in fast-cycle markets, and are usually formed to reduce the uncertainty associated with developing new product or technology standards. Competition Reducing Alliances is created to avoid

destructive or excessive competition. Whilst this strategy may be likened to collusive strategies such as explicit and tacit collusion, both strategies differ because collusive strategies are generally perceived to be illegal form of collaboration. Explicit collusion occurs when firms directly negotiate production output and pricing agreements to reduce competition (illegal), and Tacit collusion occurs when firms indirectly coordinate their production and pricing decisions by observing other firm's actions and responses (Hitt, Ireland & Hoskisson, pp 271-276).

Figure 2: Vertical and Horizontal Complementary Strategic Alliances



Source: Hitt, Ireland & Hoskisson (2015)

Of the four business level co-operative strategies in Figure 2 above, complementary business-level strategic alliances, especially the vertical ones, have the greatest probability of creating a sustainable competitive advantage for the existing small businesses and the startups in every respect because as mentioned, these enterprises lack the necessary creativity and innovative attributes that may guarantee these firms future sustainability in the domestic and foreign markets. Horizontal complementary alliances are less attractive due to possible difficulties to maintain because they are often between rival competitors. Competitive advantages gained from competition and uncertainty reducing



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strategies tend to be temporary. Whilst the uncertainty reducing alliance by nature is perceived to be short term focused, it has great potential for the small businesses and startups in Botswana, and thus it may work well combined with vertical complementary business-level strategic alliances in order to realize greater benefits.

### **The Potential Benefits Outsourcing and Strategic Alliances to Startups/ Existing Small Businesses**

Outsourcing is promoted as one of the most powerful trends in modern management because of its potential benefits. These benefits includes reduction in costs, increased ability to focus on strategic issues, access to specialized expertise, and an ability to demand measurable and improved service levels (Olawale, 2012). Lowes estimates the value of total outsourced business activities and information technology services worldwide to worth U.S. \$480 billion in 2012 alone; a lot of money to bet on outsourcing's ability to deliver the desired results. He adds that many organizations are willing to make that bet as a testimony to outsourcing's credibility as an effective business strategic tool (Lowes, 2012).

Elegbede (2008) outlines numerous benefits to firms that adopt outsourcing strategy. These include, experienced reduce cost, increased sales turnover and profitability, enhanced expertise, improved service quality, reduced staff strength, streamlined the production processes, reduced administrative burden, and adequate time savings for core activities by (Elegbede, 2008). Grims (2011) adds that the value proposition and measures of success for outsourcing operations is evolving, thereby leading organizations to harness value beyond cost reduction through consolidation and automation (Grims, 2011).

### **The cost implications or risks associated with using Outsourcing and Co-operative Strategies**

Outsourcing is not exempted from disappointing results as a business strategic tool. Outsourcing strategy if misunderstood or improperly administered could adversely impact the firms in every respect, including but not restricted to financial performance, quality initiatives, loss of customers, core competences and capability, lucrative markets, etc. As perceived by most firms, outsourcing can be a complex process, with numerous executions, monitoring and control setbacks. Aalders (2002) posits that some firms withdrew from outsourcing arrangements and tried to bring their systems back in house because of the challenges they encountered. These firms however discovered that reversing the process is not

simple, as they still lack talents and resources (Aalders, 2002). One of the risks associated with outsourcing is declining innovation by the outsourcer or possible loss of long-run research and development (R&D) competitiveness which is often used as a substitute for innovation. The other risk is that the costs reduction may not be as significant as envisaged (Rasheed, 2000).

Jean-Louis asserts that around the world shows that approximately 2/3 of outsourcing agreements worldwide have failed to create value for shareholders. He attributes such failure to uninformed decisions by the firm's top management to outsource business processes, and thereafter relinquishing responsibilities for communicating, planning, implementing and managing such change, to third parties shareholders (Jean-Louis, 2006). Other limitations associated with outsourcing include increased costs, brand damage, disrupted services, and even business failure (Farrell, 2010).

### **Key Drivers for Successful and Effective Outsourcing and Co-operative Arrangements**

Zaman & Mavondo (2001) are of view that because competitive forces also play a critical role in strategy formulation in organizations, the success of any strategy should consider both the firm characteristics and environmental characteristics as these factors greatly influence on the firms propensity to enter into strategic alliances. These characteristics include the turbulence in markets, resource constraints, market uncertainty, and globalisation of the industry, fast technological change, and economies of scale, prior involvement in strategic alliances, risk sharing, and consolidation of market position (Zaman & Mavondo, 2001; also see Lorange 1991; Glaister 1996; and Bennett 1997).

Onan (2008) asserts that success of outsourcing arrangements depends on established long-term strategic relationships. Onan argues that organizations need to understand clearly the relationship and interdependencies between business practices and procedures before they outsource. Further that difficulty can arise if such interdependencies are not understood, leading to a poor supplier performance assessment (Onan, 2008). Lowes opines that the nature of the outsourcing relationship is continually evolving as service providers and clients improve and redefine their preferred terms of engagement. Further that the highly variable economic, political, social, legal and technological environment for outsourcing creates potential threats and opportunities for both sides of the relationship (Lowes, 2012). Willcocks agrees that these relationships form an integral part to

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the outsourcing strategy, and that they are not unintentional by-products for executing a product/project (Willcocks, 2011).

Karthick suggests that outsourcers should partner aggressively with businesses in such a way that they are able to translate their business requirements into service-level agreements (SLAs) and then deliver these SLAs through a set of managed services. This approach will enable the outsourcers to focus more on benefits from innovative services provided by the vendors' partnerships (Karthik, 2007). Successful organizations recognize that it takes time, staff and investment to manage partnerships well. In essence, the removal of one management task creates a new one. Consequently outsourcing can be a misleading term, making it sound like it will be done on somebody else's watch (Gomes-Casseres, 2006). According to Endeavor Management there are significant changes in the day-to-day behaviors of managers of firms engaged in outsourcing activities. Outsourcing encourages organizational managers to divert their focus from direct management of the operations or functions that have been outsourced, towards managing the business relationship with the outsourcers. (Endeavor Management, 2011).

The co-operative strategy requires cooperative behavior from all partners that contribute to alliance success. These include actively solving problems, being trustworthy, consistently pursuing ways to combine partners' resources and capabilities to create (Hitt, Ireland & Hoskisson, 2015 pp 264-265). David and David agree that the success of collaboration depend to a greater extent on the firms' willingness to contribute something distinctive, such as technology, distribution, basic research or manufacturing capacity. Forging an alliance enables a firm to focus resources on its core skills and competencies while acquiring other components or capabilities it lacks from the marketplace. In addition, Alliances can often improve the market power of a firm because either the alliance partner is a customer for the product or because the distribution channels and buying power of the partners can be combined (Zaman & Mavondo, 2001).

Kathryn Rudie Harrigan cautions that whilst the use of cooperative strategies brings about an exciting change in the competitive landscape, firms that use these strategies to build strengths for their firms' business units must understand how they might best use joint ventures, especially within industries where cooperative strategies are being used with increasing frequency, because these strategies can change industry structures to the disadvantage of competitors. For example, they can (1) exacerbate competition, (2) stabilize profit levels, or (3) precipitate structural changes in vertical integration, technological scale, or other industry traits (Harrigan, 1988, pp 141). It is observed that that successful collaboration

requires a high level of trust (a complex phenomenon that can result from formal contractual safeguards as well as from informal partner commonalities in objectives and values) between the alliance partners to alleviate the fear of opportunistic behavior, and to enhance the stability of the relationship (Steensma, Marino & Weaver, 2000; Barney & Hansen, 1994; Larson, 1991). Their assertion is premised on the belief that the culture in which the entrepreneur is socialized not only influences cooperative values, but also forms the basis of trust that he/she favors when pursuing cooperation. Unintended transfers of important skills or technology at organization levels below where the deal is signed because information not covered in the formal agreement easily gets traded in daily interactions of firm's employees. Skepticism, suspicions and distrust between the cooperating firms will injure the relationship before it takes off (David & David, pp 154).

Hitt, Ireland & Hoskisson opine that entrepreneurial firms can realize great benefits from the cooperative strategies if they adopt cost minimization management approach, have formal contracts with partners, specify how strategy is to be monitored, specify how partner behavior is to be controlled and set goals that minimize costs and to prevent opportunistic behavior by partners. In addition, they recommend two risk and asset management approaches, namely (i) detailed contracts and management and (ii) developing trusting relationships. The authors also suggest an Opportunity Maximization Approach, which will help the firms to maximize partnership's value-creation opportunities, learn from each other, explore additional marketplace possibilities and maintain less formal contracts, fewer constraints (Hitt, Ireland & Hoskisson, 2015, pp275).

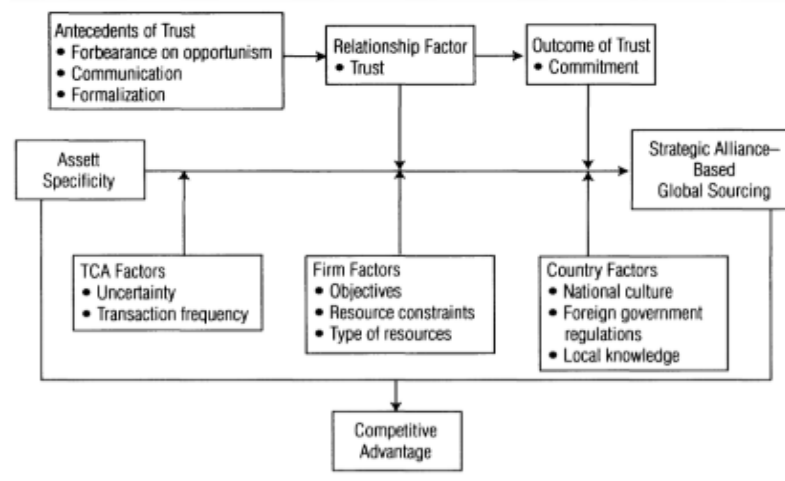
### **CONCEPTUAL FRAMEWORK**

The authors considered two theoretical frameworks which they believed are more appropriate for the study. Both frameworks aim at providing the startup firms with the core competencies that they need to be become successful in the long run. For instance, strategic collaborations enable firms to scale up their operations by sharing their excess and complementary capabilities and resources with others, which consequently may give any of them competitive advantages (Uddin & Akhter, 2011; Barney and Hansen, 1994) via cost reductions, accessibility to new markets, new product development, etc.

The first framework, Figure 3, An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage suggests that

strategic alliance-based global sourcing is a viable strategic option to achieve competitive advantages, even when specific assets are involved. This conceptual framework presenting the relationships among the various variables with an ultimate goal of obtaining a competitive advantage. These include amongst other, investment in asset specificity through global sourcing, firms reputation, trust in supplier-buyer relationships, collaborating firms 'commitment, governance structures of various foreign countries, transaction frequency, resource constraints, type of resources, etc.

Figure 3: An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage



Source: Murray (2001)

Murray (2001) argue that these variables do not only moderate the relationship between asset specificity and strategic alliance-based global sourcing for major components but they also exert positive or negative effects on the relationship, thereby making strategic alliance-based global sourcing a desirable strategy to achieve competitive advantage. This framework comes as an

improvement to Murray, Kotabe, and Wildt's (1995) conceptual framework that explains the contingency relationship between global internal sourcing of major components and a product's market performance. The authors use the transaction cost framework or internalization theory to explain how major components are sourced and predict their resulting performance. The study assumes that; (1) the overriding objective of strategic alliances is cost minimization; (2) the risk of opportunism exists; (3) the evaluation is based on single transactions; (4) the firm chooses from two governance structures? market or hierarchy; (5) the firm has the ability to adopt the desired governance structure, and the issue of resource constraints is not considered; and (6) transaction cost analysis (TCA) has proved useful in analyzing supplier-customer relationships in the U.S. and Japan (Murray, 2001; Murray, Kotabe, and Wildt's, 1995).

The authors assert that based on transaction cost analysis (TCA) theory, when specific assets are involved, a sourcing firm (e.g. a Botswana based SME) should use internal sourcing to avoid transaction costs. Further that trust in supplier-buyer relationships lowers transaction costs and facilitates investments in relation-specific assets. Trust discourage firms' opportunistic behavior usually observed in transactions that involve highly specific assets especially when governance structure are nonhierarchical (Murray, 2001). Non-hierarchical governance structures coupled with a high degree of mistrust make buyers highly vulnerable. Good reputation does not only minimizes the supplier's forbearance on opportunism, investment, uncertainties and distrusts but also enhances communication between firms desiring to enter into strategic alliance - based global sourcing. Botswana citizen startups and SMEs lack numerous expert services (technology included) that the foreign firms have. The objects of these firms which include search for resources, develop technology, access markets, and acquire capital are likely to push the firms into strategic alliance with the global firms out of desperation without undertaking a thorough due diligence. It is therefore imperative that citizen firms tread very carefully, for instance, they should strive to build a solid and sound trust relationship with the foreign suppliers that they desire to collaborate with. The desire to reduce transactional costs should be explored along with other important factors including the potential benefits to be derived from the alliance.

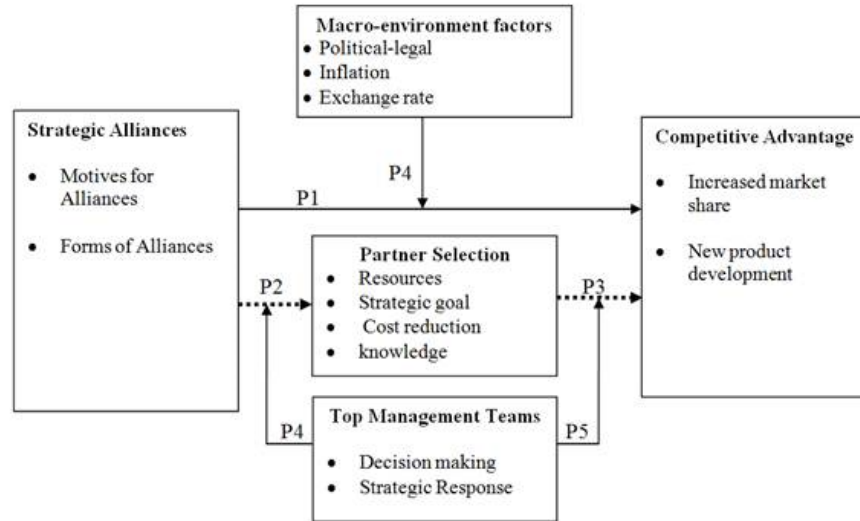
Contrary to Murray (2001) study, Zaman & Mavondo (2001), suggest that several strategic alliance formation are the products of environmental uncertainty such as (a) high uncertainty, (b) high technological volatility and demand, (c) low predictability of customer demands and competitor actions, and (d) demands for

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internationalization. Further that high market turbulence and uncertainty, larger the number of competitors and the higher the need for additional resources, and the firms' desire to cultivating learning as an organizational culture will push most firms to form strategic alliances (Zaman & Mavondo, 2001). The authors add that the success of the alliance depends on the following strategic alliance relationship attributes; (1) trust is beneficial to all partners when it comes to reduction of risk associated with opportunistic behavior, adaptability, wealth creation, and better customer service; communication - successful alliance will exhibit higher levels of: (a) quality communication; (b) information sharing; and (c) participation in planning; (2) commitment – firms commitment is an insurance for unforeseeable challenges that can threaten the relationship; (3) collaboration - a highly collaborative relationship provides the flexibility and adaptability necessary to overcome uncertainties, resolve conflicts and achieve mutually beneficial outcomes; (4) conflict resolution – conflict is appropriately managed by the partner firms can enhance the probability of strategic alliance success, especially when the firms engage in joint problem solving that aims at reducing the uncertainties surrounding their firms business environment.

The second framework, Figure 4, Theoretical Framework of Strategic Alliance for Competitive Advantage developed by Muthoka and Kilika (2016), illustrates how different variables such as the firms' ability to manage the macro-environmental issues, firms' background, motives for alliances, firms' executive role in strategic thinking and decision making interact to create a competitive advantages for collaborating firms, and how partner selection in alliance formation mediates that relationship. It is therefore important that much attention is placed on the partner selection criteria used by firms to collaborate with other firms especially across its borders, because of the firms' different motivations (e.g. transaction-cost motives, resource-based motives strategic motives, learning objectives and motives relating to risk reduction). Whilst the ultimate object for alliances may be creating competitive advantage (e.g. new product development and market expansions), mismatched alliances (e.g. firms with conflicting values, etc.) have the potential to destroy the growth potential of the firms soliciting for partnership, especially firms in emerging markets such as SMEs in Botswana.

Figure 4: Theoretical Framework of Strategic Alliance for Competitive Advantage



Source: Muthoka & Kilika (2016)

#### Variables That Gives Firms Competitive Advantage

The following variables greatly influence the firms' overall performance and give the firms competitive advantage:

**(1) Resources:** whilst there are valuable resources embedded in networks which if accessible to network members may be beneficial (Hitt, Ireland & Hoskisson, 2012 pp 266-267) for most SMEs in terms of overcoming resource shortages, reduce transaction costs and reduce information search costs and thereby eventually becoming a source of competitive advantage; there are numerous challenges of opportunistic behavior among alliance partners that can cripple most attractive prospective alliances in the developing countries like Botswana. These include amongst other; (1) difficulty in obtaining information regarding the competencies and needs of potential network partners (2) the scarcity of information about the reliability of the potential partners (3) lacking a well- defined property rights that convey exclusivity, transferability, and quality of title (4) weak institutional arrangements that result to high transaction costs, information asymmetries and (5) high costs for searching for information (Muthoka & Kilika, 2016).

**(2) Partner Selection:** Muthoka & Kilika (2016) posit that the choice of a particular partner is an important variable influencing alliance performances, the



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mix of skills and resources which will be available to the alliance and the ability to achieve its strategic objectives and behaviour of the network partners. The partners may be selected based on the tasks to be performed by each partner (task-related criteria) and on the mutual relationship between the partners (partner-related criteria). Task-related criteria refer to those variables which are closely related to the success of the venture and include variables such as patents and technical knowhow, financial resources, skilled and experienced management and access to markets. On the other hand partner-related criteria refers to those variable that are important when forming alliances with several partners and such variable include corporate culture, compatibility of trust between management teams and the partner's size. It is these two variable that determine the strength of the relationship between strategic alliances and the firms' competitive advantage (Muthoka & Kilika, 2016).

**(3) Macro Environmental Factors:** the state of macro environmental factors in emerging markets do not only influence the overall performance of strategic alliances in achieving competitive advantage but also moderate the relationship between strategic alliances and competitive advantage. For example, the strong environmental pressures (e.g. high inflation and exchange rates, tariffs, turbulent political climate, etc.) expose strategic alliances to organizational problems (Muthoka & Kilika, 2016).

**(4) Top Management Teams:** The SME executive management is solely responsible for the strategic thinking and direction of their firms, and for moderating the relationship between strategic alliance option and the partner selection process. On the other hand, The SME top management teams' strategic response moderate the relationship between partner selection process and competitive advantage. It is against this backdrop that firms assess the degree to which external variables of competition, regulations, macroeconomic factors and technology affect top management's attention and focus during decision making. These external factors do not only increase the probability of occurrence of specific events in the firm's in a firm's strategic plan but will ultimately influence strategic choice of network partners. Top management is also charged with the responsibility for monitoring, evaluation and control of the strategic alliances implementation process. This monitoring, evaluation and control entails amending any deviations from the intent objectives of choosing the strategy at hand (Muthoka & Kilika, 2016). For instance, the symptoms of opportunistic behaviors of strategic partners that are not be identifiable at the partner selection stage may

be identified and corrected during implementation stage in order to minimize the negative impact on the firm's performance.

Zaman & Mavondo (2001) concurs that partner match and strategic orientation of the partnering firms are key drivers in alliance formation. The authors assert that strategic alliances are formed based on strategies of how to manage environmental uncertainties, how to overcome lack of resources and, in particular, how to manage the firm's range of inter-organizational relations. Further that prospective strategic partners should have strong similarities in management style and company culture in order to enhance the effectiveness of inter-organizational and to eliminate the chances of incompatibility (Zaman & Mavondo, 2001).

## CONCLUSIONS

In the present competitive business environment, forming strategic alliances, cooperative strategies and outsourcing is important to gain competitive advantage in the business. Although there are cost increases and risks involved in the process of outsourcing, quality of service dominates especially in the competitive world. Further, easy access to technological developments was brought in by globalisation, hence innovation is required in every business activity. Although there are risks involved in every new move one intends to make, it is suggested to take every challenge as an opportunity and mitigate the risk factors of cost and improve the quality of products/service. As detailed in the foregoing sections of the paper, outsourcing opens various advantages of cooperation/strategic alliances among various stake holders thus leading towards improved customer satisfaction and care, access to new markets, acquisition of technology and equipment from global suppliers. It is in this respect that it is recommended to have strategic alliances and to take advantage of outsourcing benefits more especially for startups and small business enterprises to sustain their business, and make a difference and contribute to economic growth.

The conceptual framework studied highlight the importance of critical analysis of different variables that influence the firm's performance, and how these variables can be moderated to give the firm a competitive advantage. Furthermore, different firms enter into strategic alliances for different motivations, and such motivations may be beneficial to the firm if the alliance goals are successfully met, or destructive to firms if the alliance goals are not met.

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Thus effective monitoring, evaluation and control by the firm's top management teams is necessary to minimize the effects of partners opportunistic behavior as well enhance the firm's growth prospects in terms of new product development and/or market expansion.

In conclusion, cooperative strategies if managed properly might lead successful introduction of innovation amongst small businesses and startups which consequently may lead to business growth in terms of sales revenues, market expansion, wider range of product offering, etc. The two conceptual frameworks may provide guidance to both the startups and existing SMEs on how to pull together resources from both partners to create synergies that will enhance improve their long term competitiveness, as well as enhance their innovative and market capability. In addition, prospective entrepreneurs and existing SMEs managers may use cooperative strategies as preventative strategies to avoid infancy stage failure.

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**ENTREPRENEURSHIP DEVELOPMENT AS A  
STRATEGIC TOOL FOR POVERTY ALLEVIATION:  
LESSONS FOR BOTSWANA**

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**ABSTRACT**

Botswana has over many decades promoted entrepreneurship and small business development via numerous policies and initiatives with view to growing the economy and reducing poverty. Although the results as observed, were not at all encouraging, government continues to introduce and enhance the existing entrepreneurship initiatives to achieve these crucial economic goals. Notwithstanding government impressive efforts, there are other key factors that reduce the effectiveness of government's initiatives and SMEs entrepreneurial activities to alleviate poverty and grow the economy. The purpose of this paper is to critically examine the relationship between entrepreneurship development and poverty alleviation in Botswana. The paper attempts to answer one critical question: Can entrepreneurship alleviate or reduce poverty in Botswana? This is done through in-depth review of all relevant literature and descriptive data analysis collected from different online database sources, and from national reports and policies on entrepreneurship and poverty alleviation. The paper also adopts a conceptual framework on Entrepreneurship Development and Poverty Alleviation (The Tri-sector Initiatives) developed by Goel and Rishi (2012) to illustrate the efforts of government, private and citizens to alleviate poverty

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through promotion and development of entrepreneurial activities in India. The findings will hopefully assist in future related research studies, and the policy reforms

**Keywords:** entrepreneurship development, corporate social responsibility poverty reduction, Ipelegeng, Namola-Lehuma, innovation, poverty alleviation policies, social inclusion, social protection.

## INTRODUCTION

The concept of entrepreneurship has given an average citizen a wakeup call, forcing both youths and adults to take advantage of the various opportunities created by introduction of numerous government policies and other forms of poverty alleviation and entrepreneurial subsidies or incentives geared towards promotion of self-reliance and improved livelihood. Examples include the Namola-Lehuma and Ipelegeng programs (e.g. maintenance of school facilities and roads, etc.) which are also counted amongst economic activities that create jobs in both urban and rural development projects. Despite the extensive criticism of these programs for its short term nature, and for giving unskilled and inexperienced people taxpayers money hoping that they will put the money to good use by creating jobs for themselves, their families and other citizens in need of jobs.

The issues of entrepreneurship development and the poverty alleviation however continue to haunt the country, despite the government's unwavering financial support and commitment administered through various programs over past several decades to effectively address these worrisome issues. This is probably because the entrepreneurial efforts are directed to empower both the individual and SMMEs, all with little capacities to generate significant number of sustainable and fairly good paying jobs. Further due to the absence of a comprehensive entrepreneurial policy framework and relatively low innovative or creative mind amongst Batswana compared to South African citizens. According to African Innovation Outlook II Report (2014), South Africa unlike other African countries where the innovation and R & D survey was undertaken, did not experienced any difficulties to provide innovation and R & D data. The Report also confirmed that more firms in South Africa innovated than they did research and development. It can be argued that development of entrepreneurship via individual citizen empowerment cannot achieve the objectives of poverty alleviation and economic growth as the expected results will be less significant compared to investing in a large scale enterprise which will not only create

plentiful sustainable jobs but will also contribute toward economic growth through taxes. Individuals like a lot of SMEs in Botswana creates fewer and unsustainable jobs. In addition, payments for services rendered cannot be guaranteed despite government grants because at times, these funds are channelled to individual entrepreneur's personal uses.

### **The theoretical link between entrepreneurship and poverty alleviation**

Literature has shown that the international community has shifted from the paradigm of poverty alleviation to that of poverty eradication. Poverty eradication comes as Botswana's number 1 priority in Botswana's National Development Plan 11 and National Framework for Sustainable and National Transformation Strategy of 2018. Mafeje (2001) notes that the new paradigm is not only a process to get the poor to pass to a certain level of income or consumption, but also to achieve a sustained increase in productivity and an integration of the poor into the process of growth. He adds that in order to achieve this, the poor must have access to resources within an effective policy and institutional framework (Mafeje, 2001 cited by Osei-Hwedie, 2004). This is how economic development through entrepreneurship comes into play in attempting to eradicate poverty. Kongolo contends that an increase in the living standards of the people is the main concern of any development process. Further that firms contribute significantly in the transition of agriculture-led economies to industrial ones by providing plain opportunities for processing activities, which in turn constitute sustainable sources of revenue generation and enhancement to the development process (Kongolo, 2010). Most of the SMEs in Botswana follow the traditional way of running a business and the profits are marginal, however, these businesses have improved the lives of the founding owners and their families and the few people engaged to help. If it was not for the SMEs a lot of people in Botswana would be leaving below poverty line (Nkwe, 2012).

### **Conceptual understanding of entrepreneurship**

There is a universal consensus that entrepreneurship is one of the key drivers of economic development and an effective poverty alleviation strategy. Further that every nation in the world has its portion of poor people both the rich and poor alike, and the only difference is the degree of its impact on people's lives, how it is measured and addressed. The literature reveals that there is no universally accepted definitions of entrepreneurship and poverty, these terms have different meanings to different people. Several authors still insist that no single definition



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of entrepreneur exists (Pansiri & Yalala, 2017), and no one profile can represent all of today's entrepreneurs (Kuratko, p.3). To Mary Jane Byrd and Leon Megginson, entrepreneurship is driven by the owner's (entrepreneur) objectives of profitability and growth which are linked to the business innovative strategic practices and products (Byrd & Megginson, p.9). Kuratko argues that entrepreneurship is more than the mere creation of business as it requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. It involves willingness to take calculated risks, the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion (Kuratko, p.3). It is a dynamic process that encompasses the identification, evaluation, and exploitation of opportunities (Lateh, Hussain & Bin Abdullah, 2018), and the ability to create and build a vision from practically nothing (Ronstadt, 1984 cited by Kuratko, 2014). The importance of this concept as an economic diversification and poverty alleviation tool is undeniable, however absence of universal consensus on the definition of entrepreneurship and the absence of a holistic policy framework in Botswana that defines these terms in the context of Botswana will not only hinder research progress (Sheriff & Muffatto, 2015), but will also encourage multiple definitions which will create more and more chaos, contradiction, and confusion (Kuratko, 2014; Toma et al., 2014 cited by Pansiri & Yalala, 2017). The United Nations (2012) definition of entrepreneurship focuses more on personality attributes such as an entrepreneur's capacity and willingness to undertake conception, organization, and management of a productive new venture, accepting all attendant risks and seeking profit as a reward (UN, 2012). For this paper, the term entrepreneurship is all encompassing; it refers to all entrepreneurial activities carried by individuals, social enterprises, profit and not-for-profit making enterprises regardless of size to grow the economy and help alleviate poverty in Botswana. Entrepreneurship interventions on the other hand, covers all public and/or private sectors initiatives or policies (Ipelegeng and Namola Lehuma programs included) intended to induce and develop entrepreneurial and small businesses activities in Botswana.

### **Conceptual understanding of poverty?**

Poverty is one of the most pressing social problems of the 21st century for both developing and underdeveloped countries alike (Lateh, Hussain & Bin Abdullah, 2018), and is manifested in different ways in these countries (Chandy & Smith, 2014). The term is often restricted lack of basic necessities such as food,

clothing, shelter, etc., however this term is diverse and can take different forms. However, it is a multidimensional social phenomenon (Narayan et al.1999; Osei-Hwedie, 2004) and life encompassing because not only do people suffer from material shortages but they also encounter severe challenges in almost every aspect of their lives (VanSandt & Sud, 2012). There is a range of views on the conceptualization and scope of poverty, some definitions are closely associated with income and basic services (Osei-Hwedie, 2004), whilst others relate to interplay of social, economic, political and environmental processes, assets and resources as well as individual and community characteristics (Leichenko & Silva, 2014). It is therefore unwise to focus narrowly on material needs as this means missing other critical components of welfare, such as agency, which may be especially lacking among the poorest people (Chandy and Smith, 2014).

Different studies have followed The World Bank categorization of poverty as both absolute and relative. Absolute when it describes lack of resources to meet the physical needs, basic security or factors that enable individuals and families to assume basic responsibilities and enjoy fundamental rights (UN DESA, 2017). It also covers lack of key capabilities which results in inadequate income or education, poor health, insecurity or low self- confidence, or a sense of powerlessness or absence of rights such as freedom of speech (Haughton & Khandker, 2009). It is relative in relation to economic status (life styles) of a particular groups or areas (Misango & Ongiti, 2013; Lateh, Hussain & Bin Abdullah, 2018). Nica (2016) adds that the rise in economic advancement reflects negatively on the measurement of equality in the rate of household income of various communities.

United Nations contends that poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination, lack of physical, human and social capital to meet basic needs and exclusion (UN DESA, 2017) as well as the lack of participation in decision-making (Osei-Hwedie, 2004). It is a state of long-term deprivation of well-being where an individual's household's standard of living is below a minimum acceptable level of income and consumption of basic goods and services (Kapunda, 2003). United Nations laments that various social groups bear disproportionate burden of poverty, thus, it urges governments to address poverty in all its dimensions through a people-centered strategy (UN DESA, 2017; Osei-Hwedie, 2004). The effects of poverty and other social ills require not only

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pragmatic but also creative and innovative approaches to be significantly reduced (Lateh, Hussain and Bin Abdullah, 2018; Mutarubukwa and Mazana, 2017).

For this paper, the term poverty goes beyond an individual's lack of basic needs. It covers all if not most of social ills which undermine the freedom and dignity of individuals, communities and the nation as a whole. These include those social ills alluded to in the definitions contributed by United Nations, Kapunda (2003), Osei-Hwedie (2004), and Chandy and Smith (2014). Poverty alleviation initiatives on the other hand, comprise of all economic and humanitarian activities that are intended to permanently lift people out of poverty and all other activities which are considered core elements of well-being and crucial means to improve the livelihood of people (Japan International Cooperation Agency, 2011); and processes which attempts to ease the level of poverty in a community or amongst a group of people or nations (Greenburg, 2005).

#### **Poverty alleviation trends in Botswana – past and present efforts**

The issue of poverty seems intractable and continue to adversely affect many people (Easter, 1993). Botswana like other countries across the globe is continually searching for strategies, and developing policies or interventions to address these socio-economic challenges. These actions has led to a more critical appraisal of methods used to tackle this problem (Osei-Hwedie, 2004). Poverty alleviation interventions in Botswana are entrenched in the National Development Plans, Vision 2036, and National Strategy for Poverty Reduction (NSPR) of 2003. The primary focus of NSPR lies in shared growth, enhancing human capital, creation of cost effective pro-poor social safety nets, an effective response to HIV/AIDS and strengthening institutions for the poor in a coordinated manner. The policy framework also provide a monitoring system for the various sectorial poverty initiatives. In addition, Government's Private Sector Development Strategy (PSDS), of 2008 outlines pragmatic ways to grow and strengthen private sector participation in Botswana's economic development (Magombeyi, Odhiambo and Halsall, 2017). Some of the initiatives implemented to address poverty in the past and to date include Financial Assistance Programme, Citizen Economic Empowerment, Citizen Entrepreneurial Development Agency (CEDA), Local Enterprise Authority (LEA), rural area development support programmes, agriculture support programmes and youth support programmes. The Citizen Economic Empowerment Policy of 2012 provides a group of different economic empowerment interventions with a common objective of increasing. The authors

posit that the NSPR has had little impact in reducing poverty due to unclear operational procedures and measuring indicators and government's failure to incorporate the strategy into mainstream policies like Vision 2016 and NDP 10 (Magombeyi, Odhiambo and Halsall, 2017).

Sunday Standards (2014) applauds the country's efforts to alleviate poverty for the significant reduction in poverty rate from 59 percent during 1980s to 19.6 percent in 2014, increased programme beneficiaries and continues growth in jobs created through the programme. Out of the 15494 beneficiaries who enrolled in Poverty Eradication Programme (Namola Lehuma) in 2014, about 7789 beneficiaries, translating to 31156 family members were assisted countrywide. Similarly, Ipelegeng programme generated 67 310 jobs (20 963 males and 46 347 females) in 2017 compared to 64 448 310 jobs (19 083 males and 45 365 females) in 2016 (Bank of Botswana Report, 2017). Poverty Eradication Programme packages include tent hire, hair salons, leatherworks, backyard tree nursery, just to name few. There is a general belief that the beneficiaries of Poverty Eradication Programme also benefit from Ipelegeng program. If this allegation be true, then, both programmes monitoring and evaluation system will undoubtedly be weak. Furthermore, the statistical information on programmes beneficiaries is questionable.

### **Poverty alleviation through innovation and creativity**

Innovation in Botswana is encouraging but is still under-developed. Government is increasingly investing in this phenomenon at all levels from pre-primary educational level through to tertiary level. In addition government has put in place some structures (institutions) which are mandated to create and develop an innovative climate for aspiring entrepreneurs. These include Botswana Institute for Research and Innovation (BITRI), Botswana Innovation Hub (BIH). These efforts are consistent with the country's aspiration to become a knowledge based economy as encapsulated in its Vision 2036.

Africa Innovation Report (2017) reports high opportunities for innovators in the agriculture sector. Botswana Guardian newspaper (2019) concurs that innovation could contribute to poverty reduction if emerging entrepreneurs could be encouraged to start up their businesses in the rural areas as the potential to realize a higher return on investment especially for those focusing in agri-businesses. Subsistence and commercialised farming is highly subsidized in Botswana the yields remain unattractive. Furthermore, large scale innovative commercial farming is undertaken by few individuals, and is more concerted in

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certain areas of the country such as Ghanzi cattle ranchers, Pandamatenga Farms Barolong farms, just to mention a few. The slow development of technological innovation which in turn slow down the country's economic transformation is exacerbated by the automatic progression educational system and lower disposable incomes. African Innovation Outlook II Report (2014) asserts that not all innovation activities resulted in completed projects. Further that innovation activities can take considerable time to implement and that some may have begun towards the end of the reference period. For example, the innovation rate was relatively high in the reporting countries (e.g. Egypt, Gabon, Ghana, Kenya, Lesotho, Mali, Nigeria, Senegal, South Africa, Tanzania, Uganda and Zambia), ranging between 40.1% and 77.0%; and the proportion of firms with on-going innovation activities was higher, ranging from relatively low 5.7% to high 70.8% (African Innovation Outlook II Report (2014).

### **Poverty alleviation through entrepreneurship education**

Gartner and Belammy (2010) posit that education is a significantly predictor of an emergent entrepreneurship. Statistics Botswana concurs that policy makers are increasingly interested in determining the role played by knowledge and skills in enhancing productivity, growth and innovation in improving the social well-being of people (Botswana National Literacy Survey, 2014). According to the report, the national literacy rate stood at 90.02 (e.g. 88.7 percent male and 91.0 percent female) in 2014 (compared to 68.9 percent in 1993 and 81.2 percent in 2003), despite the disparities between districts on literacy rates and education attainments, age groups and gender. For example, females recorded higher literacy rates at all age groups except for age group 65-70 years, and Ghanzi had the lowest literacy rate at 73.4 percent compared to other districts countrywide whose rates were 80 percent and above. The lower rate for Ghanzi is attributed to people aged between 15-65 years never attending school because of looking after cattle, working at the lands and parents' unwillingness to send children to school. The high national literacy rates demonstrate the country's commitment to education for all and lifelong learning provided at all educational levels, (e.g. from pre-primary school through to tertiary level), coupled with excellent national literacy programmes provided through out of school education and training initiatives (Botswana National Literacy Survey, 2014). This commitment is consistent with the country's aspiration to transform to a knowledge based, high-income country during the twenty (20) years of the Vision, asserts Matambo (2019).

### **Poverty reduction and inequality in Botswana**

According to IMF Country Report No. 18/268 of 2018, Botswana made progress in reducing poverty and inequality in the 2000s as evidenced by the poverty headcount reduction from 30.6 percent in 2002–03 to 19.3 percent in 2009–10, and a drop in income inequality from 0.65 to 0.61 (measured by the Gini Index) over same period. The significant reduction is noticeable in rural areas due to government-supported agricultural incomes and public-sector employment and the changes in demographics, smaller household size, etc. In addition, Botswana's expenditure of 3.5–4 percent of GDP on health was fruitful (e.g. decrease in HIV Aids statistics) due to free anti-retroviral treatment. The country continues to vigorously promote and develop the Small, Medium Enterprises (SME) sector. The sector supported programs remain a significant feature of the government's strategic approach for economic diversification, poverty reduction and employment generation as stated in the country's long term Vision 2036 and Botswana's SDGs 2017-2023 Roadmap Report, 2018. However, despite government admirable efforts, poverty alleviation like persistently high unemployment remain Botswana's major challenges due to droughts and people's reckless attitude towards unprotected sex (World Bank, 2011).

The Report further records that Botswana fiscal policies have contributed to poverty and inequality reduction, although there is room to increase the efficiency of social spending through in-kind transfers and direct transfers. For example, efficiency gains may be achieved through better targeting of some social programs (by generalizing the social registry, means-testing, and redesigning some programs to target households instead of individuals) and shifting of education spending to lower levels, elimination of electricity subsidies for large consumers, cash transfers to compensate the most vulnerable, broadening the tax base by streamlining VAT exemptions and property taxation (through wider coverage and higher rates) to boost to revenue collection without a major impact on poverty and inequality, repealing exemptions on capital gains and replacing the progressive rate by a flat proportional rate, removing selected VAT exemptions, lower bursaries to tertiary education, focusing and devoting resources to vocational training (IMF Country Report No. 18/268 of 2018).

### **Planned poverty alleviation interventions in Botswana**

The planned interventions outlined in the Botswana Voluntary National Review on Sustainable Goal 2017 Report include, emphasis on the maintenance

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and upgrading of existing infrastructure and budget focus on water, energy, tourism, agriculture, education and health. The Industrial Development Policy (2014) will be used to establish diversified and sustainable industries which will benefit locally available materials. The Economic Diversification Drive (EDD) initiative will be used to help youth, women farmers and small-scale manufacturers to access markets. The Public Private Partnerships (PPP) business model will be considered for some of these major projects. The ICT sector will be strengthened for beer service delivery through eGovernment (Botswana VNR Report, 2017).

Other broad-based policy initiatives include Social Development and Maintaining Governance and Security. These are adequately discussed in the country's 2019 Budget Speech consistent with United Nations Sustainable Development Goals (SDGs) adopted in 2015 and Vision 2036. Social development is defined in the context of social justice whose object is to ensure sustainable livelihoods through elimination of poverty in all its forms, equal access to quality healthcare for prolonged life, access to knowledge and a decent standard lifestyle and inclusive social protection. The good news is that Botswana is doing very well on these issues, as evidenced by improved the country's human development index rating from 0.565 in 2000 to 0,717 in 2017. Poverty eradication initiatives for 2019/20 include the implementation of the Single Social Registry System developed in 2015 jointly with World Bank to assist in the harmonisation and consolidation of social protection programmes and to prevent double dipping. Jointly with United Nations Development Programme (UNDP) develop a poverty eradication policy and strategy to ensure efficient and effective implementation of poverty eradication programmes. These programmes will be coupled with scaled-up poverty alleviation interventions such as cluster gardens, fish farming, egg production, and production of toilet papers and liquid soap detergents. Equal access to quality health care initiatives include adoption of treat-all strategy adopted in 2018 and scaled-up implementation of a multi-sectoral strategy of 2017-2022 to combat the non-communicable diseases (NCDs). Other initiatives to be implemented during 2019/20 include the Inclusive Social Protection - National Social Protection Framework (NSPF) adopted in 2017 to consolidate and guide all social protection programs, and Inclusive Labour Relations – labour market information management system which will assist in analysing, monitoring and capturing labour market information for policy decision making. Maintaining governance and security is key to promoting multilateralism, contributing to the global rule of law and order as well promoting the country as a trade and investment destination. The implementation of the Anti-Human

Trafficking Action Plan will enhance the effectiveness and efficiency of public safety, protection and crime reduction measures through capacitation of Botswana Defence Force and Botswana Police Force. Other 2019/20 initiatives include “taking parliament to the people” for Participatory Democracy and intensified fight against corruption (e.g. Bill on Declaration of Assets and Liabilities to Parliament) oversight on implementation of government programmes for Transparency and Accountability (Matambo, 2019).

### **Entrepreneurship as an effective economic stimulant: global perspective**

Literature about entrepreneurship have emphasized that entrepreneurship is an important mechanism of economic growth and development (Muhammadsuhaimi et.al 2013). Whilst the phenomenon of entrepreneurship in the developed world is well represented in the academic literature, the research focusing on entrepreneurship and small business practice on the African continent is less prominent (Jones, Maas, Dobson and Newbery,2018), and remains limited in the complex and heterogeneous African cultural context (George et al., 2016). This is made difficult by persistent socio-economic, political, technological and cultural changes facing the continent (Fine, 1997); coupled with the problems high graduate unemployment, endemic poverty, economic growth inequality, corruption, excessive bureaucracy, ineffective infrastructure and a lack of enterprise support mechanisms (Le Pere and Ikome, 2009). These challenges have spurred African governments to explore entrepreneurship as one of strategies to mitigate the challenges of unemployment, gender inequality, and extreme poverty. These efforts are supported by the recent development of entrepreneurial education, eco-systems to support entrepreneurial activity, entrepreneurial growth and diversity, social enterprise, the emergence and deployment of information and communication technology and the use of micro-finance to enable business start-up, etc. (Jones, Maas, Dobson and Newbery,2018). Botswana’s growing entrepreneurial behavior and activity is evidenced by the significant investment in entrepreneurial education and eco-systems whose object is to encourage starts-ups and effective entrepreneurial learning, despite ongoing resources challenges and issues appertaining to business sustainability and failure (Sheriff and Muffatto, 2016).

According to Campbell and Ahmed, the increase of worldwide economic advancement has improved production levels by enabling more work at fewer costs and human capital has benefited a great deal from these advancements. The authors suggest that these advancements have increased the need to absorb labor into productive employment, although extensive underutilization of labor



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continues to grow due to lack of skills. Further, that different skills and abilities of the labor force differentiates the rich from poor population (Campbell & Ahmed, 2012; Campbell, 2011), The abilities of the lower level employed population affect the productivity of the labor force and impacts a country's standard of living and its potential for economic growth (Kunda, 2018). For example, workers who are less experienced and not well trained are often left behind in terms of work progression, whilst some thrive as a result of active participation or hard work. Some workers use manipulative ways to maneuver their career steps up the corporate ladders (Campbell & Ahmed, 2012). Notwithstanding all these essential productivity attributes, and factors such as natural resources, infrastructure, population, human capital, technology and the law play an essential role in economic growth and development of a country discussed in Boldeanu's (2015) study, posits that economic growth is necessary for poverty reduction (Essays, 2016).

SMEs are universally perceived as an engine of economic growth (Sloan, Kligenberg, & Rider, 2013) and the backbone of most economies in the whole world (Mutoko, 2014). These enterprises do not only create jobs (Ongori, Atambo, & Bosire, 2016; Stel and Storey, 2004) for almost every member of society in every nation, but are also tax payers and thus directly and indirectly reduce poverty (Amorós, 2009). It is observed that most governments worldwide (Africa included) have been implementing policies and programs aimed at developing entrepreneurial capacity, albeit with varying levels of success (Muranda et al., 2011). Goel and Rishi 2012, agree that entrepreneurship has achieved significance as a driver of economic growth and poverty alleviation in recent years, despite the various challenges, including power shortage and outages, lack of capital, poor management skills and competencies, and inadequate information and corruption (Muriithi, 2017). Jonathan Munemo however observes that entrepreneurial activity is more evident in other developing regions than in Africa due to factors such as entry deregulations, political stability, effective reforms that help create a business environment conducive for new firm creation (Munemo, 2012). The fruitless experience for African countries is not at all surprising as attested by the persistent high levels of unemployment and poverty (World Bank, 2011), and the continent's poor socio-economic performance resulting from lack of or poorly developed entrepreneurial capacity (Themba & Josiah, 2015). Whilst these perceptions may be true, it can be argued that the success of entrepreneurship as an economic stimulant and poverty reduction tool is driven by other factors (than those already alluded to). These include but not restricted to the manner, the degree or extent to which it is promoted and developed in each country, the robustness of the private sector, and

the attributes of successful entrepreneurs such as innovativeness and commitment, passion, product/customer focus, execution intelligence, tenacity, etc., (Barringer & Ireland, p.31). However, the most important fact to note, is that, entrepreneurial activity does not always lead to economic growth, (Alvarez and Barney, 2013), because of the potential variation in the identification and exploitation of the entrepreneurial opportunities and the wealth or job creation, which is the expected outcome.

## **ENTREPRENEURSHIP AS EFFECTIVE POVERTY ALLEVIATION STRATEGIC TOOL: LESSONS FOR BOTSWANA**

### **Entrepreneurship trends in Botswana**

Business Enterprising is not a new phenomenon in Botswana, however, “Entrepreneurship Development” can be considered a new phenomenon as the promotion and development of entrepreneurial activities were done sporadically due to the absence of entrepreneurship policy framework. Pansiri and Yalala concur that the absence of a clear definition of entrepreneurship in government documents and policies contributes to incoherent definition of this concept in Botswana (Pansiri, Yalala, 2017). It will therefore not be incorrect to conclude that the term entrepreneurship in Botswana is used as a blanket for both formal and informal sectors commercialised activities (e.g. operations of medium, small and micro businesses alike) irrespective of whether or not there is an element of innovation or creativity in the firms’ activities. Nonetheless, government of Botswana has increasingly invested in enterprise promotion and development using a variety of active interventions or programs since 1970s (The World Bank, 2011). These programs were implemented and monitored through Botswana Development Corporation Limited (BDC), and National Development Bank (NDB) and Tswelelo (Pty) Ltd during the 1970s and Peo Holdings during the 1990s. Tswelelo (Pty) Ltd (a business development initiative established by and co-owned by BDC and NDB), and Peo Holdings (Pty) Ltd, (a business development initiative established by De beers Botswana (Pty) Ltd and Debswana Diamond Company (Pty) Ltd) were later established inter alia, to promote and facilitate or support the development of commercially viable small businesses in Botswana. Other objectives for these two institutions, include, to promote citizens involvement in business, contribute towards the creation of sustainable employment, facilitate transfer of business skills, improve competitiveness of local businesses, promote diversification of the then current economic activity

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(diamonds) and to generate profits for Peo Holdings and its affiliated companies (PEO Holdings, 1990). The World Bank reports that none of the small, medium and micro enterprises (SMMEs) that received government support were able to successfully overcome the early stage teething problems; they failed to graduate to a significant degree of microenterprises partly due limited financial products (The World Bank, 2011), and inadequate monitoring from the then Business Development Services (BDS) which were perceived not only inadequate but also less appropriate to effectively monitor micro businesses.

### **The past and present entrepreneurship policies or interventions in Botswana**

Botswana government relentlessly search for and introduced more and more business development incentives or interventions during 1980s in attempt to resuscitate the almost dead SMMEs sector. These included the 1984 Industrial Development Policy (IDP), an import substitution strategy that encouraged local firms to produce for the domestic market, and Financial Assistance Policy (FAP) in 1982 whose object was to provide direct government financial assistance to small-scale manufacturers, and to promote production and employment creation. Whilst Selebi Phikwe Regional Development Programme was established to stimulate economic development in Selebi Phikwe and surrounding areas (Monyake, Mmereki, Boy, & Kuruba, 2017). Integrated Field Services (IFS) was established to provide a training program for SMMEs in recordkeeping, costing, business planning, marketing, buying, and stock control skills. During the 1990s, further interventions were introduced, and these included Small Business Promotion Agency (SBPA) to coordinate all SMME support programs (World Bank and BIDBPA Report, 2012). The Industrial Development Policy (IDP) was reviewed and modified in 1998 to promote and develop the effective and efficient export-oriented industries. The Citizen Construction Industry Fund (CCIF) was established to provide assistance to citizen construction companies and citizen investors who experienced intense financial difficulties when real estate and property markets collapsed in early to mid-1990s and lost their property investments to non-citizens investors (Monyake, Mmereki, Boy, & Kuruba, 2017).

The Financial Assistance Programme was phased out in 2001 because of high failure rate of supported programmes (UNCTAD, 2003; Sekwati, 2011) and was replaced by the CEDA. The Citizen Enterprise Development Agency (CEDA) was established in 2001 to provide seed capital through quasi equity and loans and guarantees to citizen owned companies including joint ventures with foreign

companies whilst and CEMAEF was established to safeguard the transfer of such properties into the hands of foreigners (Monyake, Mmereki, Boy, Kuruba, 2017; Government Paper No.1-CEMAEF, 2001). The Local Enterprise Authority (LEA) was established to promote entrepreneurship and SMME development in Botswana by providing business development services inter alia through; screening, business plan facilitation, training and mentoring as well as identifying business opportunities for existing and future SMMEs (LEA Annual Report, 2016/17). Recent government efforts to promote and develop entrepreneurship include amongst other, establishment of Botswana Innovation Hub (IH) and BITRI whose object centre around innovation, young farmers' grants whose object is to encourage youth to invest in agri-businesses (Matambo, 2019).

### **The planned entrepreneurship policies or interventions in Botswana**

The broad-based policy initiatives for the 2019/2020 discussed at length in the 2019 Budget Speech, include economic consolidation, social development and maintaining governance and security. Economic consolidation strategies include economic diversification, promoting private sector development, and development of human capital and physical infrastructure network. These strategies aim at promoting economic growth that has potential to create employment opportunities. The Economic Diversification Drive (EDD) was established in April 2010 to promote and support local production of goods and services, whilst the Specific Economic Zones (SEZ) policy was implemented in 2011 to diversify the country's economic and export base. SPEDU Revitalization Programme comprise of a number of incentives which include low corporate tax, and targets the tourism, agriculture and manufacturing sectors. Progress is most reassuring as to date about 12 companies under agri-business, manufacturing, infrastructure development and information, communication and technology (ICT) sectors have been approved because they have high potential to resuscitate Selebi Phikwe region once again into a significant economic player. The Cluster Development Initiative aims at improving business productivity, value chains and competitiveness. Five sector prioritised for cluster development include tourism, beef, mining, finance and knowledge intensive business services specifically to enhance SMMEs capacity and the domestic and global competitiveness of these firms (Matambo, 2019).

Botswana government continues to intensify promotion of private sector development. According to honourable Minister Matambo's budget speech, the ongoing implementation of the public-private partnerships (PPPs) adopted in

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2009, privatisation of state owned enterprises (SOEs), the latest being Botswana Building Society (BBS) whose conversion into a registered company under Companies Act and demutualisation of Botswana Stock Exchange, which resulted in significant changes in the organisation's legal status, structure and governance were successfully concluded in April 2018, whilst plans to commercialise NDB are progressing satisfactory. All these PPPs initiatives coupled with legislations on doing business (e.g. Companies Registration Act, Companies Amendment Act, Registration of Business Names Amendment Act and Re-Registration of Business Names Act) and continued transformation of business environment to improve the country's global business index ratings and governance or ethical issues, have thus far yielded good fruit. Ongoing infrastructural developments include power supply and improved water supply projects in the rural areas, countrywide, well maintained transport infrastructure such as roads and bridges, coupled with the citizen empowerment opportunities through ownership through privatisation of profit making public enterprises bear testimony to government's commitment to the principle of inclusive growth and equitable distribution (Matambo, 2019).

#### **Entrepreneurship Development and Poverty Alleviation Conceptual Framework: The Trisector Initiatives**

This paper adopts a conceptual framework (see Figure 2 below) developed by Goel and Rishi (2012). The model attempts to highlight the relationship between entrepreneurship development and poverty alleviation in India by evaluating the tri-sector initiatives, namely, the government sector, private sector and the citizens' sector. It explores the causal relation between entrepreneurial activities, capacity building and poverty alleviation. The framework also distinguishes government schemes from the schemes that are promoted by the private sector and the citizen sector. For purposes of this paper, and notwithstanding the importance of the other two sectors (private and the citizens' sectors), the authors interest centres on how this framework explains the role the government sector plays in poverty alleviation, mainly because government must be always be seen as an integral part of the solution matrix.

United Nations reports that poverty in Botswana has a rural dimension and as such it should be one of the key factors that stimulate the government's responsibility to implement rural based interventions in order to address poverty alleviation the (UNDP, 2014). According to Goel and Rishi (2012), government attempts to fight poverty with a two-pronged strategy. Firstly, by providing institution support, policies, technical training schemes, financial and marketing

support and capacity building through direct funding and resources. Secondly, by offering various employment schemes for the poor for predefined wages at the subsistence level. The interventions are for those who are educated but unemployed in the rural areas, marginal farmers, agricultural labour, women, and those who are the poorest among the poor. The employment schemes provide immediate but short term solution to the menace of poverty, (e.g. Ipelegeng programmes), whilst entrepreneurship promotion schemes and capacity building aim at creating a long lasting solution (e.g. ISPAAD and the community based natural resources management (CBNRM) and the community based organization concept (CBOs). Bannerjee and Duflo (2006) as cited by Goel and Rishi (2012) points out that whilst many of these entrepreneurs do not create jobs for others or create wealth, it cannot be ignored that they become self-sufficient through entrepreneurial activity.

Some of the interventions offered by Indian government are similar to those offered by Botswana government. These include a comprehensive state supported programs for small business development, and to foster self-reliance (e.g. training, skill enhancement, technical institutions, faculty training and infrastructure support which in Botswana are provided by state owned enterprises such as CEDA, LEA, YDF, etc.). The others include provision of social amenities in the less developed rural areas (e.g. villages' electrification, paved roads, etc.). However, government schemes in India appears more long term focused (e.g. the 99 year land leases for development of small enterprises), well planned, properly implemented, little bureaucratic interference, etc. (Goel and Rishi, 2012). Government has several Institutions at ministerial, departmental and parastatals that administer the various interventions intended to incentivize and empower existing and prospective entrepreneurs. For example, city, two and district councils issue trade licenses for large businesses and small and medium enterprises (SMEs). These licenses allow the community to start businesses, and put their skills to good use to develop rural areas, create employment (Katua, 2014) and generate income for their families. District councils also provide the people with various services and facilities that help them emerge from poverty (Ntebogang Technologies, 2018). Goel and Rishi (2012) articulate that government attempts to reduce poverty through institutional support, policies, engaging in public private partnership projects, financial and marketing support, capacity-building schemes (specialized and workshops training programs) and by providing directed funds and resources. This component is very similar to what the government of Botswana is doing to alleviate poverty through entrepreneurship development.

The framework also points out the various employment schemes including but not restricted to technical or financial support, capacity building and employment schemes that government also offers for the poor. These initiatives target both the educated and uneducated but unemployed citizens in towns, cities and rural areas, the majority being the youth, women, and people with disabilities. Some of the initial institutions established by Indian government during 1950s include the Small Scale Industries Development organisation (SIDO), the National Small Scale Industries Development Corporation (NSIC) and the Khadi and Village Industries Commission (KVIC). These main object of these institutions include (i) promotion of artisan-based industries; (ii) promotion of available resources-based industries; (iii) implementation of district industries centres (DICs) to support the promoters with infrastructures and facilities; (iv) marketing support to the small scale industrial units through various agencies like the Khadi and Village Industries Commission and the National Small Scale Industries Development Corporation (Goel & Rishi, 2012).

The initiatives introduced during 1960s include industrial development in rural and urban areas, establishment of public sector projects in less developed regions, planned development of villages and small industries in villages, small towns and socioeconomically less developed regions in order to encourage small scale entrepreneurship. The object of these initiatives underscores promotion of entrepreneurship as a force to fight against poverty. During 1970s further incentives were introduced with the primary object of ensuring appropriate allocation of investment outlays for public agencies actively engaged in the field of entrepreneurship promotion. These included skills enhancement, technical training, infrastructure support, packages, incentives, and finances to prospective entrepreneurs in backward areas; institutional reforms to foster entrepreneurship (Goel & Rishi, 2012).

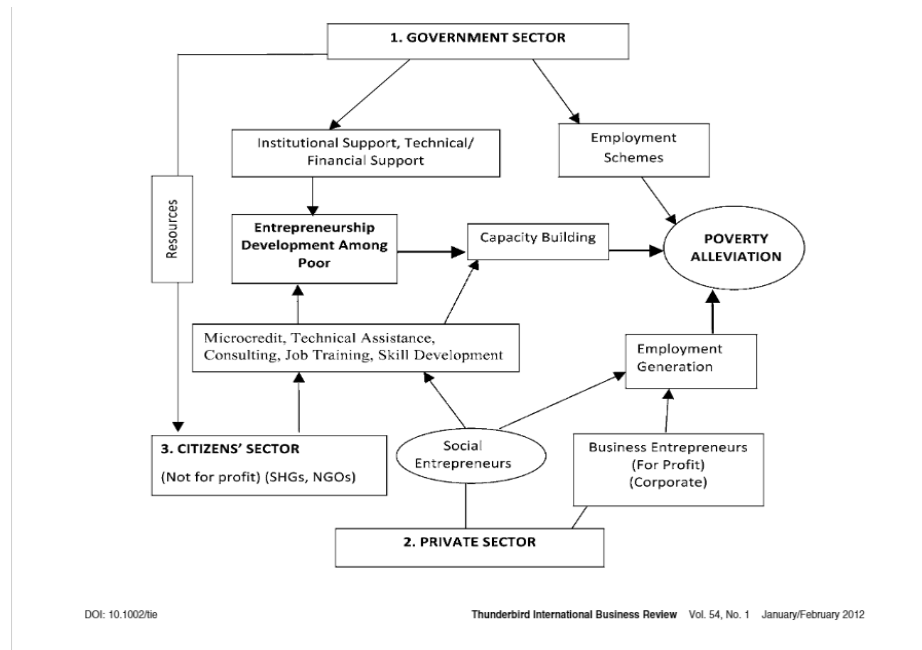
Additional schemes were introduced during 1980s to directly address the needs of the poor with the aim of fostering self-reliance. Institutions such as the Rural Entrepreneurship Development Institute (REDI), The Rural Management and Entrepreneurial Development Centre (RMEDC), The Institute of Entrepreneurship Development in various economically backward states, and The National Science, Technology Entrepreneurship Development Board (NSTEDB), and National Council for Science and Technology Communication (NCSTC) to promote and develop science and technology-based entrepreneurship. Government support during 1990s included technical assistance, supply of

machinery and equipment and marketing assistance to small entrepreneurs. During 2000s the government focus was on employment creation schemes especially for rural youth and other self-employed people by providing them income generating assets through bank credit and government subsidies. All these initiatives were less fruitful as one fourth of India's population are still living below poverty line. The authors opine that the lesser impact is experienced because of the types of employment schemes tend to be temporary in nature and therefore do not completely alleviate poverty (Goel and Rishi, 2012).

Botswana government currently provides similar initiatives through similar institutions with few exceptions establishment of institute of entrepreneurship development in rural villages and marketing support of SMEs in these villages. To date, the government provide (i) Technical Support to prospective entrepreneurs and existing citizen owned small business owners short term training and project monitoring through LEA and other capacity building institutions such as BIH and BITRI; (ii) Financial Assistance through CEDA, Youth Development Fund, National Development Bank (NDB), Botswana Development Corporation Limited (BDC), just to name but a few; and (iii) Employment Schemes are also offered by way of tender-preneurship; examples being, Ipelegeng - schools and roads maintenance projects, and Namola-Lehuma individual and community based projects. All jobs created through Ipelegeng (e.g. 62 566 in 2015, 64 448 in 2016, and 67 310 in 2017, all dominated by female employees) proved to be unsustainable because of their short term nature (Bank of Botswana, 2017).



Figure 1: Entrepreneurship Development and Poverty Alleviation: A Conceptual Model of Trisector Initiatives



Source: Goel and Rishi (2012)

### Entrepreneurship, Innovation Development and Poverty Alleviation Conceptual Framework: Framework of Rural User Innovation and Entrepreneurship in India

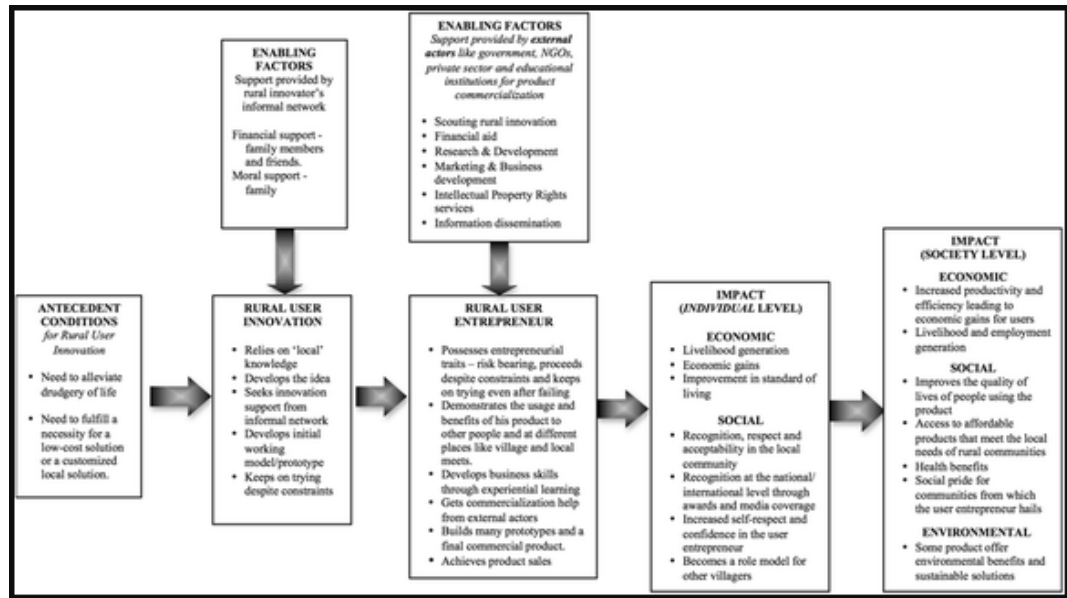
Yadv and Goyal (2015) carried out five case studies to examine rural innovation and entrepreneurship in India. The study aimed at establishing the reasons why rural users innovate, (b) how they innovate, (c) how they commercialize their products to become user entrepreneurs, (d) how user innovation impact the individual rural user entrepreneur, and (e) how the individual rural user entrepreneur impact the society or local community. The study findings revealed the following: (a) the user innovators were poor and professionally dissatisfied. They had experienced hardships due to poverty in their lives; (b) the users were well aware of their local need and the constraints of their environment. This state of affairs forced them to develop an idea of a product; (c)

the user innovators initially developed the product to meet their individual need but also thought about its commercial viability mainly to earn some money. They started using the product and demonstrated its usefulness to other people living in their rural community; (d) all the five rural user entrepreneurs not only experience economic but social gains, as they were able to generate livelihood for themselves and earn money by selling their products; and finally, (e) the rural user entrepreneurs offer economic, social, and environmental gains for the society. The authors cited examples such as, (i) customers getting access to low cost products like the miticool refrigerators, the motorcycle driven plough or the low cost biofuel. The authors concluded that the user innovators and rural entrepreneurs sowed the seed of pride among members of their communities as the communities change agents. Further that innovators need for a low cost solution or alleviating drudgery of their lives was their key driver for innovation; that necessity is indeed the mother of invention – (Yadv and Goyal, 2015). Refer to Figure 2: “A Framework of Rural User Innovation and Entrepreneurship in India” below.

The findings of survey encapsulated in African Innovation Outlook II Report (2014) corroborate Yadav and Goyal (2015) study. The report states that innovation is a connected activity, and most often the majority of products and process innovations originate from within the country. Imported innovation usually come in the form of plant and machinery and/or intramural R&D. Firms or individuals generate innovative ideas either based on their live experiences or seek ideas about innovation from clients or customers innovations, suppliers of equipment, competitors or institutions like universities, private research institutions, etc. Although innovative firms or individuals may impact the economy, community or society, environment and other firms positively, the threats and barriers to innovation cannot be ruled out. Most individuals and small firms are often hampered by lack of or insufficient funds, knowledge and skills, and inadequate market (African Innovation Outlook II Report, 2014).

While the state of poverty in most developing countries forces people to become more creative and innovative to fight the social ills in their communities, the situation in Botswana is rather unique because the poor look up to the government to provide for them. Their experiences of poverty do not motivate them to become innovative entrepreneurs. They prefer the traditional business setup of buying and selling, not searching for innovative cost effective solutions to address both individual and community problems.

Figure 2: A Framework of Rural User Innovation and Entrepreneurship in India



Source: Yadav and Goyal (2015)

## FINDINGS AND CONCLUSIONS

This paper has argued that a dominant discourse has framed enquiry on poverty reduction and eradication, simultaneously enlightening and eclipsing understanding of these phenomena. It has presented analysis of poverty trends in the world in comparison to the trends in Botswana. This paper contributes to the past investigations by revealing the effects of the past and present poverty eradication interventions worldwide (Botswana inclusive). It elucidates that Botswana fiscal policies have contributed to poverty and inequality reduction, although there is room to increase the efficiency of social spending through in-kind transfers and direct transfers. Furthermore the report sheds light into the effectiveness of entrepreneurship development interventions and poverty alleviation policies in Botswana. These two policies have undeniably contributed to employment creation and to a certain extent poverty reduction, despite their unreliability and inconsistency (Sekwati, 2011). Entrepreneurial activities create

jobs for both the educated and the uneducated, the skilled and unskilled, old and young alike; and this is highly beneficial for the overall well-being of a community (Ezeamama and Brown, 2016) and economy in terms of knowledge and skills transfer (African Innovation Outlook II Report April, 2014) and tax payments by both employees and firms. But the implementation and monitoring of the policies are still a course for concern, since they tend to be generalised, thus are not achieving the intended results due to this approach. It is therefore imperative that a comprehensive entrepreneurship framework which is similar to Goel and Rishi (2012) Tri-Sector Initiative Conceptual Framework is put in place to provide guidance during implementation, evaluation and monitoring of this strategic approach. The Yadv and Goyal (2015) Rural User Innovation and Entrepreneurship Framework is unlikely to be embraced in Botswana because the poor people in Botswana are not self-sufficient, but rather depend on government relief programmes.

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## **COOPERATIVE STRATEGIES: THE ULTIMATE BUSINESS SOLUTION FOR STARTUPS AND SMALL & MEDIUM BUSINESSES (SMEs) IN BOTSWANA**

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### **ABSTRACT**

The purpose of this paper is to explore the feasibility and suitability and relevance of various cooperative strategies for new business development (start-ups) and SMEs in Botswana. Further to examine the relationship between strategic collaborations and these businesses' competitiveness and sustainability. The paper attempts to answer one critical question: Are cooperative strategies (strategic collaborations) the ultimate solution to startups and SMEs in Botswana? The paper also explores cost implications or risks associated with using these strategies, and the potential benefits that will flow to both the startups and the existing small businesses. This is done through in-depth review of all relevant literature and descriptive data analysis collected from different online database sources. The paper also adopts Murray (2001) conceptual framework, "An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage". This conceptual framework presents the relationships among the various variables with an ultimate goal of obtaining a competitive advantage. Hopefully the findings will be of benefit to government decisions on business development policies reforms, less innovative prospective entrepreneurs and also provide some input to the future related research studies.

**Keywords:** innovation and creativity, outsourcing and strategic collaborations, new business development, business growth, Nyeletso Lehuma.

## INTRODUCTION

According to Steensma, Marino and Weaver (2000) small entrepreneurial firms play an increasingly vital role in today's business environment. These independent startups and the entrepreneurs that lead them are responsible for much of the growth and innovation in the global economy. The success of entrepreneurial firms is critical for the prosperity of the economies in which they operate. However, these firms share a general constraint of limited access to funding, a constraint that can be corrected by cooperating with other firms with different and yet complementary resources such as financial, technical know-how and marketing intelligence (Steensma, Marino and Weaver, 2000). Whilst this statement correctly applies to both developed and developing economies, the level of innovation and creativity among the emerging and the existing small and medium businesses in Botswana remains very low, despite government's intense efforts in promoting and developing sector based entrepreneurship the across the country. The development of these businesses was more of the owner's instincts, and most often follows what seems to work based on their predecessors' efforts. These are traditional type of entrepreneurs who never think about new product/service development, enterprise growth nor the importance of product/service and market diversification and logistics and supply chain activities, etc., especially at the earliest stages of the enterprise. Until recently, the business environment did not challenge nor encourage both the existing and the prospective entrepreneurs to become creative and innovative in developing better products and services, business processes and business linkages that creates or expand markets for their products and services to enhance the chances of the enterprise sustainability. The question however mains, how small businesses, or prospective entrepreneurs (startups) lacking in creativity and innovation, will know and recognize their own and prospective partners 'unique competencies and capabilities in order to exploit them to their businesses.

This paper thus explores to explore the feasibility and suitability and relevance of various cooperative strategies (strategic collaborations) for new business development (start-ups) and SMEs in Botswana. It further examines the relationship between strategic collaborations and these businesses' competitiveness and sustainability.

## BACKGROUND

An average citizen owned enterprise in Botswana lacks innovation and creativity as they cannot easily afford to acquire technological know-how, let alone finance costs related to outsourcing or strategic collaborations. Therefore, in the early 1980s foreign investors who could not court wealthy citizen individuals and/or companies started these joint ventures with state owned enterprises such as Botswana Development Corporation Limited (BDC) and National Development Bank (NDB). Most of these enterprises were started through strategic partnership and franchising arrangements whilst others were established through technology licensing arrangements. Some started as distribution outlets for foreign owned enterprises, and became manufacturing establishments due to various factors such as growing demand for their products or service offerings, relatively lower production costs and transportation costs and the government incentives. However, with passage of time more state-owned institutions (e.g. CEDA, LEA YDF, etc.) were set-up though with much criticism because their mandates resulted in unnecessary overlaps. Unfortunately, it appears that the exit mechanisms or harvesting strategies built into initial strategic partnership arrangements (especially with BDC) were weak in terms of citizen and/or employee empowerment as the contracting corporations' interests were either sold to the co-partners or another foreign company without considering government incentives that these joint ventures enjoyed over the period of operation in Botswana.

Strategic collaborations in Botswana have become a prominent strategy amongst public and private enterprises, however, due to none disclosure of held information, it remains unclear if these firms have a clear understanding of how these arrangements work and how they can be used as the ultimate successful and competitive solution to realize desired outcomes. Despite their prominence, the uptake of strategic collaborations and outsourcing is still very low amongst many citizen owned firms in Botswana. The majority of the small business firms still struggle not only because they are less innovative but because they have no idea how to identify the right partners to collaborate with. Furthermore, they probably have a vague understanding of the benefits and costs associated with these strategic tools, other than that such arrangements may help them reduce some costs and/or enhance their short-term competitiveness. These enterprises are not knowledgeable when it comes to choosing activities (whether core to the business or non-core) to collaborate on, and how to effectively manage these strategies for

the benefit of stakeholders. (Corbett, 2004) posits that outsourcing begins with an understanding of the business's core identity or core competency, and as long as the firm understands its unique competitive advantage, it is positioned to consider what work they are doing that others could not perform better. He cautions that organizations may soon be more outsourced than insourced, and that should this happen, impact on the firms' executives, managers, alliances, shareholders, employees and customers will be enormous (Corbett, 2004).

## **LITERATURE REVIEW**

This section explores the scholarly information that adequately addresses the study objectives and helps provide practical solutions or answers for the questions pertaining to the use of strategic collaborations as the ultimate solutions for startups and small business enterprises in Botswana.

### **Study Objectives**

The main objective of this study is to establish whether cooperative strategies (e.g. strategic alliances and outsourcing) are the ultimate solution tool for startups and small businesses development and long term competitiveness. Other objectives include, examination of the cost implications or risks associated with using these strategies, especially for the rural based citizens workers of "Nyeletso Lehuma" programmes, (programmes designed to alleviate poverty countrywide); identifying the potential benefits that will flow to startups and existing small businesses and the critical success factors for effective collaborations. Using Murray (2001) conceptual framework, "An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage", identify the various variables that will help firms to obtain a sustainable competitive advantage.

### **Introduction**

With the rapidly increasing global competition, firms are left with no choice but to look for new innovative ways not only to gain better market positions or enhance financial positions but also to ensure long term sustainability. Cooperative strategies (e.g. outsourcing and strategic alliances) are embraced as competitive tools by firms regardless of their sizes for market positioning, innovative problems solving, product or business processes research and

development, increasing their market and growing their operations across the globe.

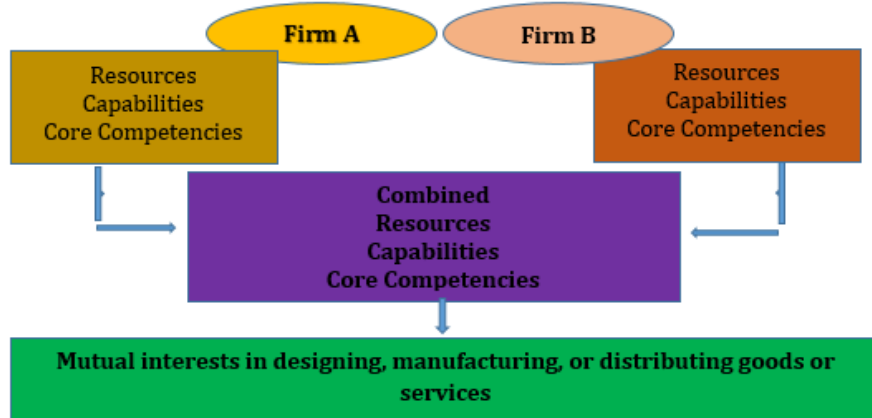
### **Cooperative Strategies/Strategic Collaborations**

Research addressing cooperative behavior is substantial and quite diverse with a number of authors attempting to offer conceptual foundation for the phenomenon of cooperative arrangements (Larson, 1991). Firms collaborate for various reasons including the desire to gain a competitive advantage over rivals (Baird, Lyles and Orris 1993) and to effectively control their production and inventory costs, speed product development, expand markets, or secure technology as well as strengthen their competitive advantage (Baucus and Human, 1996). Nielsen (1988) concurs that cooperative strategies exist and have been useful and efficient in many situations although numerous studies focused more on competitive strategies. Strategic collaborations are contractual agreements with definite levels of quality and cost savings, entered into in order to leverage on third party resources, assets and skills, and to deliver services previously provided in-house. They may involve the transfer of existing staff to the third-party specialist and transformation of the business processes and technology (Jean-Louis, 2006). In evaluating the effectiveness of how contractual relationships with various stakeholders would be appropriately managed or improved, the firm should first establish the reasons to engage in outsourcing (Rau, 2007). Cooperative strategies entail structured cooperative agreements between firms and these include amongst others, buyer-supplier alliances, marketing alliances, research and development alliances, etc. The small entrepreneurial firms and startups collaborate to increase product and process innovation through research and development alliances, expand their production capacity through joint production agreements, share marketing expenses and expertise with long-term marketing arrangements, and reach foreign markets with distribution agreements (Steensma, Marino and Weaver, 2000; Larson, 1991). The authors argue that cooperative arrangements are more sustainable and distinct from single transaction market relationships. Hitt, Ireland & Hoskisson (2012) concur that cooperative strategies are means by which firms collaborate for the purpose of working together to achieve a shared objective (Hitt, Ireland & Hoskisson, pp 264). David & David, (2015) cite a case of Facebook and Yahoo in the area of a patent cross license, new advertising partnership, expanded joint distribution and joint media event coverage as a good example of strategic alliance (David & David, pp 153).

### Cooperative Strategy: Strategic Alliances

Hitt, Ireland & Hoskisson (2012) define strategic alliance as a primary type of cooperative strategy in which firms combine some of their resources and capabilities to create a mutual competitive advantage, to achieve a shared objective such as creating value for a customer. This strategy as per Figure 2 below, involves the exchange and sharing of resources and capabilities to co-develop or distribute goods and services, creates value for customers (e.g. a value that exceeds the cost of constructing customer value in other ways), and it establishes a favorable position relative to competitors. The outcome of this strategy is a competitive advantage called Collaborative (Relational) Advantage (Hitt, Ireland & Hoskisson, pp 264). David and David (2015) add that cooperative arrangements include joint ventures, research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross manufacturing agreements and joint bidding consortia (David & David, 2015, pp 154).

Figure 1: Strategic Alliance Business Model



Source: Hitt, Ireland & Hoskisson (2012)

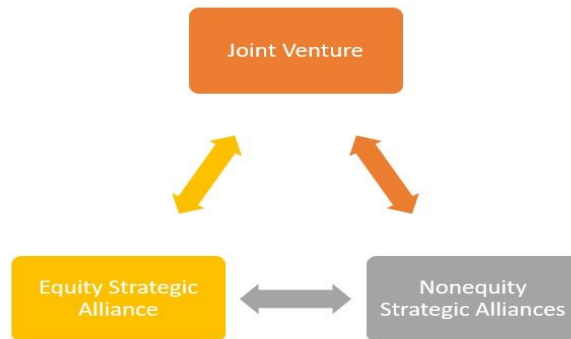
Muthoka & Kilika posit that a combination of firm, environmental and partner-related motives stimulate SMEs to opt for a specific type of strategic alliance. The need to assess motives for alliance types is paramount because the

firm motive and type of alliance sought will determine the selection of the strategic partner with whom to enter into alliance (Muthoka & Kilika, 2016).

### Types of Strategic Alliances

There are three types of strategic alliances, namely joint venture, equity strategic alliance and non-equity strategic alliance. The joint venture requires two or more firms to create a legally independent company by sharing some of their resources and capabilities; equity strategic alliance requires partners who own different percentages of equity in a separate company they have formed, whilst the non-equity strategic alliance requires two or more firms develop a contractual relationship to share some of their unique resources and capabilities (Hitt, Ireland & Hoskisson, pp 266-267).

Figure 2: Joint Venture Business Model



Source: Hitt, Ireland & Hoskisson (2012)

Harrigan (1988) posits that although a lot has been written about joint ventures, past studies of joint ventures have often considered cooperative strategies from the perspective of firms that are expanding their business operations overseas. Although some research were carried out to examine how the dimensions of joint venture strategies should vary under different competitive circumstance, very little was said about how diverse industry conditions make joint ventures more (or less) appropriate as a competitive strategy alternative. Harrigan further alludes that no general theory was developed for the use of



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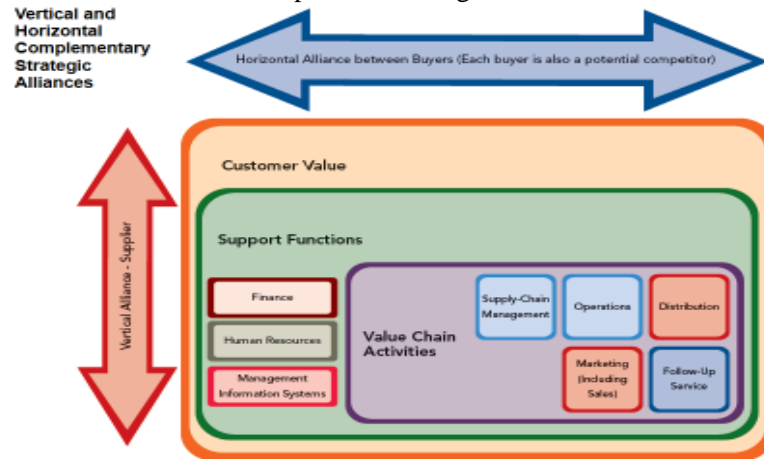
cooperation as a generic strategy alternative within mature domestic economies until recently (Harrigan, 1988).

### **Business-Level Cooperative Strategies**

There are four business level co-operative strategies (see Figure 2 below) available to small businesses and startups in Botswana, namely, complementary strategic alliances, competition response alliances, uncertainty reducing alliances and competition reducing alliances. The complementary strategic alliances combine partner firms' assets in complementary ways to create new value. The strategies include distribution, supplier or outsourcing alliances where firms rely on upstream or downstream partners to build competitive advantage. The complementary strategic alliance is further divided into two components, namely, the vertical complementary strategic alliance and the horizontal complementary strategic alliance. Vertical Complementary Strategic Alliance is formed between firms that agree to use their skills and capabilities in different stages of the value chain to create value for both firms. Outsourcing is one example of this type of alliance. Horizontal Complementary Strategic Alliance is formed when partners who agree to combine their resources and skills to create value in the same stage of the value chain. Focus is on long-term product development and distribution opportunities. The partners may become competitors which requires a great deal of trust between the partners (Hitt, Ireland & Hoskisson, pp 271-276).

The Competition Response Alliances occur when firms join forces to respond to a strategic action of another competitor. Because they can be difficult to reverse and expensive to operate, strategic alliances are primarily formed to respond to strategic rather than tactical actions. Uncertainty Reducing Alliances are used to hedge against risk and uncertainty. These alliances are most noticed in fast-cycle markets, and are usually formed to reduce the uncertainty associated with developing new product or technology standards. Competition Reducing Alliances is created to avoid destructive or excessive competition. Whilst this strategy may be likened to collusive strategies such as explicit and tacit collusion, both strategies differ because collusive strategies are generally perceived to be illegal form of collaboration. Explicit collusion occurs when firms directly negotiate production output and pricing agreements to reduce competition (illegal), and Tacit collusion occurs when firms indirectly coordinate their production and pricing decisions by observing other firm's actions and responses (Hitt, Ireland & Hoskisson, pp 271-276).

Figure 3: Business-Level Cooperative Strategies



Source: Hitt, Ireland & Hoskisson (2012)

Of the four business level co-operative strategies, complementary business-level strategic alliances, especially the vertical ones, have the greatest probability of creating a sustainable competitive advantage for the existing small businesses and the startups in every respect because as mentioned, these enterprises lack the necessary creativity and innovative attributes that may guarantee these firms future sustainability in the domestic and foreign markets. Horizontal complementary alliances are less attractive due to possible difficulties to maintain because they are often between rival competitors. Competitive advantages gained from competition and uncertainty reducing strategies tend to be temporary. Whilst the uncertainty reducing alliance by nature is perceived to be short term focused, it has great potential for the small businesses and startups in Botswana, and thus it may work well combined with vertical complementary business-level strategic alliances in order to realize greater benefits.

### Cooperative Strategy: Outsourcing

Outsourcing is not a novel concept, the term dates to the 1970s. Initially this strategy involved information technology-related issues, but progressively more and more organizations realized that they could not be experts in everything they do. As a result, organizations freed some of activities and delegated them to third-party specialists (Koszewska, 2004). Beyond, the information technology,

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outsourcing strategy grew in scope and complexity as it covers functions such as administration, customer service, finance, human resource, procurement, sales and marketing, distribution, transportation, health care and more (Verma, 2000). Other scholars also agree that outsourcing is probably the most powerful tool in strategic management, and its modernization is in the forefront (Hamed, 2013). Corbett cautions that organizations may soon be more outsourced than insourced, and that such decisions and practices may significantly impact the firms' executives, managers, alliances, shareholders, employees and customers (Corbett, 2004). Horacio on the other hand, looks outsourcing as a strategic direction pursued by organizations; as a vigorous process linked to the strategic changes of an organization, that continually adapts its decision-making process to improving its effectiveness and performance (Horacio, 2012). Bayode (2012) argues that understanding outsourcing as a strategy requires appropriate evaluation of the position of an organization, whether such a strategy will work and if not why and how to go about it (Bayode, 2012). Farrell concurs that the outsourcing strategy should be tied to the overall corporate strategy; and that it entails understanding the firm's core competencies, risks and benefits as firms outsource more and more complex processes. He cautions that the firms' executives should also make sure that there are appropriate arrangements for meeting organizational objectives (Farrell, 2010). McIvor warns of the need to respond to market changes; further that the difficulty of predicting the direction of such changes may mean that organizations must focus on its core competencies (McIvor, 2008).

Grevor (1999) defines the core competencies as the innovative combinations of knowledge, special skills, proprietary technologies, information, and unique operating methods that provide the product or the service that the customer value and want to buy (Grevor, 1999). In deciding whether or not to outsource, it is vital that firms know the activities/functions to outsource and the extent to which outsourcing could be carried out in order to maintain control over business activities (Zafar, 2013). There is no doubt that the kind of activities each firm chooses to outsource, differ from one firm to the other. Brannemo (2006) asserts that limited knowledge in outsourcing has resulted in some firms having outsourced so much of their production activities that they lost their ability to develop new goods and services (Brannemo, 2006). Examples of activities and functions outsourced include but are not limited to information technology, procurement, logistics, marketing, real estate, services, accounting, finance and human resources. The decision to assign some of the activities to an external third party is strategic step, and can determine the organization's future, thus, it must be informed to (Koszewska, 2004). Alpesh adds that once an organization has

prepared its outsourcing strategy, it should decide with whom to walk down the aisle (Alpesh, 2005).

Although these strategic collaborations are ideal tools for small businesses growth and for startups wishing to have the right start, the probability of anyone of them being embraced by small businesses in Botswana are decimal because the majority of small businesses in Botswana are family owned businesses trading in limited markets, and lacking most entrepreneurial attributes of innovation and creativity, self-discipline, perseverance, and determination.

### **WHY STRATEGIC ALLIANCES: THE POTENTIAL BENEFITS TO STARTUPS AND SMES**

There are various reasons why firms form strategic alliances, but most of the time such decisions is market driven. Nielsen (1988) asserts that the joint gains from pooling marketing resources would help them to accumulate the financial, managerial and knowledge resources to success fully enter and expand into national food production and distribution industries, and that the strategies eliminate competition amongst the partners. Hitt, Ireland & Hoskisson (2012) adds that strategic alliances allow partners to create value they could not develop by acting independently, and to enter markets more quickly and with greater market penetration possibilities. Further that lack the full set of resources and capabilities needed to reach their objectives, and that partnering with others increases the probability of reaching firm specific performance objectives. This is true of the small business in Botswana whose major constraint remain accessibility to funding. Thus, pooling their resources together to achieve a common objective of reaching new customers and broadening both the product offerings and distribution of their products without adding significantly to their cost structures (Hitt, Ireland & Hoskisson, pp267 – 268), if only they can effectively deal with the issues of trust, skepticism, suspicions, and greed.

David & David (2015) agree that strategic partnerships are being used increasingly to because they allow companies to improve communications and networking, to globalize operations and to minimize risk. Further that they are ideal for pursuing an opportunity that is too complex, uneconomical, or risky for a single firm to pursue alone. In addition, strategic partnerships can be used to achieve and sustain a competitive advantage when an industry requires a broad range of competencies and know-how than any firm can handle. Partnerships are

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more effective in enhancing corporate growth in market tied together by internet than mergers and acquisitions (David & David, pp 154). In the process of finding strategic alliances, various partnership approaches were recommended for different market cycles (Hitt, Ireland & Hoskisson 2012). For example, in a Slow Cycle Market, firms may collaborate to gain access to a restricted market, establish a franchise in a new market and maintain market stability; Fast Cycle Market to speed up development of new goods or service, speed up new market entry, maintain market leadership, form an industry technology standard, share risky research & development expenses and overcome uncertainty; and in Standard Cycle Market, to gain market power (reduce industry overcapacity), gain access to complementary resources, establish economies of scale, overcome trade barriers, meet competitive challenges from other competitors, pool resources for very large capital projects and learn new business techniques (Hitt, Ireland & Hoskisson, 2012 page 268 – 270).

Outsourcing is promoted as one of the most powerful trends in modern management because of its potential benefits. These benefits includes reduction in costs, increased ability to focus on strategic issues, access to specialized expertise, and an ability to demand measurable and improved service levels (Olawale, 2012). Lowes estimates the value of total outsourced business activities and information technology services worldwide to worth U.S. \$480 billion in 2012 alone; a lot of money to bet on outsourcing's ability to deliver the desired results. He adds that many organizations are willing to make that bet as a testimony to outsourcing's credibility as an effective business strategic tool (Lowes, 2012). Elegbede (2008) outlines numerous benefits to firms that adopt outsourcing strategy. These include, experienced reduce cost, increased sales turnover and profitability, enhanced expertise, improved service quality, reduced staff strength, streamlined the production processes, reduced administrative burden, and adequate time savings for core activities by (Elegbede, 2008). Grims (2011) adds that the value proposition and measures of success for outsourcing operations is evolving, thereby leading organizations to harness value beyond cost reduction through consolidation and automation (Grims, 2011).

### **The Risks Inherent to Co-operative Strategies**

It was observed that approximately 2/3 of cooperative strategies worldwide have failed to create value for shareholders (Hitt, Ireland & Hoskisson, pp 284 – 285) and such failures were attributed to uninformed decisions by the firm's top

management to outsource business processes, and thereafter relinquishing responsibilities for communicating, planning, implementing and managing such change, to third parties shareholders (Jean-Louis, 2006). Business failure may occur because (a) partners may act opportunistically – opportunistic behavior surface when formal contracts fail to prevent them or when an alliance is based on a false perception of partner trustworthiness; (b) partners may misrepresent competencies brought to the partnership – this risk is more common when the partner’s contribution is grounded in some of its intangible assets; (c) partners fail to make committed resources and capabilities available to other partners – this particular risk occurs when firms of different cultures and languages form an international cooperative strategy especially in the emerging economies; and (d) one partner may make investments that are specific to the alliance while its partner does not – this risk occurs when only one partner commit resources and capabilities to develop manufacturing equipment that can be used only to produce items coming from the alliance (Hitt, Ireland & Hoskisson, pp 284 – 285). Other risks include increased costs, brand damage, disrupted services, and even business failure (Farrell, 2010). All these risks are not only common to startups and SMEs in Botswana but also to large scale business collaborations. A typical example is the Palapye based Fengyue Glass Manufacturing Company Botswana, a joint venture vehicle between BDC and Shanghai Fengue. This project failed prematurely at its infancy stage (Botswana Guardian Online, 2013) most probably due to Hitt, Ireland & Hoskisson (2012) competitive risks. According to Mmegi (2015), the then Botswana Development Corporation Limited (BDC) Managing Director, Bashi Gaetsaloe, “BDC has ruled out reviving the collapsed Fengyue Glass plant, as glass manufacturing is not a viable investment option” (MmegiOnline, 2015). This decision which is said to be based on expert advice appears to disregard the investment of more than half a billion pula (BWP500 million) into this project which died during the implementation (Sunday Standard Online, 2016).

Outsourcing like other cooperative strategies is not exempted from disappointing results as a business strategic tool. Outsourcing strategy if misunderstood or improperly administered could adversely impact the firms in every respect, including but not restricted to financial performance, quality initiatives, loss of customers, core competences and capability, lucrative markets, etc. As perceived by most firms, outsourcing can be a complex process, with numerous executions, monitoring and control setbacks (Aalders, 2002). Some firms withdrew from outsourcing arrangements and tried to bring their systems back in house because of the challenges they encountered. These firms however

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discovered that reversing the process is not simple, as they still lack talents and resources (Aalders, 2002). Other risks include declining innovation by the outsourcer or possible loss of long-run research and development competitiveness which is often used as a substitute for innovation. The other risk is that the costs reduction may not be as significant as envisaged (Rasheed, 2000).

### **Critical Success Factors For Effective Co-Operative Strategies**

Success of outsourcing arrangements depends on established long-term strategic relationships. It was argued that organizations need to understand clearly the relationship and interdependencies between business practices and procedures before they outsource. Further that difficulty can arise if such interdependencies are not understood, leading to a poor supplier performance assessment (Onan, 2008). Lowes concurs that the nature of the outsourcing relationship is continually evolving as service providers and clients improve and redefine their preferred terms of engagement. Further that the highly variable economic, political, social, legal and technological environment form an integral part to the outsourcing strategy as they create potential threats and opportunities for both sides of the relationship (Lowes, 2012). They are not unintentional by-products for executing a product/project (Willcoks, 2011).

Karthick suggests that outsourcers should partner aggressively with businesses in such a way that they are able to translate their business requirements into service-level agreements (SLAs) and then deliver these SLAs through a set of managed services. This approach will enable the outsourcers to focus more on benefits from innovative services provided by the vendors' partnerships (Karthik, 2007). Successful organizations recognize that it takes time, staff and investment to manage partnerships well. In essence, the removal of one management task creates a new one. Consequently outsourcing can be a misleading term, making it sound like it will be done on somebody else's watch (Gomes-Casseres, 2006). According to Endeavor Management there are significant changes in the day-to-day behaviors of managers of firms engaged in outsourcing activities. Outsourcing encourages organizational managers to divert their focus from direct management of the operations or functions that have been outsourced, towards managing the business relationship with the outsourcers (Kinange & Murugaiah, 2011).

The co-operative strategy requires cooperative behavior from all partners that contribute to alliance success such as active solving problems, being trustworthy, consistently pursuing ways to combine partners' resources and capabilities to create (Hitt, Ireland & Hoskisson, pp 264-265). David & David (2015)

emphasizes the importance of the firms' willingness to contribute something distinctive, such as technology, distribution, basic research or manufacturing capacity. The authors caution against unintended transfers of important skills or technology at organization levels below where the deal is signed because information not covered in the formal agreement easily gets traded in daily interactions of firm's employees. They add that skepticism, suspicions and distrust between the cooperating firms will injure the relationship before it takes off (David & David, 2015, pp 154).

Harrigan (1988) concurs that whilst the use of cooperative strategies brings about an exciting change in the competitive landscape, firms that use these strategies to build strengths for their firms' business units must understand how they might best use joint ventures, especially within industries where cooperative strategies are being used with increasing frequency, because these strategies can change industry structures to the disadvantage of competitors. For example, they can (1) exacerbate competition, (2) stabilize profit levels, or (3) precipitate structural changes in vertical integration, technological scale, or other industry traits (Harrigan, 1988). Successful collaborations require high levels of trust (a complex phenomenon that can result from formal contractual safeguards as well as from informal partner commonalities in objectives and values) between the alliance partners to alleviate the fear of opportunistic behavior, and to enhance the stability of the relationship (Steensma, Marino & Weaver, 2000; Barney & Hansen, 1994; Larson, 1991). These assertions are premised on the belief that the culture in which the entrepreneur is socialized not only influences cooperative values, but also forms the basis of trust that he/she favors when pursuing cooperation.

Hitt, Ireland & Hoskisson (2012) posit that entrepreneurial firms can realize great benefits from the cooperative strategies if they adopt cost minimization management approach, have formal contracts with partners, specify how strategy is to be monitored, specify how partner behavior is to be controlled and set goals that minimize costs and to prevent opportunistic behavior by partners. The authors recommend two risk and asset management approaches, namely (i) detailed contracts and management and (ii) developing trusting relationships. They also suggest an Opportunity Maximization Approach, which will help the firms to maximize partnership's value-creation opportunities, learn from each other, explore additional marketplace possibilities and maintain less formal contracts, fewer constraints (Hitt, Ireland & Hoskisson, 2015, pp275).



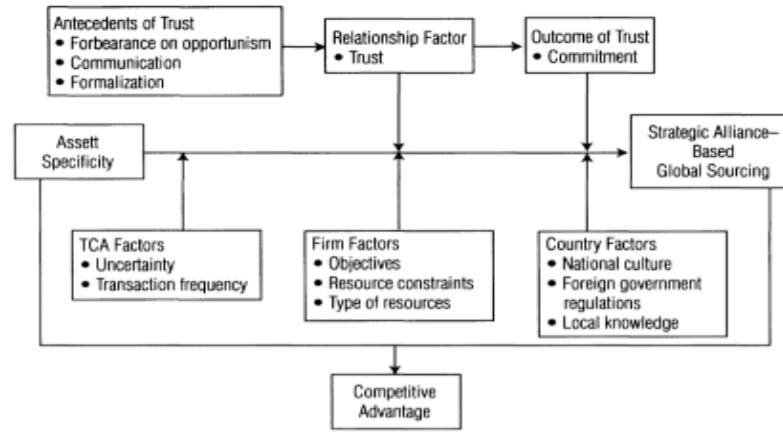
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## Conceptual Framework

The authors consider a theoretical framework which they believed is most appropriate for the study, Murray (2001) conceptual framework titled, “An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage” as depicted in Figure 3 below. This model suggests that strategic alliance-based global sourcing is a viable strategic option to achieve competitive advantages, even when specific assets are involved. It presents the relationships among the various variables with an ultimate goal of obtaining a competitive advantage. These include amongst other, investment in asset specificity through global sourcing, firms reputation, trust in supplier-buyer relationships, collaborating firms’ commitment, governance structures of various foreign countries, transaction frequency, resource constraints, type of resources, etc.

Murray (2001) argue that these variables do not only moderate the relationship between asset specificity and strategic alliance-based global sourcing for major components but they also exert positive or negative effects on the relationship, thereby making strategic alliance-based global sourcing a desirable strategy to achieve competitive advantage. This framework comes as an improvement to Murray, Kotabe, and Wildt's (1995) conceptual framework that explains the contingency relationship between global internal sourcing of major components and a product's market performance. The authors use the transaction cost framework or internalization theory to explain how major components are sourced and predict their resulting performance. The study assumes that; (1) the overriding objective of strategic alliances is cost minimization; (2) the risk of opportunism exists; (3) the evaluation is based on single transactions; (4) the firm chooses from two governance structures? market or hierarchy; (5) the firm has the ability to adopt the desired governance structure, and the issue of resource constraints is not considered; and (6) transaction cost analysis (TCA) has proved useful in analyzing supplier-customer relationships in the U.S. and Japan (Murray, 2001; Murray, Kotabe, and Wildt's, 1995).

Figure 4: An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage



Source: Murray (2001)

These authors assert that based on transaction cost analysis (TCA) theory, when specific assets are involved, a sourcing firm (e.g. a Botswana based SME) should use internal sourcing to avoid transaction costs. Further that trust in supplier-buyer relationships lowers transaction costs and facilitates investments in relation-specific assets. Trust discourages firms' opportunistic behavior usually observed in transactions that involve highly specific assets especially when governance structures are nonhierarchical (Murray, 2001; Murray, Kotabe, and Wildt's, 1995). Non-hierarchical governance structures coupled with a high degree of mistrust make buyers highly vulnerable. Good reputation does not only minimize the supplier's forbearance on opportunism, investment, uncertainties and distrusts but also enhances communication between firms desiring to enter into strategic alliance - based global sourcing. Botswana citizen startups and SMEs lack the expertise (technology included) that the foreign firms have. The objects of these firms which include search for resources, develop technology, access markets, and acquire capital are likely to push the firms into strategic alliance with the global firms out of desperation without undertaking a thorough due diligence. It is therefore imperative that citizen firms tread very carefully, for instance, they should strive to build a solid and sound trust relationship with the foreign suppliers that they desire to collaborate with. The desire to reduce

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transactional costs should be explored along with other important factors including the potential benefits to be derived from the alliance.

Contrary to Murray (2001) study, Zaman & Mavondo (2001), suggest that several strategic alliance formation are the products of environmental uncertainty such as (a) high uncertainty, (b) high technological volatility and demand, (c) low predictability of customer demands and competitor actions, and (d) demands for internationalization. Further that high market turbulence and uncertainty, larger the number of competitors and the higher the need for additional resources, and the firms' desire to cultivating learning as an organizational culture will push most firms to form strategic alliances (Zaman & Mavondo, 2001). The authors add that the success of the alliance depends on the following strategic alliance relationship attributes; (1) trust is beneficial to all partners when it comes to reduction of risk associated with opportunistic behavior, adaptability, wealth creation, and better customer service; communication - successful alliance will exhibit higher levels of: (a) quality communication; (b) information sharing; and (c) participation in planning; (2) commitment – firms commitment is an insurance for unforeseeable challenges that can threaten the relationship; (3) collaboration - a highly collaborative relationship provides the flexibility and adaptability necessary to overcome uncertainties, resolve conflicts and achieve mutually beneficial outcomes; (4) conflict resolution – conflict is appropriately managed by the partner firms can enhance the probability of strategic alliance success, especially when the firms engage in joint problem solving that aims at reducing the uncertainties surrounding their firms business environment.

## CONCLUSIONS

In the present competitive business environment, forming strategic alliances, cooperative strategies are important to gain competitive advantage and sustain the business. Notwithstanding the inherent cost and risks associated with these strategies, quality of products and service offerings dominates remains the ultimate requirement in customer satisfaction, especially in the competitive world. Easy access to technological developments brought about by globalization requires innovation in all business processes. Furthermore, cooperative strategies open various opportunities and advantages to various stake holders which subsequently result in improved customer satisfaction and care. It is in this respect that cooperative strategies are highly recommended for startups and small business enterprises to enhance their competitiveness and long term sustainability.

The conceptual framework studied highlight the importance of critical analysis of different variables that influence the firm's performance, and how these variables can be moderated to give the firm a competitive advantage. Further that different firms enter into strategic alliances for different motivations, and such motivations may be beneficial to the firm if the alliance goals are successfully met, or destructive to firms if the alliance goals are not met. Thus effective monitoring, evaluation and control by the firm's top management teams is necessary to minimize the effects of partners opportunistic behavior as well enhance the firm's growth prospects in terms of new product development and/or market expansion. Most importantly, the model providing the startup firms with the core competencies that they need to be become successful in the long run. It enables firms to scale up their operations by sharing their excess and complementary capabilities and resources with others, which consequently may give any of them competitive advantages (Uddin & Akhter, 2011; Barney and Hansen, 1994) via cost reductions, accessibility to new markets, new product development, etc. furthermore, it provides guidance to both the startups and existing SMEs on how to pull together resources from both partners to create synergies that will enhances improve their long term competitiveness, as well as enhance their innovative and market capability. Prospective entrepreneurs and existing SMEs managers may use cooperative strategies as preventative strategies to avoid infancy stage failure.

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## **SOCIAL MEDIA USE BY PERSONS WITH DISABILITIES IN ACCESSIBLE TOURISM AND SHARED ACCOMMODATIONS**

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### **ABSTRACT**

Practitioners and academic researchers have shown considerable interest in understanding how social media supports different aspects of life. There is therefore increasing consideration on the role of social media in the tourism industry; however, less attention has been accorded to the variation in users goals given the unique differences among players in this industry. This study recognises the use of social media by persons with disabilities (PWDs) to enjoy tourism experiences, particularly, accessible tourism experiences and access to shared accommodation. This study proposes the theory of affordances as a rich theoretical lens to understanding and discuss social media use by PWDs in tourism. Conceptually, we distinguish social media affordances in six distinct categories - cognitive, sensory, affective, physical, functional, and control affordances. Given the distinction in social media affordances and the role of affordances in exploring technology use in specific contexts, we present four propositions on how social media use among PWDs facilitates accessible tourism experiences and access to shared accommodation. The key proposition presented here suggests that social media affordances aid, support, or enhance user engagement in social media for tourism, which consequently facilitates accessible tourism experiences and access to shared accommodation.

**Keywords:** Social Media, Persons with Disabilities, Accessible Tourism, Social Media Affordances, Shared Accommodations



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## INTRODUCTION

This paper proposes and applies the affordances perspective to understand the use of social media by PWDs for tourism. The theory of affordance resonates from the seminal work of an American ecological psychologist James Jerome Gibson (Gibson 1977, 1986, 2015). According to Gibson, “the affordances of the environment are what it offers to the animal, what it provides or furnishes, either good or ill” (Gibson 1986, p. 127). An affordance is a combination of properties of the environment or anything as utilised to achieve one’s goal (Faraj & Azad 2012; Gibson 1986; Jones 2003; Wells 2002). There is consensus among authors that an affordance is an animal relative property of the environment (Chemero 2003). “People perceive not the properties of objects, but rather the affordances of objects, defined as acts or behaviours that are afforded or permitted by an object, place or event” (Markus & Silver 2008, p. 619). “Affordances for the members of one species may be completely useless to members of another” (Markus & Silver 2008, p. 619). Affordances, in a technology perspective, provide a means of exploring technology appropriation across humans, space and time (Faraj & Azad 2012). Technology “materiality exists independent of people, but affordances and constraints do not” (Leonardi 2012, p. 37).

There several reasons why exploring technology affordances is important to understanding the use of technology in different contexts by different people (Faraj & Azad 2012). The following reasons fit our application of this theory to explore social media use among PWDs in tourism. First, we adopt a contemporary way of exploring and representing social media–PWDs in tourism phenomenon. Second, the affordances perspective allows us to focus on the materiality of social media by recognising the objective, realist, and non-mentalist nature of this technology. Third, we can identify social media affordances that shape PWDS-social media engagement in tourism. Lastly, We can therefore offer no sufficient explanation for social media use by PWDs for tourism activity without careful consideration of social media affordances and the users who perceive these affordances (Markus & Silver 2008).

In technology environments, individuals encounter and deal with multiple sets of affordances, which shape their sensemaking processes, beliefs about a technology, behavioural intentions and actual behaviour (Bemgal 2018; Faraj & Azad 2012; Grgecic, Holten & Rosenkranz 2015; Markus & Silver 2008; Zhao et al. 2013). Figure 1 indicates that social media affordances for PWDs in tourism are key antecedents to the ways in which PWDs engage in tourism activities

through social media. PWDs–social media engagement for tourism is a probable influencing factor for PWDs access to shared accommodation and their accessible tourism experiences.

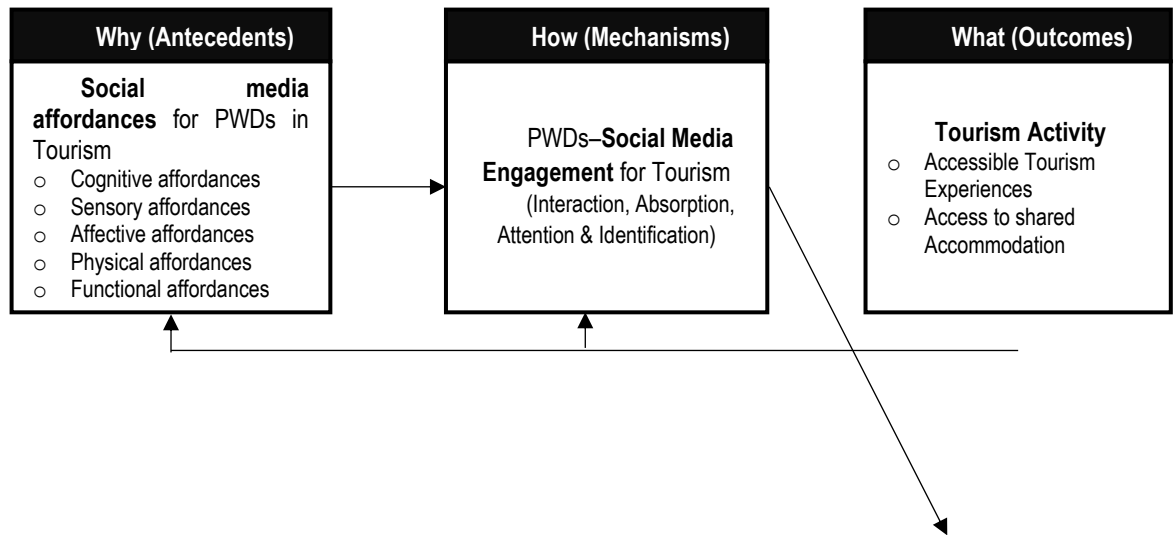


Figure 1. Research Model and Propositions on PWDs Use of Social Media in Tourism

To explore how social media use enables PWDs to engage in tourism, we review the role of technology affordances in actualisation of user goals in technology environment. Technology affordances enable user interaction and engagement in technology environment, which enhances their ability to use the technology towards achieving their goals (Bemgal 2018; Kuo et al. 2013; Namisango & Kang 2018; Rambe 2012; Shin 2017; Van Vugt et al. 2006). The sections below elaborate the nature of technology affordances and user engagement in technology-enabled environments.

### **Technology (i.e. Social Media) Affordances**

Our view of affordances in the context of this study combines both recognised and perceived affordances. There possibly six affordances of technology – cognitive, sensory, affective, physical, functional and control affordances (Bemgal 2018; Hartson 2003; Norman 1999; Zhao et al. 2013), which we can associate to social media technologies.

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Cognitive affordances, also referred to as perceived affordances, are affordances that assist technology users to accomplish their cognitive actions (Bemgal 2018; Hartson 2003). Cognitive affordances would represent technology features that enables users to think and know about something associated with the technology, e.g. the meaning of an icon and the consequences of using it (Hartson 2003). Cognitive affordances aid the user in understanding how to use physical affordances (Hartson 2003).

Sensory affordances relate to technology features that aid or enable the user in sensing something about the technology they are using, i.e. seeing, hearing or feeling something about a technical artefact (Bemgal 2018; Hartson 2003). Sensory affordance relate to visual, auditory, haptic/tactile, or other sensations features associated with devices (Hartson 2003). Sensory affordances facilitate actualisation of cognitive and physical affordances (Hartson 2003).

Affective affordance “is the attributes of the IT artifacts that can trigger or stimulate users’ emotional reactions” (Zhao et al. 2013, p. 296). Social media technologies are key artifacts that trigger affective affordances through likes, view and comments. Affective affordances resonate from the user’s appraisal of an artefact in relation to how the user feels about something (Zhao et al. 2013). Applications are increasing designed with the capacity for emotional expressions, which enhance user interaction through likeability and trustworthiness especially, empathetic emotion expressions (Brave, Nass & Hutchinson 2005).

Physical affordances present “an opportunity for action or manipulation” (Pols 2012). Technologies come with in-built physical affordances (also known as real affordances), which include its structural features that allow the user to interaction with the application (Norman 1999). A physical affordance enables technology users to do something physically, e.g. using an icon to do something desired by the user (Hartson 2003).

Functional affordances of a technology represent action possibilities offered by a technology to enable the user achieve their goal (Faraj & Azad 2012). These affordances tie the usage of a technology to its usefulness to a particular user in relation to their goals (Bemgal 2018; Hartson 2003). Hartson (2003) explains, “A user doesn’t click on the screen just because it’s possible. A user clicks to accomplish a goal, to achieve a purpose” (p. 321). Social media offers a wide range of functional affordances that are related to user interaction with others, e.g., copresence, visibility and audibility, association, communication modalities and social affordances (Sutcliffe et al. 2011; Treem & Leonardi 2013).

Control affordance “is the attributes of IT artifacts that emphasize a user’s power of making choices of the situation or the environment rather than of one’s own behavior” (Zhao et al. 2013, p. 297). Unlike physical affordances, control

affordances allow the user to make choices of the actions they undertake using the technology and therefore be able to control outcomes. On social media, for example, control affordances enable users to control privacy and such affordances may include expressive information control, privacy information control, and image information control (Kuo et al. 2013).

Technology affordances largely shape a user's perception of relevance and valence of a technology which in turn shape engagement, use intentions, actual use and satisfaction with a technology (Van Vugt et al. 2006). Perceived affordances particularly enhance user engagement with technologies (Van Vugt et al. 2006). Affective affordances tend to influence the usability of technology (Shin 2017) while control affordances of social media may predict the intensity of social media usage (Kuo et al. 2013). In social media, interaction is a mechanism through which social media affordances shape service context outcomes, where, functional affordances of social media will shape interaction which in turn shapes service outcomes (Namisango & Kang 2018). This paper therefore proposes that;

**Proposition 1.** Social media affordances for PWDs in tourism could constitute – cognitive, sensory, affective, physical, functional, and control affordances. Perception of social media supported affordances by PWDs can trigger one's interaction, absorption, attention and identification with tourism activities on social media.

### **User Engagement on Social Media**

There multiple dimensions of customer engagement in tourism, which include interaction, absorption, attention and identification (Harrigan et al. 2017; So, King & Sparks 2014). Interaction is a behavioural aspect that denotes the user's involvement in sharing and exchange of ideas, opinion, thought, experiences with others on tourism brands (Harrigan et al. 2017; So, King & Sparks 2014). Absorption is a cognitive factor that denotes a pleasant state in which the user is fully concentrated, happy and deeply engrossed in their role as a consumer of a tourism brand or in their role as a member of a given online community (Harrigan et al. 2017; So, King & Sparks 2014). Attention is also a cognitive factor that depicts the degree of attentiveness, focus and connection that a user has with a tourism brand or an online community (Harrigan et al. 2017; So, King & Sparks 2014). Identification is an emotional factor that depicts the degree of a user's perceived belongingness to a given tourism brand or online tourism community (Harrigan et al. 2017; So, King & Sparks 2014).

There a number of potential consequences associated with the user engagement mentioned here. Such consequences or outcomes vary from one

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context to another but could include user experiences and satisfaction with a service or brand or co-creation of value between service providers and service consumers (Namisango & Kang 2018; So, King & Sparks 2014). In the context of this study, we propose that PWDs engagement on social media for tourism is associated with outcomes such as accessible tourism experiences and access to shared accommodation. We thus state that;

**Proposition 2.** The ways in which PWDs engage on social media for tourism manifests through one's interaction, absorption, attention and identification with tourism activities on social media, eventually leading to accessible tourism experiences and access to shared accommodation.

**Proposition 3 – 4.** Tourism activities, such as accessible tourism experiences and access to shared accommodation, will shape one's future engagement on social media for tourism and social media affordances for PWDs.

### **PROPOSED RESEARCH APPROACH**

A convergent mixed methods designed is proposed in this study. Johnson et al.(2007) posit that mixed methods research combines the various components of quantitative and qualitative research. Quantitative and qualitative viewpoints are constructive in tackling the research questions. While the world of research follows a simultaneous three research model of quantitative, qualitative and mixed methods, (Johnson et al., 2007), this study will focus on the latter as it provides enhanced interpretation, presents a more complete depiction and augments explanation of data collected from the myriad of methods underneath the nomenclature 'methods.' A partially mixed concurrent dominant method will follow through with a two phase study occurring sequentially i.e. quantitative study first and the qualitative study thereafter. The qualitative stage will be engulfed by the quantitative phase as it will hold a grander prominence. The use of social media by Persons with Disabilities in tourism and shared accommodations can be better explored through the combination of different methods and techniques. The study proposes the application of content analysis and semi-structured interviews as a rich approach understanding and explaining why and how PWDs use social media in accessible tourism. Mixed method approach will include the use of semi-structured interviews followed up by a survey whose overall inquiry purpose will be to test and confirm stated propositions.

### **REFERENCES**

## ONLINE NARRATIVES OF RESTAURANT SERVICE RECOVERY IN BOTSWANA.

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### ABSTRACT

An analysis of the narrative structure of 64 suboptimal TripAdvisor reviews of restaurant service recovery in Gaborone, Botswana was conducted in this study. Using the Labovian scheme, the study highlights that reviewers presented their narratives in an emotional manner, clouded with disappointment and regret. The narratives eventually lead to the presentation of codas, some that communicate decisions not to visit the facility again. In minor cases, a balancing act through the use modal verbs and adverbs of contrast in the coda is achieved; that rouses an optimistic decision for repeat visitation. This aspect could be used by restaurants to redeem their service ratings. The study also identifies the presence of 'quadruple deviation', a concept that could be unique to service recovery in Botswana.

**Keywords:** Restaurants, complex service recovery process, online reviews, Botswana

## INTRODUCTION

Of recent, there has been an upsurge of restaurant activity in Botswana's capital city, Gaborone (Hospitality & Tourism Association of Botswana [HATAB], 2017). However, against this background, Musikavanhu (2017) argues that the city still faces a problem of poor service delivery in the restaurant sector. Given this background, it is imperative to understand the context of service delivery in the restaurant sector. This context could be used by restaurant managers to devise service recovery models (Dimitriou, 2017) that could be used to address service failures or complaints. By studying the content and structure of online narratives of restaurant service failure, this study embarks on understanding some of the subtle comments that could be derived from service failure contexts online, that could be used to improve service delivery in Gaborone. By so doing the study also takes on recommendations by Sparks and Browning (2010) and Vásquez (2012) of the importance of studying narration in sectors other than the hotel sector.

Although Loo, Boo and Khoo-Lattimore (2013) criticized the use of TripAdvisor for studying online complaints citing they may have been posted by unethical rivals rather than actual customers, the site has been used for similar discourse-pragmatic studies (e.g. Vásquez, 2011; Vásquez, 2012; Zhang & Vásquez, 2014). As such, this study analysed cases of service failure or service deviation on TripAdvisor, similar to Loo et al. (2013) and Edvardsson, Tronvoll and Höykinpuro (2011), however using Labov's (1972) scheme. There is a dearth of literature on the analysis of narratives that give rise to service deviation particularly in the restaurant sector, using the scheme.

The practical lessons that can be learnt from such a study are important for a relatively infant hospitality industry such as that of Botswana, where due importance has been attached to tourism as a tool for diversifying the country's economy (Ministry of Finance and Development Planning, 2016).

Apart from the introduction, this study has five other sections; the literature review, methods section, the discussion, implications of the study and the conclusion.

## LITERATURE REVIEW

### Restaurant Service Failure and Recovery

The topic of service failure or deviation and its recovery in the restaurant sector has interested academics for more than three decades (Räikkönen & Honkanen, 2016). Of importance to note have been studies on the types of service failures that are common in the restaurant service setting (e.g. Chan, Hassan & Bho, 2014; Gupta, McLaughlin & Gomez, 2007; Tsai and Su, 2009) or the cultural context of service failure (Liu, Warden, Lee & Huang, 2001; Mueller, Palmer & McMullan, 2003; Warden, Huang & Chen, 2008). Others like Susskind (2005), examined restaurant customers' episodic reactions to recent service failures they had experienced. Mattila (1999) also investigated factors, such as the size of the failure, that affect service recovery efforts in a restaurant setting.

Studies of service recovery (both successful and unsuccessful) are modelled within the Complex Service Recovery Process (CSRP) (Edvardsson et al., 2011). The process begins with an unfavourable service and experience usually termed a single deviation (Räikkönen & Honkanen, 2016). Double deviation can then occur if service failure occurs twice in a row, with the initial service and then with the service recovery (Casado-Diaz & Mas-Ruiz, 2007; Johnston & Fern, 1999). Triple deviation occurs when an additional attempt also fails (Edvardsson et al., 2011). In the restaurant sector, most of the studies on the service recovery process have been based on experimental or manipulative scenarios (Ok, Back & Shanklin, 2006) or critical incident techniques (CIT) (e.g. Tsai & Su, 2009). For instance Ok et al. (2006) assessed changes in customers' attitudinal and behavioral outcomes after experiencing a service failure and recovery using scenario experimentation. Baker and Kim (2018) used CIT to study the perceptions of other customers' service failures and their impact on consumers' emotions and behaviours. Very few studies have analysed the CSRP in the restaurant sector from a discourse perspective. Edvardsson et al. (2011) for instance, used narratives from conversational interviews with customers, employees and managers to analyse double service recovery attempts. On the other hand, Loo et al. (2013) reviewed 1,032 comments written by customers and e-mailed to the management of two restaurants in Malaysia. Using a new source of data, which was reliant on neither interviews nor electronic mails, this study used reviews from an online travel community, TripAdvisor. The reviews were studied using Labov's narrative scheme.



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### **Narration and Labov's Scheme**

A narrative is an oral, written or filmed account of events and experiences (Smith, 2000). Narratives on TripAdvisor can be viewed as a form of computer mediated communication (CMC) that comprises elements of both spoken and written discourse (Vásquez, 2011), allowing such communication to be studied through a close analysis of the text (Jaworski & Pritchard 2005). A corpus of negative impressions can be communicated by restaurant guests in response to service failure using texts on Trip Advisor (Ford, Sturman & Heaton, 2012; Vásquez, 2011) or other platforms such as Expedia, Yelp (Xiang, Du, Ma & Fan, 2017) or Skytrax in the airline industry (Xu, Liu & Gursoy (2018).

Fully formed true narratives consist of six elements following Labov's (1972) classical structure. The narrative starts with an abstract, follows through to the orientation, and proceeds to the complicating action, and the evaluation or high point. An abstract (an optional aspect of the structure) introduces the narrative, stating what it is about, whilst the orientation identifies the time, place, characters and situation in a narrative (Mondada, 2000). This section of the narrative sets the scene of the story. The complicating actions are the sequence of events that tell what happened (Katz & Champion, 2009). In the online hotel forum of negative reviews for instance, most of the complicating actions started with temporal deictic anchor events such as '...upon arrival...' or '...we were told...' (Vásquez, 2012). Within the complicating actions, there is also a key event which is unpredictable or problematic (Mondada, 2000), which indicates what can be reported as a failure (Sparks & Browning, 2010). In the genre of negative online reviews, this is a 'built-in' feature of the narrative (Vásquez, 2012). In addition, the overall experience of a place can also be presented as a complicating action (Vásquez, 2012).

In the restaurant service recovery context, the complicating actions occur within the realm of the restaurant service sequence. The restaurant service sequence (mostly performed by the service staff) is the bridge between the production system, beverage provision and the customer process (Cousins, Lillicrap & Weekes, 2014). The sequence may consist of eleven or more stages; preparation for service, taking bookings, greeting and seating/directing, taking food and beverage orders, serving food, serving beverages, clearing during service, billing, dealing with payments, dishwashing and clearing after service (Cousins et al., 2014).

The next aspect of a narrative, the evaluation, tells the reader what the narrator thinks about a person, place, thing, event or entire experience (Smith, 2006). The evaluation is the reason why the story was told (Mondada, 2000). For instance, Loo et al. (2013) realized that the majority of the customers' complaint motives were written to express their emotional anger in both single failure and double deviation scenarios. In discourse analysis, internal and external evaluation can be used (Al-Ameedi & Al Shamiri, 2018; Blyth, 2005; Shrubshall, 1997). With external evaluation, the narrator makes a comment which is directed towards the reader (Mondada, 2000). At lexical level, emotion words such as 'yuck', 'gross' or 'finally' can be used and at syntactical level, the entire sentence can be used to describe the emotional state of the narrator (Kleres, 2010). For example, in Sparks and Browning's (2010), clauses such as 'this was an awful hotel' and 'it was a horrible experience' were used. Internal evaluation on the other hand, uses prosodic features such as punctuation (Veenendaal, Groen & Verhoeven, 2014) or rhetorical devices such as intensifiers, explicatives, correlatives or comparatives (Shrubshall, 1997). Both external and internal evaluation is important as it indicates why the story was unusual and why telling it was important (Mondada, 2000). Evaluation can therefore occur in any or all phases of the narrative (Vásquez, 2012).

From evaluation, the narrative proceeds to the resolution, which answers the question, 'what happened finally?' (Mondada, 2000). In some cases the problematic situation is resolved or it continues to exist. In Sparks and Browning's (2010) study, some hotel guests left, others refused to pay whilst others reported the matter to management. The narrative concludes with a coda that returns the narrator to the present, bringing the narrator and the audience back to the point at which they started the narrative (Katz & Champion, 2009). The codas of online hotel narratives tend to be mostly some form of advice, suggestion, warning, directive or admonition (Vásquez, 2012; Sparks & Browning, 2010).

## **METHODS**

This section of the study presents the data collection and analysis procedures used.

### **Gaborone as the Area of Focus**

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Gaborone was selected as the area of focus. Gaborone in comparison to other tourist areas in Botswana like Kasane or Francistown, had the largest concentration of TripAdvisor restaurant reviews. Of the 150 restaurants in Botswana reviewed on TripAdvisor (at the time of writing), 60% were in Gaborone (TripAdvisor, 2018).

### **Data Collection and Analysis**

Data was collected from TripAdvisor, a source of user-generated computer mediated content for similar discourse-pragmatic studies (e.g. Barreda & Bilgihan, 2013; Cenni & Goethals, 2017; Vásquez, 2011; Vásquez, 2012; Zhang & Vásquez, 2014). Although reviews from computer mediated content can be amplified or exaggerated, there is rising credibility in the genuine use of such platforms for academic work (Vásquez, 2012).

Data collection occurred between January and February 2018, using reviews that spanned from 2008 to 2018. Restaurant reviews on TripAdvisor recorded as 'poor' and 'terrible' (respectively rated '2' and '1' on a scale of 5) were analysed, as they had a higher likelihood of containing cases of service deviation (Sparks & Browning, 2010). Online audiences also pay more attention to them (Vásquez, 2012). During this time, Gaborone had 90 restaurants listed on TripAdvisor, with 81 of them having 3406 positive and negative reviews (Chatibura & Siya, 2018). The rest of the restaurants had no reviews. Of the 81 restaurants, 53 had 290 reviews rated '1' or '2'.

Adopting the principles of qualitative analysis suggested by Blair (2015), three steps of coding were used. First, based on a content perspective, all the text from the 290 suboptimal customer reviews was copied onto a word document. Secondly, using a perspective approach, reviews describing failed service recoveries (deviation) were identified using a highlighter pen, as this approach allows the researcher to 'know exactly which sheet held which comment' (Blair, 2015 p. 22). The reviews revolved around unresolved dissatisfaction with the sensoric nature of the food (Chan, et al., 2014; Lawless & Heyman, 2010; Leitzmann, 2012; Meilgaard, Civille & Carr, 2006), failures in the service delivery system (Ford, et al., 2012) or failures in the service setting (Ford, et al., 2012; Sporre, Jonsson & Ekström, 2013). Using the stated criteria, a total of 64 reviews with unsuccessful service recovery attempts from 30 restaurants were identified, and copied onto another word document. These represented 22% of the 290 suboptimal reviews. The reviews were each assigned a number from 1 - 64.

In the third step, the online narratives were then studied for the presence of Labov's (1972) elements of narrative structure. Independent and free clauses were used as the units for narrative analysis. This step also used template coding, where themes were presented in each of the elements, based on the criteria developed for identifying service deviation.

The reviews were then categorised on whether the set of complicating actions described, sequentially gave rise to double or triple cases of deviation. Single deviation cases where recovery was successful were excluded from further analysis. Where reviewers outlined several incidents of failed service recovery in one review, the incidents were analysed individually. The complicating actions, were further analysed using Cousins et al. (2014) eleven stage service sequence. The typology was selected in part because it details the interaction between the customer and the service or production staff in the restaurant set up. This follows advice from Vásquez (2012) who noted that complicating actions in the hotel setup resulted from the interactions and communications between customers and hotel staff. Using the highlighted methods, the findings are now presented and discussed.

## **PRESENTATION AND DISCUSSION OF FINDINGS**

The findings of this study are based on 64 TripAdvisor reviews of suboptimal restaurant experience in Botswana, where the narratives culminate into double or triple service deviation. The results were derived from 30 restaurants. The majority of the restaurants (87%) were full-service independent or franchise restaurants. The rest offered limited service. The reviewers' experiences as presented in narration form, were analysed at each stage of Labov's narrative structure. The complicating actions were further analysed using Cousins et al. (2014) typology. The practical and theoretical implications of this study are then highlighted in the subsequent section.

### **Narratives of Failed Service Recovery Attempts**

The narratives analysed in this study follow, to a large extent, Labov's scheme. All six elements were present though in varying concentrations.

### **The Abstracts**

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Very few reviewers (only 8) gave an introduction to the narration in the form of an abstract. The ones identifiable, ranged from short (16 words) to long (100 words) clauses. The abstracts reviewed referred to some form of expectation which was not met. In Incident 1 the reviewer for instance states, what we'd hoped would be a fun family Sunday lunch turned out to be a disappointment. In Incident 47 the reviewer gave a similar outline: So many years later, I finally got to take my partner to [name of restaurant] to experience for himself all the greatness of what I experienced and fondly remembered of this once star of an Asian Kitchen—just to leave with my head hanging in embarrassment of the culinary insult we had submitted ourselves to! I should have been alerted to what was to follow just by looking at its sad and worn décor and furnishings—coupled with staff who seem to no longer take pride in what they can sell their customers, although trying their best to be of service!

The abstract (in Incident 47) used em dashes; first to emphasize an abrupt change in the reviewer's writing from the superfluous palliative thoughts of their fond memories of the restaurant to the indispensable comments on what the story is about. Secondly, the em dash was used by the reviewer to add emphasis to the extenuating circumstances of why the narrative was written, by describing the service staff.

Another abstract (Incident 42), implicitly indicates that the reviewer wrote the narrative with caution. This was achieved by drawing the audience to other positive reviews they had posted previously and using clauses like reviewer of a few and I am conscious of the impact of negative reviews:

Fellow reviewers may note that I posted a favorable review on a restaurant in the same complex whilst in recently in Gaborone. This cannot be said for this establishment's rump steak on the day I dined here. As a traveler of many years, reviewer of a few and dependent upon hospitality industry whilst I travel, I am conscious of the impact of negative reviews. I also take pride in promoting African service excellence and the fact that Botswana is known for its beef - regretfully not the beef in stock in this restaurant on the day of my dining here. The abstract reveals elements of interpersonal dynamics as the reviewer tries to maintain good rapport with other participants (Besnier, 1994). As shown, the reviewer appeals to multiple audiences (e.g. fellow reviewers, the facility, the reader, fellow travellers) and themselves, as statements to this effect were juxtaposed in the abstract. On the other hand, the explicit use of first person pronouns such as 'I' in I am conscious of the impact of negative reviews..., for instance relate to ego-involvement.

### **Orientation Clauses**

Almost all reviews, except for 10 (from 68 incidents), contained orientation information in the narrative of who was involved in the comments, where or when the events occurred. For instance, some reviewers (e.g. Incident 8, 37, 47) were visiting the restaurant with their family and friends. In others (e.g. 5, 10, 23, 26) it was clear that the narrator was the only person involved in the incident through the use of personal pronouns such as 'I', 'me', or 'my'. With other reviews (e.g. Incidents 12, 60, 64) it was assumed that the narrator (and/or someone else) were involved.

Some of the reviewers were first time visitors going on recommendation from friends or family (e.g. Incident 61) or upon reading positive online reviews of the restaurant (e.g. Incidents 55, 59). Others were repeat visitors (e.g. Incident 4 - I've been here a couple of times; Incident 14 - I have tried their buffet several times in the past...). The main reasons cited for their restaurant trips were celebratory (e.g. Incident 57- Group Xmas day lunch; Incident 48 - ... to celebrate my son's 18th birthday; Incident 55 - ... for a relative's birthday dinner; Incident 35 - ...for the opening ceremony).

In general, the orientation information was minimally presented. This could be due to two main reasons. Firstly, the nature of TripAdvisor as an online travel community is secure and requires a reviewer to sign in as a user by providing their personal details such as name (or pseudonym), nationality and age. Secondly, the reviewers are aware they are commenting on features for a specified restaurant and may assume readers are mindful too. The reader also has access to the reviewer's details including their past contributions, membership status, places last visited and votes. This scenario creates some form of shared context or knowledge between the reviewer and the audience. Given this background, it may be unnecessary for the reviewer to provide detailed orientation information in the reviews.

Despite such anecdotal information though, the orientation provided in most of the reviews was important in contextualizing the manner in which the narratives were presented. For instance, the reasons cited by reviewers for the restaurant visit (such as birthday celebrations) gave credence to the emotional state (at personal or interpersonal level) highlighted later, in the complicating actions and the evaluation.

## Complicating Actions

Most clauses were written following the classical restaurant service sequence, where after greeting and seating a guest for instance, an order should be taken (Cousins et al., 2014). However, they were limited to six of the eleven stages. Depending on the number of failed service recovery attempts, the reviews were classified into double, triple or quadruple deviation. Based on this criteria, double deviation narratives were contained in 34 reviews (38 incidents), whilst triple deviation occurred in 22 reviews (22 incidents) and ‘quadruple deviation’ in 8 reviews (8 incidents), giving a total of 68 incidents (Figure 1).

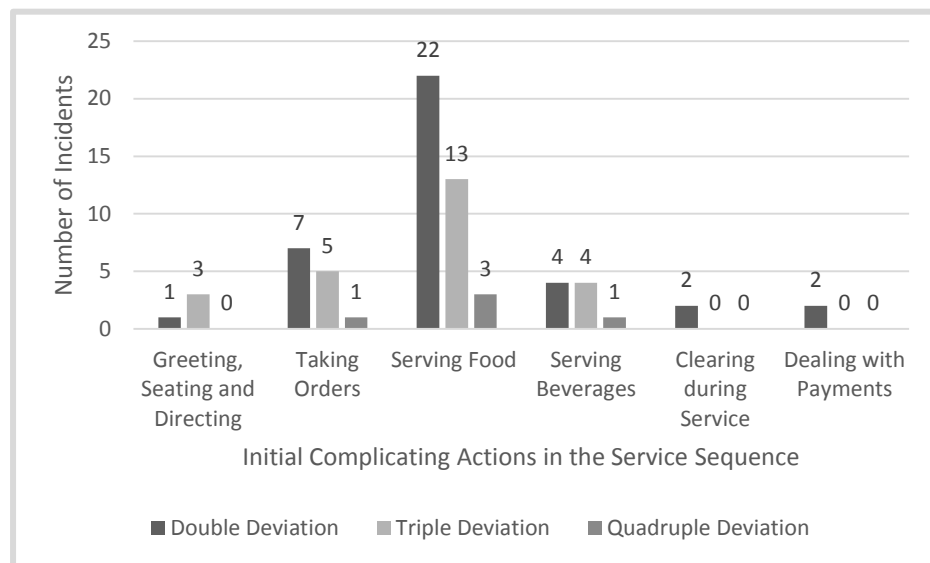


Figure 1. Deviations in the Service Sequence

The complicating actions which resulted in failed service recovery attempts (in all three deviations) occurred during the service of food, during order taking and during the service of beverages.

### Failed Service Recovery: Double Deviation (First Attempt)

Complicating actions giving rise to double deviation during order taking described service staff displaying inappropriate behaviour (e.g. Incident 38 - She

practically threw the menus at us and told us to hurry up because the kitchen was closing in half an hour) and having difficulties taking orders (e.g. Incident 19 - the waiter had three takes at taking our order). In other cases, some of the ingredients and items displayed on the menu were not available (e.g. Incident 26 - 2 basic orders from the menu were not available).

During the service of food, service delays were noted (e.g. Incident 6 - One plate of food arrived and by the time the plate was finished the second one still did not arrive; Incident 34 - after an hour the pizzas were still not ready). Some were associated with the sensorial quality of the served food (e.g. Incident 36 - It was completely tasteless and swam in something that looked more like dish-washing liquid than a sauce), including the presence of chemical and biological contaminants (e.g. Incident 28 - They served a slice of cake that had a clearly visible green layer of fungi growing on it to my 4-year old daughter). Other narratives relayed complicating actions arising because of ingredients and menu items that were unavailable (e.g. Incident 10 - ordered a cheeseburger which arrived without cheese; Incident 56 - instead of telling me they didn't have the salami they DARE PUT POLONY in my pizza!). Other complicating actions described inappropriate behaviour by the service staff or a superior actor (e.g. Incident 14 - I have informed a waitress about it and her answer was, "tell the chef". What!?!; Incident 18 - the manager(s), who were sitting with friends at an adjacent table, couldn't have cared less that there was a highly disgruntled customer next to him; Incident 40 - I went to the Manager...He looked and replied me in such arrogant manner and said 'If you know our service then why you NORTH INDIANS came to us'. ...After hearing this RACIST REMARK I decided not to stay anymore and decided to go...). The reviewer used capital letters to emphasize two clauses, 'North Indian' and 'racist remark,' which can be considered central to their decision to leave; heedless of the wait, which they were willing to endure.

### **Failed Service Recoveries: Triple Deviation (Second Attempt)**

In incidents that progressed into triple deviation, efforts to recover the failure were unsuccessful, twice in a row (e.g. Incident 43 - After some grumbling from the waiter it was replaced with a slightly thicker steak which was soooooo sinewy and cooked medium [nowhere near rare] - not sure what cut it was but definitely not fillet and everyone at our table who ordered fillet had the same experience). In other cases, even a superior actor was unsuccessful in remedying the failure (e.g. Incident 37- The waitress was adamant that the trolley should go. I spoke to the



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chef to ask him if he could make a plan, maybe allowing me to place it in a corner somewhere. The chef was as adamant as the waitress, the trolley must go, Management rules apparently).

In one case of alleged food contamination, the reviewer had to threaten the manager in order to attract a favourable resolution (e.g. Incident 23 - ...When told of the distinct possibility of food poisoning and what that meant legally, she spoke to the owner and then offered us (vegetarians) a free meal of chicken noodles the following day.).

### **Failed Service Recoveries: ‘Quadruple Deviation’ (Third Attempt)**

In eight cases, a third attempt at service recovery was also unsuccessful, giving rise to ‘quadruple deviation’ (e.g. Incident 9 - When I asked the waitress why it was so, it took a long time for her to come back with an answer. She spoke to one of her superiors and tried telling me that it was indeed a 300g size. No manager bothered to come and resolve the problem. Eventually somebody came and said that they would give me a discount instead. They gave me a 10% discount for giving me 33% less steak. Anyway, at the end of the meal, I went up to the Manager/owner to complain about the experience. That turned out to be worse. Instead of apologizing for their error, she tried saying that by giving me a discount, it should be fine).

In all of the eight reviews resulting in ‘quadruple deviation’, it was evident that the reviewers repeatedly sought for engagement with the servers and superior actors like chefs and managers without success. The use of adverbs like ‘again’, ‘until’, ‘still’ and ‘further’, and temporal adverbial clauses such as ‘Then nothing.’ in the narratives also suggest so (e.g. Incident 14 - I have again informed the restaurant manager and all he can say is I will inform the chef! Then nothing; Incident 48 - ... having to call waiters myself, they still don't take note until you call them again...).

To a great extent, the reviewers were searching for some form of distributive, procedural or interactional justice which was perceived unfair by the reviewers. The reviewers’ perceptions of unfair and unprofessional treatment is most likely the reason they rated the restaurants as poor or terrible. This is consistent with research that emphasizes the importance of fairness on how service providers treat customers arguing that perceived injustice has an effect on behavioural and revisit intentions (Ha & Jang, 2009; Lee & Park, 2010).

### **Evaluation**

External evaluative clauses occurred as free clauses whilst others were embedded in the other structural categories such as the abstract, orientation or complicating actions. The free clauses occurred as reviewers interrupted the narration in order to comment directly about the events (e.g. Incident 8 - one of the most humiliating experiences of my life; Incident 13 - we were really disappointed by our meals; Incident 44 - How embarrassing!; Incident 55 - I was extremely disappointed with our evening at [name of restaurant], especially at the price; Incident 56 - It was gross and I was angry!). Other comments were a reflection of the reviewers' self-involvement (e.g. Incident 44 - And, I am ashamed to admit, this is the third time we have had this experience, so why did we go back?? Incident 63 - ...and guess what! I WISH I HAD NOT DONE THAT...). In general, the external evaluation reflected an emotional connection with the narration.

The use of internal evaluation was more subtle, through the use of rhetoric elements such as intensifiers for emphasis. For instance, capitalization and exclamation was common (e.g. Incident 2 - ...but they didn't care! Incident 14 - What?! Incident 21 - COLD; Incident 28 - she REFUSED to go!!!!). Emphatic adverbs like 'very', 'really', 'extremely', and 'so', often used to express enthusiastic involvement on the part of the narrator (Radić-Bojanić, 2006), were also used (e.g. Incidents 13, 22, 47, 55, 62). Elongation was used but to a limited extent (e.g. Incident 43 - soooooo sinewy). Quantifiers such as 'whole', 'totally' and 'all' were noted in Incident 24 (Our whole day was spoiled), Incident 45 (Used to be our favourite spot now totally off our list) and Incident 20 (no lemon flavor at all), for instance. Comparators were also used in the form of questions (e.g. Incident 23 - Seriously? Incident 44 - so why did we go back???). Overall, internal evaluation displayed emotions of disappointment and to some extent anger, regret or embarrassment. These findings support Vázquez's (2011) observation that the notion of expectation is a relevant characteristic of some TripAdvisor complaints, where the reviewers make explicit reference to disappointment emanating from a mismatch between what was provided from what was expected and from previous experiences.

### **Resolution**

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In the majority of incidents (e.g. Incidents 6; 10; 11; 12;13;16; 20; 22; 26;33; 36; 43; 46; 47; 48; 52; 60; 65; 66; 67; 68) the resolutions were not indicated. However six key comments emerged. In some incidents, the reviewers left (e.g. Incidents 8; 14; 24; 41; 62; 64), in others (e.g. Incidents 4; 32; 42) they paid only for the food eaten or served. In other cases the reviewers reported to management/ supervisor/ service staff but to no avail (e.g. Incidents 2; 14; 30;35; 39; 40; 44; 45; 46; 55), whilst some service staff was castigated in full view of customers (e.g. Incident 65). There was unjustified compensation and intervention from the servers in other incidents (e.g. Incidents 9; 23; 49; 50; 51; 54; 58) whilst in the last set of reviews there was no management to report to (e.g. Incidents 1; 34; 37).

### **Coda**

The coda effect in the narratives studied was directed at three types of audience; the narrator, fellow reviewers and the restaurant facility. To most of the reviewers, the coda was an explicit resolution to leave and/or not visit the facility again. This was achieved in part, using self-directed expressions (e.g. Incident 4 - Needless to say I won't be returning back anytime soon; Incident 34 - I will definitely never go back). In other cases, the coda was presented as advice or recommendation to the reader who in a number of scenarios, was perceived as a fellow reviewer or potential diner (e.g. Incident 6 - look somewhere else before you waste your hard earned money; Incident 38 - If you want to eat out in Gaborone there are much better restaurants than this one!). Some codas were also presented to incite future engagement with the restaurant facility (e.g. Incident 41 - However, if I hear that they have improved, I may try again; Incident 42 - Guys we need the custom and can do better...even though...; Incident 51 - Hope they shall have stepped up their act during my next visit...).

The codas had the effect of returning the audience to the present but also gave insight into revisit intentions, through the frequent use of modal verbs such as 'will' 'if' 'still', 'may' and 'would' and adverbs of contrast such as 'even though' and 'however'. This aspect allowed the narrator an opportunity to express their thoughts at the time of writing the review, in some form of retrospection. The verbs were also used to reveal optimism, signifying the value of the entire meal experience (and not just one stage of the service sequence) in evoking revisit intentions.

## **MANAGERIAL AND THEORETICAL IMPLICATIONS OF THE STUDY**

This study reinforces the need for restaurants to use TripAdvisor to assess areas of customer dis/satisfaction (Sparks & Browning, 2010). In Botswana, the site provided an indication of some of the issues that restaurant managers should note in order to devise service recovery models. For instance, the study highlighted a higher prevalence of deviation during order taking, the service of food and the service of beverages; stages that can be recognized as key for service recovery.

It was also apparent from the study, that some superior actors such as supervisors were key players in complicating service recovery. In most cases their unprofessionalism resultantly led to service deviation. Supervisory staff should play a more active and professional role, being exemplary were possible and customizing their approach depending on the severity of the service failure.

This study also identified the presence of ‘quadruple deviation’. Despite its trivial rate of incidence, its occurrence signifies the presence of a severely complex service recovery process, since deviation mostly arose from an interaction including restaurant management and owners. Restaurants need to develop standardized and institutionalized feedback mechanisms across the sub-sector that aggrieved customers can follow, until a satisfactory resolution is achieved.

From a theoretical point of view, this study highlighted that TripAdvisor restaurant reviews in Botswana were packaged in the typical Labovian pattern that follows a six structured approach. Though the abstracts and orientation clauses were minimally highlighted, the complicating actions and evaluation, including the codas that were reviewed, were presented vividly. The evaluation component of the narratives allowed the reviewers an opportunity to relive the emotional experience that is associated with suboptimal experiences. The evaluation was consistent with negative emotions of service encounters such as anger, frustration and annoyance (McColl-Kennedy & Smith, 2006). Though minor and optional, the coda was also used by some reviewers to arouse optimism for repeat visitation, despite the severity of the service failure. This balancing act had the overall effect of reversing the unfavourable experience to some extent. Although service failure is inevitable and leads to customer dissatisfaction, it can be minimized through such introspective acts. This aspect reinforces the notion that

restaurant experiences may not be entirely based on one stage of the service sequence but on the entirety of the experience. At least, restaurants should take this observation as an opportunity to redeem their ratings. It was also apparent that reviewers presented their narratives following the typical restaurant service sequence where after greeting and seating for instance, an order should be taken. This implies that managers should also follow a procedural approach in remedying service failure.

### **LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

The study is limited in its approach to a manual qualitative form of analysis that is based on the author's interpretative abilities. The subsequent categorization of reviews into three types of deviation; based on the sequence of complicating actions was also a limitation. Lastly, since the study only focused on the narratives of failed service recovery attempts (and hence excluded successful attempts), a small corpus of reviews was inevitably used.

It may also be worthwhile to study failed service recovery attempts using cases from other countries or locations, so as to ascertain the prevalence of failed attempts at service recovery, particularly those that lead to quadruple deviation. It would also be interesting to note how narration is used in other service contexts such as the airline industry.

### **CONCLUSION**

The findings from this study support the use of narration in analysing service recovery in the restaurant sector. It was evident that service failure contexts led to psychological states and incidences that were coupled with disappointment and to some extent anger and regret, which eventually with most reviewers, led to their decisions of not visiting the facility again. However, a few reviewers in their final evaluation, could decide to revisit as they based their final decision on the entirety of the meal experience. These optimistic decisions for repeat visitation should be valued and used by restaurant facilities as a form of redemption.

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**PERCEPTIONS AND ATTITUDES OF  
UNDERGRADUATE STUDENTS TOWARDS  
DOMESTIC TOURISM: A CASE OF UNIVERSITY OF  
BOTSWANA**

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**ABSTRACT**

The tourism landscape in Botswana is mainly dominated by international tourists and domestic tourists have been relegated to the periphery. Owing to this, the contribution of domestic tourism to the overall contribution of tourism to the Gross Domestic Product (GDP) has been limited. To help understand the conundrum surrounding the limited contribution of domestic tourism to the national GDP, this study examined the attitudes of the University of Botswana Students towards domestic tourism using a structured questionnaire. A total sample of 155 students at the University of Botswana was randomly surveyed. The results of the study led to a conclusion that students have quite a pleasant and satisfying attitude towards domestic tourism as there was a balance between the positive and negative responses. This augurs well for the sustainability of tourism in Botswana where the tourism product is heavily reliant on international tourists. The positive attitudes displayed by students towards domestic tourism could be used as a springboard to allow locals to participate in the tourism industry thereby leading to the promotion of domestic tourism. Therefore this study recommends that deliberate efforts at policy level geared towards promoting domestic tourism be put in place to help diversify the tourism clientele base.

**Keywords:** Domestic tourism, Perceptions, attitudes, students, Botswana.

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## INTRODUCTION

The importance of international tourism and its contribution to the global economy is well documented. However, the emphasis on international tourism tends to obscure the continuing dominance of domestic tourism flows in many countries (Huybers, 2003). Agreeably, Kararach & Otieno (2016) have noted that the performance of the tourism sector in any country is related to domestic and international developments that shape tourism flows and the environment in which players in the industry operate. Mazimhaka (2007) The World Tourism Organization (WTO) predicts that during the next 20 years the expansion of domestic tourism will be strong in several countries, most notably China, India, Thailand, Brazil and Mexico (Mazimhaka, 2007). These countries are evidence that domestic tourism already constitutes a large and growing industry in several parts of the developing world. Although domestic tourism accounts for approximately 80 per cent of all tourism activity, it is still the case that governments of most developing countries would rather promote international instead of domestic tourism (Dieke, 2000), probably because of the known benefits that include foreign exchange earnings the industry generates for the host country. Even though international tourism is promoted that much, according to WTO projections, as cited in Mazimhaka (2007) the number of domestic tourists could be as much as ten times greater than current international tourist arrivals.

Moving away from the general world, domestic tourism remains an undeveloped theme even in African context where the planning and promotion of tourism in most African countries is biased towards international tourism (Mazimhaka, 2007). Rogerson & Lisa (2005) also say domestic tourism remains a "neglected" research theme across Africa. Furthermore 'the weakness of knowledge concerning domestic tourism explains why "existing policies in developing countries tend to concentrate overwhelmingly on expanding international tourist arrivals from the North" and to ignore the potential benefits from the emergence of domestic tourism' (Rogerson & Lisa, 2005). This ignorance to the potential benefits that domestic tourism could bring to countries could be one of the leading factors to local communities developing unsatisfying perceptions and attitudes towards domestic tourism as much is not being done to promote the phenomenon. 'Community attitudes are crucial for successful and sustainable tourism development because an understanding of community s' attitudes and perceptions and how these perceptions are formed regarding tourism development would be valuable knowledge for decision makers' (Eshliki & Kaboudi, 2012). In this paper we attempt to explore this area by looking at the attitudes of undergraduate students towards domestic tourism with a particular

focus on the University of Botswana. We begin this paper with an introduction followed by the literature review section, research methods, results and discussion and finally we offer concluding remarks for the paper.

## **LITERATURE REVIEW**

### **Domestic tourism**

‘Tourism is acknowledged as one of the major attributes for cultural and economic today and it offers the opportunity to the local communities. The growth of the tourism industry is crucial to the economic growth of a country as well as the related field such as transportation, leisure services and hospitality’ (Hanafiah, Jamaluddin & Zulkifly, 2013). Styliadis, Biran, Sit & Szivas (2014) suggest that ‘tourism development renders various economic, socio-cultural and environmental changes on the host community’s life, some more beneficial than others. Thus, the participation and support of local residents is imperative for the sustainability of the tourism industry at any destination’. The authors cited above agree that tourism is a major source of income for many countries, and affects the economy of both the source and host countries, in some cases being of vital importance”. Tourism can be domestic or international, and international tourism has both incoming and outgoing implications on a country’s balance of payments.

Domestic tourism is defined by the UNWTO as travel by residents undertaking tourism activities “within the country of residence” (Libreros, 2009, p. 5). Although the UNWTO definition seems straightforward, challenges pertaining to the definition and measure of the ‘domestic’ tourist have been noted (Eijgelaar, Peeters, & Picket, 2008; Telfer & Sharpley, 2008). Some definitions consider the distance travelled away from the normal place of residence, while others include same-day visitors and others exclude them. In some cases the element of accommodation (in lodging facilities) is used as a distinguishing factor between the domestic tourists and non-domestic tourists (Eijgelaar et al, 2008). Therefore such persons who do not have an element of accommodation in their travel would be labelled non-tourists and vice versa. In the context of this study, domestic tourism refers to travel within the country of residence by locals who then go on to partake in tourism activities.

### **Students involent in domestic tourism**

‘Involvement, a widely used concept in consumer behaviour literature, is defined as a person’s perceived relevance of the object based on inherent needs, values, and interests which can be used to explain individual differences’ (Josiam,

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Kinley & KiM, 2005). According to Kim (2008), involvement is a motivation variable with a number of consequences on the consumer's purchase and communication behaviour. However, within the tourism industry, it is described as 'the interest or motivational intensity toward a vacation place with behavioural consequences'. Additionally, the level of involvement has been linked to motivation for leisure choices, including travel, as well as satisfaction with the activity (Josiam, Kinley & KiM, 2005).

Existing literature shows that travel behaviour and preferences of various market segments are of equal interest to the tourism industry. Whether it is the retired, the working and/or the young stars in college institutions. Nonetheless, college students have always been side-lined when it comes to leisure travel because the main assumption is that they do not necessarily have time and disposal income that allow them to travel and engage in different tourism activities. Students may lack the economic or logistical means to travel, and generally people are more concerned with their work and may not have time to be involved in tourism development matters (Fried, 1999 & Kariuki, 2013). Also, 'the Botswana's "low-volume high cost policy" makes Botswana a very expensive destination' (Manwa & Mmereki, 2008). Research by Field (1999) however suggests that college students actually have the opportunity to travel during school recesses, such as spring break and summer and it is hoped that they could be significant contributors to the total tourism market and develop permanent attachments to individual service providers. Similarly, 'the youth and student travel market has been recognized as a growing segment with the potential to expand into a billion-dollar business' (Kim, Oh & Jogaratnam, 2007). Field (1999) further says that in the continuing search for new customers, many portions of the travel and tourism industry have since devoted considerable attention to the college market segment, essentially making an attempt to involve them in leisure travel. 'Apparently, the industry generally believes that most college students will wish to travel during these specific and easily predictable time periods and that a heavy advertising campaign on college campuses will produce a lucrative return on such marketing investment' (Field, 1999).

Studies on student's involvement in domestic tourism (leisure travel) are very limited. Evidence in literature shows that students and the general public show more outbound travel patterns as opposed to inbound travel patterns. For example, Xu, Morgan & Song (2009) concluded that 'Chinese students thought it more important to see the famous sights and learn about other cultures and history' hence why travelling outside the country more. Although a study by Morupisi & Mokgalo (2017) was not specific to students, it showed that '634,000 Batswana

took leisure trips outside the country mostly to neighbouring countries of South Africa, Zimbabwe and Namibia in 2014' and only 185,416 domestic leisure trips were recorded. Manwa & Mmereki (2008) further discovered that the key attractor to other destinations (countries) was unique heritage and culture of the people (58%). The second attractor to other African countries was the sea (23%). Parvez & Kashem (2018) indicate that young people want to involve themselves with different types of tourism activities along with enjoying the natural beauty.

### **Attitudes**

Many definitions of attitude have been raised by different scholars in different study fields, but there is one paradox with which they all must deal. Some authors agree that attitudes are not just some form of mood but a form of experience that refers to certain objects, people or even issues. Attitudes are usually expressed by describing objects of experiences in evaluative terms. Holland et al and Petty et al as cited in Crano & Prislin (2006) say that "defining attitude has been ongoing at least since Thurstone's (1928) time. Today, most accept the view that an attitude represents an evaluative integration of cognitions and affects experienced in relation to an object. Attitudes are the evaluative judgments that integrate and summarize these cognitive/affective reactions". According to Ajzen (2005) "an attitude is a disposition to respond favourably or unfavourably to an object, person, institution, or event". Attitudes are commonly viewed as summary evaluations of objects (e.g. oneself, other people, issues, etc.) along a dimension ranging from positive to negative (Petty, Wegener & Fabrigar, 1997). Ajzen & Fishbein (2005) say attitude is the key to understanding human behaviour.

An attitude has further been described as 'a psychological tendency that is expressed by evaluating a particular entity with some degree of favour or disfavour. This definition encompasses the key features of attitudes namely, tendency, entity (or attitude object), and evaluation. This conception of attitude distinguishes between the inner tendency that is attitude and the evaluative responses that express attitudes' (Eagly & Chaiken, 2007). Although definitions of attitude vary, most social psychologists agree that the main characteristic of attitude is in its evaluative nature. These psychologists also relate attitudes to behaviour, opinions and personality, of which is the line that my study takes. Ajzen & Fishbein (2005) mentioned that "like personality trait, attitude is a hypothetical construct that, being inaccessible to direct observation, must be inferred from measurable responses. Given the nature of the construct, these responses must reflect positive or negative evaluations of the attitude object". "Attitude is generally perceived to be a function of the affect associated with the



beliefs a person holds about the object. It is usually assumed that these affective values combine in some fashion to form the person's overall attitude" (Oskamp & Schultz, 2005). Crano & Prislin (2006) say that they expect that considerable efforts will continue to be made to understand the nature of attitudes that are measured via explicit versus implicit methods.

### **Students attitudes and tourism**

One of the most contentious issues in consumer behaviour research, and social science research generally, is the use of convenience samples of undergraduate college students as subjects in behavioural investigations. College students increasingly seem to be the subjects of choice in social psychology and consumer behaviour research. To illustrate this, Peterson (2001) reports that college students constituted 86% of the research subjects in empirical studies appearing in Volume 26 of *Journal of Consumer Research*, whereas Simonson, Carmon, Dhar, Drolet, and Nowlis (2001) report that 75% of the research subjects in *Journal of Consumer Research* and *Journal of Marketing Research* articles were college students (Peterson & Merunka, 2014). Literature reveals that there have been debates around the issue of using university/college students as subjects in research especially when the results have to be generalized to non-student populations. Peterson & Merunka (2014) argue that 'college students, or any other research participants, qualify as research subjects for fundamental research and theory testing'. According to North (1990) Institutions provide the incentive structure of an economy and therefore the way they evolve shapes long run economic performance. Institutions, compose of rules, norms of behaviour, and the way they are enforced provide the opportunity set in an economy which determines the kinds of purposive activity embodied in organizations that will come into existence. Additionally, it is now generally accepted that institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.

Students are a good indicator of societal norms and beliefs and should therefore be a reliable barometer of the general populations' attitudes to tourism. Secondly, tourism demand is influenced, among other things, by levels of income. Most students who graduate from the University of Botswana manage to secure well-paying jobs making it possible for them to become tourists (Manwa & Mmerekhi, 2008). Similarly, college student subjects might enhance research validity because of their apparent homogeneity. They tend to be homogeneous on dimensions such as age and education (which tend to influence attitudes), as well

as possess weak self-definitions, high egocentrism, and a strong need for peer approval (Peterson & Merunka, 2014). 'Despite widespread concerns surrounding the use of convenience samples of college students for theory testing (Ferber, 1977; Peterson, 2001), the authors could not find any study that offered convincing empirical evidence regarding the negative consequences for research conclusions drawn from them' (Peterson & Merunka, 2014).

The provided literature above proves that indeed college students are a reliable subject in consumer behaviour research just like non students. Furthermore, students in universities are of vast age ranges which provide balance in regards to information being gathered. Despite this, literature on the participation of students in tourism is generally very limited. In the case of Botswana, no study has been carried out to establish the perceptions and attitudes of students towards domestic tourism, hence the need for this study.

## **RESEARCH METHODS**

This study was conducted in 2019 at the University of Botswana between the months of January and June. The methodology employed in the study involved the use of a structured survey questionnaire. According to Sukamolson (2007) 'survey research is the systematic gathering of information from respondents for the purpose of understanding and/or predicting some aspects of the behaviour of the population of interest. Advantages associated with the use of surveys include the fact that: it is an inexpensive way of gathering large amounts of data; relatively speaking it is not time consuming etc. A purposive sample of 155 respondents from the population of students at the University of Botswana was selected to participate in the study. The questionnaire was divided into four sections namely: demographic information, general knowledge about tourism, level of involvement in tourism and lastly attitudes of students towards tourism. Through this questionnaire, the attitudes of students towards domestic tourism were measured on a 5-point Likert scale ranging from 1-Strongly agree to 5 – Strongly disagree.

Data collected was analysed with the help of Package for Social Science (SPSS). Data collected through questionnaires was entered into the SPSS software and further analysed using the software. The data was assessed to determine if there were statistically significant differences among the responses gotten. In addition, relationships between variables were derived using cross-tabulation. A descriptive statistical analysis was used to identify the frequencies and percentages profile of the students and to determine the means and standard

deviations of each of the statements used to describe the students' attitudes towards domestic tourism. For the means and standard deviations, a standard deviation of 0 to 1.00 represented a low standard deviation while a standard deviation above 1.00 represented a high standard deviation. This was important in determining how close or far spread the data points surrounding the mean of a particular statement were. Results are presented using tables, bar graphs, histograms and qualitative statements and descriptions.

## RESULTS AND DISCUSSION OF FINDINGS

### Demographic profile of respondents

This section aimed at profiling the sample size of respondents. The statistics (Table 1.0) reveal that a total number of 155 students participated in the study, of which 36.8% of them were male and 63.2% of them were female. Additionally, majority of the research subjects were aged between 18 and 24 years, constituting 89% of the total sample. The students aged 25 to 29 covered only 9.7% while those aged 30 to 34 and those over 34 years made up 0.6% of the sample respectively. Year 1, year 2, year 3 and year 4 students covered 14.8%, 25.8%, 15.5% and 43.9% respectively. The statistics also show that females (63.2%), students of the ages between 18 and 24 (89%) and year 4 students (43.9%) dominated with regards to participation in the study.

Table 1.0: Demographic information of respondents

Variable	Frequency	Percentage (%)
<b>Gender (n=155)</b>		
Male	57	36.8
Female	98	63.2
<b>Age</b>		
18-24	138	89.0

25-29	15	9.7
30-34	1	0.6
Over 40	1	0.6
<b>Academic Level</b>		
Year 1	23	14.8
Year 2	40	25.8
Year 3	24	15.5
Year 4	68	43.9

Source: Author's survey (2019)

### **Knowledge of students about tourism**

The primary aim of this section was to assess the extent to which students are knowledgeable about Botswana's tourism industry. To achieve this, a few general statements backed up by reviewed literature were provided to establish the level of knowledge of the respondents. The results are presented in Table 2. The results showed that for three variables out of a total of four, the respondents demonstrated that they are knowledgeable about tourism in Botswana. For example, when the statement 'Botswana's tourism is concentrated in the northern part of the country' was presented to respondents, 21.9% and 47.1% of respondents either strongly agreed or agreed respectively with the statement ( $M = 1.95$ ,  $STD = 1.01$ ). Furthermore respondents were asked to state their opinion regarding the statement 'Tourism is the second largest contributor to the country's GDP'. For this variable, it emerged that the majority of respondents responded positively to this statement with 40% and 48.4% of the respondents either agreeing or strongly agreeing respectively that tourism contributes significantly to the country's GDP. Lastly, when students were asked of their opinion regarding the statement that 'Botswana is a great safari destination' the majority of them agreed (46.5%) and

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strongly agreed (39.4%) respectively that indeed Botswana was a great safari destination ( $M=1.76$ ,  $STD = 0.86$ ).

The findings above indicate that students are knowledgeable about Botswana's tourism industry. This is not surprising given the nature of the target group that was used in the study (Students). Due to exposure to information made possible through having access to the university, we expect the knowledge base of students on domestic tourism to be high. This situation augurs well for the development of domestic tourism. According to Milman and Pizam (1995), there is a linkage between knowledge about a product and the development of a product. They argue that the creation of new products in tourism depends largely on the awareness levels of potential tourists. This is such that where tourism awareness is high, the buying decision of potential tourists is likely to be positive thereby aiding the development of a new tourism product. Therefore the development of domestic tourism could benefit from a highly knowledgeable student base, leading to the growth of the sector.

Table 2: General Knowledge of students about tourism

Statement	Responses			Mean	Std. Deviation	N
	LSA	Freq	%			
I know Botswana's main tourism product	Strongly Agree	34	21.9	1.95	1.01	155
	Agree	73	47.1			
	Undecided	28	18.1			
	Disagree	15	9.7			
	Strongly Disagree	5	3.2			
Tourism Contributes significantly to the country's GDP	Strongly Agree	75	48.4	1.65	0.72	155
	Agree	62	40.0			
	Undecided	16	10.3			
	Disagree	2	1.3			
	Strongly Disagree	0	0			
Botswana is a great safari destination	Strongly Agree	61	39.4	1.76	0.86	155
	Agree	72	46.5			
	Undecided	20	12.9			
	Disagree	2	1.3			
	Strongly Disagree	0	0			
<b>Overall</b>				<b>1.79</b>	<b>0.87</b>	<b>N/A</b>

Source: Author's Survey 2019

### Students' level of involvement in tourism

After establishing the students' general knowledge about tourism, the study went on further to assess their level of involvement in tourism. The students' level of Involvement in tourism was assessed by looking at the student's propensity to travel either locally or internationally (See table 3). Generally the results showed that student's propensity to travel were low with an average mean of 3.68. When the general statement 'I travel for touristic purposes at least once a year' was posed to respondents, 34.2 percent and 20.6 percent of respondents either disagreed or strongly disagreed respectively with the statement. Similarly when the statement 'I visit local tourist attractions at least once a year' was posed to respondents, the majority of them were not in agreement. This is accounted for by

39.4 percent and 32.9 percent of the total number of respondents who either disagreed or strongly disagreed respectively with the statement posed to them. Lastly when respondents were asked if they ever travelled outside the country for touristic purposes, it emerged that the majority of respondents do not travel outside the country for holidays every year. The mean score recorded for this variable was the highest (M=4.03) and this indicates that responses were leaning more towards disagree and strongly disagree.

The findings above indicate that generally student involvement in tourism is very low. More importantly, it is also evident that their involvement in domestic tourism is almost non-existent, something which is reported to common in the country (Arca Consulting, 2000; Mbaiwa, Toteng & Moswete, 2007). This is also consistent with the literature reviewed where the focus of tourism development in Botswana is mainly on international tourists who are attracted by nature based tourism (Mbaiwa, 2018; Barnes, 2001). The he country's emphasis on the high value/low volume approach to tourism development (Morupisi & Mokgalo, 2017), discourages the development of domestic tourism through the steep prices that are meant to help control the number of visitors to local attractions sites.

Table 3: Students' level of involvement in tourism

Statement	Responses	Freq	%	Mean	Std. Deviation	N
I travel for touristic purposes at least once a year.	Strongly Agree	12	7.7	3.30	1.30	155
	Agree	46	29.7			
	Undecided	12	7.7			
	Disagree	53	34.2			
	Strongly Disagree	32	20.6			
I visit local tourist attractions at least once a year.	Strongly Agree	21	13.5	3.72	1.43	155
	Agree	19	12.3			
	Undecided	3	1.9			
	Disagree	51	32.9			
	Strongly Disagree	61	39.4			
I travel outside the country at least once a year for holidays.	Strongly Agree	7	4.5	4.03	1.16	155
	Agree	16	10.3			
	Undecided	12	7.7			
	Disagree	50	32.3			
	Strongly Disagree	70	45.2			
<b>Overall</b>				<b>3.68</b>	<b>1.30</b>	<b>N/A</b>

Source: Author's Survey 2019

### **Attitudes of students towards domestic tourism**

The attitudes of students towards domestic tourism were assessed by looking at their interest in visiting local attractions, whether economic incentives would influence their interest in travelling for touristic purposes, whether travelling was a priority and finally whether product diversification would influence their interest in travelling (See Table 4). The results showed that generally students attitudes towards domestic tourism were positive ( $M=2.06$ ). For example, when respondents were asked if they were interested in visiting local attractions as tourists, the majority of them responded positively where 45.8 per cent strongly agreed and 40 percent just agreed. Similarly when the statement 'I would visit local attractions if locals paid lower prices compared to international tourists' was posed to them, 36.1 percent agreed and 34.8 percent disagreed. This shows that incentivizing travel for locals can actually encourage them to participate in domestic tourism. When the statement 'Leisure travel is a priority for me' was posed to respondents, a majority of respondents disagreed (27.7%) and strongly disagreed (13.5%) with the statement. However a significant number of respondents also agreed (11.0%) and strongly disagreed (25.8%) with the statement. For this variable, the standard deviation was high ( $STD= 2.18$ ) when compared with other variables indicating a lack of agreement on the part of respondents.

The findings above indicate that the attitudes of students towards domestic tourism were generally positive. This means that despite the poor performance of domestic tourism in Botswana (Morupisi and Mokgalo, 2017), students offer an opportunity for local participation in tourism to be improved. For a country that is highly dependent on international tourists, any effort made towards diversifying the clientele base should be a welcome development. Therefore owing to the positive attitudes displayed by students towards domestic tourism, every effort should be made to incorporate them in tourism so that they can contribute meaningfully to the growth of the industry.



Table 4: Attitudes of students towards domestic tourism

Statement	Responses	Freq	%	Mean	Std. Deviation	N
I am interested in visiting local attractions	Strongly Agree	71	45.8	1.64	0.92	155
	Agree	62	40.0			
	Undecided	13	8.4			
	Disagree	5	3.2			
	Strongly Disagree	4	2.6			
I would visit local attractions if locals paid lower prices compared to international tourists	Strongly Agree	56	36.1	1.71	1.21	155
	Agree	54	34.8			
	Undecided	14	9.0			
	Disagree	24	15.5			
	Strongly Disagree	7	4.5			
Leisure travel is a priority for me	Strongly Agree	17	11.0	2.93	2.18	155
	Agree	40	25.8			
	Undecided	34	21.9			
	Disagree	43	27.7			
	Strongly Disagree	21	13.5			
I would travel more if BW tourism product was well diversified	Strongly Agree	44	28.4	1.97	1.06	155
	Agree	56	36.1			
	Undecided	34	21.9			
	Disagree	17	11.0			
	Strongly Disagree	4	2.6			
<b>Overall</b>				<b>2.06</b>	<b>1.11</b>	<b>N/A</b>

Source: Author's Survey 2019

## CONCLUSION

This was an exploratory study which used a random sampling scheme to explore the attitudes of University of Botswana students towards domestic tourism. The study involved three (3) main categories that helped the researcher to address the objectives; they included 'Knowledge', 'Involvement', and attitudes of students towards domestic tourism. The findings showed that students largely have general knowledge about the tourism industry in Botswana. Notwithstanding that, the overall attitudes of students towards domestic tourism remained positive.

In conclusion, this study has contributed towards the debate surrounding the sustainability of tourism development by introducing another angle to it. Through this angle, this study proposes the use of domestic tourism to achieve sustainability in tourism development where students are the centre of attraction and this is contrary to what is common in literature. Finally it is recommended that similar studies be carried out to explore other sections of the population in terms of establishing their willingness to participate in domestic tourism.

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**STRATEGIC ORIENTATION, CORPORATE STRATEGY AND  
FIRM PERFORMANCE: THE CASE OF WILDERNESS HOLDINGS  
LIMITED**

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**ABSTRACT**

This study investigates the growth of Wilderness Holdings Limited from its inception in 1983 to entry into international markets. In doing so, this study identifies strategies propelling this growth. Using document analysis, the study identifies strategic orientation, and new market entry as two major ‘tipping points’ critical to WHL growth. This study found that WHL used vertical integration, acquisitions, downscoping, strategic alliances and partnerships to propel new market entry into eight countries in Africa. This study also found that WHL’s growth over the years was very complex and possibly unique to itself specifically in respect to how downscoping and acquisition can be used together to propel growth. Firm profitability was used as a measure of growth. From a loss of BWP4, 967,000 in 2009, WHL’s profits have reached BWP62, 751,000 in 2018. While WHL’s strategy may not be copied, it is essential for firms to blend different strategies in a manner that would lead to growth. However, the limitation of the WHL’s strategy is that it ultimately leads to over diversification, unless downscoping is equally intensified.

**Keywords:** Wilderness Holdings Limited; Strategic Alliances; Downscoping; Acquisition; Diversification; Tipping Points; Organizational Life Cycle

## INTRODUCTION

Wilderness Holdings Limited (WHL) is synonymous with the history of tourism in Botswana. While systematic tourism management in Botswana started with the Botswana Tourism Policy (Basupi, Pansiri, & Lenao, 2017; Republic of Botswana, 1990) and other significant milestones such as the Botswana Tourism Master Plan (Republic of Botswana, 2000) and the Botswana National Ecotourism Strategy (Republic of Botswana, 2002), WHL began its operations as Wilderness Safaris in Botswana in 1983 (Wilderness Holdings Limited, 2010a, 2016c). It was listed on the Botswana Stock Exchange (BSE) to form part of the currently (2019) 36 listed companies in Botswana (Botswana Stock Exchange, 2019), with a secondary listing on the Johannesburg Stock Exchange (JSE) on 8 April 2010 (WHL, 2010a; 2010b). WHL has grown significantly to become a major international tourism business participating in major markets in Africa such as Botswana, Republic of Congo, Kenya, Namibia, South Africa, Seychelles, Zambia, and Zimbabwe (WHL, 2015). This growth was propelled by a robust vertical integration model supported by acquisitions of subsidiary companies, strategic alliances, and partnerships as corporate level strategies for market entry in international markets (WHL, 2010b).

WHL has grown from BWP868 million revenue with BWP48 million profit after tax in 2010 (WHL, 2010a) to BWP945 million revenue with BWP76 million profit after tax in 2015 (WHL, 2015). It has achieved an average of PWP1, 059,551.13 million revenue and BWP54, 365.875 profit after tax for a period of eight (8) years between 2010 and 2017. It has also grown from 938 employees in 2010 to 2 580 in 2017 (WHL, 2015, 2017a). Therefore, the objective of this paper is to analyse WHL's strategic orientation leading to these growth trajectories ever since WHL was listed on the BSE. In doing so, the paper shows that WHL did not develop according to a pre-set sequence of stages, but through its own unique series of stable and unstable states (P. D. Gupta, Guha, & Krishnaswami, 2013; Phelps, Adams, & Bessant, 2007) propelled by deliberate and well considered strategies based on an entrepreneurial vision focused on international growth.

## THEORETICAL OVERVIEW

Many models have been used to explain developments in organisations. A number of process models have been proposed "such as developmental models (and their subcategory, stage models), cyclical models, evolutionary models, chaos models, complexity models, system dynamics models, game theory models,

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path dependency models, historical/case studies” (Stubbart & Smalley, 1999, p. 273); life cycles models (Beverland, 2001; P. D. Gupta et al., 2013; Y. P. Gupta & Chin, 1993; Levie & Hay, 1998; Phelps et al., 2007; Rutherford, Buller, & McMullen, 2003; von Wobeser, 2016); and states framework for firm growth (P. D. Gupta et al., 2013; Levie & Hay, 1998; Phelps et al., 2007). A prominent model, the organizational life cycle has been used to explain organisational development over time (Nazzari & Foroughi, 2007). It argues that the growth path or changes that occur in organisations follow a fixed sequence of static and linear or predictable pattern that can be characterised by predictable, programmed developmental stages (P. D. Gupta et al., 2013; Quinn & Cameron, 1983; Stubbart & Smalley, 1999).

The organisational life cycle theory heavily relies on biological science, and treats organizations as if they were some kind of living organism whose development is through some stages of life (von Wobeser, 2016); that “like people and plants, organizations have life cycles” (Lippitt & Schmidt, 1967, p. 102). According to the organisational life cycle, firms go through a sequential progression through stages such as birth or start-up, growth, maturity, and even decline (Rutherford et al., 2003). However, there is still no consensus or clear evidence regarding the number of stages a firm experiences (Beverland, 2001; Phelps et al., 2007; Rutherford et al., 2003). “While in principle all theories agree that growing firms developed through a series of stages, there was little agreement on the number of stages (ranging from 2 to 11, with the majority of theories having 3–5 stages) or on the detail of each stage” (Beverland, 2001, p. 184). Levie and Hay (1998) identified 63 different published stages models. Phelps et al. (2007) reviewed 33 Life-cycle Literature and found the number of stages ranging between two and ten, with the majority (10) indicating four stages. Rutherford et al. (2003) reviewed 30 studies that have examined human resource management (HRM) problems or activities related to the organizational life cycle and also found the number of stages ranging between two and ten, with the majority (10) indicating four stages. For instance, Adizes (2004) identifies 10 stages, namely courtship, infancy, go-go, adolescence, prime (as first 5 stages that explain development phase); stable, aristocracy, early bureaucracy, bureaucracy, death (as the next 5 stages explaining the decline phase). In his phases of evolution and revolution, Greiner (1972) identifies five periods each characterised by a dominant management style used to achieve growth: creativity (leadership), direction (autonomy), delegation (control), coordination (red tape) and collaboration. Greiner (1997, p. 9) later added that “a sixth phase may be evolving in which growth depends on the design of extra-organizational solutions,

such as creating a holding company or a network of alliances and cross-ownership”.

Stage models have been criticised for their logic that does not only divert attention from the context of change, and deemphasize individual firm differences, but also downplay the role of strategic choice (Stubbart & Smalley, 1999). To this end, stage models are unsatisfactory because they tend to mitigate both the context and the decision-making elements of strategic choice, and undermine the uniqueness of each organisation (Stubbart & Smalley, 1999). In fact, it has been observed that all the recent large-scale empirical evidence has shown that firms do not develop according to a pre-set sequence of stage, instead, they evolve through their own unique series of stable and unstable states related to managerial problems (Levie & Hay, 1998; Phelps et al., 2007).

Based on the above observations, Phelps et al. (2007) proposed a framework for the growth of firms based on states rather than stages, and its application to organisational analysis is gathering momentum (P. D. Gupta et al., 2013; Levie & Hay, 1998; Majumdar, 2008; Phelps et al., 2007; Quinn & Cameron, 1983; Rutherford et al., 2003; Stubbart & Smalley, 1999). Phelps et al. (2007) suggest that firm growth is complex, path dependent and unique to each firm and this could be best understood using a two dimension framework related to the managerial problems that growing firms face. The first dimension consists of ‘tipping points’, which are the problems faced by the firm. ‘Tipping points’ are critical points in an evolving situation, before which relative stability is the condition, but after which a large change is observed (Phelps et al., 2007). These are the consequence of environmental changes, and they depend on the specific context of the firm in its environment. Therefore, in order to keep on growing “a firm must successfully resolve the challenges presented by the tipping point. To do this, it must have the capability to find new knowledge suited to resolving the new challenges, and the ability to implement this knowledge so that it succeeds in a competitive environment” (Phelps et al., 2007, p. 8).

Phelps et al. (2007) identify six tipping points, namely people management, strategic orientation, formalization of systems, new market entry as well as obtaining finance and operational improvement, but emphasise that the growing firm is likely to encounter some or all of these tipping points at some point or another, not necessarily at the same time, and without following any formalised sequence. Phelps et al. (2007) argue that the second dimension describes the firm’s ability to obtain and utilize new knowledge to successfully resolve the challenges presented by tipping points. They suggest that firms are differentially able to acquire, assimilate, transform and apply knowledge to navigate tipping points, even when they operate in the same environment (Majumdar, 2008). These



six tipping points are major areas that could be addressed separately. Therefore, this paper is the initial attempt to address WHL tipping points by starting with the firm's strategic orientation. Therefore, the objective of this paper is to analyse WHL's strategic orientation leading to its growth trajectories. In doing so, the paper investigates WHL's strategic imperatives, specifically seeking an understanding of how WHL expands its footprint through vertical integration, diversification, acquisitions, strategic alliances and partnerships, as well as downscoping.

## METHODOLOGY

This is a case study of Wilderness Holdings Limited. Case studies are widely used in organizational studies (Kohlbacher, 2006) and tourism research (Beeton, 2005; Khalil Zadeh, Khalilzadeh, Mozafari, Vasei, & Amoei Ojaki, 2017) as forms of empirical inquiry on phenomena in which multiple sources of evidence are used (Patton & Appelbaum, 2003). Qualitative methods of data collection largely dominate in case studies (Bonoma, 1985; Patton & Appelbaum, 2003). Therefore, this study used document analysis to examine WHL's strategic orientation. "Document analysis is a systematic procedure for reviewing or evaluating documents - both printed and electronic (computer-based and Internet-transmitted) material" (Bowen, 2009, p. 27). Document analysis is extensively used in social science research (i.e. Bravo, 2016; Higgins et al., 2016), and has been widely used in tourism studies, either as a single methods (Ramos, Salazar, & Gomes, 2000; Ruhanen, 2004), or as a combination with in-depth interviews (Boukas, Ziakas, & Boustras, 2013; Buultjens, Ratnayake, & Gnanapala, 2016; Horng & Tsai, 2012b) or multiple methods [observations, interviews, focus groups, empirical evaluation] (Horng & Tsai, 2012a; Liu, 2014; MacDonald & Jolliffe, 2003; Woodhead, 2013; Zhang Qiu, Yuan, Haobin Ye, & Hung, 2013).

Six possible sources of evidence for case studies have been identified namely documents, archival records, interviews, direct observation, participant observation, and physical artefacts (Bowen, 2009; Patton & Appelbaum, 2003; Yin, 2003). Previous studies using document analysis have made use of public data sources [Edgar, Lexis/Nexis Academic Universe, and company and investor-relations websites] (Holder-Webb, Cohen, Nath, & Wood, 2009); annual reports of listed companies (Lee et al., 2018); printed or electronic publications and organisations' websites (Kivimaa, 2014); company websites, and press releases (Baggio, 2003; Holder-Webb et al., 2009; Rus & Negruşa, 2014).

This study used published company texts. These texts were data about the firm (Saunders, Lewis, & Thornhill, 2007; Veal, 2011). These data included annual reports, newspapers, company websites and other published documents. Annual reports have been seen as very useful sources of information, mainly because managers of companies commonly signal what is important through the reporting mechanism (Ayton, Carey, Joss, Keleher, & Smith, 2012; Guthrie, Petty, Yongvanich, & Ricceri, 2004; Josiah, Gough, Haslam, & Shah, 2014; Josiah, Themba, & Matenge, 2016). Information used in this study was accessed from June 2016 to February 2018. These included WHL's annual reports published between 2010 and 2017, documents relating to acquisitions and collaborations, and analysis of newspapers articles, and websites of both WHL, and its subsidiary companies

## WHL'S STRATEGIC ORIENTATION

Although strategic orientations have been of interest in the literature, there is still no consensus on what it is (Jantunen, Nummela, Puumalainen, & Saarenketo, 2008). Strategic orientation concerns itself with the decisions that firms make to achieve superior performance (Slater, Olson, & Hult, 2006). Is it the guiding principle that influences a firm's marketing and strategy-making activities (Noble, Sinha, & Kumar, 2002; Theodosiou, Kehagias, & Katsikea, 2012), and strategies implemented to create the proper behaviours that lead to superior performance (Theodosiou et al., 2012). Strategic orientations refers to the processes, practices, principles and decision-making styles that guide firms' activities (Jantunen et al., 2008; Wiklunda & Shepherd, 2005).

Strategic orientation is concerned with the decisions that businesses make to achieve superior performance and therefore "defines the broad outlines for the firm's strategy while leaving the details of strategy content and strategy implementation to be completed" (Slater et al., 2006, p. 1224).

A number of facets of strategic orientation have been identified in the literature (Ferraresi, Quandt, dos Santos, & Frega, 2012; Gatignon & Xuereb, 1997; Jantunen et al., 2008), i.e. market orientation (Grinstein, 2008; Hult, Ketchen, & Slater, 2005; Hurley & Hult, 1998; Lings & Greenley, 2009; Slater et al., 2006; Wang, Hult, Ketchen, & Ahmed, 2009); entrepreneurial orientation (Covin & Lumpkin, 2011; Lechner & Gudmundsson, 2014; Rauch, Wiklund, Lumpkin, & Frese, 2009; Wales, Gupta, & Mousa, 2013); knowledge management orientation (Ferraresi et al., 2012; Wang et al., 2009); pricing orientation (Liozu & Andreas, 2013); competitor orientation (Armstrong & Collopy, 1996; Zhou, Brown, Dev, & Agarwal, 2007); learning orientation (Baker

& Sinkula, 1999; Celuch, Kasouf, & Peruvemba, 2002); and technology orientation (Halac, 2015).

This paper identifies WHL's strategic orientation as largely entrepreneurial. Entrepreneurial orientation, defined as "the strategy-making processes, structures and behaviours of firms characterised by innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy, facilitating the pursuit of opportunities" (Lechner & Gudmundsson, 2014, p. 36). This is shown in WHL's four main strategic imperatives: diversification using vertical integration, subsidiary strategy, acquisitions, and partnerships and strategic alliances. Collectively, these strategies have shaped WHL's growth over the past 34 years (1983 – 2017), therefore accounting for the company's performance over these years. The following sections deal with these strategies, and subsequently arguing that these strategies account for WHL's growth from a loss of BWP4,967,000 to BWP62,751,000 after tax in 2017.

### **History of Wilderness Holdings Limited**

WHL began its operations as Wilderness Safaris in Botswana in 1983 (2010a), focusing its operations on safaris in wild, pristine and remote areas (WHL, 2010a, 2010b). It started by offering "journeys and experiences to the discerning globally caring travellers" (WHL, 2010b, p. 14). It became Wilderness Holdings Limited in 2004 prior to Listing in 2009, and its acquisition of Wilderness Safaris Investment and Finance (Proprietary) Limited [WSIF] (WHL, 2010b).

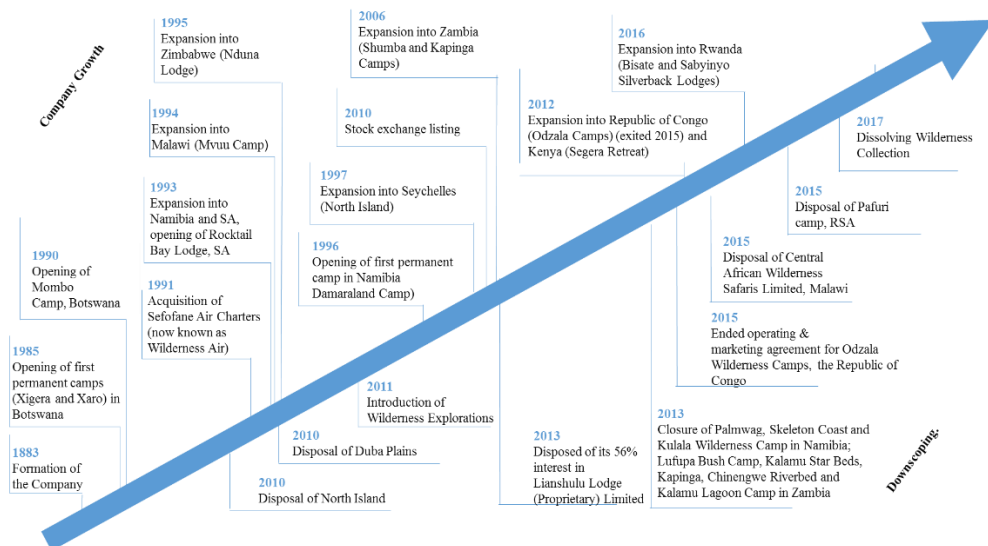
It was listed on the BSE with a secondary listing on the JSE on 8 April 2010 (WHL, 2010a; 2010b). Ever since, WHL has grown significantly to become a major international tourism business participating in major markets in Africa (WHL, 2015). This growth was propelled by a robust vertical integration model supported by acquisitions of subsidiary companies, strategic alliances, and partnerships as corporate level strategies for market entry in international markets (WHL, 2010b, 2016a). The Wilderness Holdings Limited Group has become a diversified company made up of Wilderness Holdings, WSIF and all their subsidiaries, associates, joint ventures and partnerships.

Ever since its formation in 2010 WHL's strategic orientation has emphasised a business model that is vertically integrated and consisting of the following key businesses within the value chain: Safari consulting (tour operating and destination management); Transfer and touring (air and road); Camp, lodge and safari exploration operator; and Finance and asset management business. WHL emphasise that "as a listed entity Wilderness will be well-placed to exploit

profitable acquisition opportunities as they arise” (WHL, 2010b). The eight reviewed WHL annual reports emphasise a business model that is vertically integrated with acquisition as a strategy for growth.

Figure 1 shows that since 1983, WHL has reached many important business milestones through acquisitions and direct expansion into Kenya, Namibia, Rwanda, Seychelles, South Africa, Zambia and Zimbabwe, using a business model that emphasises vertically integration, supporting the three “strategic pillars” of the Wilderness business: Tourism; Conservation; and Awareness (WHL, 2012). This vertical integration has been on safari consultancy; camp, lodges and safari explorations; finance and asset management; transfer and touring; and training as shown in Table 1.

Figure 1: WHL Timelines from 1983 to 2017



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Sources: (Wilderness Holdings Limited, 2010a, 2011, 2012, 2013, 2014, 2015, 2016b, 2017a)

Since 2010, WHL's strategic orientation was based on two fundamental growth strategies: internal and external growth strategies. These were blended together over the years to achieve two strategic orientation imperatives: gaining market share and expanding its footprint. Over the years WHL has focused on: consolidation of the industry (WHL, 2011, 2012), gaining market share, increasing its footprint (Wilderness Holdings Limited, 2011, 2012, 2013, 2014, 2015), increasing utilisation of existing capacity; productivity improvements (WHL, 2013, 2014, 2015), growth of the business, brand development, quality of products and services, strength of trade relationships, and sustainability of operations (WHL, 2016b; 2017a). The basis of expansion of its footprint, and gaining market share is its diversification strategy based on the company's model of vertical integration. This strategy is supported by acquisitions and calculated downscoping.

### **Diversification strategy**

Firms are considered diversified if they concurrently are active in more than one business (Helms, 2006; Nayyar, 1992). Diversification strategy has been seen as an important component of strategic management of a firm (Palepu, 1985). Helms (2006), maintains that diversification strategies are used to expand an organization's operations by adding markets, products, services, or stages of production to the existing business. Considerable evidence underscores the relationship between a firm's diversification strategy and its economic performance (Delios & Beamish, 1999; Palepu, 1985). Using meta-analytic data drawn from 55 previously published studies, Palich, Cardinal, and Miller (2000, p. 155) concluded that "performance increases as firms shift from single business strategies to related diversification, but performance decreases as firms change from related diversification to unrelated diversification".

The Wilderness business diversification strategy is based on the company's model of vertical integration. "Vertical integration exists when a company produces its own inputs (backward integration) or owns its own source of output distribution (forward integration)" (M. A. Hitt, Ireland, & Hoskisson, 2007, p. 179). WHL's vertical integration strategy consists of the following key businesses within the value chain: Safari consulting (tour operating and destination management); Transfer and touring (air and road); Camp, lodge and safari exploration; and Finance and asset management business (WHL, 2010a; 2010b).

These tourism activities were undertaken through five main trading brands: Wilderness Safaris, Wilderness Adventures, Wilderness Explorations, Wilderness Air and the Wilderness Collection (WHL, 2011). WHL also operates the Wilderness Trust and the Children in the Wilderness for its conservation, external community engagement and development projects. This paper focuses on the commerce of Wilderness Holdings Limited. Therefore, the analysis concentrates on its five brands: Wilderness Safaris, Wilderness Collection, Wilderness Adventures, Wilderness Explorations, and Wilderness Air.

### **Wilderness Safaris**

WHL's tourism business comprises two main brands: Wilderness Safaris and Wilderness Collection. Wilderness Safaris was founded in 1983, and it is the original trading brand of the Wilderness Holdings Limited Group (WHL, 2014). It offers safaris based on both fixed and mobile camps (the latter under Wilderness Explorations) in three tiers of camps: Premier, Classic and Adventures, which are supported by the travel trade and principally by travel agents specialising in the booking and arranging of African travel (WHL, 2011; 2013, 2014, 2015). Wilderness Safaris endeavours to provide its customers with an all-inclusive experience. Its vision is "to be Africa's leading ecotourism organisation, creating life-changing journeys in order to build sustainable conservation economies and inspire positive action" (Wilderness Safaris, 2017). As at 2017, Wilderness Safaris owns and operates a network of 50 safari camps and lodges in eight African countries (Botswana, Kenya, Namibia, Rwanda, Seychelles, South Africa, Zambia and Zimbabwe), covering a total of 894 beds, hosting in excess of 30 000 guests per annum (WHL, 2015).

### **The Wilderness Collection**

Wilderness Collection was launched as a separate, independent brand in 2011 to "focus on unique sustainable programmes in iconic locations all initially in Africa and the Indian Ocean islands" (WHL, 2011, p. 3). Wilderness Collection was a stable of unique sustainable tourism operations in locations at a distance from WHL's original areas of operation (WHL, 2014). By 2016 it was managing 44 beds in four countries Seychelles (22); Kenya (16); Congo (24); Botswana (12). However, Wilderness Collection was dissolved and all its camps were absorbed by the Wilderness Safaris brand, and categorised as Premier Camps (WHL, 2017a).

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## **Wilderness Adventures and Wilderness Explorations**

Wilderness Adventures is a bednight business selling stays in a stable of facilities (lodge and camp operations) and is largely supported by local inbound tour operators, Wilderness Air, and some of the larger international outbound tourism businesses (WHL, 2011, 2012). On the other hand, is made up of fully serviced guided journeys meant to create a sense of exclusive camping in Africa, and sells mobile safaris (WHL, 2011, 2016c).

### **Wilderness Air**

The Wilderness brands are supported by Wilderness Air, the flying business (WHL, 2011, 2012). Wilderness Safaris operations occur in remote, wild places across seven southern African countries. Guests and staff move within these areas on foot, in vehicles, boats and aircraft, often in close proximity to wildlife. In the past, the traditional Botswana safari was a mobile safari, where tourists were driven around by professional guides with the camping equipment travelling with them. However, with the recent establishment of permanent camps and lodges, mobile safaris have reduced considerably. Hence Wilderness Air was established in 1991, with one aircraft based in Botswana servicing two camps in the Okavango Delta (Wilderness Air, 2018b). This was a result of an acquisition of Sefofane Air Charters (WHL, 2017a). Sefofane Air Charters changed its name to Wilderness Air through a rebranding process in 2011 as a way of strengthening its position as a member of WHL (WHL, 2011). By 2018, it has diversified into other geographic markets and now operates in Botswana, Namibia, Zambia and Zimbabwe, with a fleet of 38 aircraft and employing over 50 pilots (Wilderness Air, 2018b; WHL, 2016b). Its main responsibility is to transport Wilderness' guests, staff and supplies to its various camps (Wilderness Holdings Limited, 2016b).

### **Subsidiary strategy**

Global challenges create incentives for multinational corporations (MNCs) to change their organizational structures and strategies (Gammelgaard, McDonald, Stephan, Tüselmann, & Dörrenbächer, 2012), leading to a the proliferation of subsidiaries around the world (Delany, 2000). Subsidiaries have been used as mechanisms for market entry (Ben\_Youssef & Hoshino, 2007; Youssef & Hoshino, 2003). A subsidiary company is an entity is subordinate to the parent firm and might work under orders from the parent firm's corporate office.

Since 2010, WHL has maintained a substantial number of subsidiary companies in four sectors: Safari consultancy; Camp, lodges and safari explorations; Finance and asset management; and Transfer and Touring. Table 1 shows that the majority of these subsidiaries have been in Camp, lodges and safari explorations, and Transfer and Touring, with very few in Training, and Safari consultancy. The average number of Camp, lodges and safari explorations subsidiaries is 34.5 (51.1%) while Training is 0.6 (0.8%). Between 2010 and 2017, WHL has managed an average of 67.9 subsidiaries with the highest number in 2011 (80) and the lowest in 2016 (60). In addition, WHL has maintained an average of 9.1 (13.3%) of these subsidiaries not trading with the highest number of non-trading companies in 2011 (13 [16.3%]).

Table 1 also shows that effective holding of WHL in these subsidiaries ranged between less than 50% holding (15.5 [10.8%]) and 100% holding (31.6 [46.6%]). The majority of these subsidiaries were 100% owned by WHL. In addition, the majority of these subsidiaries are operating in international markets. An average of 47.5 (71.5%) of these subsidiaries are owned outside Botswana. This confirms Ben\_Youssef and Hoshino (2007) and Youssef and Hoshino (2003) observation regarding the use of subsidiaries as mechanisms for market entry

Table 1: WHL active subsidiary and associate companies from 2010 to 2017

Year	Tourism Sector												Effective holding						Subsidiary location				Total
	A		B		C		D		E		F		<50%		50-99%		100%		Domestic		International		
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	
2010	4	5.6	36	50.0	8	11.1	12	16.7	2	2.8	10	13.9	14	19.4	21	29.2	37	51.4	20	27.8	45	72.2	72
2011	5	6.3	39	48.8	7	8.8	15	18.8	1	1.3	13	16.3	18	22.5	23	28.8	39	48.8	27	33.8	53	66.2	80
2012	4	5.3	37	48.7	9	11.8	12	15.8	2	2.6	12	15.8	13	17.1	23	30.3	33	43.4	24	31.6	52	68.4	76
2013	4	6.1	33	50.0	9	13.6	12	18.2	0	0.0	8	12.1	12	17.9	21	31.3	30	44.8	17	25.4	50	74.6	67
2014	3	4.9	31	50.8	9	14.8	12	19.7	0	0.0	6	9.8	11	18.0	20	32.8	28	45.9	17	27.9	44	72.1	61
2015	3	4.8	34	54.8	8	12.9	11	17.7	0	0.0	6	9.7	7	11.3	18	29.0	29	46.8	17	27.4	45	72.6	62
2016	2	3.3	31	51.7	8	13.3	10	16.7	0	0.0	9	15.0	6	10.0	16	26.7	29	48.3	17	28.3	43	71.7	60
2017	2	3.1	35	53.8	8	12.3	11	16.9	0	0.0	9	13.8	5	7.7	25	38.5	28	43.1	17	26.2	48	73.8	65
Average	3.4	4.9	34.5	51.1	8.3	12.3	11.9	17.6	0.6	0.8	9.1	13.3	10.8	15.5	20.9	30.8	31.6	46.6	19.5	28.6	47.5	71.5	67.9

A = Safari consultancy; B = Camp, lodges and safari explorations; C = Finance and asset management; D = Transfer and Touring; E = Training; F = Non-trading



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Sources: (Wilderness Holdings Limited, 2010a, 2011, 2012, 2013, 2014, 2015, 2016b, 2017a)

## ACQUISITIONS

WHL's strategy is aimed at exploiting profitable acquisition opportunities in land or safari tour or lodge businesses (WHL, 2010b). Global investment in acquisitions has reached unprecedented levels in recent years (Barkema & Schijven, 2008; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Acquisition relates to the purchase of a controlling or 100% interest in another firm with the intent of making the acquired firm a subsidiary business within the portfolio of the other (Coulter, 2008; M. A. Hitt et al., 2007).

WHL acquired Wilderness Safaris Investment and Finance (Pty) Ltd (WSIF) (incorporated in South Africa) on 8 April 2010 (WHL, 2010a; 2010b) at BWP96.8 million to become one of its wholly owned subsidiary companies. At the time of acquisition, WSIF had 72 subsidiary companies excluding Tess and Trev Travels (Pty) Limited, in various sectors of the tourism industry (Safari consultancy [4]; Camp, lodges and safari explorations [36]; Finance and asset management [8]; Transfer and touring [12]; Training [2]; and Non-trading [10]) incorporated in Bermuda, Botswana, Luxemburg, Malawi, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe (Wilderness Holdings Limited, 2010a).

Prior to the acquisition, both WHL and WSIF had the same beneficial shareholders in the same percentage shareholding, and had been managed as one business (WHL, 2010b). This was due to historical regulatory reasons that existed at the time. However, the acquisition meant that the company was restructured to make WSIF a wholly-owned subsidiary of WHL.

On 24 July 2012, Okavango Wilderness Safaris (Proprietary) Limited, a wholly owned subsidiary of WHL, acquired a 50% shareholding in Santawani Partnership (Proprietary) Limited (WHL, 2013). The Okavango Wilderness Safaris (Proprietary) Limited further acquired an additional interest of 15.82% in Baobab Safari Lodges (Proprietary) Limited in 2014.

In 2016, WHL acquired 51% stake in Governors' Camp Group of Companies (Kenya and Rwanda) (WHL, 2016a), following a strategic move to expand the company's geographic footprint into other identified regions in Africa. This meant acquiring 51% of the shares and shareholder loan accounts of "Musiara Limited, Governors' Aviation Limited, Goodison Ninety One Limited, Goodison Forty

Two Limited (all registered and operating in Kenya); and Governors' Camps Rwanda Limited and Governors 'Safaris Rwanda Limited (both registered and operating in Rwanda)" (WHL, 2016a, p. 1).

Governors' Camp Group of Companies was founded in 1976, and had developed to become "one of the oldest and most iconic safari brands in Africa" (WHL, 2016a, p. 1). At the time of the acquisition, it owned and operated a number of award-winning safari camps and lodges in East Africa's best game viewing areas. "The location in the Masai Mara National Reserve in Kenya has been featured in multiple BBC and other wildlife documentaries. The brand was expanded into Rwanda in 2007, through the addition of Sabyinyo Silverback Lodge, a mountain gorilla trekking offering in Virunga National Park" (WHL, 2016a, p. 1).

The acquisition of the Governors' Camp Group diversified WHL's market base from Southern Africa to East Africa, using a well-known local brand and management who are familiar with local markets and conditions, with potential synergies: Firstly, the Governors' main target market is Europe, whereas WHL's main source market is the United States. The acquisition was therefore seen as creating cross selling opportunities. Secondly, the acquisition would allow the two companies to share best operating practises, in terms of lodge operations, aviation and reservations. Thirdly, both companies were committed to a program that would boost future occupancies and revenue by renovation of the lodges and targeted marketing expenditure (WHL, 2016a).

WHL pursues related acquisitions [where relatedness is defined in terms of resource or product-market similarity] (Barkema & Schijven, 2008; King, Dalton, Daily, & Covin, 2004) with potential strategic fit or similar strategic characteristics (M. Hitt, Harrison, Ireland, & Best, 1998; King et al., 2004) between itself and the acquired firms (WHL and WSIF). Relatedness is assumed to have positive effect on post-acquisition performance of the acquiring firms (King et al., 2004) with the possibility of enhancing WHL's value creation (market power, efficiency, and resource redeployment) (Haleblian et al., 2009).

Potential challenges arise out of these acquisitions. The first challenge relate to debt. The BWP96.9 million used to acquire WSIF were of the Public Offer when the company was listed on the BSE and the JSE. As for the acquisition of the Governors' Camp Group, a total of US\$6.2 million was used to purchase for shares and shareholder loan accounts in cash (WHL, 2010b, 2016a). The second challenge relate to integration difficulties synonymous with acquisitions. WHL and WSIF have been managed together as one business for the entire life of the business prior to acquisition and this minimised any integration problems. In the Governors' Camp Group, the Executive Management remained with the

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Governors' Camp Group business after the acquisition as a strategy to minimise integration difficulties.

Most acquisitions create a larger firm that could help increase its economies of scale, hoping that this would lead to more efficient operations (M. A. Hitt et al., 2007). However, "the additional costs required to manage the larger firm will exceed the benefits of the economies of scale and additional market power" (M. A. Hitt et al., 2007). At the time of acquiring the Governors' Camp Group business, WHL and WSIF had 60 subsidiary and associate companies (Safari consultancy [2]; Camp, lodges and safari explorations [31]; Finance and asset management [8]; Transfer and touring [10]; and Non-trading [9]) incorporated in Botswana, Congo, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe. Table 1 and Figure 1 show that the following year (2017), the number of subsidiary companies increased to 65, but did not have a significant effect on profitability.

#### **Failed Acquisition of Air Botswana**

In January 2017, the Government of Botswana issued an Expression of Interest (EOI) Notice whose purpose was "to introduce the opportunity and to determine the level of interest as well as potential strategic partnerships that could be established with BP" (Ministry of Transport and Communications, 2017, p. 1). These privatization forms could be in the form of ownership, joint ventures, franchising, concessions, partnerships or any other appropriate arrangements with commercial airline operators or potential investors, with the management competency to run an efficient and viable air transport service on the existing BP network and well as developing new routes (Ministry of Transport and Communications, 2017).

WHL submitted an expression of interest in the privatization of Air Botswana in response to the public invitation by Government in February 2017. However, WHL withdrew its expression of interest in June 2017 citing lack of progress in the matter (WHL, 2017b). However, the private media in Botswana pointed to growing 'public backlash' and 'a barrage of criticism on government as Botswana question the alleged sale of public enterprises' (Dickson, 12 Jun 2017; Lute, 24 Oct, 2017; Ontebetse, 11 Jun 2017). The controversy emanated from the Presidential Directive CAB 12(A) 2017 which is believed to have instructed the Botswana Cabinet that Air Botswana should partner with Wilderness Holdings (Botswana Guardian, 13 June 2017; Ontebetse, 11 Jun 2017), 'subject to negotiations and applicable statutory requirements' (Botswana Guardian, 13 June 2017). While the reasons and the dynamics of developments of the sale of Air

Botswana are not the subject of this paper, it is clear that this attempted acquisition would have negatively affected WHL performance in both the BSE and the JSE if it was further pursued.

### **PARTNERSHIPS AND STRATEGIC ALLIANCE AS STRATEGIES FOR GROWTH**

The tourism literature underlines the significance of strategic alliances and partnerships in achieving organizational goals (Morrison, Lynch, & Johns, 2004; Pansiri, 2013; Selin & Chavez, 1995). Strategic alliances are “purposive tactical arrangements between two or more independent organisations that form part of, and is consistent with participants’ overall strategy, and contribute to the achievement of their strategically significant objectives that are mutual beneficial” (Pansiri, 2005, p. 1099). Strategic alliances include cooperative arrangements such as: joint ventures; licensing; franchises; marketing and distribution agreements; production and manufacturing alliances; research and development contracts; technology development coalitions; production and manufacturing alliances; research and development contracts; inter-organizational collaboration; and public-private partnership (Pansiri, 2005, 2013).

Generally, WHL work with a large number of partners based on complementarity, ranging from conservation NGOs to ecotourism or sustainability associations (Wilderness Safaris, 2016). WHL alliances and partnerships were designed at three levels. The first level are the partnership entered into at a WHL level. The second level are those entered into at the business level (by Wilderness Safaris and Wilderness Air) and the last group are those alliances formed by WHL’s subsidiaries. WHL strategic alliances can be classified into two: First group are the formal relationships which include any contractual agreements and take the following forms: employment and the associated payment of wages and salaries; joint ventures of various kinds; formal contracts with local suppliers; contractual agreements with communities in terms of employment, suppliers, and formal, as well as on-the-job skills training and development (WHL, 2013). The second are those which are informal relationships which are not contractually binding and these include: the Children in the Wilderness programme; community projects; sale of locally-made curios to guests; provision of administrative, and logistical and other support to NGOs, academic researchers and local communities (WHL, 2013).

Since 2010, WHL had 17 formal relationships in five countries (Namibia; South Africa; Botswana; Republic of Congo; Rwanda). Table 2 shows that three of these were joint ventures; the Damaraland Camp and Doro Nawas Camp in

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Namibia, and Vumbura Plains, Little Vumbura, Duba Plains in Botswana. These joint ventures have existed since 2011 and are in the form of equity, revenue sharing and traversing fees. HHL entered into joint Ventures in order to: create high-income, low-impact sustainable tourism ventures; train members of the local community in all aspects of tourism; create immediate employment in high unemployment areas; uplift the local area financially and socially; and allow local wildlife numbers to increase and stabilize) (WHL, 2011). Table 2 also shows that WHL has entered into tripartite agreements with government and community in Namibia (Palmwag Lodge, Palmwag Campsite, Desert Rhino, Camp Hoanib Camp; Serra Cafema; Desert Rhino, Hoanib Skeleton Coast) and South Africa (Pafuri Camp; Rocktail Beach Camp). WHL is also involved in a number of partnerships with various communities in Namibia (Serra Cafema); Botswana (Banoka Bush Camp; Wilderness Tented Camp; Moremi Tented; and Banoka Bush, Khwai Discover, Khwai Adventurer, Wilderness Tented); and Rwanda (Bisate; Sabyinyo Silverback). As Table 2 shows, most of these community partnerships are with community trusts where annual lease fees is paid by WHL.

### **Public Private Partnerships**

Over the years, WHL has also emphasized the use of Public Private Partnerships (PPPs). PPPs are a variety of long-term contractual arrangements between public agencies and private entities for the design, construction, financing, and operation of public infrastructure by the private partner, with payments from taxpayers or user fees through a defined concession term (Chen, Daito, & Gifford, 2016). They are agreements “between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners” (Navarro-Espigares & Martín-Segura, 2011, p. 559; Ross & Yan, 2015, pp. 448-449). WHL is involved in a number of PPPs with National Park agencies in the regions they are operating particularly Malawi, Zambia and Zimbabwe where they have camps in such parks. WHL pays lease fees and bed-night levies to park authorities. WHL sees such partnerships as important for a number of reasons: they enhance efficiency as they combine the business and marketing skills of the private sector partner with the land management skills of the protected area agencies/parks authorities; bring together the expertise of the relevant National Parks agency in

biodiversity conservation and WHL in ecotourism and business; and enhance skills transfer, training and development (WHL, 2011, 2012, 2013, 2014, 2015).

Country	Name of camp	Nature	Engagement	
			Details	Annual Value (BWP)
Namibia	Damaraland Camp	Joint venture	The community members were given 10% of ownership annually. Once they owned 100% of the camp they sold 60% back to Wilderness. They currently have the remaining 40% stake in the camp.	2 337 921
	Doro Nawas Camp	Joint venture	A 55:45 partnership between Wilderness and the Doro INawas Conservancy	2 777 011
	Skeleton Coast Camp <sup>2</sup>	Voluntary community levies	Voluntary community levies are paid to Puros, Orupembe, Okondjombo and Sanitatas Conservancies. Fees are also paid annually to the Ministry of Environment (MET).	266 831
	Lianshulu <sup>3</sup>	Informal community agreement	Balyerwa Conservancy are paid traversing and bednight fees.	105 660
	Palmwag Lodge Palmwag Campsite Desert Rhino Camp Hoanib Camp	Public private community partnership	Wilderness pays the 'Big 3' (Torra, Anabeb and Sesfontein Conservancies) 10% of turnover at Palmwag Lodge, Desert Rhino Camp and Hoanib Camp. 20% of turnover is paid for the Palmwag campsite. Wilderness pays the Ministry of Environment and Tourism (MET) concession fees to operate in the Palmwag concession area.	773 585
	Serra Cafema	Private sector community partnership	Wilderness pays the Marienfluss Conservancy 8% of turnover as well as a fixed annual fee.	454 364
	Desert Rhino, Hoanib Skeleton Coast	Public private community partnership	Wilderness operates Desert Rhino Camp and Hoanib Skeleton Coast Camp and pays a minimum fee per annum of N\$1 200 000 (BWP1 025 641) to the Big 3 (Torra, Sesfontein and Anabeb) conservancies.	976 523
South Africa	Pafuri Camp	Public private community partnership	A tripartite agreement exists between Wilderness, SANParks and the Makuleke community, where Wilderness pays 8% of turnover to the community.	613 208
	Rocktail Beach Camp	Public private community partnership, including a joint venture with the community	A partnership exists between Wilderness and the KwaMpukane Community Trust. A BEE partner owns 10% and 17.5% is owned by the KwaMpukane Community Trust. 8.5% of revenue, as well as bednight levies, are paid to the community Trust. 8.5% of revenue is paid to iSiMangaliso Wetland Authority, and annual turtle fees are paid.	approx. 113 208
Botswana	Vumbura Plains, Little Vumbura, Duba Plains	Joint venture	A joint venture partnership exists where lease fees are paid to the community annually.	2 500 000
	Banoka Bush Camp	Private sector community partnership	Wilderness pays the Khwai Development Trust an annual lease fee.	2 500 000
	Wilderness Tented Camp <sup>4</sup>	Private sector community partnership	Wilderness pays the Sankuyo Community Trust an annual lease fee. This is a sub-lease from another partner.	300 000

	Moremi Tented	Private sector community partnership	Wilderness pays the Sankuyo Community Development Trust an annual lease fee.	300 000
	Banoka Bush, Khwai Discover, Khwai Adventurer, Wilderness Tented	Private sector community partnership	Wilderness pays the Khwai Development Trust (KDT) an annual lease fee.	2 821 154
Republic of Congo	Ngaga Lango	Private sector-NGO community partnership	5% of accommodation revenue is paid to the Odzala-Kokoua Foundation – a partnership between African Parks and the Congolese Government. African Parks is currently in consultation with the 70 local village associations to identify socio-economic development needs which will lead to the provision of education and health facilities in the villages surrounding the park.	61 600
Rwanda	Bisate	Private sector community partnership	27.88 hectares of land was procured from community members. This land will be reforested and a camp will be built here, with the aim to eventually connect this land to Volcanoes National Park.	4 897
	Sabyinyo Silverback	Private sector community partnership	A partnership between Governors' and SACOLA. 7.5% of all revenue, plus a community fee of USD92 per bednight (collected from guests), is paid to SACOLA	3 889

## Wilderness Safaris Partnerships

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Wilderness Safaris works with diverse partners to achieve their business objectives. It argues that “we work with a large number of companies and organisations whose goals mirror ours, from conservation NGOs to ecotourism or sustainability associations” (Wilderness Safaris, 2016). Its partners can be classified into four. The first group of partners are those internal or part of WHL. These include Wilderness Air; Children in the Wilderness; and Wilderness Wildlife Trust which exist as separate WHL brands. Wilderness Safaris has also forged strategic alliances with WHL subsidiaries: the Governors’ Camp Collection (Kenya); and Wilderness Touring (South Africa) (Governors’ Camp Collection, 2018; Wilderness Safaris, 2016). Wilderness Safaris has also entered in a strategic alliance with Thousand Hills Africa (Rwanda). This strategic alliance was designed to help Wilderness Safaris to “welcome many guests to this incredible part of Africa in the coming months (WHL, 2017a, p. 37).

The second group of alliance partners are those organisations interested in sustainability issues. These are: Africa’s Finest; Birdlife International; Endangered Wildlife Trust; Institute for Global Studies; Pack for a Purpose; The Long Run; World Travel Market Responsible Tourism; and Zeitz Foundation for Intercultural Ecosphere Safety. These alliance partners were selected to help WHL to achieve its 4Cs (Community, Culture, Commerce and Conservation) (WHL, 2011) which align perfectly with the International Year’s aim to promote tourism’s role in the following five key areas: Inclusive and sustainable economic growth (Commerce); Social inclusiveness, employment and poverty reduction (Community); Resource efficiency, environmental protection and climate change (Conservation); Cultural values, diversity and heritage (Culture); and Mutual understanding, peace and security (Culture, Conservation and Community) (WHL, 2016b).

The third group of alliance partners that Wilderness Safaris is in are strategic marketing alliances. Strategic marketing alliances are important requirements for day-to-day business operations in the tourism industry (Glisson, Gunningham, Harris, & Di Lorenzo-Aiss, 1996). These are co-operations (alliances) between firms outside the traditional vertical channel of distribution relationships (Shamdasani & Seth, 1995).

Wilderness Safaris alliance partners are: Adventure Travel Trade Association (ATTA); African Travel and Tourism Association; Association for Promotion of Tourism to Africa; The International Ecotourism Society Image (a non-profit organization dedicated to promoting ecotourism with members in more than 190 countries and territories) (International Ecotourism Society, 2018); Wild Zambezi (Zimbabwe’s independent online travel guide to the Zambezi ) (Wild Zambezi, 2018); and WildlifeCampus (a division of Anchor Group , a JSE Listed Asset

Management company, endorsed by FGASA as an international online virtual campus offering a wide variety of guiding, wildlife-related, natural science and ecotourism courses) (WildlifeCampus, 2018). ATTA is a more than 1,000 members in 100 countries for-profit industry trade group that serves to network, educate, professionalize and promote the adventure travel industry (Adventure Travel Trade Association, 2018). African Travel and Tourism Association is a trade association that promotes tourism to Africa and acts as Pan-Africa's largest network of tourism product covering not only accommodation, transport and travel specialists in Africa, but a formidable selection of tour operators (African Travel & Tourism Association, 2018). APTA is a non-profit, association of travel professionals aimed at promoting Africa as a tourist destination to the retail travel agents and tour operators in the United States (Association for Promotion of Tourism to Africa, 2018). Wilderness safaris also partners with safari gear partners, B&H Photo Video & Pro Audio, and Swarovski Optik (Wilderness Safaris, 2016).

### **Wilderness Air partnerships**

The obvious partners of Wilderness Air are Wildlife Safaris, Wilderness Wildlife Trust (WHL's non-profit trust aimed at conservation of Africa's rich natural heritage), and Children in the Wilderness (WHL's non-profit environmental and life skills educational programme aimed at increasing the children's understanding and appreciation of the diversity of natural environments, as well as encouraging them by demonstrating the opportunities that exist for them) (Children in the Wilderness, 2018; Wilderness Wildlife Trust, 2018).

Wilderness Air also partners with Tour de Wilderness (an umbrella brand which manages and coordinates all fundraising sports events for Children in the Wilderness) and Northern Air Maintenance (an approved Aircraft Maintenance Organisation) (Tour de Wilderness, 2018; Wilderness Air, 2018a). These partnerships are meant to improve efficiencies partners.

### **Turnaround or stability strategies**

To avoid problems associated with acquisitions, WHL has synonymously embarked on downscoping as a restructuring strategy. Restructuring strategies are a global phenomenon, implemented by firms as they respond to changes in their external and internal environments (M. A. Hitt et al., 2007; Hoskisson, Cannella, Tihanyi, & Faraci, 2004). The three restructuring strategies that firms use are



downsizing, downscoping and leveraged buyouts (M. A. Hitt et al., 2007). WHL has used downscoping as a restructuring strategy. Downscoping refers to strategic divestiture, spin-off, or some other means of eliminating businesses that are unrelated to the firm's core businesses (M. A. Hitt et al., 2007; Hoskisson, Johnson, & Moesel, 1994; Warui, Kimemia, Mungara, Bateyo, & Njau, 2015; Zyglidopoulos, 2005). While acquisition may lead to over-diversification, downscoping helps a firm to reduce the diversity of businesses in its portfolio (M. A. Hitt et al., 2007), hence it is seen as a corrective action to a firm's over-diversification (Zyglidopoulos, 2005). Downscoping strategy has been associated with positive effects on market performance and innovation activities (Ishimitsu & Fujiwara, 2014); cost savings (Heugens & Schenk, 2004); and firm performance (Warui et al., 2015).

WHL has used downscoping in order to refocus on its core business. Figure 1 shows that in 2010, the company disposed of the assets of Duba Plains camp in Botswana at USD4,5 million (BWP33 million) (Wilderness Holdings Limited, 2010a), and North Island Company Limited in Seychelles at BWP59 million in the form of dividends (WHL, 2011, p. 111). The company also maintains that "excess capacity was created in some countries during the boom years preceding the global financial crisis" (WHL, 2013, p. 10). However, due to reduced levels of demand in some countries and markets, WHL was forced to re-size some of its businesses by selling or closing a number of camps in Zambia and Namibia in particular; right-sizing some of the country offices, following these camp sales/closures; and consolidating the Zambia and Zimbabwe country offices into a single regional office in Victoria Falls and closing the Lusaka office (WHL, 2013, 2014).

To further consolidate its core business to ensure a solid foundation for future growth opportunities, WHL ended its operating and marketing agreement for Odzala Wilderness Camps in the Republic of Congo, disposed its investment in the Malawian business (Central African Wilderness Safaris Limited) which operated six camps, and sold Pafuri Camp (South Africa) (WHL, Wilderness Holdings Limited, 2015, p. 25). WHL disposed of its 56% interest in Lianshulu Lodge (Proprietary) Limited (WHL, 2013). WHL also closed Palmwag, Skeleton Coast and Kulala Wilderness Camp in Namibia, and Lufupa Bush Camp, Kalamu Star Beds, Kapinga, Chinengwe Riverbed and Kalamu Lagoon Camp in Zambia in 2013 (WHL, 2013). Table 2 also shows that WHL discontinued some of its partnerships: Skeleton Coast Camp; Wilderness Tented Camp (2013); and Lianshulu (2012). Table 2 also shows that WHL discontinued some of its partnerships: Skeleton Coast Camp; Wilderness Tented Camp (2013); and Lianshulu (201

## Performance

Previous research has underscored the impact of strategic orientation on firm performance (Gatignon & Xuereb, 1997; Slater et al., 2006). For instance, Slater and Narve (1993) as well as Gatignon and Xuereb (1997) observed that strategic orientation has a positive effect on firm performance.

Table 3: WHL performance from 2009 to 2017 (BWP'000)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	986390	868139	948607	1066243	1205074	1401206	944586	935087	1107467
EBITDA	105558	115228	77417	77781	108901	151168	181701	199310	208867
PBT	14863	81544	111018	16019	32520	77521	108695	120369	101374
Profit/(loss)	-4967	48022	89069	12842	24548	43215	85338	62304	79810
Corresponding Percentage change									
Revenue		-12.0	9.3	12.4	13.0	16.3	-32.6	-1.0	18.4
EBITDA		9.2	-32.8	0.5	40.0	38.8	20.2	9.7	4.8
PBT		448.6	36.1	-85.6	103.0	138.4	40.2	10.7	-15.8
Profit/(loss)		-1066.8	85.5	-85.6	91.2	76.0	97.5	-27.0	28.1

Key: EBITDA: Operating profit before depreciation, amortisation and goodwill impairment; PBT: Profit before taxation;

Sources: (Wilderness Holdings Limited, 2010a, 2011, 2012, 2013, 2014, 2015, 2016b, 2017a)

WHL's performance was assessed using related financial variables. Table 3 shows WHL's annual revenue; Operating profit before depreciation, amortisation and goodwill impairment (EBITDA); Profit before taxation (PBT); and Profit/(loss) for the period between 2009 and 2017. WHL's revenues have been fluctuating over the nine (9) year period. For instance revenue declined by 32.6% in 2015. The 1% decline in 2016 was accompanied by a decline in profits 27%. It can therefore be argued that increased levels of diversification, partnerships and acquisitions do not necessarily translate into improved revenue and profits.

## CONCLUSIONS

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Firm's growth is complex. This is exemplified by WHL's growth from an SME in 1983, to a highly diversified multi-million dollar business by 2010. Since 2010, WHL has maintained its diversity of firms with an average of 67.9 subsidiary and associate companies, most of which were trading (between 83.7% and 90.3%). This study identified strategic orientation and new market entry as 'tipping points' propelling this growth. The complexity of the tourism industries requires complexity in the manner in which tourism businesses conducts their affairs. WHL's strategic orientation has been based on diversification through vertical integration. As Table 1 shows, WHL vertically integrated into safari consultancy; camp, lodges and safari explorations; finance and asset management; transfer and touring; and training. This mix has been maintained over the years with the dominant business being camp, lodges and safari explorations accounting for 48.7% to 53.8% between 2010 and 2017. This study has also shown that WHL has managed its subsidiary and associate companies at different levels of effective holding, with an average of 46.6% 100% ownership. Phelps et al. (2007) has identified six tipping points, namely; people management, strategic orientation, formalization of systems, new market entry, obtaining finance and operational improvement. This study has analysed only two: strategic orientation, and new market entry. The analysis seem to suggest that new market entry is a consequence of strategic orientation. As a form of overcoming entry barriers in new international markets, WHL used acquisitions as part of its strategic orientation. Future case studies should look at other 'tipping points', namely people management, formalization of systems as well as obtaining finance and operational improvement to understand the behaviour of companies.

Hoskisson et al. (2004) argue that highly diversified firms are likely to divest during times of increased environmental uncertainty and pursue acquisitions when environmental uncertainty is decreased. This is true with WHL which created "excess capacity" in some countries during the boom years preceding the global financial crisis, but embarked on downscoping when demand declined (WHL, 2013, 2014). Another point to consider is the selectivity with which WHL pursues its acquisition and downscoping strategies. This is particularly relevant to the purchase of Governors' Camp Group where possible synergies existed in sharing best operating practises, in terms of lodge operations, aviation and reservations, and the sale of subsidiaries that are not core to the company business. This is supported by Wu and Delios (2009) who maintain that "when considering the action of portfolio restructuring, a firm's manager can choose to refocus on the core business of the firm via the divestment of unrelated business (downscoping), or choose to integrate operations through the selective

acquisition or establishment of businesses related to the core business (asset expansion)” (Wu & Delios, 2009, p. 215). Also true is that acquisitions are more likely to be followed by divestitures when targets were not in businesses highly related to those of the acquirer (Montgomery, 1994). What this study has found out is the concurrency or simultaneity of acquisitions and downscoping. The implication of this is that WHL undertakes a lot of studies on what companies to divest from, given the large number of its subsidiary companies. It is also true that studies and preparatory work is needed before acquisition decisions are made. In-depth studies are needed to understand how decisions for divestiture and acquisition are actually reached given the multiple players involved and the factors for consideration. Such studies may also shed light into how a company with such experience could embark on failed acquisition such as the Air Botswana acquisition, and the subsequent effects of such decisions.

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**YOUNG CONSUMERS' ATTITUDES TO SMS ADVERTISING IN  
AN EMERGING ECONOMY. THE CASE OF BOTSWANA**

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## ABSTRACT

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libe The purpose of this paper is to empirically examine the phenomenon of young consumers' motives. A descriptive research approach was applied on a convenience sample of 243 (97.2 % response rate) young consumers aged 18-35 years to measure their acceptance of SMS advertising, intention to receive SMS advertisement and responses to SMS advertisements.

Findings revealed that young consumer's uses and gratification is significantly and positively related to their attitudes. Moreover, young consumer's attitude towards SMS advertising is significantly and positively related to their behavioural intentions in Botswana.

The collected sample is only limited to young consumers from University of Botswana and Botho university students' context. As such, very limited generalization can be derived to the entire youth consumers in Botswana. Future researchers can investigate older working consumers or cross-cultural consumer segments. The research could assist managers to determine factors that predominantly influence young consumers' attitudes, their motives and behavioural intentions toward SMS advertising in Botswana. In that way, managers are in a better position to unravel and understand consumers intended behaviour regarding SMS advertising. In addition, the study will also assist managers, policy makers, marketers and advertisers in crafting relevant and targeted messages to reach young consumers and millennial that constitutes a major proportion of the Botswana's population. This is the first main empirical research on motives for using SMS and SMS advertising tool from Botswana and African context. Majority of previous studies have mainly focused on European, American or Asian context. Limited research has been done in Africa to investigate the hypothesized relationships between motives for using SMS, attitudes towards SMS and behavioural intentions of consumers. Attitude towards mobile advertising and its effects on their behavioural intentions.ro, sit amet commodo magna eros quis urna. Nunc viverra imperdiet enim. Fusce est. Vivamus a tellus. Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac turpis egestas. Proin pharetra nonummy pede. Mauris et orci.

**Keywords:** Motives, Consumer attitudes, SMS usage strategy, Behavioural intentions

## **INTRODUCTION AND BACKGROUND OF THE STUDY**

Advertising is experiencing rapid technological changes today as a result of the emergence of innovative technological platforms which seem to attract more young consumers (18-35 years) especially in Botswana which has over 60% youth population. The current era of narrowcasting rather than broadcasting together with the emergence of various social media platforms provide the basis for this empirical study in Botswana. The easy spread of advertisements in technological platforms especially among the youth facilitates interaction with them but more importantly, value for money proficiencies for the youth in emerging economies (Salem, 2016). Based on the aforementioned, the study's overarching aim is to explicate the extent of motivation (uses and gratification) and attitude of the youth to SMS advertising in Botswana. Furthermore, the study is based on the premise that the youth which constitute 60% of Botswana's population have access to myriad brand choices which influence their cognitive, conative and affective buying decisions.

Interestingly, several studies have been conducted regarding the use of information communication technologies (ICT) in developing countries. For instance Twum-Darko (2014); Andoh-Baidoo, Osatuyi & Kunene (2014) and several others examined the application of ICT in effective governance practises. Also, Kumar (2011) looked at how ICT could be used for advertising purposes in developing countries. The foregoing suggests that ICT can be put to several uses. Specifically in the context of Botswana, most studies (such as Ali & Sassi, 2017) focused on the use of ICT for delivering healthcare interventions which include prevention and cure mechanisms. The study of Forrest, Wiens, Kanter, Nsanzimana, Lester & Mills (2015) is noted for its argument that owing to the proliferation of ICT, it is perhaps much more feasible to reach constrained settings in sub-Saharan Africa.

Based on the aforementioned, the rapid increase in the use of mobile phones has introduced new delivery methods for both marketers and advertisers through short messaging systems (SMS) in accessing potential customers of today and the future. Consequently, SMS use especially among the youth for access to various brands in the market is now classified as a powerful means of communication due to its cost effectiveness and easy reach in the emerging economies. This is because young consumers represent not only the most significant demographic cohort but also a valuable market for SMS advertising in Botswana. That said, globally, companies have embraced the use of Short Message Services (SMS)

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advertisements to directly communicate and market their products to customers beyond the boundaries of time, location and space (Almossawi, 2004). Considering this, the study seeks to establish what motivates youth to adopt SMS advertising and to what extent it has implications on their attitude and behavioural intentions with respect to brand choices and cognitive decisions.

Furthermore, as Radders, Pietersen & Khang (2010) have documented, the global acceptance of mobile phone technology has empowered consumers to communicate not only through voice call services but also short message services (SMS) which have become a primary communication tool. The use of SMS for everyday communication is most prevalent in the young consumer segment not only as a form of fashion statement, but as a portal to keep a presence and connection to peer networks as contended by (Carroll, Barnes, Scornavacca & Fletcher., 2007; Leung, 2007). Interestingly, in Botswana, mobile phones have not only replaced landline telephones for daily use for youth consumers, they have also become affective, conative and cognitive necessities in the young consumers' lifestyles and interests (Carroll et al., 2007; DeBaillon & Rockwell, 2005). While young consumer's use of SMS in Botswana has been clearly established, the extent to which SMS advertising impacts their behaviour is not known. Prior studies have examined consumers' attitudes toward SMS advertising including specific areas such as acceptance (Carroll et al., 2007), uses and gratification (Leung, 2007), interpersonal influences (Muk, 2007), demographic effects (Okazaki, 2007), and permission use (Bamba & Barnes, 2007). However, little has been done to investigate the relationship between the antecedents and outcomes of SMS advertising among the youth in the Botswana context, a gap originally identified by Zhang & Mao (2008). More importantly, as most studies have focused on consumers in developed economies, there is an acute paucity of related studies in an emerging economy, like Botswana. Given that SMS advertising is generally recent in the case of Botswana, it is important to investigate consumers' reactions and attitudes to this marketing channel. This could potentially aid in determining young customer's behaviour towards SMS advertising in Botswana.

Industry reports and academic literature have clearly linked the history of mobile phones to any mobile communication devices that can enable human beings to call someone without the constraints of wires (Portion Research, 2013; Peters, Amato & Hollenbeck., 2007 & Tolentino, 2015). Continuous development of modern technology to meet society's ever-evolving needs most especially among the youth has led to an estimated 96 percent phone penetration globally, equating to an estimated two billion mobile phone subscribers by the end of 2016 (Portion Research, 2013). Bamba & Barnes (2007) thus conclude that the growth and convergence of distributed networking, mobile computing and

telecommunications have created significant commercial opportunity for young consumers.

The foregoing therefore serve as the platform upon which this study is undertaken. Hence, the purpose of this paper is to examine young Botswana consumers' SMS usage, including purpose, reach and frequency, and their attitudes as well as behavioural intentions towards SMS advertisements. The research thus provides a single country case study for understanding this population group's willingness and propensity or motives to accept SMS advertising, as reflected in their attitudes and intentions.

This paper therefore seeks to make a contribution to both practice and theory by providing insights into the perception of young consumers, their use of social media and the potential challenges and opportunities in terms of shopping behaviour. This study further seeks to unravel the extent to which psychographic attributes of young consumers are plugged into digital orientation with respect to information and entertainment which has created a mastery of technology with implications on multitasking habit and purchase behaviour of the youth in Botswana. In the business arena, the findings shared here may help to equip practitioners, policy makers, managers, marketers and advertisers in Botswana to offer better services to consumers, and allow young consumers to benefit from targeted services, messages and tools that resonate with their needs. In an international sense, this research contributes to the need for published studies which address the impact of SMS technology on emerging economies, such as Botswana.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

This study benefits from the renowned uses and gratifications theory whose approach is to effectively understand the reasons and how media users satisfy their individual needs (Forrest et al., 2015; Izquierdo-Yusta, Olarte-Pascual & Lara, 2015; June & Lee, 2007; Carroll, 2007). This is a major theory that diverge from other media theories that seek to establish benefits of the media using personalised and context-driven messages. It theoretically aligns reasons and usage of media to audience-centred approach, aimed at establishing audience members as not passive consumers or users of media (Leung, 2007). Comparatively, the audience, especially the youth, have been technologically positioned in their quest for selected media thus by assuming active roles and integrating media choices into their daily activities (Bamba & Barnes, 2007).

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Hence this study seeks to understand young consumer's behaviour with regard to brand awareness, perceived ease of use, cost effectiveness orientation, ubiquity, intrusiveness and niche marketing of SMS advertising in Botswana.

From a demographic perspective, the use of SMS as a communication tool is most prevalent in the young consumer segment of a population and is widely used as a communication tool between friends, family and other peers as established by Carroll et al. (2007); Leung (2007). But broadly, Peters, Amato & Hollenbeck (2007) as well as O'Donolwe (2007) argue that SMS usage is based on its convenience, functionality and perceived ease of use. Beyond those, Peters et al (2007) and O'Donolwe (2007) are also of the view that that SMS is infused with a 'fun factor' which makes it especially attractive to young consumers as they possess discretionary time for shopping. Based on these factors, there is a widespread consensus that SMS advertising is an effective medium to generate consumer response (June & Lee, 2007). Hence marketers and brand managers need to understand what motivates young consumers in the adoption of SMS advertising in emerging economies. Zhang & Mao (2008), thus posit that a gap in the body of knowledge exist between motives to use SMS technology and attitudes towards SMS as an advertising or promotional tool. These authors further consider that for marketers, SMS advertising offers several advantages such as usefulness, perceived ease of use, cost effectiveness, ubiquity, immediacy, intrusiveness and niche targeting in terms of message, media and tools of marketing communication.

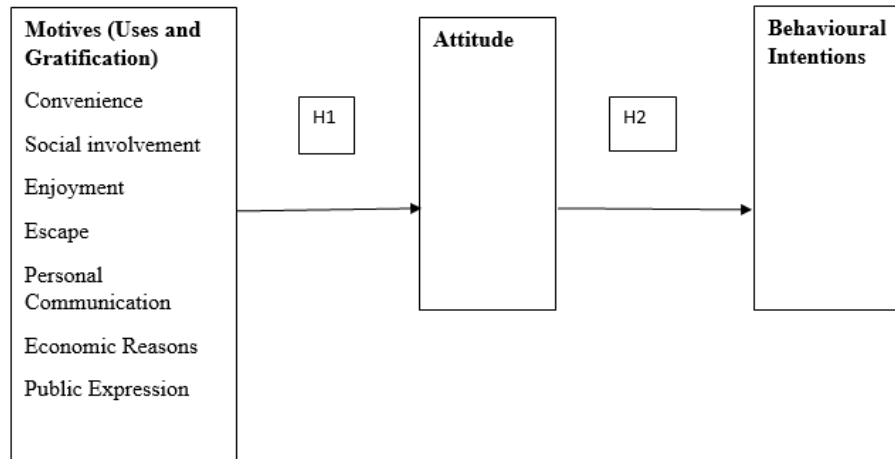


Figure 1 SMS Advertising Model Adapted from Phau and Teah (2009)

In the Figure 1, the factors in the first ‘Motives’ column are drawn from our overview of a fairly broad literature. Tolentino (2015), for example, notes that SMS advertising is considered one of the most effective ways of reaching consumers as 90% of SMSs are read within the first three minutes of delivery, addressing Zhang & Mao’s (2008) earlier point that the intention to use SMS advertising depends on consumers’ response patterns to SMS. Other authors such as Merisayo & Kajalo(2007) and Mao (2005) contend that consumers’ willingness to use SMS advertising relies on the value proposition offered through the message, and that perceived ease of use, perceived usefulness and perceived level of privacy also have a direct impact on both attitude towards SMS advertising, and subsequent behavioural intentions. In addition, extant literature explores how consumer perception and attitude (Carroll et al 2007), adoption (Kim & Yeob 2008), behavioural intentions (Drossos, Giaglis, Zamani & Lekakos, 2013) and consumer privacy (Zabadi & Essayed 2012) affect responses to SMS advertising. Yet, another strand concerns how convenience, and socio economic reasons influence SMS usage frequency (Phau & Teah, 2009).

Nonetheless, research has revealed some concerns which could impede acceptance of SMS advertising (Phau & Teah (2009). These include among others trust, irritation, privacy, personalization, entertainment and permission. Smutkupt (2011) and Khan & Allil (2010) found that consumers may show a negative attitude towards SMS advertisements due to irritation at interference with the medium. Despite these, Bigne, Ruiz & Sanz (2005) note that mobile usage continues to increase, clearly demonstrating the platform of opportunities the

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system offers as a personalised medium or an independent sale which can be targeted at youth. It is thus clear that attitude towards SMS advertisements determines both the success and behavioural intention of consumers who receive SMS advertisements (Du Plessis & Rousseau, 2007). Based on the aforementioned, Radder et al. (2010), while investigating the antecedents of high school pupils' acceptance of South African Universities SMS advertising, noted that behavioural intentions are a function of attitudes, social influences, innovation levels and perceived study utility. We thus hypothesize that:

H1: Motives (uses and gratification) for using SMS among youth consumers is significantly and positively related to attitude towards SMS advertising in Botswana.

As a counterpoint to the literature outlined above, Phan & Teah (2009) and Bamoriya and Singh (2012) argue that student consumers are actually 'lukewarm' about SMS advertising, especially when this is used excessively. Young consumers are also wary of the cost of downloading mobile content as well as limited content capability of the medium. But these concerns were not as evident in a study by Muzaffar & Kamiran (2011), while investigating youth attitude towards SMS advertising in different universities in Pakistan. Their research showed that advertisement informativeness and credibility created a positive association between youth attitude and behavioural intentions with respect to SMS advertising, whereas irritation did not significantly affect attitude. A similar standpoint taken by Wang and Li (2012) and Drossos et al. (2013) establish that SMS advertising not only results in positive brand awareness, but is also better at targeting the youth market relative to other media. Moynihan et al. (2010) and Izquierdo -Yusta et al. (2015) contribute additional support to the relationship which exists between attitude and acceptance of SMS advertisement including the intention to receive SMS advertising in future. This basically means that the attitude towards SMS from the target audience is reliant upon the meaningfulness of the advertisement message. We thus hypothesize that:

H2: Attitude towards SMS advertisements among youth consumers in Botswana is significantly and positively related to behavioural intention.

## **METHODS**

This research followed a descriptive research design. Data were collected from University of Botswana and Botho University. Using the convenience sampling method, students between the ages of 18-35 who had been using SMS services in the last 6 months were invited to participate. These customers represented the sampling units and elements of the study. Students are an ideal

target population for this study because they represent young consumers in the designated age group, who are also the largest mobile phone and SMS user group (DeBaillon & Rockwell, 2005). Screening questions and quotas were used to ensure that the sample meet the set requirements to take part in the study. A total of 243 useable questionnaires were collected for analysis, representing a 97.2% response rate, and most likely indicating that this is a topic most young people find highly relevant and interesting.

A self-administered questionnaire was used to collect the data. The questionnaire commenced with a preamble and three screening questions to ensure that prospective respondents were indeed the target population of the study. The questionnaire had sections inquiring about the demographic profile and SMS usage habits of respondents. To measure the constructs of the study, a five-point Likert-type scale was used to indicate level of agreement with respect to items on motives, attitudes and behavioural intentions of young consumers in the two universities. The uses and gratification scale items were adapted from Leung (2007) to measure the motives for using SMS. Items measuring consumer attitudes towards SMS advertising were adapted from Carroll et al. (2007) and behavioural intention scale items were drawn from Drossos et al. (2013). Descriptive statistics was used to describe the demographics of the sample, while psychometric analysis was conducted to establish the validity and reliability of the scale items in Botswana. Correlation and regression analysis (using SPSS) was also used to establish the relationship among the sub constructs in the model (Figure 1) shown earlier.

## FINDINGS AND DISCUSSION

Table I. Descriptive Metrics of the Sampled Respondents

		Frequency	%
Educational Level	University Degree Level	223	93
	Post Graduate Degree Level	3	1.3
Gender	Male	58	24.2
	Female	182	75.8
Language	Setswana	205	85.4
	Others	35	14.6
Marital Status	Single	135	56.3
	Living with Parents	105	43.8



As shown in Table I, 93% of the sampled respondents were undergraduate students, while 1.3 % were post graduate students. Although the participant table shows a strong gender imbalance (75.8% of the respondents are female, while 24.2% are male), this is representative of the programmes from which the student sample was drawn and was not considered an impediment to the usefulness of the data. Setswana was the first language for 85.4% of the respondents, while 14.6% speak other languages. Some shortfall on the demographic metric is as a result of missing data from the sampled respondents in this study, but again, was not considered to detract from the validity of the analysis.

Table II. Psychometric Properties of the Scale Items for Motivation (Uses and Gratification), Attitude and Behavioural Intentions

	Constructs/Scale Items	Cronbach Alpha	KMO	Confirmatory Factor Analysis (CFA)
1	Motivation (U&G) –	0.704		
	24 items		0.864	From 0.532 – 0.865
2	Attitude	0.740		
	4 items		0.853	From 0.890 – 0.951
3	Behavioural Intentions	0.780		
	3 items		0.718	From 0.878 – 0.958

As shown in Table II, the reliability of the scale items with respect to ‘Motivation or Uses and Gratification’ is 0.704, ‘Attitude’ with regard to Cronbach Alpha, is 0.74, and the Cronbach of the Behavioural intention is 0.78. The mean values of the scale items for motivation, range from 2.69-3.93, while the mean values of scale items for attitude range from 3.49 - 3.95. Additionally, the mean values for the ‘Behavioural Intentions’ with regard to SMS advertising range from 3.41-3.60. The factor structure of the scale items for motivation also

demonstrates validity of the items with respect to average variance extraction (AVE) being 91.39; KMO is 0.864, Bartlett's test of sphericity is 643.002; confirmatory validity also range from 0.534-0.865. The AVE for Attitude is 85.545, KMO is 0.853, Bartlett's test of sphericity is 841.296 and confirmatory factor analysis range from 0.890-0.951. For Behavioural Intention, AVE is 91.884, KMO is 0.718, Bartlett's test of sphericity is 771.087 and factor metrics range from 0.878-0.958. The respective mean values of the uses and gratification of the target audience thus resonate with attitudes and behavioural intentions of the youth audience in Botswana.

Table III: Correlations Analysis Showing association Between Behavioural intentions, Attitudes and Uses and Gratification (Motivation) for SMS Advertising among Youth

	Behavioural Intentions	Motivation (Uses and Gratification)	Young Consumers' Attitudes
Behavioural Intentions	1	0.523**	0.924**
Motivation (Uses and Gratification)	0.523**	1	0.697**
Young Consumers' Attitudes	0.924**	0.697**	1

As shown in Table III, the motivational level as regard uses and gratification is significantly associated with Behavioural Intentions at ( $r=0.523$ ,  $p<0.01$ ). Additionally, the Youth Consumers' Attitude is also significantly associated with behavioural intentions at ( $r=0.924$ ,  $p<0.01$ ). This association between uses and gratification and attitudes in this empirical study thus provides parallel support to Grant & O'Donolwe's (2007) findings in which they identified evidence that consumers utilise SMS on the basis of its convenience, usefulness and ease of use with implications on consumer's attitude. As Zhang & Mao (2008) concluded, SMS advertising offers several advantages for marketers, such

as usefulness, perceived ease of use, cost effectiveness, ubiquity, immediacy, intrusiveness and niche targeting.

The present study also shows that attitude is significantly associated with behavioural intentions among the youth target market. This aligns with the work of Smutkupt (2011) and Khan & Allil (2010), who contended that consumers show negative attitude towards SMS advertising because factors such as irritation and interference had implications on behavioural intentions.

Table IV: Model summary for the relationship between Attitude, Motivations and Behavioural Intentions

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	F Change	Durbin Watson
1	0.941	0.885	0.883	1.22132	504.125	2.128

Predictors: Constant: Attitude and Motivation (Uses and Gratification)

Dependent Variable: Behavioural Intentions

As shown in Table IV, attitude and motivation account for an 88.3% variation in the behavioural intentions as regards young consumers' attitudes to SMS advertising in Botswana. The Durbin Watson value of 2.128 also provides parallel support to the nomological web between uses and gratification (motivation) and behavioural intentions. Radder, Pietersen & Wang's (2010) in a study on South African Universities noted that behavioural intentions are a function of attitudes, social influences, innovation levels and perceived study utility. This study would suggest further evidence for this proposition, as well as Wang & Li (2012) and Drossos, Zamani & Lekakos' (2013) opinion that SMS advertising not only results in positive brand awareness, but is also better at targeting the youth market relative to other media.

Table V: Model summary for the relationship between Motivation and attitude

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	F Change	Durbin Watson
1	0.697	0.486	0.482	3.05548	124.612	1.920

Predictors: Motivation (Uses and Gratification)

Dependent Variable: Attitude

Table V also indicates that the uses and gratification (motivation) account for a 48.2% variation in attitude as regards SMS advertising among the youth target audience in Botswana. The Durbin Watson value of 1.920 corroborates this assertion among sampled respondents. The finding thus provides parallel support to Zquierdo-Yusta et al. (2015) who contended that a relationship exists between attitude and acceptance of SMS advertisements. Furthermore, these results support Moynihan, Kabadayi & Kaiser (2010) who demonstrated that consumer's attitude towards SMS advertisement is the key factor that influence the intention to receive SMS advertising in future.

Table VI: Regression Analysis showing the relationship between motivation and attitude

Model	Beta (Unstandardized Coefficient)	Standard Error	Beta (Standardized Coefficient)	t	Sig.	Tolerance	Variance Inflation <sup>2</sup> Factor
Constant	-8.910	2.172		-4.102	.000	0.514	1.944
Motivation (Uses and Gratification)	0.302	0.027	0.697	11.163	.000	0.514	1.944

Dependent Variable: Attitude

As shown in Table VI, the motivational metrics with respect to uses and gratification account for a 69.7% variation in the attitude of youth as regards SMS advertising. The tolerance level value of 0.514 and the variance inflation factor level of 1.944 also indicates lack of multicollinearity in the hypothesized relationship in this empirical study. Hypothesis H1 is thus accepted in this empirical study in Botswana.

Table VII: Model summary for the relationship between attitude and Behavioural intentions

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	F Change	Durbin Watson
1	0.924	0.855	0.854	1.60243	1258.793	2.809

Predictors (Constant): Attitude

Dependent Variable: Behavioural Intentions

As indicated in Table VII, the attitude variable in this empirical study accounts for an 85.4% variation in the behavioural intentions with respect to SMS advertising among the youth in Botswana. The Durbin Watson is 2.809, supporting the hypothesized relationship. Again, as Muzaffar & Kamiran (2011) noted, advertisement informativeness and credibility has a positive association with Youth attitude towards SMS advertisement.

Table VIII: Regression Analysis Showing the Relationship between Attitude and Behavioural Intentions

Model	Beta (Unstandardized Coefficient)	Standard Error	B (Standardized Coefficient)	t	Sig.
Constant	0.020	0.341		0.060	0.952
Attitude	0.777	0.022	0.924	35.479	0.000

As shown in Table VIII, attitude accounts for a 92.4% variation in the behavioural intentions among youth consumers with respect to SMS advertising. Therefore, H2 is supported in this empirical study, as was expected based on Tolentino's (2015) study about the rapidity of response by consumers to SMS.

## DISCUSSION

This research has empirically broadened existing practical and theoretical knowledge on young consumers (18-35years)' motives, attitudes and behavioural intentions towards SMS advertising. To empirically validate the theoretical propositions, data were collected from the University of Botswana and Botho University Students. Key findings have established the nexus of relationship between uses and gratification, attitudes and behavioural intentions as regards SMS advertising among the Youth in Botswana. The finding of this study is consistent with Tolentino (2015) in which it was stated that the utility of SMS advertising emphasises perceived value that consumers get from SMS contents. Following the call by Muk & Chung (2015), this study fulfils the existing research gap regarding the acceptance of SMS advertising most especially among the Youth in Botswana as they contended that consumer fatigue may set in and shift acceptance and intention to receive SMS advertising messages.

This study thus establishes that uses and gratification as well as attitude to advertising in general provides a platform for an important influence or impact on acceptance of SMS advertising for the Youth in Botswana. Based on the above findings, the results of this research empirically indicate that the research framework is generally plausible.

### **Managerial implications**

Findings from this study provide a meaningful insight for marketing and branding managers with respect to utilitarian and hedonic attributes that they can utilise the key technological metric for the youth in general for better understanding of the key drivers of SMS advertising with implications on behavioural intentions in Botswana. Therefore, marketers must ensure that the message that they are sending to the consumers is relevant to the target group and must resonate with time and location of consumers in Botswana. Further study needs to be conducted to look at socio psychological behaviour, perception, uses and gratification as well as attitude and behavioural intention regarding SMS advertising for consumers above 35 years age bracket in Botswana. In addition, cross cultural studies need to be conducted to find differences in SMS advertising acceptance among various segments with different culture and countries as well.

Based on the aforementioned, marketing strategists should ensure that target led referrals, promotional materials as well as messages are designed to reach the youth target market in Botswana. Furthermore, SMS advertising should also make

use of other social platform such as WhatsApp to reach target audience as long as intrusion and privacy policies are adhered to. Finally, to appeal to respondents, marketers must adapt their advertisement to individual use of text messaging as well as areas of interest.

### **Limitations and future research**

Just like every other research, this empirical paper is not without identified limitations. First, this empirical research only examined young consumers in Botswana, posing issues of generalizability to older working consumers. To enhance generalizability between different age groups, future studies could use triangulation to examine whether respondents' age will influence the effectiveness of their mobile advertising. Although the influence of attitudes towards SMS advertising were empirically examined in this research, future researchers can look into what aspect of SMS advertising is attractive for young consumers in Botswana.

As observed in the above data analyses, this study used correlation and regression analysis to examine correlations, R-square and p-values between the antecedents and consequences of SMS advertising attitudes. However, correlations and linear regressions have been quantitatively argued to have limited capability in establishing whether the data fit the theoretical or conceptual model. Future studies can use structural equation modelling to directly examine whether the data fit the theoretical or conceptual model and further establish the causality among the hypothesized constructs.

Based on the diverse and multi-cultural community in Botswana, future studies may explore cross-cultural differences among different ethnic background. Also relevant on culture are likely impact of personality and social factors on the motives for using SMS. Finally, to ensure time management, this study used cross sectional research design. However, using longitudinal data from different period or seasons will statistically enhance the research findings on time variance and forecasting related issues.

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## THE NAMIBIAN ENTREPRENEURSHIP ECOSYSTEM: A COMPARATIVE ANALYSIS

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### ABSTRACT

The paper compares the entrepreneurial ecosystem of Namibia with those of some sub-Saharan Africa countries and efficiency-driven countries globally. Using the Global Entrepreneurship Index (GEI) methodology the quality of the ecosystem in nurturing high growth entrepreneurship is measured. Results reveal a relatively weak entrepreneurial ecosystem with a GEI score of 29.4, more significantly, weak institutions that quash entrepreneurial intentions. It is evident that despite high entrepreneurial activity rates, there is little impact on GDP per capita; a phenomenon common to developing economies. Namibia's GEI is below global and efficiency driven economies average scores of 38.9% and 30.9% respectively, making the nation uncompetitive. In sub-Saharan Africa, Botswana (34.3), South Africa (33.4) and Tunisia (38.8) perform better. From a policy perspective, Namibia should put 80% of her efforts in improving start-up skills, followed by process innovation (13%) and technology absorption (7%). This would improve her GEI score by 10% to be at par with South Africa. Broadly, the paper has implications for country-level entrepreneurship policy and interventions

**Keywords:** Namibia, GEI, entrepreneurial ecosystem, policy

## INTRODUCTION

There is generally scarcity of literature on Africa and its entrepreneurial ecosystem (Lafuente, Acs and Szerb, 2018) making it difficult to understand the dynamics at continental level, let alone country level entrepreneurship for such a heterogeneous continent. Most countries, especially developing economies fighting high levels of unemployment have advanced entrepreneurship as a panacea (Ganamotse et al., 2017). Unfortunately, developing countries are generally experiencing diminishing returns considering high activity rates on entrepreneurship against low quality entrepreneurship leading to minimal impact, a phenomenon that could be explained by weak entrepreneurial ecosystems (Lafuente, Acs, and Szerb, 2018). Entrepreneurial ecosystems have a role in economic growth and that it would be important to note differences in country development as functions of entrepreneurial ecosystems (Acs et al., 2018). Therefore, much of the success on entrepreneurship depends on the configuration of the economy, which defines an ecosystem of a country. Entrepreneurial ecosystems can be defined as “...dynamic institutionally embedded interaction between entrepreneurial attitudes, abilities and aspirations, by individuals, which drives the allocation of resources through the creation and operation of new ventures.” (Acs, et al., 2017: 4). In this paper I evaluate the entrepreneurial ecosystem of Namibia in comparison to Botswana and South Africa using the Global Entrepreneurship Index (GEI). The objective is to determine the strengths and subsequently the bottlenecks bedevilling the system. Further, Namibia is placed within a global context to determine how the country fares. Finally, key implications for policy are explore and policy interventions are recommended. The paper, even though is not novel, contributes to existing literature on entrepreneurial ecosystems in general and specifically to the growth of literature in Africa.

### **Namibia’s Entrepreneurship Profile at a Glance**

It is important to understand what drives entrepreneurial activity at country level (Liñán and Fernandez-Serrano, 2014). In 2012 the Total Entrepreneurial Activity (TEA) in the adult population of Namibia stood at 18% and increased significantly to 33.34% in 2013, with almost 10% of the entrepreneurs surveyed indicating they will employ up to five people within the next 5 years (GEM, u.d.). Whereas those who intended to employ more than six people were a paltry 2.8% in 2012, that number grew significantly to 20.53% a year later. TEA rates in Sub-Saharan Africa are generally high except for South Africa. Despite the high TEA

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rate, the level of self-employment in Namibia is significantly low (6.2%), compared to its neighbours, Botswana and South Africa who register 43.3% and 14.2% respectively. On the contrary 80.2% of adult population have employed a maximum of five people, a positive contribution to employment creation.

Why do people in Namibia want to become entrepreneurs? Acs, et al. (2016) purport that most people become entrepreneurs just because they like it. Of course, there are many other reasons that are documented including the desire to be own bosses and other more pressing reasons like losing a job or not having an alternative source of livelihood. However, this statement is particularly relevant for policy because we find ourselves in situations where entrepreneurial interventions are open for all and not targeted, compromising the outcomes in the end and wasting taxpayers' money in the process. That being said, 68% of Namibia's TEAs perceive entrepreneurship as a good career choice (Table 2).

At 37%, the rate of necessity entrepreneurship in Namibia is higher than the regional level, and only Malawi and Uganda have higher rates. Statistics show that necessity entrepreneurship is more prevalent in women than men. On the positive side, opportunity-driven entrepreneurship is also at 37%. Namibians have a particularly high opportunity perception rate, 75.22% in 2012 but declined to 68.31% in 2013. This is also supported by confidence in perceived entrepreneurial capabilities which stood at 73.95%, just 0.5% below the 2012 figure. Consequently, in 2013 more people (52.39%) had entrepreneurial intentions. On the contrary Namibia has a higher than regional average rate of fear of failure, which is however 2% less than the global average, resulting in 73% of the Namibians perceive entrepreneurship as a career of choice (Herrington and Kelly, 2012) – this rate is lower than the regional average but higher than the rates observed in western countries.

The GEM study reveals that 39% of Namibians discontinue business because of lack of access to funds, that is twice as much people citing the next reason for exit. It takes 66 days to register and operate a new business and this ranks as the worst of the 114 components evaluated under the 12 pillars evaluated by the World Economic Forum.

Even though the relationship between Entrepreneurship education and the development of actual entrepreneurship is still debated globally, there has been some successful models. At the time of publication of April's script, there was no formal tertiary education program on entrepreneurship (2005). It has to be noted however that Namibia introduced entrepreneurship education at both primary and secondary schools, the latter beginning in 2004 (Johansen and Lundhaug, 2016). Entrepreneurship education and training is one of the major recommendations for the 2016 government policy (Ministry on Industrialisation, Trade and SME

Development, 2016). A tracer study by the authors revealed that 93% of the youth that studied entrepreneurship at secondary school considered the subject to have a significant bearing in their intention to start a business.

## LITERATURE REVIEW

There is tendency to mix entrepreneurship and small business management or ownership (Szerb, Aidis and Acs, 2012). Whereas entrepreneurship can occur in small businesses, ownership of a small business does not immediately translate to entrepreneurship. Therefore, the GEI's definition of entrepreneurship focuses primarily on opportunity-driven and not necessity-driven entrepreneurship (Acs, et al., 2017). Contrary to the position that entrepreneurial activity is necessarily good, Lafuente, Acs, and Szerb (2018) argue that data from Africa and developing economies indicate that even though activity has been consistently high over the years, there is no clear impact on GDP. In fact, on the contrary, there is evidence that entrepreneurial activity is inversely correlated with "economic growth, economic freedom, and global competitiveness" (Acs, et al., 2017:2).

Entrepreneurial ecosystems are attracting a lot of attention especially in support of high growth firms (Mason and Brown, 2014). Therefore, Lafuente, Acs, and Szerb (2018) propose that a distinction between quality entrepreneurial ecosystem (high impact) and quantity entrepreneurial ecosystem (little impact) is necessary. Entrepreneurial ecosystems tend to explain entrepreneurial outcomes better than the quantity of entrepreneurial activity. Perhaps the most profound contribution to entrepreneurship studies from GEI is the ability to measure or evaluate the context within which entrepreneurship occurs, Mason and Brown (2014) call it a "...systems-based form of support..." (p. 5). This approach recognises entrepreneurship as a multi-faceted phenomenon occurring within a complex environment comprising individual and institutional attributes that interact continuously to create an entrepreneurial ecosystem (Szerb, Komlósi, and Páger, 2016).

The role of policy cannot be overemphasised. Acs, et al. (2016) offer that entrepreneurial policies are important to correcting markets and therefore governments should intervene where necessary. However, Lafuente, Acs, and Szerb (2018) argue that unfortunately, in intervening, governments have come up with a lot of policies and policy programs that have no quantifiable entrepreneurial outcomes. This they argue, could be caused by lack of policy contextualisation which may render policy templates from developed economies ineffective in developing economies. Additionally, policies in African countries

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tend to be focused on individual entrepreneurs, the type Mason and Brown (2014) term traditional enterprise policies that have little impact – only driving quantity of entrepreneurship. I note Szerb and Trumbull (2018)'s assertion on entrepreneurial ecosystems, “These ingredients form various configurations that are unique to each region or country requiring careful tailor-made entrepreneurship policy rather than simply increasing entrepreneurial activity *per se*.” (Italics in original) – paragraph 25. This argument carries serious implications for policy especially that many countries measure entrepreneurial outcomes in terms of just activity. Equally, is it not advisable to focus only on high growth businesses because this is also detrimental to the economy in the long run (Szerb, Aidis and Acs, 2012). Therefore, some form of balance is needed.

Namibia, one of the youngest states gained independence in 1990 after being colonised by Germany and later placed under minority South African rulership. South Africa would break into freedom from the apartheid regime in 1994 even though it gained independence many years before in 1961. A history that Rätty (2010) argues is relevant in the discussion of entrepreneurship. Specifically, apartheid is known to have marginalized the majority of the black community in many respects. For example, blacks in South Africa could not access good schools and education in sciences and mathematics was only a dream (Richardson, Orkin and Pavlich, 1996). This undeniably would have negative consequences not only on aspirations but also skills necessary for innovation to occur and the actual setting up and running of a business. Namibia attributes the dire shortage of land and access to rental buildings for the locals to historical reasons (Ministry on Industrialisation, Trade and SME Development, 2016). To this day the Namibian economy is still heavily dependent on South Africa. Ignoring this history would make this analysis incomplete and devoid of context.

In acknowledging the impact of the disadvantaged past, the Black Economic Empowerment (BEE) of South Africa was one major policy in Southern Africa after independence which was aimed at among other things, improving participation of blacks in the mainstream economy through business ownership and preference procurement schemes. Increasingly observers argue that this was a failed policy and now its revised form, the Broad-Based BEE, is proving to be a hurdle in attracting foreign direct investment (Gules, 2018). Some of the programs Namibia has embarked on include “Partnership for Local Democracy and Development and Social Innovation” (Rätty, 2010), and has benefited from a number of partnerships with non-governmental organisations (April, 2005) including the Namibian Association of Norway (Johansen and Lundhaug, 2016). A business accelerator was established in 2013 at the University of Namibia under

the Global Business Labs umbrella in partnership with Stockholm School of Economics. The same model was operating in Botswana and Uganda with a view to accelerate businesses primarily started by students and staff of the universities and eventually the community at large (Ganamotse et al., 2017). The lab managed to graduate one business after two years of operation in Namibia, demonstrating slow progress.

Namibia's economy is still highly driven by extraction of resources in mining and agriculture (Almeida Santos, 2018) just like Botswana. The country has been running a series of budget deficits over the past few years, unfortunately mostly funded by public debt. The decrease in the revenues from the Southern African Customs Union forced the country to run a tight fiscal policy in 2016. Already this has had negative impact on the country GDP with private lending declining; which may not necessarily be good news for entrepreneurship growth. According to the Namibia Statistics Agency unemployment stood at 34%, with some young people categories experiencing up to 70% unemployment by the year 2016. Unemployment was more evident in rural areas and among women.

## **GLOBAL ENTREPRENEURSHIP INDEX (GEI) METHODOLOGY**

Szerb and Trumbull (2018) argue that the GEI's ability to measure the holistic entrepreneurship ecosystem makes it special. In its design, the GEI is a composite index combining both agency and institutions (Acs, et al., 2018). Specifically, the index measures systems along 14 pillars which are further divided into three sub-indices measuring entrepreneurial attitudes, entrepreneurial abilities and entrepreneurial aspirations. To measure the interaction between system components, GEI penalises for bottlenecks – the weakest link or underperforming pillar would have a negative bearing on the score. This particularly makes sense because at policy level, countries need to create an enabling environment which is fertile ground for entrepreneurship to thrive (Acs, et al., 2016). From a systems perspective, if a component underperforms it is likely to impact the whole system. However, one needs to note the spirit of entrepreneurship can still overcome some of these institutional obstacles as has been proven in many developing countries (Acs, et al., 2017).

Further, the GEI index provides countries who want to develop entrepreneurship with the necessary policy tools (Szerb, Aidis and Acs, 2012).



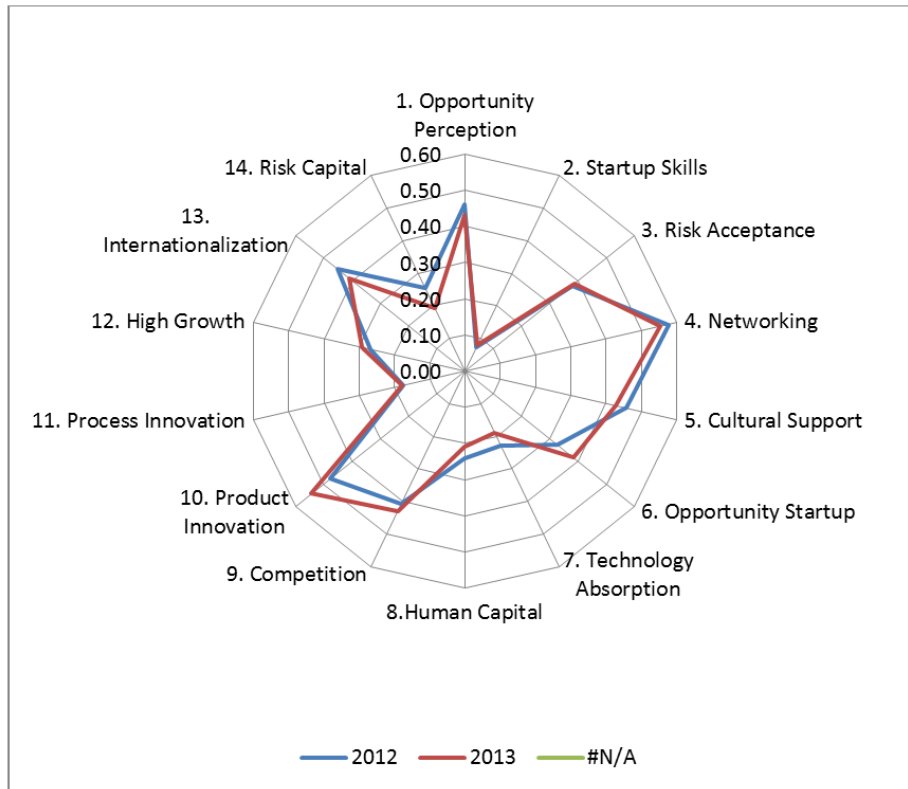
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Even though the policy framework of the GEI is limited in prescribing interventions in the complex policy environment, it provides pointers that give indication of existing bottlenecks. According to Szerb, Komlósi, and Páger (2016), this limitation comes from the fact that the GEI index only measures the national system of entrepreneurship partially. However, it has to be noted that it is almost impossible to build an index that incorporates all components, because of limited resources and complex nature of reality. Dealing with these bottlenecks cannot be achieved with universal tools but in-depth engagement with local policymakers and implementers is ideal (Acs, et al., 2016; Szerb, Komlósi, and Páger, 2016). Despite the limitations stated above GEI has a high positive correlation of 0.7919 with economic performance (GDP per capita), while TEA has a relatively strong but negative correlation with economic performance (Lafuente, Acs and Szerb, 2018). This provides traction for the ability of GEI to explain the quality of entrepreneurship as opposed to TEA.

## FINDINGS

Namibia's GEI score of 29.4 was ranked 57th out of 95 countries, with only Tunisia (38.8), Botswana (34.3) and South Africa (33.4) ranked among the top 50 countries. This score, however, is only a few points above the 1st quartile. Even though negligible, there is a slight decrease in the GEI score from 2012 into 2013. This is evidenced by only 4 out of the 14 pillars that experienced increase in "high growth", "competition", "opportunity start-up" and "product innovation". The rest were either stagnant or declining (see Figure 1). Table 1 shows a Namibian GEI score that is slightly above the bottom 25% least performing countries and below the global average of 38.9. In fact, Namibia sits below global average in all the three GEI sub-indexes in Entrepreneurial Attitudes, Entrepreneurial Abilities and Entrepreneurial Aspirations. Even when compared to efficiency-driven countries, Namibia is below the average score which is calculated at 30.9..

Figure 1: Namibia's Performance on the 14 Pillars



The 14 pillars in Figure 1 give us an opportunity to understand how the Namibian entrepreneurial ecosystem interacts. Overall, the ecosystem is showing uneven performance over the two years. Networking (0.55) and product innovation (0.54) are the only pillars with a value above 0.50 and the former is the strongest pillar, while start-up skills are the weakest link with a score less than 0.10. The latter proves to be the biggest bottleneck in the Namibian entrepreneurial ecosystem, followed by process innovation (0.18) and technology absorption (0.19). The human capital variable is at 0.21, a 0.03 decline from 2012 and risk capital is also at 0.20 having dropped by 0.06.

Namibia sits in between the lower quartile and the second quartile in all the three sub-indices. However, the distance between Namibia and the lower quartile is smaller than the distance between the country and the second quartile.

Generally, Namibians have a positive attitude towards entrepreneurship with an index of 32.35 (Table 1). Technology absorption and human capital are the worst performing pillars under Entrepreneurial Abilities sub index. Technology has the capacity to enhance growth in enterprises. When its adoption and use is minimal, this is likely to have negative consequences on growth and competitiveness. The Entrepreneurial Aspirations sub-index with a score of 28.58 performs better than Entrepreneurial Abilities sub index at 27.24. It is critical to understand what future entrepreneurs desire out of their businesses. In particular, the desire to grow and scale up into the international stage has high impact countries desire. However, Namibian entrepreneurs' intention to grow is somewhat lukewarm with a score of 0.29.

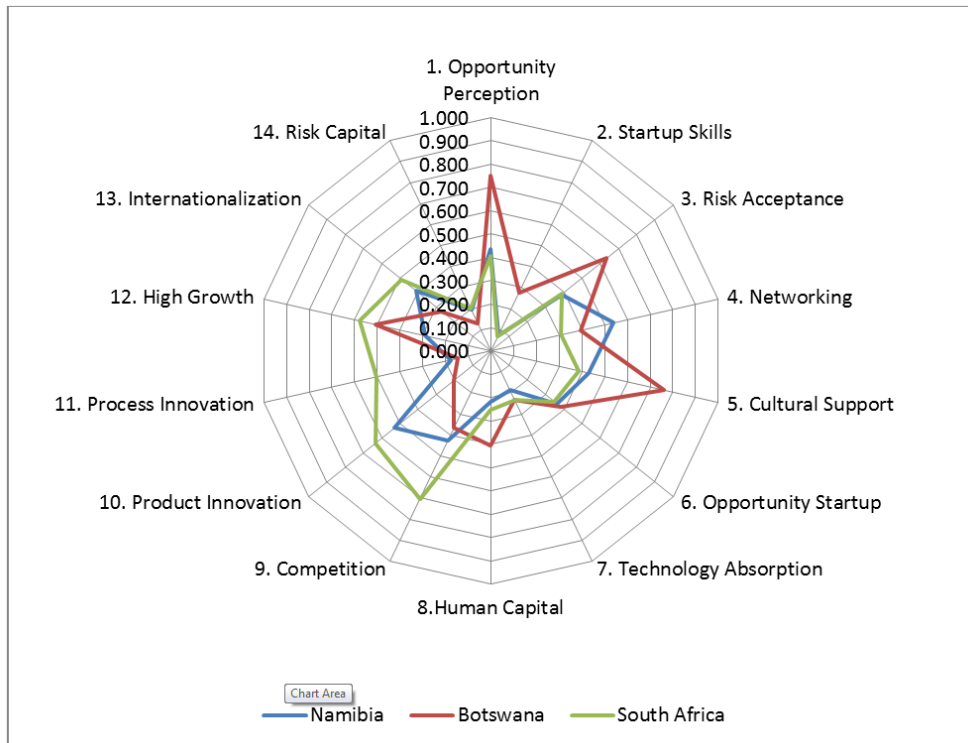
Table 1: Namibia's Performance on the 3 Sub-indices

	ATTINDEX	ABTINDEX	ASPINDEX	GEI
Namibia	32.35	27.24	28.58	29.39
Bottom 25	27.18	25.56	23.69	25.82
2nd 25	37.21	35.83	40.63	37.18
3rd 25	56.40	56.74	59.90	58.69

Figure 2 below compares Namibia to her neighbours, Botswana and South Africa. These countries do not only share borders, but also belong to the South African Customs Union (SACU) together with Lesotho and Eswatini meant to facilitate and improve trade between the members. Areas of focus include coordination of policies and trade investment. Both Namibia and South Africa are efficiency driven economies while Botswana is still a factor driven economy. Botswana (2.298M) and Namibia (2.534M) have almost the same population while South Africa has 56.72M people. South Africa is considered the big brother of Southern Africa considering that most of these countries are economically dependent on her. Namibia's strongest pillar, networking, is better than of all the two countries by at least 0.15. An interesting observation is that all the three countries almost match each other on opportunity start-up. Namibia then matches South Africa on opportunity perception and risk acceptance, and only edges South Africa on cultural support and networking as mentioned earlier. Start-up skills in

Botswana eclipse those in Namibia by a factor of more than 4 and has opportunity perception almost twice that of the latter.

Figure 2: Namibia's Performance Compared to Neighbouring Countries



An analysis of Namibia's performance in both institutional variables and individual variables is given in Table 2. Overall institutional index (0.41) is particularly weak, with 8 out of 14 variables ranked among the 25% worst performing countries. The weakest variables are education (0.15) and depth of capital markets (0.16). Labour markets (0.73) variable ranks among the top 25% countries. It is important to note the freedom variable which is performing poorly as expected due to colonial influence.

Table 2: Namibia Entrepreneurship Profile - Variable Level

	PILLARS		INSTITUTIONAL VARIABLES		INDIVIDUAL VARIABLES	
Entrepreneurial Attitudes	Opportunity Perception	0.44	Freedom	0.36	Opportunity Recognition	1.00
	Start-up skills	0.08	Education	0.15	Skill Perception	0.96
	Risk Acceptance	0.39	Country Risk	0.45	Risk Perception	0.66
	Networking	0.54	Connectivity	0.42	Know Entrepreneurs	0.97
	Cultural Support	0.43	Corruption	0.54	Career Status	0.68
	<b>Entrepreneurial Attitudes</b>	<b>32.4</b>				
Entrepreneurial Abilities	Opportunity Start-up	0.36	Governance Technology Absorption	0.58	Opportunity Motivation	0.40
	Technology Absorption	0.19	Labour Market	0.73	Technology Level	0.35
	Human Capital	0.22	Competitiveness and Regulation	0.47	Educational Level	0.22
	Competition	0.43			Competitors	0.83
	<b>Entrepreneurial Abilities</b>	<b>27.2</b>				
Entrepreneurial Aspirations	Product Innovation	0.53	Technology Transfer	0.40	New Product	0.91
	Process Innovation	0.18	Science	0.30	New Technology	1.00
	High Growth	0.29	Finance and strategy	0.40	Gazelle	0.54
	Internationalization	0.41	Economic complexity	0.31	Export	0.76
	Risk Capital	0.19	Depth of Capital Market	0.16	Informal Investment	0.47
	<b>Entrepreneurial Aspirations</b>	<b>28.6</b>				
GEI	29.4	Institutional	0.41	Individual	0.70	

On individual variables, Namibia ranks among the top 25% countries. Half of the variables scored 0.76 or higher with “opportunity recognition” and “new technology” rated at a perfect score of 1. Once again, we see education’s negative influence on entrepreneurship. Only 22% of business owners/managers had tertiary education, while only 35% are involved in technology sectors. The proportion of entrepreneurs who anticipate employing 10 people or more in the next 5 years grew from 11.88% to 12.79% between 2012 and 2013. While at this it is important to note that opportunity start-ups are particularly low. This is not surprising because low quality of education normally dampens the quality of entrepreneurship.

Table 3: Individual and Institutional Variable Averages

Country	Institutional Average	Individual Average	GDP \$2011	Ratio of Institutional/Individual
Namibia	0.41	0.70	9113	0.59
Botswana	0.46	0.65	15271	0.71
South Africa	0.56	0.60	12385	0.93

Namibia's institutional average (0.41) in Table 3 is lower than both Botswana and South Africa, and Tunisia (the best performing country in Sub-Saharan Africa) in terms of GEI, and below average of efficiency-driven countries, and fewer places above the average of factor-driven countries. While the individual variable component average is not only higher than of all the three countries but also better than that of innovation-driven economies.

Table 4 below reveals that policy efforts are needed in three areas to improve the country GEI score by 10%. The most pressing bottleneck is start-up skills which calls for 80% of the effort, followed by process innovation (13%) and technology absorption (7%). It is evident from the institutional framework that the education variable is the worst performer, with dire consequences on the entrepreneurial ecosystem. Namibia needs to intensify her efforts in investing in quality of education in general including science and entrepreneurship. This would be in the form of both short-term and long-term training. This will likely enhance innovation and equip entrepreneurs with skills needed to start a business.

Table 4: Policy Variables

Pillar	Required Increase in Pillar	Percentage of total new effort
<i>Opportunity Perception</i>	0,00	0%
<i>Start-up Skills</i>	0,12	80%
<i>Risk Acceptance</i>	0,00	0%
<i>Networking</i>	0,00	0%
<i>Cultural Support</i>	0,00	0%
<i>Opportunity Start-up</i>	0,00	0%
<i>Technology Absorption</i>	0,01	7%
<i>Human Capital</i>	0,00	0%
<i>Competition</i>	0,00	0%
<i>Product Innovation</i>	0,00	0%
<i>Process Innovation</i>	0,02	13%
<i>High Growth</i>	0,00	0%
<i>Internationalisation</i>	0,00	0%
<i>Risk Capital</i>	0,00	0%

## DISCUSSION

Generally, Namibia's low GEI score speaks to the inefficiency of the entrepreneurial ecosystem to create and support quality entrepreneurship necessary for economic growth and development. In relation to other countries this challenges Namibia's competitiveness not only in respect to her neighbours in Botswana and South Africa but also globally, because the existing entrepreneurial ecosystem is somewhat wasteful of the available opportunities. Namibia is not alone in this challenge. Despite the high TEA rates reported, African countries generally display weaker entrepreneurial ecosystems to support quality entrepreneurship (Lafuente, Acs, and Szerb, 2018). At pillar level, start-up skills, technology absorption, process innovation, risk capital and human capital are

significantly problematic in Namibia's case. Weak human capital affects quality of entrepreneurship, implying that despite the high entrepreneurial activity in Namibia, firm growth may be challenged. One needs to possess the right skills in order to exploit an opportunity. There is also evidence that Namibians are risk averse despite good performance on product innovation and networking – this lack of confidence could also be linked to the poor start-up skills. In this environment, exploitation of new opportunities could be hampered. Also, it may mean Namibia is not investing sufficiently in the development of its people or still recovering from its apartheid past (Richardson, Orkin and Pavlich, 1996).

Turning focus to institutional variables, more than 50% are underperforming (rank with the worst 25% category globally) including education system and depth of capital. Poor quality of education, evidenced by low education level of entrepreneurs, can also be linked to very low scientific output, hampering innovation. On the other hand, weak capital markets limit access to capital needed for establishment and growth of existing businesses. Consequently, it is not surprising that opportunity start-ups are particularly low, which translates to dominance of necessity entrepreneurship. By extension, it is also important to note subdued intentions to grow. Poor access to capital discourages nascent entrepreneurs while it limits growth of existing businesses. The freedom variable, though not the least performer, is a red flag. This emerged as significant constraint in the Russian entrepreneurial ecosystem (Szerb and Trumbull, 2018) and dealing with past prejudices may be valuable. South Africa could offer lessons.

On the positive side, Namibian entrepreneurs have a highly positive attitude towards entrepreneurship, supported by high aspirations. If quality of education is improved, this will likely have a positive impact, driving scientific output, adoption and harness of new technologies leading to innovation and better efficiencies. With educated entrepreneurs and improved confidence in start-up skills, Namibians are likely to exploit opportunities in the market that are driven by innovation and with potentially larger impact, given the high level of opportunity perception. Acs, et al. (2016) argue that government policy in the west has unfortunately promoted sole entrepreneurship with little or no intention to grow. Unfortunately, this is normally done at the taxpayer's expense and fails to achieve the intended objective while eroding social welfare. Namibia is a little different though, with evidence showing lower self-employment rates than Botswana and South Africa. However, she can partner with her neighbours for support in areas she is lacking.



## CONCLUSION

It is indeed true that even countries with similar income levels may display completely different entrepreneurial activities and cultures (Liñán and Fernandez-Serrano, 2014). Therefore, there is need to understand the context within which entrepreneurship occurs. Acs, et al. (2016) point to the lack of clarity on who really an entrepreneur is as part of the problem that renders policy ineffective. Namibia's entrepreneurship ecosystem is relatively weak. Its greatest asset is entrepreneurial attitudes, while start-up skills are its greatest bottleneck. At institutional level, quality of education and capital markets present serious impediments to growth. While at individual level there is evidence that less than a quarter of the Namibian TEAs have tertiary level education. The fact that Namibia is not performing at par with average performers in its category of efficiency-driven economics nor its neighbours challenges its competitiveness and threatens its position in global economics. All in all, Namibia is not any different from many other developing economies. In fact, it is quite similar to factor-driven countries where high TEA rates do not translate to high growth in GDP. There is need for policy intervention to deal with the current bottlenecks in the Namibian entrepreneurial ecosystem, primarily aim at improving start-up skills.

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## **ENVIRONMENT, SOCIAL AND GOVERNANCE PRACTICES: THE CASE OF BOTSWANA STOCK EXCHANGE COMPANIES**

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### **ABSTRACT**

The role of the private sector in the realisation of the 2030 Global Agenda for Sustainable Development cannot be overemphasised. Stock exchanges in particular, are making deliberate attempts to contribute meaningfully to sustainable development. The aim of this paper is to determine the overall state of existing sustainability practices of Botswana Stock Exchange (BSE)-listed domestic companies. The Environment, Social and Governance (ESG) framework was adopted for the study. Twenty four BSE listed domestic companies were reviewed using self-completed, open ended questionnaires and secondary data. Thematic analysis was employed to examine the data. The results separated the companies into three categories: those that do not have specific sustainability policies due to unfamiliarity with sustainability issues as pertains their businesses; companies which have recognised sustainability as key to their business, but have not attained the required level of reporting and accounting for sustainability; and lastly companies that are well advanced to the extent of gaining international recognition in the international sustainability frontiers. The paper recommends for the BSE to incentivise the companies to adopt sustainability practices by for example recognition awards.

**Keywords:** Environment, Social, Governance (ESG), sustainability practices, private sector, Botswana Stock Exchange.

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## INTRODUCTION

Stakeholders around the world are raising concerns about Environment, Social and Corporate Governance (ESG) issues and demand financial markets to address and reflect these concerns in their operations (Sustainable Stock Exchange (SSE) Initiative, 2015; Przychodzen, Gómez-Bezares, Przychodzen & Larreina, 2016). This demand by investors has resulted in ESG being a critical part of business strategy (Lokuwaduge & Heenetigala, 2017). Stock exchanges are an important avenue for the facilitation of the uptake of new products in response to market demand (United Nations Development Program (UNDP) & Botswana Stock Exchange (BSE), 2018). Consequently, the SSE initiative has been working with stock exchanges to become competitive on ESG matters in the bid to develop more sustainable capital markets (SSE, 2015; United Nations Conference on Trade and Development (UNCTAD), 2016). Adoption of sustainability practices by companies boosts business operations in terms of access to capital; cost savings and productivity; risk market; revenue growth and market access; brand value and reputation; license to increase operations; human capital; employee retention and recruitment; company value as an acquisition target; and the ability to acquire other high quality companies (SSE, 2015). Additional benefits of ESG disclosure to companies include bringing sustainability down to the operational and middle management level; discovery of new opportunities by companies and new information about their own operations, which can in turn help to alter internal attitudes towards sustainability (European Commission, 2009). Moreover, ESG virtuous companies can gain customer loyalty, corporate reputation, access to capital, cost savings, innovation capacity, human resource management, and risk management (Ferrero-Ferrero, Fernández-Izquierdo, & Muñoz-Torres, 2016). ESG disclosure by companies is therefore highly related to regulations, standards, legitimacy and stakeholders (Deegan, 2014). Consequently, in some circumstances the boundary between marketing and ESG disclosure is not always clear (European Commission, 2009)

Following the acceptance of the integration of sustainability into business strategy, the SSE initiative identified five targets under the Sustainable Development Goals (SDGs) that stock exchanges are well positioned to support and these are: 1) Target 5.5 of SDG5 where companies are encouraged to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. Some of the areas in which national stock exchanges could influence this goal include the promotion of women as consumers and business leaders. 2) Target 8.3 of SDG8

which promotes development-oriented policies that support activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium size enterprises, including access to financial services. 3) Target 12.6 of SDG6 which speaks to encouraging companies to adopt sustainable practices and integrate sustainability information into their reporting cycle. Stock exchanges can facilitate responsible consumption and production, through reporting requirements that cover long term value generation, ESG issues as well as specific financial information. 4.) Target 13.3 of SDG13 which is about improved education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. Green finance and climate related disclosure are some of the ways in which national stock exchanges can promote sustainability and climate solutions 5) Target 17.6 of SDG 17 on enhancing the global partnerships for sustainable development by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technologies and financial resources to support the achievement of sustainable development goals in all countries, particularly developing countries. Stock exchanges are, therefore, critical in mobilising knowledge, expertise, technologies and financial resources among their listed companies (UNDP & BSE, 2018).

As of 2014, less than one third of stock exchanges around the world provided voluntary guidance to issuers on reporting environmental, social and governance (ESG) information (ESS, 2015). The Botswana Stock Exchange (BSE) is also committed to the sustainability discourse and endeavours to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among companies listed on the exchange (UNDP & BSE, 2018). The BSE has thus joined other African capital markets regulators and exchanges towards sustainable development (United Nations, 2015a). In order to guide its listed companies, the exchange thus needs to know what exists on the ground.

This paper therefore reviews sustainability practices of BSE listed domestic companies. The structure of the paper comprises background information on stock exchanges and sustainability by way of introduction. The introduction is followed by a description of ESG in relation to the private sector, theoretical underpinnings of the study, methods, results and lastly discussion and conclusion.

## **ESG AND THE PRIVATE SECTOR**

The ESG discourse was preceded by the United Nations Principles of Responsible Investment (Fin, 2012). Even though the elements of ESG were

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already in existence, the ESG gained momentum in 2008 following the release of the ESG guide by the Chartered Financial Analyst Institute (Fin, 2012). ESG is about the sustainable return, risk reduction, and accountability aspects of investments towards the environment and society (Sultana, Zulkifli & Zainal, 2018). In other words, ESG accounts for diverse non-financial aspects of a company's operational impact on the natural environment in terms of carbon emissions, energy, and water use; society in terms of fair trade principles, health and safety, product safety, and philanthropy; corporate governance quality e.g., corruption and bribery, board independence, and stakeholder protection, labour and human rights policies, health and safety, supply chain management, product responsibility, anti-corruption, and community investment (Przychodzen, et al., 2016; Wong, 2017). Hence the ESG issues are considered the three pillars of sustainability (Przychodzen et al., 2016). Therefore the Environment, Social and Governance matters espoused in the ESG framework are considered the three pillars of sustainability (Przychodzen et al., 2016). The three dimensions are generally assumed to be mutually supportive.

### **The environment pillar**

The state of the environment is the basis for human wellbeing hence environmental sustainability touches on aspects such as a low carbon economy, ecosystem resilience, high quality drinking water, clean air and related matters. Public companies, especially those with significant environmental impact, should take the lead in environmental protection and improvement of the social environment (Wang, 2016). According to Cormier and Magnan (2015), the advantages of corporate environmental disclosure to firms are twofold: Firstly disclosure allows firms to showcase their environmental activities and performance to their stakeholders, especially analysts or investors; secondly, it may be a tactic by firms to gain legitimacy for the firm's environmental management through impression management despite poor underlying environmental performance. Hence 'In determining its environmental disclosure strategy, a firm's management faces a tension between responding to the information needs of financial markets and maintaining its legitimacy within the community' (Cormier & Magnan, 2015.p.431).

### **The social pillar**

Sustainability decision-making is closely connected with the stakeholders' needs including societies. The needs of society that hinge on the social

sustainability pillar include inclusive and quality education, good health and nutrition, access to housing, safe and secure settlements, participatory planning and civic engagement that considers local context, needs and desires, equitable access to resources, closing the gender gap, consideration of vulnerable groups such as youth and people with disabilities in development processes, cultural diversity and traditions, and equality of rights (Global Reporting Initiative (GRI) 2016; Sultana et al., 2018). Therefore business entities play a big role in securing livelihoods by lifting people out of poverty and income lack.

### **The governance sustainability pillar**

Demb and Neubauer (1992) define corporate governance as a process in which companies respond to the rights and requests of stakeholders. On the other hand Organization for Economic Co-operation and Development (OECD, 2004) considers corporate governance as a system through which business companies are managed and controlled. The focus on sustainability therefore brings with it changes to corporate culture (Kocmanová, Hřebíček & Dočekalová, 2011). It calls for companies to promote ethical responsibility; provide a safe and healthy working environment; afford employees self-development opportunities; embrace cultural diversity and equity in the work place; ensure environmentally sensitive operations; and provide opportunities for social and economic development within the communities they operate (IFAC, 2008). Corporate governance sustainability is therefore a strategic approach through which the private sector takes into consideration the environmental, economic and social dimensions of sustainability in addition to the company's efficiency and productivity (Kocmanová et al., 2011)

### **THEORETICAL UNDERPINNINGS: TRIPLE BOTTOM LINE**

In 1994, John Elkington developed the Triple Bottom Line (TBL) as a new discourse to advance the sustainability agenda. He perceived sustainable development as a simultaneous pursuit of economic prosperity, environmental quality, and social equity as the triple bottom line that companies aiming for sustainability need to perform against a single, financial bottom line (Elkington, 1998). In terms of economic prosperity, businesses have the aim to achieve their revenue growth because a strong financial reporting may enable the business to attract more capital investment from investors as it could be seen as a viable business (Assaf, Josiassen, & Cvelbara, 2012). The environment on the other hand provides the basis for business existence in terms of raw materials therefore according to Gimenez, Sierra and Rodon, (2012), traditional business reporting



framework should take into account ecological performance in addition to the financial performance of the entity. With regards to social equity, beside the aim of making profit, businesses need to act in a responsible manner that takes into account employees and community affairs (Gimenez et al, 2012). The TBL theory thus informs this study's inquiry into the ESG (sustainability) practices by BSE listed domestic companies.

## METHODS

### Case Study: BSE domestic companies

The study was conducted in 2017 on 24 domestic companies that were listed with the Botswana Stock Exchange at the time. The companies fell into the following nine categories: non-banking financial services and insurance, retail and wholesaling, property and property trust, banking, security services, tourism, energy, Information and Communication Technology, as well as mining and material.

The financial services and insurance sector supports sustainability by virtue of their role in improving economic wellbeing and access to investment (UN Global Compact (UNGC) & KPMG, n.d.). The sector has the capacity to facilitate financial inclusion for individuals, small businesses and governments by aiding access to secure payment and remittance factors, savings, credit and insurance; providing products that entail financing and insuring renewable energy and other sustainable and resilient infrastructure projects (Baccani, 2015, UNDP & BSE, 2017).

The sustainability issues in the retail supply chain are centred on purchasing policies, supplier training, social compliance, tracing the supply chain, and efficient transportation (RILA & CRC, n.d.). The retail and wholesaling sector thus also plays a pivotal role in driving sustainability by adopting practices that target the supply chain, product attributes and business practices. Examples include sale of certified sustainable products, employee engagement, sustainable innovation, adoption of green buildings for energy and carbon reduction, waste generation reduction, efficient water usage, and sustainable packaging of ingredients/products (RILA & CRC, n.d.).

Governments, property fund managers and prospective tenants put sustainability demands on the property industry (Schulte, Bone-Winkel & Bone-Winkel, 2012). Examples include designing buildings that are adaptable to different uses using technologies that enable resource efficiency; property

development that invest in the protection of cultural and natural heritage; as well as parks around natural features to preserve natural ecosystems (UNGC, 2017).

Banks' lending and investment activities position them well to facilitate sustainable development. For example, banks can facilitate the global sustainability agenda by directing financing and investment towards mitigation and adaptation projects that address climate change; green finance which includes green project bonds; managing environmental and social risks related to lending activities; managing the impact of the banks' internal activities, (SSE, 2015, Türkiye Bankalar Birliği, 2014; UNGC, 2017).

The role private security companies in sustainable development by way of providing security for lives and property cannot be over emphasised (UNDP & BSE, 2017). Long term stability and ultimately security is threatened by factors such as climate change; competition over scarce resources such as food, water and energy; inequalities caused by marginalisation of the poor majority; and global militarisation (Oxford Research Group, n.d.). Hence the participation of the security sector in sustainability is important.

The tourism sector is also well positioned in the sustainability sphere. For example, sustainable tourism contributes directly and indirectly to goals 8 and 12 by devising policies and monitoring sustainable development impacts that creates jobs and promotes local culture and products; as well as goal 14 through devising means of increase the economic benefits to Small Island developing States and least developed countries from the sustainable use of marine resources (United Nations, 2015b; United Nations World Tourism Organisation (UNWTO) and Global Compact Network Spain (GCNS), 2016).

Likewise, in pursuit of sustainable development (specifically SDG 7 and 13), the energy sector engenders the need to give a special consideration to its production and consumption patterns as well as the adoption of cleaner energy technologies through harnessing of clean coal, natural gas, oil and other sources of energy (UNDP & BSE, 2017).

The ICT sector also has the responsibility to produce sustainable products by using environmentally conscious design principles; sustainable buildings which entails the use of sustainability standards during construction, lifetime use and decommissioning; end of life management which promotes the extension of life of equipment no longer deemed optimal by existing users through the transfer of their utilisation to other users or recycling the equipment or materials contained in them for other purposes (ITU-T, 2012; UNDP & BSE, 2017).

Lastly, the mining sector sustainability practices are informed by context-specific local, social, political and economic factors; the mineral resource in question; the phase/stages at which the mining activities are; and local

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communities and other stakeholders' engagement (World Economic Forum et al., 2016).

The above sectors constitute the categorisation of BSE listed domestic companies which were the basis of the case study.

### **Data collection and analysis**

The study employed a qualitative approach to elicit primary and secondary information from the BSE listed domestic companies. To gather empirical data, a questionnaire was distributed to the 24 BSE listed domestic companies. Secondary information on the other hand was sourced from the companies' annual reports. The document review was informed by existing sustainability global practices as espoused in various publications such as the SDG Compass- The guide for business actions on the SDGs (GRI, UNGC & wbcso, nd), Global Proxies for Some Tier III Indicators (Inter-Agency Expert Group on the SDGs, 2019), the Human Rights Guide to SDGs (Danish Institute for Human Rights, 2017) and the Best practices in sustainability (Guardian News and Media Limited, <https://www.theguardian.com>). For example, environmental indicators included, investment in sustainable products and services; technological innovations that address sustainable; use of fuel efficient products in company transport; design and construction of environmentally sustainable buildings; integration of alternative, recycled, and recyclable materials in production and packaging design; Environmental Management Systems certification; sustainably produced or harvested inputs or raw materials in supply chain management. Social indicators included partnerships with communities; investment in sustainability projects; investor dialogue; human rights; investment in employee social welfare; national aspirations. Corporate governance practices included sustainability reporting/disclosure, support to teams or individuals facilitating sustainability in the company; supply chain management; stakeholder and employee engagement; management accountability and executive compensation; inclusion of sustainability aspects in company Policies, Plans and Programmes (PPPs); disclosure of social and environment sensitive inputs; adoption of SDGs in company strategic plans; incentivising employees by rewarding safety and environmental stewardship; board and senior management leadership on sustainability.

Thematic analysis was employed to synthesise company profiles in order to determine the overall state of private sector sustainability practices and sustainability principles that should guide the BSE-listed companies under study. Thematic analysis entails reading and coding interview notes, identifying

categories of recurring ideas/patterns, interpreting the emerging themes and finally drawing conclusions/assertions. (Boulton & Hammersley 2006; Marshall & Rossman 2006; Saldaña 2016)

## **RESULTS**

### **Environmental sustainability practices**

The environmental sustainability practices were categorised under the following themes: Water efficiency, energy efficiency, solid waste management, reduction of carbon emissions and natural resources management. Companies ensured water efficiency by harvesting rain water, water recycling, use of grey water for gardening, applying the use of appropriate technologies to prevent ground water contamination, use of water saving toilet flushing systems, save water campaigns, promotion of showers instead of bath tubs. These practices support SDG6 on ensuring availability and sustainable management of water and sanitation for all. Target 6.4 specifically calls for increase in water-use efficiency across all sectors and ensuring sustainable withdrawals and supply (United Nations, 2015b)

In terms of energy efficiency, companies adopted the use of energy saving (LED) bulbs, green buildings with motion sensors, renewable energy (mostly solar), electronic control system for refrigeration. Goal number 7 of the Global 2030 agenda is about ensuring access to affordable, reliable, sustainable and modern energy for all. Of relevance to this study is target 7.2 which speaks to doubling the global rate of improvement in energy efficiency (United Nations, 2015b).

With regards to solid waste management practices, the companies observed the reduction of waste paper through paper saving printing techniques, paper recycling; waste separation for purposes of recycling even though in most cases the recycling was done externally. These actions support responsible consumption and production (SDG12). Target 12.5 calls for the substantial reduction of waste generation through prevention, reduction, recycling and reuse.

BSE listed domestic companies implemented the reduction of carbon emissions by holding virtual meetings; adopting paperless banking, e-invoicing; fleet management; measuring and monitoring company carbon footprint; certification (e.g. green building accreditation); and adoption of green building/facilities. These actions are commensurate with SDG13 (urgent action to combat climate change and its impacts).

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Environment sustainability practices by BSE domestic listed companies also had to do with environmental conservation and natural resources management in general. Actions included support to conservation groups; clean up campaigns; tree planting activities; as well as measuring and monitoring sustainability issues. The actions addressed SDG15 especially target 15.5 which calls for urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, protect and prevent the extinction of threatened species. (United Nations, 2015b)

### **Social sustainability practices**

The themes that emanated from the social sustainability practices by most of the companies analysed in this study included provision of employees with professional development opportunities, ensuring high quality safety standards to protect employee health; provision of basic needs and income earning opportunities to the poor especially vulnerable groups such as women, youth and people living with disability; ensuring financial inclusion for women and youth. The thematic areas support a number of SDGs dealing with poverty eradication (SDG1), good health and wellbeing (SDG3), education (SDG4), and gender equality (SDG5).

As part of their corporate social responsibility, the companies did the following to combat poverty in the communities they operated in: development projects/infrastructure; provision of shelter to the underprivileged; development of indicators to inform sustainable financial solutions; employment policy for people living with disabilities; partnerships with farming communities to enhance food security; traditional food and crafts sourced from the community; educational excursions for students; provision of school supplies for students; provision of incentives for excelling students; and employee education benefits.

With regards to health and wellbeing, BSE domestic-listed companies have partnered with relevant stakeholders and communities to raise awareness for specific health conditions such as cancer and HIV/AIDS as well as advocacy against tobacco and substance abuse; promotion of sporting activities and sport development; provision of food and shelter to the less privileged; disclosure of information on sensitive ingredients aimed at protecting consumers; facilitation of accessibility to health care; provision of Christmas hampers for admitted patients in various health facilities; first aid training for employees; and employee healthcare benefits.

Specific practices that constitute the education theme included graduate scholarships; literacy/capacity building programs for teachers and students;

student work placement/attachments/internships; employee training benefits/study loans; benevolent funds for employees; participation in the Botswana government 'adopt a school' program; as well as secondary and tertiary education placements in prestigious institutions for excelling under-privileged children.

Gender equality theme did not constitute many specific practices compared to the other thematic areas. The few examples included financial inclusion for women and empowerment through enterprise development.

### **Corporate governance sustainability practices**

The corporate governance sustainability pillar did not attract a lot of sustainability themes compared to the two ESG dimensions discussed above. The themes that emerged were integration of environmental and social sustainability in business strategy and capacitating employees on sustainability issues. The specific practices were sustainability reporting, sustainability mapping/ measures company's sustainability performance, use of social and Environmental Management Systems, consideration of sustainability in selection of suppliers, environmental awareness programs for employees, rewarding/incentivising excellence on sustainability issues among employees, encouraging sustainability practices in supply chain, conscious adoption of specific SDGs into the company's operational strategies, disclosure of sensitive contents in products to protect consumers, participation in national and international sustainability initiatives provision of a dedicated office to sustainability issues, holding management accountable for sustainability performance, provision of grants to environmental groups, forming partnerships communities' associations and government entities; ensuring good working conditions.

Overall the results revealed some considerable strides towards sustainability based on the ESG framework. However, there were some companies that did not have specific sustainability policies due to unfamiliarity with sustainability issues with regards to their businesses. Some companies however recognised sustainability as key to their business, but had not attained a satisfactory level of reporting and accounting for sustainability. Lastly, there were a handful of companies that were well advanced to the extent of gaining international recognition in the international sustainability frontiers. The objective of this study was however not to rate the company's sustainability performance but to determine the overall state of existing sustainability practices.

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## DISCUSSION AND CONCLUSION

It is increasingly becoming common knowledge that governments are no longer the only responsible agent in building sustainable societies (GRI, 2016). The study has shown that the private sector is a key partner in national sustainability drives. This can be achieved by upholding ESG ethics towards the attainment of SDGs. The ESG agenda enables companies to initiate innovative ways of addressing sustainable development challenges. Companies can, therefore, use the ESG as a framework that guides their operations. In so doing, companies stand to gain investor approval.

Consequently stock exchanges and market regulators globally, especially in emerging markets and developing countries, are increasingly adopting sustainability disclosure as a requirement for businesses to be listed (GRI, 2016). Capital market actors appreciate the fact that a company's value is determined by both financial and non-financial factors (GRI, 2016). Leading examples in Africa are the Johannesburg and Nigerian stock exchanges (GRI, 2016). Sustainability disclosure is therefore a crucial tool for building and maintaining trust and for stock exchanges; it is about enhancing this trust in their listed companies (GRI, 2016).

The UNGC (2017) provide practical steps for companies to follow towards some sustainable development goals. For example through SDG 13, companies are expected to cut emissions by improving the carbon efficiency of own operations and supply chain; raise climate change awareness; and device ways to be resilient to environmental hazards (UNGC, 2017). Furthermore companies have the responsibility to use energy efficiently, adopt renewable energy where possible and encourage their supply chain to do the same (SDG7). SDG8 which focuses on decent work and economic growth, calls for the provision of decent working conditions, education and training for the employees and vulnerable groups of the community; and investment in research and development, skills upgrading and growing businesses. SDG17 emphasises partnerships for all the SDGs, which entail resource mobilisation for the attainment of the other 16 goals; technology development, and capacity building. Furthermore, there should be company and supply chain management operations aimed at enhancing healthy communities and employees; adopting products, services and business models that facilitate improved health outcome; and promoting healthy behaviours and access to health care as ways in which companies could support SDG 3. The aforementioned as espoused in UNGC (2017) to some extent exist in BSE listed domestic companies as articulated in the results section. However companies are at different stages of engaging in sustainability. It would therefore be prudent for

the BSE to incentivise the companies to adopt sustainability practices by for example recognition awards. The interest of the financial sector in sustainable development is accelerating at a rapid speed, as the victims of unsustainability include both people and the planet itself (Kopnina, 2016). The business community in Botswana should therefore not be left behind.

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## WHAT IS ‘TENDERPRENEURING’? A REVIEW OF THE LITERATURE

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### ABSTRACT

This paper theoretically attempts to examine a ‘buzzword’ which has been used to describe a corrupt system of awarding tenders [infamously referred to as ‘tenderpreneuring’] in developing countries, by conducting a review of the literature on this practice. The paper endeavors to define ‘tenderpreneuring’ by examining literature, reports, opinion pieces etc on this practice which seems to be spreading rapidly in the public and private sectors in Botswana, South Africa, Kenya in particular. The paper also makes an effort to make a comparison between ‘tenderpreneuring’ and the traditional form of tendering which follows best practice governance principles. An endeavor is also made to trace the roots of ‘tenderpreneuring’ and how ‘tenderpreneuring’ has the potential to negatively impact citizen economic empowerment.

The paper further attempts to use the theory of accountability to demonstrate that where tenderpreneuring is practiced, there are connotations of poor governance on the part of [government or private company] officers who award lucrative tenders to tenderpreneurs. The paper concludes by attempting to examine the possible ramifications of ‘tenderpreneuring’. Consistently, it concludes that tenderpreneuring condemns the society to poverty at both personal and national level and robs them of their respect and dignity.

The discussion from this paper has potential to conscientise policy decision makers on bad governance practices emanating from crooked tendering processes both in the public and private sector under the code name ‘tenderpreneuring’

**Keywords:** Tenderpreneuring, Tendering, Governance, Accountability, Citizen Economic Empowerment, Foreign Direct Investment (FDI)

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## INTRODUCTION

Tenderpreneurship has become a buzzword in some African countries in the past two decades more especially in South Africa, Kenya and more recently in Botswana. It is not clear where this word originated between South Africa and Kenya. Tenderpreneur is a portmanteau or combination of 'tendering' and 'entrepreneur'. A search on the internet yielded a variety of definitions from South Africa and Kenya.

In Kenya, a tenderpreneur is defined in accordance with their personal characteristics and behavioral patterns. For instance, a tenderpreneur is defined as a young person, mostly male in his thirties who has made copious amounts of money from a government contract [such as the supply of biro pens or a consulting service of any kind], is the loudest in his group owing to his new 'success' [new money, nouveau riche], will not pass up a chance to introduce himself, and occasionally speaks about having meetings and or dinners with government dignitaries (Chege, 2018). He also speaks very loud on the phone more especially when discussing his next tender with a government official. According to Chege (2018), the tenderpreneur is also disrespectful to women and children as evidenced by his womanizing habits and fathering many children with different women (Chege, 2018). He also boasts a lot about his new found wealth on social media.

In South Africa, Marjawaar (2017) defines tenderpreneurs as individuals with exceptional skills at bidding for government tenders. The 'skill' is not based on, "one's ability to respond to the laborious and detailed demands of a government request for tenders, but rather the connections [political] one has within the cartels in government procurement world to be able swing a few of the lucrative tenders one's way and share the usually overpriced bill with the partners in crime within the government circles" (Marjawaar, 2017).

The author opines that tenderpreneurship is a low investment venture which requires at the minimum, a cellular or mobile phone with calling credit. It is a high risk high return industry which has produced briefcase millionaires within a short period of time (Marjawaar, 2017). While it creates millionaires overnight, the overall loser in the industry is the general public who are the [supposed] beneficiaries of projects undertaken by tenderpreneurs. Tenderpreneurship is associated with instant wealth and riches and depicts opulence, 'glitz and glamour' that is attractive to the eye but sadly short-lived.

In Botswana, not much has been written about 'tenderpreneurship'. However, anecdotal evidence from numerous training seminars conducted by the researchers between 2012 and 2018 on corporate governance among both government and

private sector officials indicates that the cancer of tenderpreneurship is quite prevalent in the country. For instance, in Botswana officials responsible for awarding tenders always insist on wanting, “go jesiwa sengwenyana” by the winner of the tender. Loosely translated, “go jesiwa” in English means to be given something to eat, while “sengwenyana” refers to something. Therefore the phrase “go jesiwa sengwenyana” in the context of awarding tenders means that officials in Botswana [government or private] always want the winner of the tender to give them something [in pecuniary/monetary terms as payment/reward] because they have awarded him/her the tender. Clearly, if the tenderer is not willing to give the officials something, he/she will not be favoured by the officials. In a way, for one to win a government tender or any tender for that matter, they should be willing to pay a certain amount of money [directly or indirectly] to the officials responsible for awarding the tender (e.g. “go jesa sengwenyana” to the officials). This silent or unofficial practice of demanding kickbacks from tendering entities is apparently quite prevalent in Botswana even at ministerial level. The evidence also indicates that there are several such local vernacular phrases used by corrupt government and private company officials to perpetuate corrupt practices. The following are typical examples of such phrases:

- ‘Diga sengwe’ loosely translated in English meaning drop something. This phrase is associated with traffic officers conversing with culprits caught over-speeding and attempting to negotiate a reduced fine or a pardon. In fact, there are several such phrases associated with traffic officers e.g. ‘mpaha’ lunch/drink (meaning give me money for lunch or a drink) after being given a warning and not a traffic fine.

- ‘Wa reng o kare ga o monna jaana, dira/diga sengwe’ – meaning, why do you behave like you are not a real man, do something/drop something. This phrase is commonly used at police road blocks when traffic offenders ask a police officer to pardon them for a traffic [minor] offence. The phrase is directed to a traffic offender who is negotiating to be given a warning as opposed to a fine. The phrase is used to solicit a bribe in place of a traffic fine.

- ‘Bona rre yole’ – this phrase is directed to a traffic offender who is attempting to negotiate with a police officer operating a laser instrument, for a reduced fine. The phrase means ‘see that man’, the man being a police officer at a road block who is issuing traffic fines to traffic offenders. After ‘seeing the man’ the traffic offender pays the fine which will be shared between the laser instrument operator and the traffic fine issuing officer

- ‘A ko o tlhwaafale’ – meaning ‘please get serious’ – the seriousness here indirectly means that the client/traffic offender should speak in pecuniary terms to

be let off the hook after paying a bribe to a traffic officer [in case of traffic offence].

- ‘Akanya sengwe’ – this phrase means ‘think of something’ the phrase is used to ask the client to pay the service provider [government/private sector] money for a reduced fine or deflated price of a product/service.

- Tla ka 2’ – this phrase is commonly used in both government and private sector organisations by officials asking a client to bring a certain amount of money depending on the cost of service/product they are seeking from government/private sector organisation. The phrase means ‘come at/with two’ which could mean that one should come at 02:00PM or 14:00Hrs. However, the two of or four in this case means either two/four hundred pula or two/four thousand pula depending on the cost of service/product under consideration.

- ‘A o tlaa njesa senwgenyana?’ – This phrase translated to English means ‘Are you going to give me something [money] for my benefit?’ When you ask for discount on the price of a product or service at a private organisation. Normally the practice is that discount is given to customers when they ask for it but in this case, the service provider giving the discount wants to be paid a bribe to give the client discount, making the whole process seem as though they were doing the client a favour. No bribe [sengwenyane] no discount.

The above phrases are all intended to obtain money from clients or the general public through unscrupulous means. Ultimately, the perpetrators of this practice find an opportunity [entrepreneurial] wherein bribes are solicited from clients on a daily basis, during office hours. The corrupt official(s) find bribe solicitation a tenderpreneurial opportunity. The practice eventually becomes a culture of the department in question before it afflicts the entire organisation/ministry. In the long run, the practice may spread to other organisations and ultimately become the culture of a nation/country to pay bribes before being provided with service. This may have dire consequences on the ability of a nation(s) to attract foreign direct investment (FDI).

In short, tenderpreneurial is generally used to describe someone masquerading as a legitimate businessperson, using political contacts to secure lucrative government contracts irrespective of whether they have been tendered for or not.

This paper is a theoretical attempt to define the term ‘tenderpreneurial’. The paper also theoretically attempts to examine the effects of tenderpreneurial through suppositions and or conjectures. The paper also makes an effort to make a comparison between ‘tenderpreneurial’ and the traditional form of tendering which follows best practice governance principles. An endeavor is also made to

trace the roots of ‘tenderpreneurship’ and how ‘tenderpreneurship’ has the potential to negatively impact citizen economic empowerment, and foreign direct investment. The paper further attempts to use the theory of accountability to demonstrate that where tenderpreneurship is practiced, there are connotations of poor governance on the part of [government or private company] officers who award lucrative tenders to tenderpreneurs.

Accordingly, this paper is divided as follows; section 2 presents the research design and methodology adopted in this paper, while section 3 presents a discussion of the literature and theoretical framework is discussed in section 4. Consequences of tenderpreneurship are presented in section 5. The paper ends with a summary and conclusion in section 6.

## **RESEARCH DESIGN AND METHODOLOGY**

This paper theoretically attempts to examine a ‘buzzword’ which has been used to describe nouveau rich millionaires who are the products of corrupt practices [abuse of office] in developing countries. The corruption is perpetuated through the lopsided awarding of lucrative government and or private contracts to cronies, relatives, concubines and or associates of people tasked with decision making authority in high offices in government in developing countries, in particular South Africa, Kenya and Botswana. As such, not much has been done by way of research in this area. An extensive search on the internet for the definition of the word ‘tenderpreneur’ indicates that there is a dearth of literature on this concept. In a way, this paper may be the first to examine the concept of ‘tenderpreneurship’ from an academic standpoint because most of the writings uncovered by the researchers are mainly opinion pieces on web pages and newspaper reports. This paper therefore adopts a theoretical approach by reviewing available literature on tenderpreneurship. The paper theoretically compares the definition of tenderpreneurship with the traditional tendering process and draws inferences/conclusions from the dissimilarities. An endeavour is also made to theoretically demonstrate how tenderpreneurship affects citizen economic empowerment. A further attempt is made by the researchers to theoretically demonstrate accountability issues and or lack thereof occasioned by tenderpreneurship. The paper also draws from comments made by public and private sector employees who attended a short course on supervisory skills at the University of Botswana Centre for Continuing Education in 2017 and 2018. A total of eight such short courses were conducted during this period with an average of 25 participants per session. The paper concludes by making theoretical inferences based on the aforementioned discussions.



## LITERATURE REVIEW

Owing to the dearth of literature on ‘tenderpreneurship’, this section attempts to discuss the traditional form of tendering compared to the ‘tenderpreneurship’ way of tendering. The section also attempts to unpack the root causes of ‘tenderpreneurship’ by examining citizen economic empowerment and how possibly, those responsible for awarding tenders may hide behind the veil of citizen economic empowerment to award tenders to tenderpreneurs.

### **Tendering, the Traditional vs the Tenderpreneurship Way**

#### **Traditional Tendering Process (Construction)**

According to Ballesteros-Pérez et al. (2012) as cited in Laryea (2013, p. 927) tendering/competitive bidding is “a transparent procurement method in which bids from competing contractors, suppliers, or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated.” Intrinsically, tendering/bidding may be considered as a commercial, strategic, and accountability process (CIOB 2009 & Laryea, 2013). It is a business practice in which suppliers compete against one another for the right to a business opportunity (Laryea, 2013, p. 927). In construction, the rationale for tendering is to select a suitable contractor and establish a price (Hackett et al. 2007; Laryea, 2013). Researchers contend that construction tendering is not in any way different from tendering in other industries (Laryea, 2013). Chief amongst the features of tendering/bidding process is competition. In addition tendering is widely used and standard business practice internationally. Construction tendering consists of five types; open, selective, negotiation, term and serial tendering processes. According to Laryea (2013) selection of a tendering method is based on the type of construction work to be carried out. The normal processes followed for construction tendering are as follows: (1) tender advertisement or notice, (2) closing of the tender, (3) tender validity period, (4) pre-tender stage, (5) tender evaluation process (against set criteria) and (6) tender award phase.

It is also common practice that entities bidding/tendering for government or private project(s) to among others demonstrate competence in carrying out the work(s) they tendered for, capacity to carry out the work(s) tendered for and capability among others. In addition, project costs are computed based on

prevailing market prices of goods and services. A mark up on the cost of the project is then added to arrive at the tender price of the project. Tenders competed not only on price but also on quality, time to complete the project, firm reputation and meeting or fulfilling the requirements of other relevant pieces of legislation that tenderers had to comply with. However, this practice seems no longer to be the practice owing to the advent of tenderpreneurship.

### **Tenderpreneurship Process**

Under tenderpreneurship, the expertise it seems are the 'connections' the tenderpreneur has with greedy [government or private company] officials in high offices with sticky palms which have to be greased/oiled to win a tender. In tenderpreneurship, the officials [government or private company] responsible for awarding tenders, award the tender to their 'business partner' (the tenderpreneur) who submit the tender. The tenderpreneur is then awarded the over inflated tender to carry out the specific project e.g. building a road, hospital, maintenance of public equipment, supply of goods and services etc.

In order for the tenderpreneur to be paid for work done, an inspector is assigned to inspect the tenderpreneur's completed [substandard] work. A corrupt official [government or private company] inspector who is part of the syndicate, is assigned to conduct the inspection, in order to ensure that the tenderpreneur's work is certified as completed and meeting [supposedly] the expected standard [of the corrupt syndicate]. The corrupt [government or private company] inspector duly approves and issues an inspection certificate for the work done irrespective of defects and or any anomalies. The tenderpreneur gets paid on the strength of the inspection certificate issued by the corrupt inspector. After payment is made to the tenderpreneur, private arrangements are made to 'share the spoils' of the loot between the tenderpreneur, [government or private company] officials responsible for awarding tenders, inspectors and any other peripheral official who are part of the syndicate and played a role in facilitating this process of looting from public coffers or the private company.

This practice will be repeated in another cycle for as long as the formula for sharing the spoils is strictly adhered to. If, the formula is contravened along the process of sharing the spoils, normally there is a tendency to leak the corrupt activity of the syndicate by the aggrieved party who has not been favoured by the sharing formula. Since the aggrieved party has no recourse to the courts of law, they resort to spilling the beans or blowing cover on their shenanigans in the process incriminating themselves and the entire criminal syndicate. A dispute with regard to the sharing formula brings to life the old adage that, there is no honour

among thieves!! However, disputes rarely arise resulting in perpetual looting of public coffers by greedy officials.

### **The Root Cause of Tenderpreneurship**

According to Street (2013) the root cause of tenderpreneurship is poor regulation in the market which results in unscrupulous characters taking shortcuts by paying off bribes or facilitation fees to corrupt [government or private company] officials, instead of producing proper products, nurturing good brands and reputations, or investing in great employees. Street (2013) contends that tenderpreneurship is not unique to developing nations, but that it is also present in developed nations. The difference, according to the author between developed and developing nations, is the degree of safeguards which have been built into the economic system to limit the damage brought about by tenderpreneurship. In developing countries, the safeguards are weak while in the developed countries the safeguards are strong. In developing countries there is a tendency to avoid every opportunity to create consequences for corrupt procurement. Measures on anti-corruption are not strong because of lack of political will on the part of the leaders who tend to allow their supporters to loot from government coffers and are also beneficiaries of such theft. Political leaders tend to look away while their supporters help themselves to state resources apparently to allow them to amass wealth which will be used during future general elections. Clearly, this indicates that in developing countries, political leadership either participates in the looting of public coffers or turn a blind eye when the looters descend on government coffers, a situation akin to asking the foxes to guard the henhouse.

In the next sub-section an attempt will be made to explore how tenderpreneurship may impact citizen economic empowerment.

### **Citizen Economic Empowerment and Tenderpreneurship**

According to the Human Development Report (UNDP 1993:1) as cited by Gergis (1999, p. 3) “development must be woven around people, not people around development – and it should empower individuals and groups, rather than dis-empower them”. Citizen economic empowerment or empowerment, is a concept borne out of the realization that economic development and modernization has not benefitted the poor (Gergis, 1999). The Collins Concise Dictionary defines the word empower as, “giving power to” or “enabling” “permit, or give authority to” someone.

According to Rappaport (1987, p. 121), "...empowerment conveys both a psychological sense of personal control or influence and a concern with actual social influence, political power, and legal rights". In South Africa, the Black Economic Empowerment Commission (BEEC) has defined Black Economic Empowerment as "an integrated and coherent socio-economic process, located in the context of national transformation that is aimed to redressing the imbalances of the past" [Enterprise, 1999]. South Africa has a history of racial segregation which ended in 1994. Under this policy, blacks were denied to participate meaningfully in the economic development of their country. As such the BEEC policy is a deliberate effort to redress the imbalances of the past, by ensuring a broader and more meaningful citizen participation in the development process of the country so as to attain sustainable development, growth and prosperity.

The goal of empowerment in this context is to aid individuals to improve the quality of their own lives and also share equitably in economic growth of their country. Economic growth dependent on grants and or donations and government subsidies is intrinsically unsustainable compared to unleashing people's creative abilities and productive energies to achieve sustainable growth and continuous growth in their living standards (Gergis, 1988).

According to Conger and Kanungo (1988) any real empowerment must be "self-empowerment" with an internal urge to influence and control whereby individuals feel an enhancement of their abilities to control, influence or cope with their social or economic roles. Gergis (1988, p. 8) argues that empowerment should bring closer those who hold power and those who are powerless and that it should move the powerless into positions of power and make those at the higher levels of power accept sharing power with them. The sharing of power between the powerless and holders of power creates difficult situations (Gergis, 1988). For instance, power holders tend to reduce empowerment in an attempt to manage power. Power in this context defined in terms of the power of wealth or property and the power of knowledge. Researchers contend that, in the developing world, 'the elite appropriate wealth for themselves by monopolizing power at the political level through dictatorship or one party rule and through corruption at the administrative level' (Gergis, 1988, p. 9). Clearly, this indicates that power holders will be more reluctant to give power to the powerless. As such, power holders may superficially concede power to the powerless so as to be able to manage them [powerless]. This strategy maintains the status quo and leaves the powerless un-empowered whilst the power holders holding power.

In line with the foregoing discussion, tenderpreneurship seems to be a strategy employed by those holding economic power to constantly maintain the status quo. Under tenderpreneurship, tenderpreneurs with connections to government officials

(administrative power) are corruptly awarded overinflated lucrative government tenders worth millions of dollars. After receiving payment for substandard work on the project, the tenderpreneur shares this loot with the syndicate comprising of the several chain of command within the racket [government or private company] officials responsible for adjudicating over the tenders, inspectors and other peripheral officials who are part of the syndicate. This process is repeated over and over again when the next tender is awarded and will continue unabated for as long all members of the criminal syndicate are happy with the formula used for sharing the proceeds of corruption looted from government or private company coffers. Tenderpreneurship therefore perpetually empowers the corrupt syndicate in government who are tasked with adjudicating over [government or private company] tenders (administrative power). It also [tenderpreneurship] empowers them economically because they constantly siphon millions of dollars from government coffers or private companies through tenders. In a way, it is highly unlikely that the empowered may cede power to the less powered because that implies losing administrative, political and economic power and possibly risking prosecution and jail term. As such, tenderpreneurship tends to defeat citizen economic empowerment to some extent.

## **THEORETICAL FRAMEWORK**

The definition of tenderpreneurship has connotations of poor governance on the part of [government or private company] officers who award lucrative tenders to tenderpreneurs. In particular, public officers display lack of regard for accountability, ethics, responsibility, independence in the discharge of the responsibilities of their offices. The definition connotes that public officers connive with thieves (tenderpreneurs) to loot government/public coffers hiding behind the veil of tendering procedures. The definition insinuates dereliction of duty on the part of [government or private company] officers, incompetence, theft and outright thuggery perpetuated by greed and the lust for self-enrichment at the expense of the poor masses who have to bare the brunt of poor service delivery, poor economic empowerment, substandard public projects and abject poverty on the part of communities and ultimately nations.

The following sub-section attempts to draw inferences from the definition of tenderpreneurship in comparison with best practice corporate governance principles. Emphasis would be placed on poor accountability [as implied by the

definition of tenderpreneur practices by [government or private company] officers who award over inflated contracts to tenderpreneurs.

### **Corporate Governance and Tenderpreneurship**

Researchers on corporate governance have proffered several definitions of corporate governance. For instance Nganga et al. (2003) defines it as the prevention of theft, while Shleifer and Vishny (1996), define it as the ways suppliers of finance to corporations assure themselves of getting a return on their investment, how they make sure that managers do not steal capital or invest in bad projects. In other words, corporate governance is “the mechanism through which outside investors are protected against expropriation by insiders” (Shleifer and Vishny, 1996). According to this definition, insiders include among others managers, major shareholders (individuals, other firms, family interests or governments) as well as large creditors such as banks. Outsiders include equity investors, providers of debt and minority shareholders who do not have any management roles but contribute capital towards the firm.

In the context of tendering/bidding, officials responsible for adjudicating in the award of tenders are agents (insiders) while the electorate/shareholders [in the case of public/private companies] are the principals (outsiders). As per Nganga et al. (2003) expropriation by insiders could take many forms such as outright theft of assets, transfer pricing, excessive executive compensation and diversion of funds to unsuitable projects that benefit one group of insiders.

The need for prevention of theft (Nganga et al., 2003) or putting in place mechanisms through which outside investors are protected against expropriation by insiders (Shleifer and Vishny, 1996) is brought about by the separation of ownership and control/agency theory (Berle and Means, 1932).

Jensen and Meckling (1976) define an agency relationship “as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision making authority to the agent.” Two problems arise in an agency relationship, when: (a) the desires or goals of the principal and agent conflict, and (b) it is difficult or expensive for the principal to verify what the agent is actually doing (information asymmetry). The former agency problem arises because of the assumptions that: first, the principal and agent have different risk appetite (e.g. different attitudes towards risk) (Eisenhardt 1989). Differences in risk appetite may result in different actions (Eisenhardt 1989); second, the principal and agent have different goals and interests. The third assumption is that, if both parties to the relationship are utility maximisers there is good reason to believe that the

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agent will not always act in the best interests of the principal (Jensen and Meckling 1976). Agency theory therefore seeks to resolve problems which can arise when the interests of the principal/agent are in conflict and when it is difficult or expensive for the principal to verify what the agent is doing presumably on his behalf.

The definition of tenderpreneurship indicates that agents [company/government officials] acting on behalf of principals [the general public/shareholders] behave inappropriately by colluding with members of their syndicate(s) to contravene corporate/official bidding/tendering processes. This compares to a classic agency conflict (Berle & Means, 1932) between managers (agents) and shareholders (principals) wherein managers as agents of shareholders (principals) can engage in self-serving behavior, which may destroy shareholder wealth. The destruction of shareholder wealth in this case is done through awarding tenders to unqualified tenderpreneurs who deliver/produce substandard work(s) or poor quality products and services. It [definition] also implies weak governance mechanisms which may safeguard against collusion by agents of tenderpreneurs who sit in committees tasked with the responsibility to adjudicate on the awarding of tenders. The definition also implies poor internal control mechanisms wherein agents of tenderpreneurs are able to sit in committees to flaunt procedures for awarding of tenders through the various stages starting from tender advertisement or notice, closing of the tender, tender validity period, pre-tender stage, tender evaluation process (against set criteria) and tender award phase. The definition also implies that theft happens with impunity in organisations and government departments. In addition it also implies that expropriation by insiders [company/government officials] such as outright theft of finances and diversion of funds to unqualified tenderpreneurs to benefit company/government officials is common occurrence.

Tenderpreneurship also implies lack of accountability on the part of agents [company/government officials] to their principals because agents tend to repeat the unscrupulous awarding of tenders for as long as the formula for sharing the proceeds of their crime is strictly adhered to. Accountability can be seen as a relationship involving the “giving and demanding of reasons for conduct” (Roberts and Scapens, 1985, p. 447). “To be accountable is to be liable to present an account of, and answer for, the execution of responsibilities to those entrusting those responsibilities” (Gray and Jenkins, 1985, p. 138).

Accountability may also be defined as, ‘the obligation to explain and justify conduct’. This implies a relationship between an actor, the accountant, and a forum, the account-holder, or accountee’ (Pollitt 2003, p. 89). Mark (2006, p. 12) lists seven constituent elements which must be present in accountability for it to

qualify as a social relation. According to Mark (2006) the following elements should be present in accountability; (i) existence of a relationship between an actor (accountor) and a forum (accountee); (ii) provisions of information by an actor to some forum; (iii) explanation and justification of conduct by the actor and not propaganda, or the provision of information or instructions to the general public; (iv) direct and specific explanation to a specific forum and not random explanation to a general public (v) obligation on the part of the actor to come forward instead of being at liberty to provide any account whatsoever; (vi) existence of a possibility for debate and judgment by the forum, and an optional imposition of (informal) sanctions or rewards and not a monologue without engagement (vii) accessibility by the public of the account giving as opposed to purely internal, discrete informing. Accountability has four important questions which must be answered for it to hold; first, to whom is account to be rendered?; second, who should render account?; third, about what is account to be rendered?; and fourth, why does the actor feel compelled to render account? (Mark, 2006).

The long chain of delegation between principals and agents in public institutions creates an enabling environment for corrupt practices such as tenderpreneurship to thrive. For instance in public institutions (parliamentary democracies), the electorate are the principals who delegate

decision making power to elected representatives. The elected representatives (parliamentarians) in turn delegate the majority of their authorities to the head of government (Strøm, 2000). The head of government (president) in turn delegates his authority to ministers who in turn delegate their authorities to civil servants (Magang & Magang, 2016; Strøm, 2000). As a consequence, a long chain of delegation between the actual principals and agents creates accountability relationships between the electorate and parliamentarians (legislative branch); legislative branch and the executive branch (head of state); the head of state to different executive departments (ministers); the executive branch (ministers) and civil servants (Steffani, 1979 cited in Strøm, 2000, p. 267) who ultimately have the responsibility to implement public policy (Strøm, 2000).

The long chain of delegation therefore implies little to no demand for accountability on the part of the electorate. It also implies that there is high risk that the agents [public officials] may not faithfully pursue the interests of the principals because they are not directly answerable to them but rather are answerable to their political masters under whose portfolio the respective public institutions fall. As such, the long chain of delegation tends to create a conducive environment for tenderpreneurship to thrive in public institutions. In the same vein, the prevalence of tenderpreneurship in private and listed corporations may possibly



be less than in non-governmental organisations because of the short chain of delegation and accountability relationships in these organisations.

For instance in listed corporations, the chain of delegation is from shareholders to the board of directors and to management. In addition it is mandatory in many jurisdictions for listed corporations to hold an annual general meeting (AGM) wherein shareholders may have an opportunity to remove incompetent directors and senior management through a vote at annual general meetings or alternatively at an extraordinary general meeting (EGM) (Magang and Magang, 2016). However, these control mechanisms are not available to the principals [electorate] in governmental organisations. The only control mechanism available to the electorate is a general election which is held every four or five years.

## **CONSEQUENCES OF TENDERPRENEURING**

Tenderpreneuring has dire consequences on several fronts. First, tenderpreneuring robs the general public of financial resources which could otherwise be channeled to other worthy courses. Tenderpreneur's cost of the project is generally not based on the actual cost of delivering the project plus mark-up, but rather on the amount of money that the 'tenderpreneur' and his syndicate or cartel are willing to siphon out of government coffers. It is at best a scheme devised by the syndicate to steal from the public (institutionalized corruption). On the face of it, the theft seems a legitimate payment for services rendered to government and or public complete with all necessary legal documents, while in reality it is looting masqueraded as a legitimate transaction.

Second, tenderpreneurs hardly deliver projects which meet the required standard owing to the fact that they or their companies do not have expertise in the jobs/works they have tendered for. Clearly, an entity who does not have skill in a vocation may not be expected to produce work of any acceptable quality in that area. For instance, an entity whose only qualification and or expertise is a 'cellular phone with calling credit' may not be expected to produce acceptable quality infrastructure work like building roads, hospitals, schools etc. As a result, the public pays an overinflated price for a substandard poor quality infrastructure work.

Third, tenderpreneuring puts the lives of users of public projects at a greater risk. For instance, corrupt government inspectors who are part of the tenderpreneuring syndicate are assigned to inspect works carried out by tenderpreneurs, wherein they issue certificates which indicate that work

[completed] meets the required standard as opposed to condemning the work it. As a result, a defective project is certified by corrupt inspectors as meeting the required standard and that other relevant documents such as certificate of occupancy be issued for the project and or facility in question to be put to use by the general public. The project in question could be a road, a classroom, a hospital building etc, which are used by the general public on a daily basis. Over time, the defective project may collapse if is a building resulting in injuries to the occupants and possibly dearth in the worst case scenario.

Fourth, tenderpreneuring is costly to the public in maintenance costs because the defective project (e.g. road, building etc) passed as meeting the required standard may require frequent maintenance to be done once the tenderpreneur contractor has handed the project over to the respective government department.

Fifth, tenderpreneuring stifles economic and social development because public coffers are perpetually looted by a few well connected individuals. Tenderpreneuring overstretches government budget and takes away resources from projects meant to benefit the poor. This results in government failing to allocate resources to important projects which may uplift the lives of the general public such as expenditure on education, health, policing, provision of safe drinking water, provision of electricity etc. It [tenderpreneuring] condemns the society to poverty at both personal and national level and robs them of their respect and dignity.

Sixth, in addition, to not meeting the required standard, tenderpreneuring projects are hardly completed on time and on budget owing to lack of expertise in project management skills of the tenderpreneur and skills in carrying out the project in question. In some instances, tenderpreneurs assign their tenders to companies skilled in the works they have tendered for, in a practice called 'fronting'. Although, this may result in good quality work produced by the assigned company, this is costly and deprives the general public of resources which could otherwise be allocated to other projects; because of the securing resources through a middleman. As an alternative, the procuring department could otherwise directly engage the skilled supplier and cut out the middleman (tenderpreneur).

## **CONCLUSION AND RECOMMENDATIONS**

This paper has attempted to define tenderpreneuring using opinion pieces found from a search of the literature. The paper has also explored comments from public and private sector employees who attended refresher course on supervisory skills at the University of Botswana, on the concept of tenderpreneuring. An

attempt was made to demonstrate how tenderpreneurship is perpetuated in public/private organisations, what caused tenderpreneurship and its impact on citizen economic empowerment. The paper makes an attempt to demonstrate how tenderpreneurship impacts negatively on accountability in the public and private sector. An attempt is also made to demonstrate that the long chain of delegation between principals and agents in public institutions creates an enabling environment for corrupt practices such as tenderpreneurship to thrive. Finally, possible consequences of tenderpreneurship are explored.

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## THE ASCENT OF ONLINE SHOPPING, THE DESPONDENT OF RETAIL STORES IN SOUTH AFRICA

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### ABSTRACT

The retail stores are rapidly growing globally because they offer different products through various channels of distribution either international, national or local. The online shopping allows people to purchase any products at their own given time directly, from any stores through the internet. Therefore, it becomes a major concern due to the fact that, there is an increase of people in South Africa purchasing products online from other countries and that affect retail stores that exist within the country. The problem is that South Africa is faced with high rate of rampant unemployment and the poor performance of retail stores can result in further job losses of the people and that can hinder the progress of the economy. The qualitative method of research will be employed in the study. Necessarily because the aim of this paper is to investigate how the ascent of online shopping affect retail stores in South Africa. The government must implement strategies in ensuring that companies purchase products online in bulk and allow individuals to purchase few products online. Therefore, the researcher concludes that retail stores in South Africa have the potential to create employment and allow people to be economically active. **Keywords:** Online shopping, Advantages and Disadvantages of Online shopping, Types of Retail Stores.

## INTRODUCTION

The emergence of internet markets has caused many researchers to debate and provide empirically analyses of its effect on the country's economy (Rezabakhsh, Bornemann, Hansen and Schrader, 2006). The growth of retail stores in South Africa has played a critical role in employment creation and reduction of poverty and unemployment. The role of retail stores cannot be ignored by the government because people become economically active by having access to income and wages to improve their purchasing power (Mafini and Dhurup, 2015). The retail stores have different channels of distribution which it can be international, national or local (Battersby, 2017). However such distribution channels have advantages and disadvantages which can affect the operation of an enterprise. The retail stores purchase goods from wholesalers and sell them to the end users which are customers. According to Schmidt, Mason, Steenkamp and Mugobo, (2017), the retail stores are the middle men between wholesalers and consumers and that makes it easy for the consumers because they buy directly from retail stores. The retail stores in South Africa have been affected by online-shopping whereby the customers can also purchase products online directly from internet retail stores. However, as much as the spread of technology globally it also affects the daily operation of retail stores in South Africa. In South Africa the number of people purchasing products online is gradually increasing and that lead to the despondent of physical retail stores to perform poorly within the country (Mafini and Dhurup, 2015; Rodney and Wakeham, 2016; Schmidt, 2017).

Therefore, the poor performance of retail stores in South Africa lead to retrenchment of employees because if an enterprises do not make profit it cannot pay employees (Das Nair, Chisoro and Ziba, 2018). The government of South Africa aim at reducing rampant unemployment and poverty and it should be a concern regarding the poor performance of retail stores. Illiteracy and lack of skills are social factors that also contribute to the high rate of unemployment within the country (Kenny, 2018). However, retail stores employ people with primary, secondary, college and university qualifications (Rodney and Wakeham, 2016). The goods or products of retail stores are expensive as compared to wholesaler or manufactures. The prices of retail stores are determined by added costs from the wholesaler, rent, labor and advisement (Das et al., 2018). Due to high expanses of retail stores such as supermarkets in South Africa, have diversified to online-shopping yet they are struggling because they compete with multi-national companies (Das Nair, 2019). According to Mafini and Dhurup, (2015), states that the high competition of enterprises has also led other retail stores to reduce prices and start targeting a certain segments of the population.

However, the reduction of prices by retail stores as a strategy to attract customers should be a once off strategy not continues strategy because it can drag the business behind. There are different types of retail stores which are Department stores, Grocery stores and Supermakerts, Warehouse, Specialty, Convenience, Mobile and Internet Retailers.

## **WHAT IS ONLINE SHOPPING?**

Online shopping is purchasing products or services over the internet not through the physical stores. Online shopping is known as E-commerce technology which allows consumers to search products online and receive personalized products (Rahman, Khan and Iqbal, 2018). The electronic service is the effective use of internet for shopping, purchasing and delivery of products or goods to the customer. There has been a rise of online shopping over the years in South Africa, because other people find it convenient to purchase products at their own time (Matemba and Li, 2018). According to Rezaei (2014), online shopping is known as e-shopping whereby there is an exchange of money, time for products or services in the virtual store. Products that are purchased online are delivered to the customers either by post or courier which takes time. There is what is called the internet retailers which the company strictly sell their products online internationally or either national but not local. The internet retailers sell products from the internet shopping website and ship the products purchased to the customers directly either at home or workplace (Rahman, Khan and Iqbal, 2018). However, due to high competition in enterprises within the country the internet retailers have been affecting the progress of other retail enterprises that do not offer their products online.

Few retail stores such as department retail stores, grocery stores and supermarkets, warehouse retail stores, specialty retail stores and convenience retail stores have been selling their products online due to high competition from internet retail stores. According to Izogo and Jayawardhena (2018), states that the rapid increase of people purchasing products online from other countries such as China is putting South Africa 's economy in danger. The money should circulate within the country to empower the existing enterprises within the country which will ultimately make the business profitable and employ more people either temporarily, part-time or permanently. When companies purchase products online for the purpose of a business it is good because the government of South Africa can benefit through taxation of the company (Rahman et al., 2018). The use of online shopping should be used with limitations because most people purchase products online but for personal use while others is for business purposes which is

an advantage. However, if more people purchase for personal use they should be taxed in promoting the enterprises within the country unless the product is only sold outside South Africa.

## **TYPES OF RETAIL STORES**

They are different retail stores such as department retail stores, supermarkets, warehouse retail stores, specialty retail stores and convenience retail stores. According to Iarocci (2017), the department retail stores are enterprises that operate in a physical building and sell different wide range of consumer good. The department retail stores consist of home appliances, furniture, clothing, toys, gardening, housewares and the hardware (Jacobs, Van Der Merwe, Lombard and Kruger, 2010). Additionally they also sell products such as baby products, food, books, electronics, and stationeries. The department retail stores are small enterprises and they are formally registered and employ between 1 to 49 if is small (Watson and Everett, 1996). The department retail stores employ many people and their good performance in the economic sector offer greater support to the government in reducing unemployment and poverty. The department retail stores they became under pressure from discounters and the e-commerce began to dominate and that made department retails store more under pressure (Kenny, 2018). The pressure of e-commerce or online shopping has also made departmental retail stores to adapt to the revolution industry and to offer their products online. However, there are few departmental stores that operate online internationally, but they are struggling while other have collapsed and refrain from online shopping (Warden, Han and Nzawou, 2018).

According to Demmler, Ecker and Qaim (2018), a supermarket is an enterprise that sells variety of food products, household products, and beverages and they are self-service. Due to the variety of products sold by supermarkets, the products are organized into section of shelves to assist customers. The supermarkets are not directly affected by online shopping, but they are indirectly affected because there are few products that are not perishable and can be purchased online (Malagueño, Gölgeci and Fearn, 2019). Therefore, the supermarkets continue to operate and their advantage is selling food products because as the population of South Africa expands it means the consumption also increases. According to Terblanche (2018), the population of South Africa grows fast and that put more pressure on supermarkets for proving more products or services to customers and that will require the supermarkets to employ more people. Moreover, supermarkets being affect by e-commerce indirectly should



also alert them in terms of how the industrial revolution works and improve the operation and how products are sold to the consumer (Demmler et al., 2018).

According to Das Nair, Chisoro and Ziba (2018), the challenge of supermarkets is in terms of suppliers, because the modernization of supermarkets have placed pressure on suppliers with regarding the quality of products, volumes supplied and the costs. There are supermarkets that are franchises and they tend to turn to imports and source their products from foreign countries. Instead of using the local suppliers they tend to import goods from other countries to South Africa and that tend to affect the grow of small enterprises within the country (Arndt and Roberts, 2018). However, other supermarkets tend to support suppliers within the country which is a positive move that would strengthen the existing enterprises and promoting sustainability of people's employment (Demmler, 2018). The advantage of supermarkets in using the local suppliers within the country is because of lower transport costs, lower tariffs, innovations in communication and increased capital mobility (Brown and Sander, 2007).

The warehouse retail stores sell products at large quantities at a discount than conventional supermarkets or the wholesalers (Mathu, 2019). The warehouse also refers to activities that involve the storage of goods and are made available conveniently when needed to customers. The warehouse retail stores operate by seasons, for example during summer the winter clothes are stored and during winter are sold to customers. According to Weber and Badenhorst-Weiss, (2018), the warehouse retail stores also can be affected by online shopping from vast warehouse retail stores that operate internationally. Products purchased online takes longer than buying in physical store. Moreover, in South Africa people can purchase products from warehouse outside the country and they take time for delivery and the customers wait patiently on the products they purchased because there is no urgency (Mathu, 2019). The warehouse retail stores brand goods for themselves or on behalf of the manufacturer if they reach an agreement. The warehouse retail stores produces, store the goods and make them available to customers in bulk and within a certain season.

Convenience retail store is defined as consumers' time and effort costs that are associated with shopping in a retail environment and whereby the products are sold at lower prices (Seders, Berry and Gresham, 2000). The convenience retail stores can be easily accessed by customers because they operate in urban, rural areas and also along highway roads. The convenient retail store has convenient hours and most of them they do not operate 24 hours unless it is located next to a filling station (Seder, 2000). That is what gives online retail stores advantage because they offer products 24 hours and the customer can select the products they are interested in and pay same-time and receive the products (Matemba and

Li, 2018). The convenience they are different from supermarkets even though they also sell few same items but the prices of convenience stores are higher than prices of supermarkets. The convenience retail stores can be stand-alone stores or be combined with other services such as the general stores, post office or the filling station (Seders et al., 2000). The convenience retail stores apart from selling food, they also sell other products such as automobile and toiletries. However, the online shopping does not really affect the convenience retail stores because most of the products sold are ready made which means are ready for consumption (Odunitan-Wayas, Okop, Dover, Alaba, Micklesfield, Puoane, Uys, Tsolekile, Levitt, Battersby and Victor, 2018).

According to Selema and Makgosa (2018), specialty retail stores are referred as a shop that focuses on the specific retail market, for example bookstores, camera stores, male clothing stores and office suppliers. The specialty retail stores focus on specific segment of customers and they dominate because there are few specialty retail stores in South Africa. For example, in South Africa there are few clothing stores that focus on people that wear extra-large clothes and such enterprises are in need but the clothing stores within the country do not have the specialty or specific people they are targeting. That gives power to online retail stores because they are countless specialty retail stores (Mathu, 2019). The specialty retail stores that exist in South Africa, they encounter numerous challenges such as competition amongst themselves and competition also from enterprises outside South Africa (Selema and Makgosa, 2018). The departmental stores and other supermarkets also offer products such as clothes and that affect the specialty retail stores. The clothing industry that focuses on children and adults make more money as compared to specialty retail stores depending on the type of a business. The specialty retail stores lack variety but focus on single class product of which gives the owners and employees more time to develop and be knowledgeable about the product (Mathu, 2019). However, the obstacle of specialty retail store is that it depends on a single market for profits while the department retail stores can shift their inventories based on the changing trends in consumer buying (Nandonde and Kuada, 2018). A business consists of risks because it can either be successful or not depending on the target markets. The specialty retail stores have the up and downs just like any other business. Moreover, the online shopping also contributes to the collapse of specialty retail stores because the same products can also be offered internationally from other countries (Das Nair, 2019).

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## **ADVANTAGES AND DISADVANTAGES OF ONLINE SHOPPING AND HOW THEY AFFECT RETAIL STORES IN SOUTH AFRICA**

The rapid growth of technology has also affected business organizations to switch from the traditional method of selling products to the electronic method of selling products to customers (Battersby, 2017). The online shopping is convenience because customers can purchase products at their own homes or workplace, the goods are shipped, and the customer can easily cancel the transactions (Selema and Makgosa, 2018). In South Africa the rich and few middle-class population states that they prefer their products purchased online because they are always buying, and online shopping saves them time, efforts, lower prices and they consist of wide variety (Mathu, 2019). However, products sold on the internet can be of lower prices but the shipping of the products to the customer can be expensive. Mathu, (2019), states that, purchasing products online the customers do not have pressure as compared to physical retail stores whereby they consist of salespeople and put pressure on customers to purchase products they do not like. Therefore, online shopping customers have wide variety of products and can choose based on their interest and without being pressurized by people and sales consultants (Rahman, 2018). However, lack of touch and feel of the product is a problem in terms of online shopping because the concern is in terms of the quality of products. According to Rezaei (2014), states that there have been a number of people who were dissatisfied with the quality of products from online shopping and it also takes time for the customer to get the money back if the order was cancelled.

The is delay in delivery of purchased products proximately about three weeks or less than three months depending on the location while the purchase of products from physical retail stores takes less than 20 minutes (Battersby, 2017). Due to the delay of products also frustrate some customers and they end up preventing from shopping online. Online shopping lack interactivity whereby customers cannot negotiate with seller. However, purchasing of products from stores the customer can easily negotiate with the seller in terms of price negotiations. Fraud also dominates the online shopping whereby there is an increase of cybercrimes because the online payments are not much secured (Nasution, Rossanty, Siahaan and Aryza, 2018). The customers' credits card details and the bank details have been abused or misused of which raises concerns in terms of customers privacy (Nasution et al., 2018). As much as online shopping dominates but the customers must be careful in revealing their personal

information to the internet or to unregistered enterprises. Most enterprises outside South Africa have retail stores websites which do not exist but scam people money and continue to exploit their monetary resources (Manek, Shenoy, Mohan and Venugopal, 2016).

It is advisable for companies to purchase products online from other countries because even if it is the company that has been scammed, the company has enough resources to fight the legal battle (Battersby, 2017). However, if it is the customer who is scammed it is not easy to track down the scammers but that will require an intervention from the bank to stop debit orders. The disadvantage of online shopping is because it provides no support for local retailers in South Africa and that will further lead to the collapse of other retail stores which will result in maximum unemployment and poverty (Cavallo, 2017). The paper is not against online shopping, but it should be controlled by the government either by restrictions or by measures as a way of promoting the local retail stores within the country. According to Manek (2016), in South Africa, there is a high number of people that migrate from rural areas to urban areas for purchasing products either in physical stores or online stores within the country. However, that also affects enterprises in rural areas because when the money goes out of the community it becomes a problem for the local retail stores (Nasution et al., 2018). When the local retail stores do not make profit it is difficult for them to expand and create more employment for the local people.

### **CONCLUSIONS AND RECOMMENDATIONS**

There is nothing wrong with the growth of technology but it becomes a concern when it tempers with people's employment mostly in South Africa as a developing country. South Africa is categorized by rampant unemployment, poverty and illiteracy and such social and economic challenges the government attempt by all means to reduce them but online shopping should also be a concern to the government. The rising of online shopping in South Africa it is a good thing but however with a lot of disadvantaging the retail stores that exist with the country then it becomes a problem. The poor performance of retail stores in the country will result in job losses and that becomes a problem for the people because they would lack the purchasing power and that will lead to the collapse of the economy. Moreover, lack of purchasing power by the population of South Africa will result in poor performance of the economy. The business sphere consists of the consumer and supplier power. The online retail stores give the consumer more power because of different enterprises that offer variety of products at different prices and countries. Then the physical retail stores within

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the country they have more power over the consumers because they name the prices without any pressure. Even though online shopping is an advantage to consumers but in the future it will devastate the local economies in South Africa. The economic growth of South Africa can be stimulated by retail stores because they employ numerous people regardless of educational qualifications. Therefore, the government should rethink of strategies to support the existing retail stores that operate within the borders of South Africa. The government should also make people aware about how online shopping affect the progress of retail stores within the country in order for the community member to give maximum support for the local retail stores. The online shopping system should add value to South Africa and not collapse its economy. The government must control the online shopping but allowing companies to purchase products online from other countries and charge them with tax money. However, the individuals should also be allowed to purchase products online but with limitation or unless there is a need. South Africa is a developing country and it can perform much far better if the existing retail stores are supported by government through laws in order to fight and reduce socio-economic issues.

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**THE IMPACT OF BUSINESS INTERNATIONALIZATION ON  
ECONOMIC GROWTH AND SUSTAINABILITY OF BUSINESSES IN  
THE SADC REGION.**

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**ABSTRACT**

Although business ventures in Africa have been widely encouraged in the 21st century not all have been successful. Majority of countries in the SADC region are still developing. To this day, influence from external actors has impact on the economic growth and sustainability of business entities in the region. In a globalised world, actions of one state often affect the other, negatively or positively. This study looks at the impact that business internationalization on economic growth and sustainability of business in the SADC region. The study provides an ex post analysis of economic growth in the region. The methodological approach adopted is desktop research entailing qualitative analysis of content. Study findings illustrate that businesses in the region are negatively affected by inter alia poor access to finance, scarcity of stable and affordable powers supply, corruption and bureaucracy. Fierce competition from foreign companies facilitated by liberalisation policies also remains a challenge. Further to this, the challenging business environment remains a stumbling block to meaningful economic growth.

**INTRODUCTION**

Since 2000, the African continent has been experiencing significant economic growth (Vickers, 2013: 673-681). Despite the recent marked progress recorded by African economies (Marzo & Patterson, 2010), the region remains adrift of other geo-economic zones on several indices of socioeconomic progress, including global trade involvement, investment flows, and manifest entrepreneurship (Ibeh, Wilson & Chizema, 2012:411-412). For instance, failure rate of Small and Medium Enterprises (SMEs) in sub-Saharan Africa remains high (Boubakary, 2015: 15-23). This failure is attributed to both others external and internal factors. While the external factors include limited access to finance, poor market

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conditions, and lack of institutional support the region is equally affected negatively by inter alia corruption, poor access to finance, scarcity of stable and affordable powers supply, corruption and bureaucracy. Internal factors include lack of strategy and vision, low educational levels, and inadequate social capital (Franco & Haase, 2010: 503-521). Given the aforementioned, a better understanding of international activities of African firms and their drivers are needed in order to design supportive policy measures (Ibeh et.al., 2012: 411-427).

Internationalization is defined as the process through which enterprises more and more concerned with the international market and begin to have direct contacts with it through different types of transactions (Stremțan, Mihalache & Pioraș, 2009: 1025).

Internationalization is also defined as innovation decision process by a firm (Andersen 1993: 209-231). Internationalization is essential in the modern world but is filled with many uncertainties. The processes of internationalization are interlinked and a firm that wishes to internationalize should always take into account factors such as knowledge of the market, availability of resources, sustainability of business and strategies to be used and the market environment into consideration (Jones & Crick, 2004:50-94; Mpofu, & Sauti, 2014: 343-357).

This study's focal point is the Southern African Development Community (SADC) which was established as a development coordinating conference (SADCC) in 1980 and transformed into a development community in 1992. SADC, is an inter-governmental organisation whose goal is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance and durable peace and security among fifteen Southern African Countries (Southern African Development Community, 2011). Membership of the organization comprises of 15 countries namely Angola, Botswana, Democratic Republic of Congo (DRC), Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Tanzania, Zambia, and Zimbabwe.

Global economic integration is changing the competitive paradigm in which all businesses operate, there is need for international expansion of businesses in SADC as it has a long positive impact on growth and survival of business and economies. Internationalization of business is important to most economies particularly those in developing world especially SADC region. The

internationalization of firms is no longer an option but indeed necessary for them to follow the wave of globalization (Nummela, 2002). Literature demonstrates that there scarcity of research on business internationalization in Africa. Scholars such as Ibeh et.al., (2012: 411-412) call for further research into this research problem hence this study is hence developed against this background. This study sets out to assess the impact of business internationalization on economic growth within the SADC region. Of critical significance to this study are factors affecting economic growth and internationalisation of businesses and these include: trends of performance of businesses within SADC; disparity of economic levels of selected countries; sustainability businesses in these countries; the ease of doing business and external influence affecting operation and performance of businesses in these countries. Prospects of economic growth in the SADC region are then analysed followed by a conclusion.

## 2. Trends in Business Performance

In the past few decades, economies of Southern Africa experienced two distinct growth patterns. Before the 2008/2009 global recession, these economies experienced moderate growth, reaching 6.5 percent in 2007, just below the regional growth target of 7 percent. These were the region's high- growth years, underpinned by high commodity prices and favorable domestic conditions, especially in low- income economies, some such as Zambia graduating to lower middle- income level. There would then be a sharp decline in growth in 2008 and the mild recession the following year mainly due to the global recession, which had a large contractionary effect on global demand, especially for the region's main exports. The spillovers to other sectors were considerable, as growth faltered, reaching a low of 0.08 percent in 2009. Although growth has since recovered, it has remained below the pre-crisis levels and for the most part been on a downward trend. (African Development Bank 2018:4-5). More so inflation in Southern Africa region increased sharply, fueled by a rise in food prices (African Development Bank 2018:8).

A report by News 24 (2019) explains that SADC's regional industrial growth, particularly in the manufacturing sector, has been less impressive, and that economies have insufficiently diversified. For a long time, economies relied on very few primary commodity exports, making member states extremely vulnerable to price shocks. The report calls for diversification of business and economies, an increase in participation of member states in regional value chains and promotion of value addition. The report further urges for collective work

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towards accelerating economic integration processes that will promote specialization and the development of regional value chains.

Regarding exports, Africa's share in global exports was decreasing in the past years Bakunda (2003:57–85). Ibeh et al., (2012:411-427) confirms this stating that African firms were not able to leverage the full potential of the increase of processed foods trade. African firms have a low commitment level of internationalization. However, in addition to the aforementioned challenges, local SME development is frequently sacrificed at the altar of foreign direct investment (FDI) promotion initiatives (Kugler, 2014). Failure of small businesses in SSA has been attributed to external and internal factors. While the external factors include limited access to finance, poor market conditions, and lack of institutional support, internal factors include lack of strategy and vision, low educational levels, and inadequate social capital have also contributed to failure of business in Africa (Franco and Haase, 2010:503-521).

Although business ventures in Africa have been widely encouraged in the 21st century not all have been successful. Most small business owners finance start-ups using their own savings. This is often the primary cause for their stagnation and failure. The increasing integration of global markets creates opportunities, as well as challenges for developing countries. Even though the picture of Africa as a 'hopeless continent' (Economist, 2000) has changed to the 'next Asia', poverty, unemployment and business failure rates remain high (Mol, Stadler, and Ariño, 2017:3-9).

More precisely, African firms have to cope with the difficult environment in their local economies, which are often dominated by institutional voids, corruption and market risks (Tvedten, Wendelboe Hansen, and Jeppesen, 2014:249-268.) At the same time, local companies face fierce competition by foreign companies entering their local markets due to the trade liberalization reforms that took place since the 1980s (Moini, Kuada, and Decker, 2016: 143-169). These factors contribute to the poor performance of African companies including SADC Countries, which is reflected by stagnating exports, particularly in the manufacturing sector (Söderbom, and Teal, 2003:1-29).

The contribution of SMEs to the broader process of economic development is increasingly being recognized worldwide (Kirby and Kaiser 2003:229-242). SMEs are increasingly being viewed by governments, policy makers and national donors as critical to the development of economies especially in developing

countries. The importance of SMEs in industrial and economic development came into light following the success stories of some East Asians and Western countries such as Singapore, Taiwan, North Korea, Germany and Italy. SADC region has experienced growth of SMEs especially in Zimbabwe but, “what is disheartening though is the fact that although the SADC countries have come up with various measures to support SMEs, the results on the ground do not reflect that the sector is growing”. (Mpofu & Sauti 2014:344). SMEs are failing to increase their involvement in international markets despite the support that is being offered by the government and other non-governmental bodies. (Mpofu & Sauti 2014:344).

A 2018 African Development Bank (ADB) report indicates that despite the improvement in Africa’s economic status, economic performance remains subdued, below the regional 7 percent annual growth target for all member states. The region’s economic outlook continues to face major headwinds, high unemployment, weak commodity prices, fiscal strain, increasing debt, and high inflation, fiscal slippages, and rising debt in some countries, as well as policy uncertainty. (African Development Bank 2018:3). The African Development Bank (2018:1), broad-based economic activity nonetheless is expected to recover at a slow pace, but the outlook remains modest, given the diverging growth patterns for the region’s economies. Upper middle-income countries turned in low and declining rates of growth. Meanwhile, lower income transitioning economies recorded moderate and improved growth, albeit at reduced rates.

### **THE IMPACT OF BUSINESS INTERNATIONALIZATION ON ECONOMIC GROWTH AND SUSTAINABILITY OF BUSINESSES: THE SADC EXPERIENCE**

Africa as a whole struggles to attract meaningful Foreign Direct Investment (FDI) which results in economic growth rates that are often low (Bonga & Mahuni, 2018). Firms within the borders of the respective countries find it difficult to thrive fully within local environments and this causes them to be shut out of the globalization train. The existence of the Southern African Customs Union (SACU) nonetheless lessens the effects of low investment rates trading in within SADC. The various regional and international trading blocs such as SADC were created in an attempt to enhance economic growth and maximize welfare for each member state. Trade in goods and services constitute a major area of cooperation that supports the SADC goals of economic development and poverty eradication. The SADC protocol was therefore set up with intentions to liberate

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intra- regional trade by creating mutually beneficial trade agreements thus improving investment and productivity in the region. This protocol eliminates barriers to trade, ease customs procedures, harmonize trade policies based on international standards and prohibit unfair business practices (World Bank, 2019). A discussion on the impact of Business Internationalization on economic growth and sustainability of businesses entails follows.

### 3.1 Disparity of Economic Levels in the Region

The 2008 financial crisis led to an acute contraction in economic activity around the globe. Following the fuel and food crises, the financial crisis affected African countries resulting in a number of declines in export earnings (especially for minerals/raw materials), private capital inflows and remittances. By 2009, overseas development assistance in Africa was projected to grow at a rate of less than 3% in 2009, whilst Sub-Saharan Africa was expected to grow at just 2.5% (EJN, 2009: 11). The impact of the global crisis was equally felt across the SADC region and as a result, economic growth proved difficult.

Economic disparities between member states increased. The heterogeneity of SADC economies not only exacerbates inequalities among members of the same regional grouping, but enables larger economies to thrive at the expense of their smaller counterparts. In addition, trade imbalances continue to persist and this is likely to lead to wider economic gaps among member states and larger economies like South Africa will continue to dictate the pace of economic growth and the level of intra- and extra-regional trade (Mapuva & Muyengwa-Mapuva 2014: 22-36).

The cross border differences in manufacturing productivity and exports that we observe today among SADC members have a great deal to do with differences in business environment. Specifically, more successful exporters of manufactures and services are, on average, more open to trade; have lower trade costs on account of more conducive geography and lower transport and regulatory costs; have lower regulatory barriers to business formation; provide better access to long-term finance; and have more reliable public utilities and better governance in the sense of having less corruption in government agencies. Above all, more successful exporters of manufactures and services suffer far less from allocative inefficiency resulting from disparities in access to long-term finance, public utilities, and to government services among sectors, business size groups, and

entry cohorts, as they provide a more level playing field to everyone on those key dimensions of the business environment. (Mengistae 2010: 2-3).

The top exporters of manufactures and services in the region currently are South Africa, Mauritius, Lesotho, Namibia, Swaziland, and Malawi. These are also among the most open to trade. All except Lesotho owe their exporting status to the higher productivity of their manufacturing sectors. On the other hand, Angola, the DRC, and Zambia have manufacturing and service sectors that are the least productive and least export-oriented in the region. One major source of the productivity gap between the two extremes of successful exporters of manufactures and services (South Africa, Mauritius, Namibia, Swaziland, and Malawi), and non-exporters of the same (DRC, Angola, and Zambia), is differences in technical efficiency. (Mengistae 2010: 2-3).

SADC member states have different levels of economic development. Performance of each member state's economy on the main components of the Global Competitiveness Index is tabulated on table 1 below. The index uses 12 pillars of : Institutions; Infrastructure; Macroeconomic environment; Health and primary education; Efficiency enhancers; Higher education and training; Goods market efficiency; Labour market efficiency; Financial market development; Technological readiness; Market size; Business sophistication and Innovation.

Table 1. Global Competitiveness Index rankings out of 140 counties

	<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
1.	Angola	Not ranked	Not ranked	137
2.	Botswana	64	63	90
3.	DRC	129	126	135
4.	Eswatini	Not ranked	122	140
5.	Lesotho	120	131	130
6.	Malawi	134	132	103
7.	Madagascar	128	121	Not ranked
8.	Mauritius	45	45	49
9.	Mozambique	133	136	133
10.	Namibia	84	90	100
11.	Seychelles	Not ranked	107	74
12.	South Africa	47	Not ranked	67
13.	Tanzania	116	113	116
14.	Zambia	118	118	118
15.	Zimbabwe	126	124	128

Source: Schwab (2016); Schwab & Sala-i-Martin (2017) & Schwab (2018)

Save for Lesotho, Malawi, Mozambique and Seychelles, data from the Global Competitiveness Index reports of the years 2016, 2017 and 2018 indicates a decline in rankings of SADC member's states.

### 3.2 Sustainability of businesses

Sustainability in business represents businesses that can survive shocks because they are resilient and intimately connected to healthy economic, social and environmental systems. These businesses create economic value and contribute to healthy ecosystems and strong communities. Business sustainability requires firms to adhere to the principles of sustainable development as such for industrial development to be sustainable, it must address important issues at the macro level such as economic efficiency (innovation, prosperity, and productivity), social equity (poverty, community, health and wellness (human rights) and environmental accountability (climate change, land use, biodiversity). (Bateh, Heaton, Arbogast, & Broadbent 2013:397-400).

In the SADC region, a lot of factors affect business sustainability. To illustrate, there have been changes in top political leadership over the past few months in Angola, Zimbabwe, South Africa, DRC and Botswana. These geopolitical factors bear potential to have implications on the direction of future public policy including the region's medium-term investment and growth prospects more broadly (African Development Bank 2018:4). African firms in general tend to lack ownership advantages that usually guarantee sustainability. The sustainability of business in SADC is also hindered by, inter alia: scarcity of stable and affordable electricity (Draper & Kalaba 2006:37); corruption (Hartzenberg 2011:173); customs regulations and bureaucracy (Makokera, Chapman & Wentworth, 2012: 6-10); technology and managerial capabilities (Douglas, and Craig, 1997:379-395); a negative country of origin effect which will affect the sustainability of business (Ibeh et al., 2012:411-427) and poor access to finance which often leads to withdrawal and major losses of businesses (Cuervo-Cazurra & Genc, 2008: 957-979).

Additional internal and external barriers affecting firms in the region include national and international administrative rules and burdens as well as formal and informal trade barriers. For instance internal barriers affecting SMEs trying to internationalize include cultural differences, lack of skills and knowledge, insufficient networks, foreign competition, limited information to analyse markets and inability to contact potential overseas customers (Mpofu & Sauti 2014:48, 355). Shankar and Lu (2008) view lack of market power as another key deficiency for smaller firms to survive (Crick 2007: 233-244; Barnes, Chakrabarti & Palihawadana, 2006: 209-221).

The other key issue is development and retention of adequate skilled labour which is quite problematic for developing countries. These countries continue to lose skilled labour to the developed world (Al-Nabhani, Taderera & Karedza 2013:463). According to the (Makokera et. al., 2012: 4), it is difficult to conduct business in the majority of SADC nations, for a variety of reasons which contribute to a regional economic climate that is not conducive to investment or to development in general. Business competitiveness surveys over the past number of years identify the lack of stability and predictability of macroeconomic policy, and the unfavourable investment climate as the primary obstacles behind sustaining and attracting new business investment. This challenging business environment presents a stumbling block to meaningful sustainable economic development (McLeod 2011:17).



### 3.3 Ease of Doing Business

Experience across the SADC region varies in terms of the ease of doing business. As illustrated in table 2 below, Sub Saharan Africa (SSA) is the most represented region among the top ten improvers in the Doing Business report. Mauritius is a particular success story, rising five places to 20th being the only African country to make the top 20 alongside countries North America, East Asia and Pacific, Europe and the Middle East. The country has reformed more than once in almost all areas measured by Doing Business for example, the time needed to register property has decreased more than 12 times; the time needed for business incorporation has decreased almost 10 times as a result of four reforms in starting a business (World Bank, 2019: 4, 13).

Table 2: Top ten African nations for Doing Business

Top ten African Nations for Doing Business	Rank
Mauritius	20
Rwanda	29
Morocco	60
Kenya	61
Tunisia	80
South Africa	82
Botswana	86
Zambia	87
Djibouti	99
Lesotho	106

Source: World Bank, 2019

A different case in point involves Botswana. Policies and strategies adopted by the government of Botswana have promoted trade and economic diversification. The country has experienced impressive levels of economic growth since 1970. Over the last decade Botswana has experienced a notable increase in exports, moving from merely over US\$4 billion in 2005 to close to US\$ 8 billion in 2014. Imports have realized a much larger increase over the same period, moving from around US\$ 4 billion in 2005 to US\$ 8 billion in 2014 (United Nations, 2016: xi).

Botswana has since ratified bilateral agreements with SACU, SADC, MERCOUR, EFTA, Malawi and Zimbabwe (Republic of Botswana 2016). In July 2004 during conducted negotiations with the European Union on an Economic Partnership Agreement gives it access to markets in United States under AGOA (Republic of Botswana, 2009). In the same vein Botswana is committed to the Doha Development Agenda and recently signed the agreement on Trade Facilitation. This agreement on trade facilitation aims at reducing both the financial costs and time needed to do business across borders (Neufeld, 2016: 2). Botswana furthermore has a National Trade Policy.

Doing business in the region is however, not without challenges for instance with regards to Zimbabwe, the September 2010 World Bank Doing Business Report illustrates that despite notable improvements in key indicators Zimbabwe is still rated unfavourably for doing business. This report rated Zimbabwe 159 out of 183 economies surveyed citing persistent concerns over institutional barriers related to trade and investment (Chikuhwa, 2013). The 2012 World Bank Doing Business report ranked the country 171 out of 181 countries. Although small and medium size businesses like Information Technology based services have grown significantly in the SADC region, they are still a virtual infant in Zimbabwe (Newfarmer & Pierola, 2015). For example the call centre industry is close to non-existent. This is a concern considering that the country has one of Africa's highest literacy rates which is at more than 90 per cent (Newfarmer & Pierola, 2015).

In 2013 the country ranked even lower in the overall Ease of Doing Business Indicators. According to the latest release in 2019 Zimbabwe is ranked 155 among the 190 economies in the ease of doing business which is still not desirable (Doing Business, 2019). According to the Matoo & Warris (2014: 1-3) the services trade reform can help Zimbabwe redefine its comparative advantage and help go beyond the handicap of being landlocked. This can be done by unleashing a connectivity revolution driven by telecommunications, finance, air and land transport services and a skills revolution driven by institutions of higher education, making use of the high literacy rates.

This would be beneficial since deeper regional and international cooperation would magnify the benefits of domestic reforms in each of the sectors of the economy such as tourism and manufacturing. FDI is low in this country because of bad governance, less technology and poor management skills in the case of Zimbabwe has meant even less competition in the markets (Newfarmer & Pierola,

2015). Thus Zimbabwean consumers are getting either poorer quality, less diverse, more expensive services or limited access to services and in some cases all the above. Factors such as corruption, trading across borders, registration of property, dealing with construction permits and starting businesses have a significant impact on the country's economic growth (Bonga & Mahuni, 2018).

The size of informal cross border trade between South Africa, Mozambique and Zimbabwe is large and significant. Trading across borders plays a big role in regional economic integration and in linking informal economies in different SADC cities (Crush, Skinner & Chikanda, 2015). Informal traders therefore, need to be seen as entrepreneurs and their activities as potentially strong promoters of inclusive growth and employment creation across the region. The volume of cross-border trade has been monitored at border control points. This makes trading across borders in Zimbabwe lengthy and costly because of customs bureaucracy, with importers required to complete nine documents and wait up to 73 days to receive consignments. This can be compared in contrast to France where it takes two documents to import goods in France and just three days to receive the goods in Singapore (Chikuhwa, 2013).

### 3.4 External Influence

External factors influencing business in the African continent including the SADC regional have been present for some time. The World Bank, International Monetary Fund (IMF) and Western donors developed and advocated for Structural Adjustment Programmes (SAPs) which emphasized macroeconomic stabilization, privatization and free market development (Heidhues & Obare, 2011). This occurred after the collapse of many African economies following independence around the 1980s. Since SADC countries believed that the private sector was too backward to carry some duties at that time governments drew up comprehensive regulations to control prices, restrict trade and allocate credit and foreign exchange (Owusu, 2003:1655-1672; Heidhues & Obare, 2011: 58). SAPs were the most important policy frameworks of the last century that have greatly influenced both strategies and programmes for agriculture, food and nutrition security in SADC and therefore overall economic development (Heidhues & Obare, 2011: 58).

Many African countries are likely to experience economic challenges in future particularly when considering ICT development, automation, environmental pollution and lack of resources such as energy and water. SADC

countries are however diversifying the economy through tourism and renewable energy solutions. More SADC countries are integrated in global value chains than in regional ones since this has been known to boost trade in the case of emerging economies (Savela, Salahub & Toivola, 2018: 11). To illustrate, South Africa currently has the highest GDP in SADC seconded by Angola because of their substantial oil and gas sector (Savela et, al., 2018: 11). Rapid urbanization is a key development in many countries within SADC. Moreover, by 2050, 62 per cent of the global population is projected to be in Africa, reaching one billion inhabitants in 2040. Research further shows that by 2035 half of the population will be in urban areas (United Nations, 2018).

Continued external influence can be seen further in relation to the Economies of the EU and Africa which are closely linked. As such the two have made agreements to work closely to ensure that the growth of one helps the other. European Union works towards the shift from aid to trade and investment as agents of growth, jobs and poverty reduction. At present SADC still is faced with the small amount of intra- trade within the region, which is currently only 10 per cent of the regional total exports compared to about 25 per cent in Asian or 48 percent in the European Union (European Commission, 2016: 2-5).

#### 4. Prospects of Economic Growth in the SADC Region

The SADC region has prospects of economic growth. Majority of firms in developing countries are internationalizing to other developing countries (Jormanainen and Koveshnikov, 2012: 691-725.), which have similar institutional setting. In these markets, African firms can exploit their knowledge on how to operate in a difficult economic environment and offer similar products, which are adopted to developing country's needs. Moreover, evidence from Africa shows that Ghanaian firms mainly internationalize to other African markets (Cuervo-Cazurra, and Genc, 2008: 957-979) something that can happen within SADC countries

Under improved business conditions Small and medium enterprises (SMEs) have the potential to create significant socio-economic impact and propel the region to the next level of economic growth and development (Fjose, Grünfeld & Green, 2010). SMEs contribute to economic development by increasing national output, creating jobs and reducing income inequality and poverty (Fanta, Mutsonziwa, Berkowitz, Maposa, Motsomi, & Khumalo, 2017). Small businesses also serve as vehicles for entrepreneurship and sources of employment and

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income thereby driving economic growth (Thurik, & Wennekers, 2004:140-149). They can also foster sustainable development if they are integrated into community development (Vargas, 2000: 11).

Strategic Alliances and Joint Ventures are another way for firms to internationalize. Benefits of these alliances include access to financial resources, pooled research efforts, product development and wider distribution channels. Alliances are becoming increasingly important as international competition drives specialization and the trend for large companies to increasingly outsource activities and if SADC wants to develop and sustain in business they must also engage in strategic alliance and joint ventures. Joint ventures permit SMEs with limited productive resources or market knowledge to enter international markets. Alliances and networks can take many forms including joint research and development, manufacturing, marketing, sourcing of inputs, or co-operation on distribution. However, research conducted by Kirby & Kaiser (2003:229-242) and Mpofo & Sauti (2014: 350) illustrate that the key to success appears to be on the choice of the joint venture partner and concludes that, given the limited resources of small firms, assistance is required to help them locate and select appropriate partners.

As demonstrated earlier, countries in the SADC region have been subjected to internal and external factors negating their efforts to internationalize. In order to overcome these barriers, African firms must rely on networks and business linkages (Senik, Scott-Ladd, Entrekina & Adham, 2011:259-281). Networks can create a competitive advantage for member firms, as they share resources, for instance information, about foreign markets, which the members can leverage (Rutashobya & Jaensson, 2004:159-172). Further to this, African firms can bridge their resource gap and overcome institutional voids through networks, which consequently facilitate their exporting activities (Biggs & Shah, 2006).

Lastly, the major and overarching objective of the SADC has been to promote economic and social development through co-operation and economic integration. The SADC Treaty presents economic integration as holding the key to the achievement of economic growth, self-sustaining development, and management and sustainable utilisation of natural resources (Chauvin & Gaulier 2002:23). The SADC Treaty has therefore put the focus of the SADC bloc as seeking to attain regional economic integration, freedom and social justice, all of which are anchored in the common values and principles that exist between the peoples of Southern Africa. As a result this focus has put the bloc's mission as promoting

sustainable and equitable economic growth and socio-economic development; deeper co-operation and integration; as well as good governance and durable peace. These commonalities inform the region's quest for collective stability and sustainable development, all of which can be realised through economic regional integration (Mapuva & Muyengwa-Mapuva 2014:1).

## **5. CONCLUSIONS**

The prospects of economic growth in the SADC region remain bright. The SADC region remains relatively peaceful and stable. Peace, security and stability are essential ingredients for sustainable economic growth, poverty alleviation, addressing inequalities and underdevelopment in the region. (News 24, 2019) The region's democratic footprint and its prevailing positive security and political climate is undoubtedly conducive to the promotion of investment inflows into the region and contributes towards intra-regional trade and the movement of capital. (News 24, 2019)

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### **3. CONFERENCE BOOK OF ABSTRACTS**

**PARENTAL ROLE MODELS AND THEIR INFLUENCE ON  
ASPIRATIONS OF BOTSWANA FEMALE STUDENTS TO  
ENTREPRENEURSHIP**

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**ABSTRACT**

This paper discusses the influence of parental role models on entrepreneurial aspirations of female university students in Botswana. While studies have investigated the influence of role models on career intentions, there seems to be a dearth of information in this area, particularly separated effects of maternal and paternal effects within the Botswana context. Thus, this research fills this gap. Drawing data from seventy-six University of Botswana female students, this study applies a social learning theory, to investigate the extent to which their entrepreneurial aspirations are influenced by their parents. Results of the Chi-square Test of Association reveal no statistically significant association between both fathers' and mothers' business ownership; level of income, and educational level and their children's entrepreneurial aspirations upon graduation. This investigation has important implications for government bodies, university curricula and gender-based entrepreneurial research.

**Keywords:** Role models, women entrepreneurship, parents, higher education

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**THE EFFECT OF FINANCIAL RISK MANAGEMENT ON  
FINANCIAL PERFORMANCE: THE CASE OF LISTED  
COMMERCIAL BANKS IN BOTSWANA**

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**ABSTRACT**

The financial system of a country is the cornerstone of a functioning and efficient economy. In the aftermath of the financial crisis in 2008, a greater oversight has been placed on the banking sector and has resulted in passing of regulatory legislation, Basel III, which has called for increased risk management. The purpose of this study is to assess how well the banking sector in Botswana has managed to balance risk management while maintaining profitability. This descriptive study sourced monthly secondary aggregate data from Bank of Botswana Financial Statistics (BFS) database. The study covered a five year monthly data from January 2014 to December 2018. Correlation and regression analysis techniques were applied in the analysis of the data. Risk management was the independent variable and was measured by selected credit risk, liquidity risk and market risk ratios. On the other hand, profitability was the dependent variable and was measured by return on equity and return on assets. Contrary to expectations, the results from regression shows that a negative and significant relationship was detected between credit risk as measured by TETA and profitability under both the ROE and ROA models. Similarly, under liquidity risk management as measured by TDTE, a negative and significant relationship was found under the return on assets and return on equity models. However, the results of the link between profitability and market risk remained inconclusive, since a positive and significant relationship was found with inflation while a negative and insignificant relationship was found with interest rates. The implications of these findings are that banks should strike a proper balance between risk management practices and profitability, so that any risk management practices performed by banks should yield more profits. Therefore bank managers should engage in appropriate liquidity, credit, and market risk management practices that will ensure safety of their banks but also yielding positive profits.

**Keywords:** Risk management, return of assets, return of equity, commercial banks, Botswana

## INVESTIGATING THE ADOPTION OF BUSINESS INTELLIGENCE SYSTEMS: AN EXTENSION OF TAM MODEL

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### ABSTRACT

Business Intelligence (BI) Systems help organisations make informed decisions that can lead to greater organisational performance and profits. Despite the fact that BI plays a significant role in decision making, the extent to which users have been able to adopt these systems is not clear. This in-progress research paper presents literature on existing technology acceptance models and theories leading to the development of a conceptual framework that can be used to investigate the adoption of Business Intelligence (BI) Systems in organisations. The literature outlines Theory of Diffusion of Innovativeness, Theory of Reasoned Action (TRA), Theory of planned behaviour (TPB), Technology Acceptance Model (TAM) and Self-efficacy theory. The study aims to extend TAM model by incorporating Subjective Norms, Self-efficacy, Trialability and Compatibility as external variables. The proposed model is used to study the influence of these external factors on core determinants of TAM, perceived usefulness (PU) and perceived ease of use (PEOU) and is expected to identify which of these external factors are most important in predicting and explaining individual's intention to use BI systems.

**Keywords:** Technology Acceptance Model (TAM), Business Intelligence Systems, Trialability, Compatibility, Self-efficacy, Subjective Norm

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**AN EVALUATION OF CITIZEN SATISFACTION WITH E-  
GOVERNMENT SYSTEMS IN BOTSWANA: A MULTI-CRITERIA  
SATISFACTION ANALYSIS**

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**ABSTRACT**

In this day and age, all governments across the world try to deliver valuable services through the public sector to both citizens and businesses. E-Government has permitted governments to accomplish this goal. Information Technology is progressively being viewed as a key factor in improving the way the public sector delivers services to citizens. The aim of this paper is to measure and analyse citizens' satisfaction with Botswana's e-government information systems. The research focuses on the evaluation and analysis of citizens' satisfaction. The methodological approach is based on the principles of multi-criteria modelling, using the multi-criteria satisfaction analysis (MUSA) method. The factors that constitute citizens' satisfaction in this research were identified by the literature review and are namely usability, reliability, efficiency, functionality, portability, maintainability and operational readiness test. Data collected from 131 questionnaires were analysed preliminarily through descriptive statistics and bivariate analysis. Further analysis using the multi-criteria satisfaction analysis (MUSA) method was done as the main aim for this research. The research results have shown that the overall satisfaction with e-government systems can be characterised as moderate and attributes that need improvement were identified.

**Keywords:** E-Government, Multi Criteria Satisfaction Analysis (MUSA), Multi Criteria Modelling, User Satisfaction, Operational Readiness

**THE USE OF BUSINESS INTELLIGENCE IN THE BANKING  
INDUSTRY OF BOTSWANA FOR COMPETITIVENESS.**

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**ABSTRACT**

This paper investigates the role of business intelligence in the banking industry. Business intelligence does not only enhance a business' performance but also increases its competitiveness. Given the ever changing global market and client needs and expectations, banks have had to devise new methods of conducting their business in a manner that would not only meet their customer expectations but also exceed them. Hence, the use of business intelligence to among others enable them to quickly and accurately assess the credit worthiness of their customers before extending any credit to them. Given these high value capabilities, business intelligence has provided the tools and techniques that many businesses including banks have found to be hard to resist. This paper therefore, highlights the critical role that business intelligence plays in businesses with specific focus on banks. Literature on business intelligence use in banks was reviewed including an observation of websites of ten (10) privately owned commercial banks in Botswana. This paper therefore, demonstrates that business intelligence is to banking, what oxygen is to human beings.

**Keywords:** Business intelligence, competitiveness, performance, banking industry, banks.

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## THE PREVALENCE OF BUSINESS INTELLIGENCE (BI) USAGE IN TOURISM FIRMS IN GABORONE

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### ABSTRACT

This paper investigates the extent to which tourism firms in Gaborone use business intelligence systems for purposes of boosting their performance and competitiveness. Using a list of tourism firms provided by the Department of Tourism, questionnaires were distributed to 115 tourism firms in Gaborone. A total of 81 firms responded, representing 70.4% of all tourism firms that were in the sampling frame. Of this number, 59.2% said they had adopted business intelligence systems in their operations. Although these are preliminary results of an ongoing study, it is evident however, that medium and large tourism firms tend to use business intelligence systems more than smaller firms and that such usage has resulted in better efficiency in business processes. There is also evidence from the study that travel organizers' firms tend to use business intelligence systems more when compared to accommodation firms.

**Keywords:** Business intelligence, tourism firms, performance, competitiveness, Gaborone.

## **THE EFFECTS OF RESOURCE DEPENDENCE AND RESOURCE-BASED THEORIES ON BRICOLAGE IN SOCIAL ENTERPRISES**

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### **ABSTRACT**

This conceptual paper defines and discusses a number of new constructs in the field of entrepreneurship. While following a paper written by Desa and Basu (2013), the paper, citing from several later papers, clarifies resource mobilization, bricolage, optimization and social entrepreneurship. The two resource theories, Resource Dependence Theory and Resource-based View, are brought into an analytical framework that shows the effects of organizational prominence and environmental munificence as antecedent conditions on whether social enterprises would bricolage as opposed to optimizing.

A number of realistic examples from prior literature and a few in the current Botswana environment are highlighted to assist in our conceptualization. The concept of social bricolage is also highlighted through a process, which provides an opportunity to bring several other practical examples. The paper's major purpose is to open vistas into developing entrepreneurship theories that are not part of the current debate in Botswana. It is recommended that local researchers pick up the thread and enrich the discussion through empirical research.

**Keywords:** Resource Dependence, Resource-based, theory, bricolage, optimization, social entrepreneurship.

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## UNDERSTANDING THE ROLES OF EFFECTUATION AND BRICOLAGE IN THE OPPORTUNITY CREATION FRAMEWORK.

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### ABSTRACT

The process of entrepreneurship is identifying and exploiting opportunities. Entrepreneurial action can also result in forming, rather than merely encountering opportunities. Researchers, like Alvarez and Barney (2007), also distinguish two approaches to entrepreneurial action, discovery and creation. In opportunity creation, opportunities for entrepreneurial profit are formed endogenously through action.

Effectuation processes focus on what can be done, given the capacity to influence and means at hand, to move toward a future endpoint. Effectuation was developed in the context of entrepreneurship and it assumes that an opportunity may arise through control-based strategies.

Bricolage was initially described by Levi-Strauss (1967) as ‘making do with what’s on hand’. This was extended by Baker and Nelson (2005) and applied to the process of value creation. They observed that some entrepreneurs prefer to engage in a process of “making do by applying combinations of resources at hand to new problems and opportunities”.

These are new concepts to most entrepreneurship researchers, yet extremely useful in the understanding of opportunity creation. This conceptual paper will assist in the understanding of these concepts, and clarify the roles of effectuation and bricolage in the opportunity creation framework. A discussion section should attempt to bring the concepts to reality by highlighting realistic examples.

**Keywords:** Effectuation, bricolage, opportunity, entrepreneurship, resources.

**THE TERRAIN FOR POVERTY ALLEVIATION AMONG THE  
YOUTH IN BOTSWANA: IS YOUTH ENTREPRENEURSHIP  
DEVELOPMENT FUND THE ANSWER?**

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**ABSTRACT**

Botswana has achieved an impressive development record since independence in 1966 and it belongs to a category of medium development countries. Despite this achievement, the country is grappling with developmental challenges such as poverty and youth unemployment. While poverty alleviation programmes have had positive impact on the well-being of the youth, they offer no long term solutions to entrenched structural poverty. This paper is based on the study that was conducted in South East District (Ramotswa), which sought to investigate the impediments and prospects of youth entrepreneurship development in poverty reduction. The specific objectives were to examine challenges faced by youth entrepreneurs; identify benefits of entrepreneurship to youth; analyse the potential of businesses operated by young entrepreneurs; and craft possible solutions to challenges they are facing. A cross sectional descriptive research design was adopted. Primary data were collected using questionnaires containing structured and semi-structured questions. Therefore, this paper seeks to determine whether youth entrepreneurship development fund can be the solution for poverty alleviation among the youth in the context of Botswana. The paper concludes by asserting the need for coherent and effective means that will ensure the realisation of sustained poverty reduction outcomes among the youth.

**Keywords:** Poverty Alleviation, Sustainable Development, Youth, Entrepreneurship, YDF.

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## THE NEED FOR EVIDENCE BASED ENTREPRENEURSHIP AND SMALL BUSINESS POLICIES: BOTSWANA PERSPECTIVE.

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### ABSTRACT

In recent decades, the promotion of entrepreneurship as a possible source of empowerment and job creation has attracted increasing policy and scholarly attention. Despite this, there has been no systematic attempt to assess the impact of entrepreneurship and small business policies in Botswana, youth development fund in particular. Therefore, this paper presents a study that sought to examine the strength and challenges of entrepreneurship programmes meant to address youth unemployment and also examine the role of government policy in the development of SMME'S with a focus on government funded projects. The study adopted a cross-sectional mixed method. The data was collected through a survey questionnaire. A total sample of 191 randomly selected respondents of which 94 were youth participants and 97 were key informants, provided information for this study. Youth participants were drawn using systematic sampling whereas key informants were drawn using purposive sampling, and for both participants data was analysed quantitatively through the use of SPSS. The findings show that lack of monitoring and evaluation is a major challenge of government entrepreneurship initiatives trying to create jobs in Botswana. This paper concludes that greater emphasis should be put on research to generate up to date and reliable data to support entrepreneurship development and small business policies and programmes.

**Keywords:** Entrepreneurship Policy, Small Businesses, Evidenced Based Policy, Innovation

## **AGILE MARKETING AND THE SURVIVAL OF FIRMS IN INTERNATIONAL MARKETS**

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### **ABSTRACT**

The study seeks to understand how firms survive in highly turbulent international environments. Interest is directed towards understanding how firms can generate and maintain new marketing initiatives in environments that are highly competitive and constantly changing.

Data was collected through interviews of Marketing Executives of two internationalised Botswana firms. The findings show that agility in marketing activities is of a great value in navigating uncertainty arising from a continually transforming complex international environment and rapidly changing customer expectations. Three key themes of (1) intimate and intense customer knowledge (2) continuous employee training and upskilling, and (3) continuous evaluation of competitive alternatives, emerged.

Finally, the study recommends that internationalising firms ought to embed processes for opportunity recognition, creation and exploitation to make their products commercially viable. The processes must address marketing practices that establish legitimacy for the internationalised firm.

**Keywords:** Marketing agility; surviving international markets;  
Internationalisation



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**DISTINGUISHING SAVERS AND NON-SAVERS: BASED ON  
PSYCHOGRAPHIC, SOCIO-ECONOMIC AND FINANCIAL  
MARKET FACTORS**

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**ABSTRACT**

The main objective of this study is to explain differences between savers from non-savers on the basis of psychographic, social economic and financial market related factors. A survey research design using a structured questionnaire was conducted in order to test the hypotheses developed in this study. The unit of analysis was 986 individuals aged between 18 and 64 years, in paid or self-employment, residing in two major cities and two towns in Botswana.

The findings of the study based on independent t -test to discriminate savers from con savers based on personal values, attitudes, social economic factors and financial market related factors. While there was significant difference between savers and non-saver based on personal values, there was no significant difference based on attitudes, social economic factors.

Botswana savers and non-savers alike have strong positive attitude towards saving and as such social economic and financial related factors may be hindering savings..

**Keywords:** savers; non-savers; attitude; social economic factors; financial market; saving behaviour

**ASSESSING THE OUTCOMES AND EFFECTS OF POVERTY  
ALLEVIATION POLICIES IN BOTSWANA AND ZIMBABWE**

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**ABSTRACT**

The governments of Botswana and Zimbabwe have over time implemented policies meant to assist vulnerable groups such as destitutes, the elderly and remote area dwellers. While there are similarities in policies and outcomes and the effects of these policies vary immensely per country. In Zimbabwe, high levels of inflation affected fuel and food product prices adversely resulting in the rapid-contraction of the economy. Central issues relate to: food supply; unemployment; access to land and; legal, security and political rights. Botswana's economy has comparatively done well and made modest gains in poverty alleviation. Poverty alleviation criticism in both countries includes inter alia: low income; short-term nature of projects; no transfer of skills; inclusion and exclusion and targeting. Effective poverty reduction requires an in- depth understanding of the matter at hand. Poverty as such, is diverse and can take different forms. In most cases poverty measurement is limited to income and consumption. These dimensions extend further. Important to note as well is that economic growth has not necessarily meant reduction in poverty in Botswana and Zimbabwe.

**Keywords:** Poverty alleviation, Botswana, Zimbabwe, programs, strategies, policies.

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**BURYING THE DEAD: INTENTIONS OF CHRISTIANS TOWARDS  
THE PURCHASE OF FUNERAL PRODUCTS AND RELATED  
SERVICES**

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**ABSTRACT**

This study adopts a consumer behaviour perspective by applying the Ajzen and Fishbein (1980)'s Theory of Reasoned Action (TRA) to offer insight into the purchase of funeral products and related services among Christians. Specifically, it investigates how attitudes and subjective norms explain consumers' intentions towards the purchase of funeral products and related services. By applying the TRA the link between intentions and its predictors are investigated thereby making a significant contribution to the rarely studied area in marketing. A structured questionnaire was self-administered to a purposeful sample of 500 Christians in Botswana, and 457 questionnaires were completed yielding a response rate of 91%. The findings of the study show that intentions to purchase funeral products and related services among the Christians were significantly and positively influenced by the motivation to comply. Respondents who have purchased funeral products before demonstrated stronger internal beliefs, evaluations, normative beliefs and intentions concerning the purchase of funeral products than those who had never purchased such products. The intentions of those who have purchased funeral products before were also significantly and positively influenced by evaluations, normative beliefs and motivation to comply, while the intentions of non-purchasers were only influenced positively and significantly by their motivation to comply. The focus on Christians from various denominations limits the study's generalizability to all Botswana consumers. The study extends the existing knowledge by adopting the consumer behaviour perspective to explain burial rituals in an understudied society such as Botswana.

**Keywords:** Burial rituals, Consumer attitudes, Funeral products, Intentions, Subjective norms, Theory of reasoned action

## **THE EFFECTIVENESS OF THE ETL PROCESS IN PREPARING DATA FOR ANALYSIS: A CASE OF TRAFFIC ACCIDENT CLAIMS IN BOTSWANA**

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### **ABSTRACT**

A data warehouse (DW) plays a pivotal role in converting data to information that could be used for quality decision making by managers. The Extraction, Transformation and Loading (ETL) process is a very critical process in data warehouse development. This is a process that ensures that data is extracted from the data sources, transformed and loaded into the data warehouse hence the name ETL. For quality decision making, the data that is loaded in the data warehouse must be accurate, consistent and in the right format. This can only be achieved if the data goes through the ETL process. The problem with the current accident and claims data is a number of errors, inconsistencies, misspellings in data and isolated or dispersed data sources. This poor quality or defective data can lead to poor business decisions. The purpose of the ETL process is to integrate isolated data sources and removing errors and inconsistencies from data in order to improve the quality of data. The Motor Vehicle Accident (MVA) fund and Botswana Police source systems were selected because MVA relies on Botswana police for accident statistics therefore a clear need for data integration because of the isolated systems. In this paper we demonstrate the effectiveness of the ETL process using Microsoft SQL Server 2014. The ETL is preferred because the data is cleaned before being loaded in the data warehouse thus ensuring the accuracy and quality of the data. In particular, we use Microsoft visual studio to develop and build the required packages. Furthermore, we deploy Open Refine tool to clean messy/ dirty data. In this paper, data was successfully extracted from the MVA fund and Botswana police source systems. The data went through the transformation process and loading in the data warehouse to make it ready for decision making. This process has demonstrated successful integration of data from various data sources which also ensures easy access of data from a central repository. Sample reports were generated after the ETL process to demonstrate its success and effectiveness.

**Keywords:** Extraction, Transformation, Loading, Data Warehousing, Accident and Claims Evaluation

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**THE IMPACT OF THE FOUR-YEAR LEARNING  
PROGRAMME TO STUDENTS' CAREER  
ASPIRATIONS: THE CASE OF UNIVERSITY OF BOTSWANA  
ACCOUNTING AND FINANCE STUDENTS**

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**ABSTRACT**

The paper determine whether the students' career aspirations have changed from the time they enrolled for a particular programme during the first year until they have encountered socialisation throughout the four-year learning period, which includes the internship programme. Descriptive research design was used in the study. The research population for the study were all final year University Botswana undergraduate students studying a four year programme. Judgement or purposive sampling was used to select a total of 100 students from the final year Accounting and Finance students and, the two groups being equally represented in the sample. Primary data was used for the study and collected using a 5-point Likert skill questionnaire from 100 students from the two groups during their classes. Descriptive statistics and Independent sample t-tests were used to analyse the data. The internship programme is an eye opener to the students and help them to prepare for their careers. The four year socialization process, during students' studies did not cause any change in their career aspirations from the time, they enrolled for their respective programmes. The students who enrolled for the accounting and finance programmes were sure of the careers they intend pursue upon graduation. The findings stresses the importance of internship to students in deciding their careers aspirations upon graduation. The department of accounting and finance must continue with internship program, if possible increase its duration from ten weeks to six months and also assist finance students to secure internship places in finance related institutions.

**Keywords:** Career aspirations, internship, social influences, demographics, academic programmes, University of Botswana

## **TOUR GUIDE TRAINING AND TOURIST SATISFACTION: VIEWS FROM MAUN, BOTSWANA.**

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### **ABSTRACT**

Service quality is a critical component of travel and tourism industry. It is one of the standards that can be used by enterprises to measure their own level of attractiveness to customers. For the travel and tourism industry, it has been observed that the role of a tour guide in ensuring customer satisfaction is immense. Tourists in Botswana are experiencing poor service quality and customer dissatisfaction despite the fact that tour guides are being sent to a tour guide training institution. Therefore this study aims to establish how beneficial the training of tour guides in service quality and visitor experience is. The research employed the descriptive research design. The researcher made use questionnaires as the data collection instruments. Findings revealed that there was a high relationship between tour guides services and tourist satisfaction. Most tourists prefer moving around with tour guides hence making the tour guiding tour guiding knowledge and training critical. This paper recommends proper and compulsory tour guide training and licensing as a means to ensure customers satisfaction.

**Keywords:** Tour guide training, tourist satisfaction, visitor experience, travel and tourism, Maun

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## THE CAUSALITY RELATIONSHIP BETWEEN THE FINANCIAL SECTOR PROFITABILITY AND THE BOTSWANA ECONOMY

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### ABSTRACT

Previous research has lamented on both the importance and the symbiotic relationship between financial sector performance and the state of a country's economy. Findings of these studies are generally in concert in that the performance of the financial sector is intertwined with macroeconomic indicators. There is, however, a difference in opinion on the precise nature of the relationship between these variables. This difference of opinion has led to the development of three parallel strands of theory: demand-driven relationship; supply-driven relationship; and economic developmental stage. To the extent that an understanding of the precise nature of the relationship between these critical variables would promote efficiency, growth and prosperity, it was found imperative to investigate the phenomenon in the context of a developing economy. This paper examines the causal relationship between the financial sector index and GDP in Botswana. The study uses data over a period of 10 years from (2003-2013). This study timeframe is significant because previous research does not incorporate the critical periods in financial markets history over which the global economy experienced the economic cycle of the boom years (2003-2006), followed by a recession (2007-2010) and finally the recovery period (2010 and beyond). This global cycle provides an opportunity for new insights into how financial sector performance relates to the economy. The findings are suggestive of an existence of a stable long-run relationship between the financial sector and the economy. In addition, the results show that the economy granger-cause the financial sector index with no reverse causality observed. The implications of these findings are that policy makers should first make sure that the economy grows in order to stimulate financial sector development, and not vice versa.

**Keywords:** Granger Causality, Financial Services Index, GDP, Economy, Botswana

**AN OVERVIEW OF OUTSOURCING AND  
STRATEGIC ALLIANCES AS AN EFFECTIVE  
CONTEMPORARY BUSINESS STRATEGIC TOOLS  
FOR STARTUPS AND SMALL BUSINESSES IN  
BOTSWANA**

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**ABSTRACT**

A firm's competitiveness is driven by its strategic orientation, which in turn is dependent on its resource capability. This study investigates the feasibility and suitability and relevance of outsourcing and strategic collaborations as contemporary and effective business strategic tools for start-ups and SMEs in Botswana. The study adopts an in-depth review of all relevant literature collected from different online database sources. Two different theoretical frameworks are used to examine the critical success factors for successful cooperative strategies, and identify the pragmatic approach to ensure long term sustainability and competitiveness. The findings of this study indicate that outsourcing and joint ventures may be appropriate business solutions for startups and SMEs in Botswana that are challenged in the areas of new product development, market expansion, production capacity, technological capability, etc. The study will hopefully benefit the prospective entrepreneurs and existing SMEs owners and/or managers wishing to consider cooperative strategies as preventative strategies to avoid infancy stage failures as well as enhancer to technological and innovative capability, and market competitiveness. Furthermore, the study may be of value for future research in the area of effective management of cooperative strategies adopted by small businesses in Botswana.

**Keywords:** innovation and creativity, outsourcing and strategic collaborations, startups, SMEs, business growth, conceptual framework.



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## ENTREPRENEURSHIP DEVELOPMENT AS A STRATEGIC TOOL FOR POVERTY ALLEVIATION: LESSONS FOR BOTSWANA

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### ABSTRACT

Botswana has over many decades promoted entrepreneurship and small business development via numerous policies and initiatives with view to growing the economy and reducing poverty. Although the results as observed, were not at all encouraging, government continues to introduce and enhance the existing entrepreneurship initiatives to achieve these crucial economic goals. Notwithstanding government impressive efforts, there are other key factors that reduce the effectiveness of government's initiatives and SMEs entrepreneurial activities to alleviate poverty and grow the economy. The purpose of this paper is to critically examine the relationship between entrepreneurship development and poverty alleviation in Botswana. The paper attempts to answer one critical question: Can entrepreneurship alleviate or reduce poverty in Botswana? This is done through in-depth review of all relevant literature and descriptive data analysis collected from different online database sources, and from national reports and policies on entrepreneurship and poverty alleviation. The paper also adopts a conceptual framework on Entrepreneurship Development and Poverty Alleviation (The Tri-sector Initiatives) developed by Goel and Rishi (2012) to illustrate the efforts of government, private and citizens to alleviate poverty through promotion and development of entrepreneurial activities in India. The findings will hopefully assist in future related research studies, and the policy reforms

**Keywords:** entrepreneurship development, corporate social responsibility poverty reduction, Ipelegeng, Namola-Lehuma, innovation, poverty alleviation policies, social inclusion, social protection.

## **COOPERATIVE STRATEGIES: THE ULTIMATE BUSINESS SOLUTION FOR STARTUPS AND SMALL & MEDIUM BUSINESSES (SMEs) IN BOTSWANA**

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### **ABSTRACT**

The purpose of this paper is to explore the feasibility and suitability and relevance of various cooperative strategies for new business development (start-ups) and SMEs in Botswana. Further to examine the relationship between strategic collaborations and these businesses' competitiveness and sustainability. The paper attempts to answer one critical question: Are cooperative strategies (strategic collaborations) the ultimate solution to startups and SMEs in Botswana? The paper also explores cost implications or risks associated with using these strategies, and the potential benefits that will flow to both the startups and the existing small businesses. This is done through in-depth review of all relevant literature and descriptive data analysis collected from different online database sources. The paper also adopts Murray (2001) conceptual framework, "An Integrated Framework of Strategic Alliance-Based Global Sourcing for Competitive Advantage". This conceptual framework presents the relationships among the various variables with an ultimate goal of obtaining a competitive advantage. Hopefully the findings will be of benefit to government decisions on business development policies reforms, less innovative prospective entrepreneurs and also provide some input to the future related research studies.

**Keywords:** innovation and creativity, outsourcing and strategic collaborations, new business development, business growth, Nyeletso Lehuma.

## **SOCIAL MEDIA USE BY PERSONS WITH DISABILITIES IN ACCESSIBLE TOURISM AND SHARED ACCOMMODATIONS**

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### **ABSTRACT**

Practitioners and academic researchers have shown considerable interest in understanding how social media supports different aspects of life. There is therefore increasing consideration on the role of social media in the tourism industry; however, less attention has been accorded to the variation in users goals given the unique differences among players in this industry. This study recognises the use of social media by persons with disabilities (PWDs) to enjoy tourism experiences, particularly, accessible tourism experiences and access to shared accommodation. This study proposes the theory of affordances as a rich theoretical lens to understanding and discuss social media use by PWDs in tourism. Conceptually, we distinguish social media affordances in six distinct categories - cognitive, sensory, affective, physical, functional, and control affordances. Given the distinction in social media affordances and the role of affordances in exploring technology use in specific contexts, we present four propositions on how social media use among PWDs facilitates accessible tourism experiences and access to shared accommodation. The key proposition presented here suggests that social media affordances aid, support, or enhance user engagement in social media for tourism, which consequently facilitates accessible tourism experiences and access to shared accommodation.

**Keywords:** Social Media, Persons with Disabilities, Accessible Tourism, Social Media Affordances, Shared Accommodations

## THE NAMIBIAN ENTREPRENEURSHIP ECOSYSTEM: A COMPARATIVE ANALYSIS

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### ABSTRACT

The paper compares the entrepreneurial ecosystem of Namibia with those of some sub-Saharan Africa countries and efficiency-driven countries globally. Using the Global Entrepreneurship Index (GEI) methodology the quality of the ecosystem in nurturing high growth entrepreneurship is measured. Results reveal a relatively weak entrepreneurial ecosystem with a GEI score of 29.4, more significantly, weak institutions that quash entrepreneurial intentions. It is evident that despite high entrepreneurial activity rates, there is little impact on GDP per capita; a phenomenon common to developing economies. Namibia's GEI is below global and efficiency driven economies average scores of 38.9% and 30.9% respectively, making the nation uncompetitive. In sub-Saharan Africa, Botswana (34.3), South Africa (33.4) and Tunisia (38.8) perform better. From a policy perspective, Namibia should put 80% of her efforts in improving start-up skills, followed by process innovation (13%) and technology absorption (7%). This would improve her GEI score by 10% to be at par with South Africa. Broadly, the paper has implications for country-level entrepreneurship policy and interventions

**Keywords:** Namibia, GEI, entrepreneurial ecosystem, policy

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## ONLINE NARRATIVES OF RESTAURANT SERVICE RECOVERY IN BOTSWANA.

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### ABSTRACT

An analysis of the narrative structure of 64 suboptimal TripAdvisor reviews of restaurant service recovery in Gaborone, Botswana was conducted in this study. Using the Labovian scheme, the study highlights that reviewers presented their narratives in an emotional manner, clouded with disappointment and regret. The narratives eventually lead to the presentation of codas, some that communicate decisions not to visit the facility again. In minor cases, a balancing act through the use modal verbs and adverbs of contrast in the coda is achieved; that rouses an optimistic decision for repeat visitation. This aspect could be used by restaurants to redeem their service ratings. The study also identifies the presence of ‘quadruple deviation’, a concept that could be unique to service recovery in Botswana.

**Keywords:** Restaurants, complex service recovery process, online reviews, Botswana

## ENVIRONMENT, SOCIAL AND GOVERNANCE PRACTICES: THE CASE OF BOTSWANA STOCK EXCHANGE COMPANIES

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### ABSTRACT

The role of the private sector in the realisation of the 2030 Global Agenda for Sustainable Development cannot be overemphasised. Stock exchanges in particular, are making deliberate attempts to contribute meaningfully to sustainable development. The aim of this paper is to determine the overall state of existing sustainability practices of Botswana Stock Exchange (BSE)-listed domestic companies. The Environment, Social and Governance (ESG) framework was adopted for the study. Twenty four BSE listed domestic companies were reviewed using self-completed, open ended questionnaires and secondary data. Thematic analysis was employed to examine the data. The results separated the companies into three categories: those that do not have specific sustainability policies due to unfamiliarity with sustainability issues as pertains their businesses; companies which have recognised sustainability as key to their business, but have not attained the required level of reporting and accounting for sustainability; and lastly companies that are well advanced to the extent of gaining international recognition in the international sustainability frontiers. The paper recommends for the BSE to incentivise the companies to adopt sustainability practices by for example recognition awards.

**Keywords:** Environment, Social, Governance (ESG), sustainability practices, private sector, Botswana Stock Exchange.

**PERCEPTIONS AND ATTITUDES OF  
UNDERGRADUATE STUDENTS TOWARDS  
DOMESTIC TOURISM: A CASE OF UNIVERSITY OF  
BOTSWANA**

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**ABSTRACT**

The tourism landscape in Botswana is mainly dominated by international tourists and domestic tourists have been relegated to the periphery. Owing to this, the contribution of domestic tourism to the overall contribution of tourism to the Gross Domestic Product (GDP) has been limited. To help understand the conundrum surrounding the limited contribution of domestic tourism to the national GDP, this study examined the attitudes of the University of Botswana Students towards domestic tourism using a structured questionnaire. A total sample of 155 students at the University of Botswana was randomly surveyed. The results of the study led to a conclusion that students have quite a pleasant and satisfying attitude towards domestic tourism as there was a balance between the positive and negative responses. This augurs well for the sustainability of tourism in Botswana where the tourism product is heavily reliant on international tourists. The positive attitudes displayed by students towards domestic tourism could be used as a springboard to allow locals to participate in the tourism industry thereby leading to the promotion of domestic tourism. Therefore this study recommends that deliberate efforts at policy level geared towards promoting domestic tourism be put in place to help diversify the tourism clientele base.

**Keywords:** Domestic tourism, Perceptions, attitudes, students, Botswana.

**STRATEGIC ORIENTATION, CORPORATE STRATEGY AND  
FIRM PERFORMANCE: THE CASE OF WILDERNESS HOLDINGS  
LIMITED**

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**ABSTRACT**

This study investigates the growth of Wilderness Holdings Limited from its inception in 1983 to entry into international markets. In doing so, this study identifies strategies propelling this growth. Using document analysis, the study identifies strategic orientation, and new market entry as two major ‘tipping points’ critical to WHL growth. This study found that WHL used vertical integration, acquisitions, downscoping, strategic alliances and partnerships to propel new market entry into eight countries in Africa. This study also found that WHL’s growth over the years was very complex and possibly unique to itself specifically in respect to how downscoping and acquisition can be used together to propel growth. Firm profitability was used as a measure of growth. From a loss of BWP4, 967,000 in 2009, WHL’s profits have reached BWP62, 751,000 in 2018. While WHL’s strategy may not be copied, it is essential for firms to blend different strategies in a manner that would lead to growth. However, the limitation of the WHL’s strategy is that it ultimately leads to over diversification, unless downscoping is equally intensified.

**Keywords:** Wilderness Holdings Limited; Strategic Alliances; Downscoping; Acquisition; Diversification; Tipping Points; Organizational Life Cycle



**YOUNG CONSUMERS' ATTITUDES TO SMS ADVERTISING IN  
AN EMERGING ECONOMY. THE CASE OF BOTSWANA**

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## ABSTRACT

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libe The purpose of this paper is to empirically examine the phenomenon of young consumers' motives. A descriptive research approach was applied on a convenience sample of 243 (97.2 % response rate) young consumers aged 18-35 years to measure their acceptance of SMS advertising, intention to receive SMS advertisement and responses to SMS advertisements.

Findings revealed that young consumer's uses and gratification is significantly and positively related to their attitudes. Moreover, young consumer's attitude towards SMS advertising is significantly and positively related to their behavioural intentions in Botswana.

The collected sample is only limited to young consumers from University of Botswana and Botho university students' context. As such, very limited generalization can be derived to the entire youth consumers in Botswana. Future researchers can investigate older working consumers or cross-cultural consumer segments. The research could assist managers to determine factors that predominantly influence young consumers' attitudes, their motives and behavioural intentions toward SMS advertising in Botswana. In that way, managers are in a better position to unravel and understand consumers intended behaviour regarding SMS advertising. In addition, the study will also assist managers, policy makers, marketers and advertisers in crafting relevant and targeted messages to reach young consumers and millennial that constitutes a major proportion of the Botswana's population. This is the first main empirical research on motives for using SMS and SMS advertising tool from Botswana and African context. Majority of previous studies have mainly focused on European, American or Asian context. Limited research has been done in Africa to investigate the hypothesized relationships between motives for using SMS, attitudes towards SMS and behavioural intentions of consumers. Attitude towards mobile advertising and its effects on their behavioural intentions.ro, sit amet commodo magna eros quis urna. Nunc viverra imperdiet enim. Fusce est. Vivamus a tellus. Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac turpis egestas. Proin pharetra nonummy pede. Mauris et orci.

**Keywords:** Motives, Consumer attitudes, SMS usage strategy, Behavioural intentions

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## WHAT IS ‘TENDERPRENEURING’? A REVIEW OF THE LITERATURE

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### ABSTRACT

This paper theoretically attempts to examine a ‘buzzword’ which has been used to describe a corrupt system of awarding tenders [infamously referred to as ‘tenderpreneuring’] in developing countries, by conducting a review of the literature on this practice. The paper endeavors to define ‘tenderpreneuring’ by examining literature, reports, opinion pieces etc on this practice which seems to be spreading rapidly in the public and private sectors in Botswana, South Africa, Kenya in particular. The paper also makes an effort to make a comparison between ‘tenderpreneuring’ and the traditional form of tendering which follows best practice governance principles. An endeavor is also made to trace the roots of ‘tenderpreneuring’ and how ‘tenderpreneuring’ has the potential to negatively impact citizen economic empowerment.

The paper further attempts to use the theory of accountability to demonstrate that where tenderpreneuring is practiced, there are connotations of poor governance on the part of [government or private company] officers who award lucrative tenders to tenderpreneurs. The paper concludes by attempting to examine the possible ramifications of ‘tenderpreneuring’. Consistently, it concludes that tenderpreneuring condemns the society to poverty at both personal and national level and robs them of their respect and dignity.

The discussion from this paper has potential to conscientise policy decision makers on bad governance practices emanating from crooked tendering processes both in the public and private sector under the code name ‘tenderpreneuring’

**Keywords:** Tenderpreneuring, Tendering, Governance, Accountability, Citizen Economic Empowerment, Foreign Direct Investment (FDI)

## TESTING THE RANDOM WALK BEHAVIOR OF BOTSWANA'S BOND MARKET RETURNS

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### ABSTRACT

This paper examines Botswana's bond market to establish whether the bond yields in the market follow a stochastic process or they are rather deterministic. The logarithmic bond index returns for the Government Bond Index (Gorvi), Corporate Bond Index (Corpi) and Botswana Bond Index (BBI) are used to represent the bond yields. The yields are derived from an eight year index series covering a period of 2010 through 2018, and for robustness, both parametric and non-parametric statistical tests are applied on the returns series to check for their predictability. The results of the Runs test, Unit root tests (ADF and KPSS), Heteroscedasticity test (GARCH) and ARIMA model homogeneously reject the random walk process governing the bond index series suggesting that Botswana's bond returns are deterministic. These results therefore means investors can easily predict bonds market returns hence rendering the market informational inefficient. Policy makers and capital market regulators, like the Stock Exchange and the Central Bank therefore need to strengthen their efforts to improve the efficiency of the bond market and hence rendering the Botswana's Bond market to be attractive to investors.

**Keywords:** Botswana, Bond Returns, Stochastic process, Unit Root, Heteroscedasticity

## **AIRBNB AS A DISRUPTIVE INNOVATION TO THE HOTEL INDUSTRY?**

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### **ABSTRACT**

This paper examines the impact of the current proliferation of Airbnb accommodation in the hotel industry and whether it is an opportunity, or a threat as well as the extent to which Airbnb is used as a hotel substitute. In recent years, countries around the globe have experienced a surge of the Airbnb market as key players in the hotel industry. An online market platform created in 2008, Airbnb provides those customers who have the difficulty in booking a hotel room in a crowded market. Using a review of existing literature on Airbnbs across the globe, this paper traces the development of Airbnb. It also evaluates the extent to which the concept is a threat or an opportunity to the traditional hotel industry. Can what first started as a mere substitute to hotels later become a disruptive innovation? To date, literature indicates that multitudes of tourists prefer to stay in Airbnb accommodation as substitutes to traditional hotels. Furthermore, patrons of Airbnb seek more than what traditional hotels offer; they seek unique local experiences and activities which are led by the local Airbnb hosts; these surpass the hotels' predictable attributes such as cleanliness, safety and comfort. On the other hand this Airbnb insurgence has raised anxiety amongst hotel operators as it is not only unregulated but seems to be the unrivalled alternative to their traditional accommodation offerings. How the licensing, regulation and grading authorities will react to the unregulated Airbnb insurgence is another subject for future research.

**Keywords:** Airbnb, hotel industry, opportunities, threats.

## MITIGATING ENVIRONMENTAL CHANGE ON WILDLIFE-BASED TOURISM IN CHOBE NATIONAL PARK, NORTHERN BOTSWANA

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### ABSTRACT

Environmental change is set to heighten existing problems such as transformation of land use and migration of wildlife especially in the Chobe National Park (CNP). Despite that, there are some mitigation and adaptation strategies that can be used to deal with the projected environmental change scenarios-e.g. provision of Artificial Water Points (AWPs), fire prevention measures and the provision of migratory corridors.

The study was aimed at examining the mitigation and management of key tourism impacts. A mixed method approach was employed to improve the accuracy of the data and reduce biasness. The results suggest that there should be a limit to the number of tour operators allowed in the park since the number of operators has increased; the need to assess and strategically place the AWPs in a manner that will not change the functional ecology of the area. Diversification of the tourism product away from the eastern Riverfront will require innovative use of more remote areas of CNP and the Forest Reserves, within a CBNRM framework.

**Keywords:** Mitigation, Environmental Change, Wildlife-based tourism, Perception, Chobe National Park, Botswana.

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## CRITICAL REFLECTIONS ON THE INCUBATION MODELS OF SELECTED SOUTH AFRICAN BUSINESS INCUBATORS

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### ABSTRACT

A persistent assumption exists in South Africa that links increased participation of SMEs in the mainstream economy with reduced unemployment as captured in the 2010 New Growth Path strategy. Its economy has been shedding jobs over the last decade which compelled the government and the private sector to increasingly focus on and fund SMEs development as a possible buffer against persistent unemployment. Business incubators became the rallying point of this exercise. Few studies exist that probe these business incubators in terms of their incubation models, how they are constituted, the rationale behind these constitutions and their potential to successfully launch SMEs in the mainstream economy. In this article, I share results of a critical reflection exercise on the 2010 New Growth Path and its reliance on these business incubators as affordances for increasing SMEs numbers and reducing unemployment. There appears to be four different types of business incubators either privately owned and funded or publicly owned via higher education institutions or state agencies and funded by the government. Each of these business incubators has a different conception of the incubation model with distinct variations in terms of how they develop and support SMEs. The New Growth Path was more symbolic than it was a real attempt to resolve the unemployment crisis. Reliance on Business Incubators to launch more SMEs in the mainstream economy was based more on hope than observable facts.

**Keywords:** Business Incubators, SMEs, New Growth Path, Reflection, Critical Reflection

## THE ASCENT OF ONLINE SHOPPING, THE DESPONDENT OF RETAIL STORES IN SOUTH AFRICA

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### ABSTRACT

The retail stores are rapidly growing globally because they offer different products through various channels of distribution either international, national or local. The online shopping allows people to purchase any products at their own given time directly, from any stores through the internet. Therefore, it becomes a major concern due to the fact that, there is an increase of people in South Africa purchasing products online from other countries and that affect retail stores that exist within the country. The problem is that South Africa is faced with high rate of rampant unemployment and the poor performance of retail stores can result in further job losses of the people and that can hinder the progress of the economy. The qualitative method of research will be employed in the study. Necessarily because the aim of this paper is to investigate how the ascent of online shopping affect retail stores in South Africa. The government must implement strategies in ensuring that companies purchase products online in bulk and allow individuals to purchase few products online. Therefore, the researcher concludes that retail stores in South Africa have the potential to create employment and allow people to be economically active.

**Keywords:** Online shopping, Advantages and Disadvantages of Online shopping, Types of Retail Stores.



**DIRECT SELLING AS A VIABLE BUSINESS OPPORTUNITY: AN  
EVALUATION OF PERCEPTIONS AND ATTITUDES OF  
BATSWANA.**

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**ABSTRACT**

Direct selling, the sale of manufacturers' products directly to final consumers without the use of retailers continues to gain traction and popularity the world over, with many producers in developed countries now turning to developing countries as their target markets. In many countries such as the USA and South Africa, Direct Selling Associations (DSA) have been formed to monitor the performance of members and to serve the interests of the association generally. This has not only ensured the mushrooming of direct sales agents but has also enhanced the reputation of direct selling as a viable business undertakings yielding income, profits and other benefits such as job freedom for those involved. Despite the many perceived benefits, direct selling has also been associated with shoddy business practices such as financial pyramid schemes whose primary objective is not to benefit but rather to defraud members of the public. Against this backdrop, this paper examines the attitudes and perceptions of Batswana towards direct selling as a viable business opportunity. Direct selling is studied herein as a form of network marketing involving a sales agent representing and distributing manufacturers' products directly to customers. **Keywords:** Direct marketing, Network marketing, direct selling, Multi-level marketing

**UNIVERSITY OF BOTSWANA EMPLOYEES' FOOD CHOICES:  
AN APPLICATION OF THE THEORY OF PLANNED BEHAVIOUR.**

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**ABSTRACT**

Botswana employees' choices towards on and off-campus food services. The employees are privy to five commercially recognized catering facilities on campus. In addition, they have the choice of satisfying their daily meal requirements from services off campus. However, the plethora of factors that influence institutional food choice behaviour are yet to be understood. The current study addresses a gap in literature that could help guide the University of Botswana to enhance policies that support the health and wellness of employees at the institution. The design selected for use was quantitative, mainly using multivariate regression techniques to analyse the data. An open ended questionnaire was employed to collect data from a sample population of 348 employees. A number of factors such as attitudes and intentions, were found to influence the employee's food choice behaviour.

**Keywords:** Institutional Food choices, Theory of Planned behaviour, Food choice behaviour

**SAFETY AND SECURITY OF CAMPUS ACCOMMODATION: A  
CASE OF THE UNIVERSITY OF BOTSWANA**

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**ABSTRACT**

Safety and security on campuses is a concern for most universities regardless of where the university is located in the world. Campus crime is an issues of concern for current university students, parents of prospective students, campus law enforcement personnel and the campus community as a whole. The University of Botswana resident halls have been subjected to different types of crimes as published in numerous newspapers. This study examined perceptions of the students on the safety and security of campus accommodation at the University of Botswana. The study used multistage sampling techniques to select hundred (100) on campus students to take part in the survey. Descriptive statistical techniques were employed for the analysis of the data. The findings revealed that a large number of the respondents have encountered a safety and security issue or threat during their stay on campus and most were concerned about safety on campus. A t-test revealed that students felt safer on campus during the day as compared to after dark.

**Keywords:** Safety and Security, Perceptions, Campus Accommodation, University Residence Halls

**THE IMPACT OF BUSINESS INTERNATIONALIZATION ON  
ECONOMIC GROWTH AND SUSTAINABILITY OF BUSINESSES IN  
THE SADC REGION**

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**ABSTRACT**

Although business ventures in Africa have been widely encouraged in the 21st century not all have been successful. Majority of countries in the SADC region are still developing. To this day, influence from external actors has impact on the economic growth and sustainability of business entities in the region. In a globalised world, actions of one state often affect the other, negatively or positively. This study looks at the impact that business internationalization on economic growth and sustainability of business in the SADC region. The study provides an ex post analysis of economic growth in the region. The methodological approach adopted is desktop research entailing qualitative analysis of content. Study findings illustrate that businesses in the region are negatively affected by inter alia poor access to finance, scarcity of stable and affordable powers supply, corruption and bureaucracy. Fierce competition from foreign companies facilitated by liberalisation policies also remains a challenge. Further to this, the challenging business environment remains a stumbling block to meaningful economic growth.

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**THE ROLE OF SOCIAL CAPITAL IN BOTTOM OF THE  
PYRAMID (BoP) CONSUMPTION: SOME EVIDENCE FROM  
BOTSWANA.**

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**ABSTRACT**

A plethora of literature has in recent years suggested that consumers who survive on less than \$2 dollars a day or Bottom of the Pyramid (BoP) market present opportunities for Multinational Corporations(MNCs) operating in developing and emerging economies to make massive profits while at the same time significantly helping to reduce poverty. The central argument is that there is a massive untapped demand out there for goods and services which are tailored to the needs of the poorest and that MNCs can provide such profitably by employing appropriate marketing strategies. This argument is premised on the assumption that low income is the defining characteristic of the BoP market that determines consumption patterns. Other factors and in particular the role of social networks such as family, friends and associates in BoP consumption, has not attracted much research attention. This is despite findings from recent studies which indicate that BOP consumers look to family, friends and associates for support in time of need. Based on qualitative interviews of selected individuals and households in selected BoP areas in Botswana we find that social capital influence every aspect of consumption ranging from what to buy, how to buy, when to buy, from whom to buy and even how to use and dispose of products. The paper makes recommendations on how the BoP approach could be reconceptualised.

**Keywords:** BoP approach, Botswana, social capital, social networks, poverty alleviation

**SOCIAL NETWORKS AND THEIR ROLE IN THE  
ACCOUNTABILITY OF NGOs IN BOTSWANA.**

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**ABSTRACT**

The need for accountability in NGOs has become imperative. These organisations generally focus on human rights, poverty alleviation and general ethics. They seek to positively influence policy development as well as good governance. Ironically, there have been concerns about their ethics, values, and organisational competencies. Using Social Network Analysis, we explored the network structure and constitution of the board membership to explore the existence and extent of interlocked board membership, and their potential impact on the NGOs' corporate governance practices and policy development.

We found that board interlocks exist in the NGO sector, however, they are concentrated on a few board members and NGOs. This exposes the sector to potential manipulation by unscrupulous interlocked board members with self-serving interests. It is recommended that NGOs minimise their potential risk by increasing interlocked board membership thus spreading network influence and power over multiple interlocked board members.

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## **CORRUPTION AND MISMANAGEMENT IN BOTSWANA: THE CASE OF P250 MILLION SCANDAL.**

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### **ABSTRACT**

Some people may think that the Directorate on Corruption and Economic Crime is very weak. Others will argue that it is a toothless bull dog. This paper will show that it is not. The only problem is that this ferocious bull dog has a short leash on its neck. It just can't go as far as it would like to. According to the government portal (online), the (DCEC) is an operational autonomous body under portfolio responsibility of the minister for Justice, Defence and security, established to combat corruption and economic crime. It was established in August 1994, when the corruption and Economic Crime Act of 1994 was enacted. However, it is important to note that the director of the DCEC is appointed by the president (<http://www.gov.bw>). Under the Khama Administration the DCEC was transferred from the ministerial portfolio responsibility to the Office of the President (OP). It seems the move was not to afford the DCEC any greater muscle but rather to ensure its micro management (<http://www.sundaystandard.info>) or in other words, to put a short leash on its neck. While it is customary in the public service that those facing criminal charges are suspended or step down on their own volition, we are yet to see whether or not this applies to elites and their networks. Among others, former cabinet minister Jacob Nkate was worried that corruption in high places would rise under Khama (WikiLeaks, May 17, 2005). And the DCEC has acknowledged that for the past decade during President Ian Khama's tenure, corruption has been on the rise (<http://www.mmegi.bw>). In addition, since he came to power (in April 01, 2008), there has always been an outcry that the executive was exerting undue duress in the DCEC. This lack of independence of the DCEC as an oversight institution has been seen as a major impediment to effective service delivery (Ibid). This paper seeks to investigate the extent of corruption and mismanagement of public resources in Botswana by using the case of the National Petroleum fund. It will also show that the DCEC is not a toothless bull dog. **Key words:** Corruption, Mismanagement, Elites, Botswana, National Petroleum Fund