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## **Entrepreneurship Education and Capacity Building: An Emperical Study of Final Year (HND II) Students of Polytechnics in Nigeria**

Aliyu Mamman\*

***Abstract:** The study seeks to evaluate the effects of Entrepreneurship Education (EE) on capacity building among polytechnic students in Nigeria. Data was collected from a total sample of 341 final year students of Higher National Diploma (HND II), who took entrepreneurship modules from 6 polytechnics in North West Nigeria. Since most polytechnics in Nigeria operate the Collegial System, the Sample of students was drawn from the colleges of Business, Engineering and Environmental Studies. Descriptive analysis was employed to examine the development of entrepreneurship-related abilities and skills amongst the participants. In addition, One-way Analysis of Variance (ANOVA) was used to find out whether statistically significant differences exist in the mean scores on the dependent variable (perceived entrepreneurship capability) among students from the three colleges. The study found that EE has, to a certain extent raised students' level of entrepreneurial capacity. However, discernible differences exist in the magnitude of the impact across the different colleges. The findings contribute to the literature of EE itself, by revealing the specific benefits Nigerian polytechnic students derived from the EE program. To improve on the benefits the study recommended that the curriculum contents and teaching of entrepreneurship education should be based on academic background and needs of the students concerned.*

*Key words:* Effect, Entrepreneurship education, capacity building

### **1. Introduction**

Every year the teaming population of youth leaving school, especially tertiary institutions comprising Universities, Polytechnics and Colleges of Education, join the labour market (Micah, 2011). Bolaji and Nneka (2012) argued that the rate of growth of students/graduates population is in geometric progression, while the growth of job opportunities can at best be described as being in arithmetic progression. This unfortunate situation has given rise to high rate of youth unemployment, poverty and hunger (Micah, 2011). The rate is over 50% ([www.doreopatners.com](http://www.doreopatners.com)). Youth unemployment has been a source of serious concern to all successive government regimes as it has been a significant contributor to the dramatic rise in social unrest and crime.

As part of measures to address the problem of unemployment, especially among graduates of tertiary institutions, the Federal Government in the late 80s introduced Entrepreneurship Education (EE) into the curricular of tertiary institutions. There are numerous objectives of EE being taught to the HND II students. According to Sánchez (2013), one of the assumptions underlying EE is that entrepreneurship skills can be taught. As such, EE has emerged as a critical tool in the development of necessary competences for creating businesses (Sánchez (2011). However, as noted by Duval-Couetil (2013), there are relatively few studies, especially in developing countries like Nigeria that evaluated the short- and long-term influence of EE on students' entrepreneurial competences. The objective of this study is to evaluate the effects of EE on perceived competences of HND II students of polytechnics in Nigeria.

### **2. Literature Review**

#### **2.1 Entrepreneurship Education**

EE is neither synonymous with vocational education, nor does it mean the same thing as business education (Akudolu, 2010). In fact, EE is synonymous with education itself. Education is an instrument of empowerment, which provides one with essential knowledge, skills, attitude and experience needed to meet life challenges (Ameh and Osasebor, 2009). This is exactly what EE is all about. In line with this contention, the Consortium for Entrepreneurship Education (2008) states that EE is not just about teaching someone to run a business, but about encouraging creative thinking and promoting a strong sense of self-worth and empowerment.

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The paper will provide insights into evidence-based arguments as to whether or not entrepreneurship can enhance the capacity of students who passed through the program.

Furthermore, according to Garba and Idriss in Silas and Ayuba (2009) entrepreneurship education provides trainees with knowledge, skills and attitudes to create wealth/jobs for poverty reduction and self employment. The duo argued that EE focuses on aspects of training programmes that would lead the beneficiaries to self reliance and competences in running small scale businesses, capacity building or cottage and industrial growth, rural development, business creativity, diversification, employment generation and poverty reduction. Swatland (2008) maintained that entrepreneurship education aims to stimulate creativity in students, enables them identify opportunities for innovation and motivate them to transform ideas into practical and targeted activities whether in a social, cultural or economic context.

## **2.2 Capacity Building**

Generally, capacity entails individuals' ability to solve problems and achieve objectives. Based on this understanding, Maiese (2005) viewed capacity building as intentional and coordinated efforts to strengthen individuals' ability to solve problems and achieve objectives through provision of knowledge and skills. According to Light (2013), capacity building refers to intentional and coordinated and mission-driven efforts aimed at improving an individual's ability to exploit his or her potentialities in aspects of human endeavor; economic, political and social. Capacity building can be achieved by means of providing access to repositories of information and resources (for example, databases, libraries and websites), publications, training (public, customized or on line), consultation (for example, coaching, facilitating, expert advice and conducting research) and coordinating alliances ([www.authenticityconsulting.com](http://www.authenticityconsulting.com)). The major aims of EE are to increase capacities in the use of techniques, in the examination of business situations, and in the creation of action plans. Thus, the expected outcome of capacity building programmes in entrepreneurship includes among others business development/planning, leadership skills, team building skills, financial planning/management etc.

## **2.3 Entrepreneurship Education and Capacity Building in Nigeria**

According to Akudulu (2010) the content of EE are found in the three main dimensions of human behavior: Attitudes and Values, Knowledge and Skills. Capacity building in EE has more to do with skills than knowledge and attitude. Knowledge or awareness of entrepreneurship and entrepreneurial attitudes ought to be taught at primary and secondary levels of education respectively, while the skill content is covered at tertiary level of education.

The consortium for Entrepreneurship education (CEE-2004) categorized the skill content of entrepreneurship education into Entrepreneurial skills and Ready skills. The entrepreneurial skills entail themes of entrepreneurial processes and traits like creativity, innovation, result oriented, hard work etc. The ready skills content comprises the themes of business foundations, communications and interpersonal skills, digital skills, economics, financial literacy, professional development, financial management, information management, marketing management, operations management, risk management and strategic management. There is no uniformity on the impact of EE programmes across institutions and countries (Sanchez, 2011). The differences in the level of impact can be attributed to three reasons. First, entrepreneurship education takes place in different contexts. Secondly, it should be recognized, also, that EE programs often have different objectives (purposes) and thirdly, teachers of entrepreneurship adopt different approaches (learning processes) in teaching of EE.

Based on the foregoing Karlsson & Moberg (2013) maintained that there is justification for studies on effect of EE in various institutions and countries. In Nigeria, there are few related studies in respect of effect of EE on improving the entrepreneurial competences of students. For instance, in their study of Entrepreneurship Education and Career Intentions of university students in Akwa Ibong and Cross Rivers states, Ekpoh and Edet (2011) found positive relationship between entrepreneurship courses and the level of students' skills on entrepreneurial activity. The research is limited by restricting itself to only two universities. Other available studies like that of Araba (2012), Ayanda and Laraba (2011) and Adeleke (2012), related EE with employment generation and poverty reduction.

### 3.1 Research Methodology

The HND II students drawn from the Colleges of Business and Management studies, Engineering, and Environmental Studies from 6 polytechnics in the North constitute the population of the study. In order to ensure fair participation from the six polytechnics and the three colleges designated for the study, stratified random sampling was employed. A total of 341 questionnaires were collected (103 from colleges of engineering, 112 from colleges of environmental studies and 126 from colleges of Business and Management). A questionnaire on Entrepreneurial Competences adopted from McGee et al., (2009) was administered on the respondents. The questionnaire contains 19 items and respondents were asked to rate their perceived capability to perform certain entrepreneurial tasks. All questions/statements except those on respondents' background were formulated based on a five-point Likert type response scale; 1= Completely Incapable, 2= Incapable, 3= Fairly Capable, 4= Capable, 5= Very Capable. An overall mean score was obtained for the scale by summing the answers given to the 19 items. The mean scores and standard deviations obtained based on total scores of entrepreneurship efficacy scale was presented in table 1 below. As can be observed, students reported an overall (total) moderate perceived capability from their experience of EE contents, with mean scores around the intermediate 3 in the five-point scale. However, a careful observation revealed that students from the college of Business maintained a higher mean score (4.1) than their partners from Colleges of Engineering and Environmental studies (with mean scores of 2.9 and 3.0 respectively).

**Table 1: Descriptives**

College	N	Mean	Std. Deviation
1 Engineering	103	2.9775	.26721
2 Environmental	112	3.0564	.29703
3 Business	126	4.1011	.25268
Total	341	<b>3.4186</b>	.59031

Source: Author's computations

In order to find out whether statistically significant differences exist in the mean scores on the dependent variable (perceived entrepreneurship capability) amongst students from the three colleges, One-way Analysis of Variance (ANOVA) was conducted.

The result displayed by table 2 below showed a statistically significant difference at ( $p < .5$ ) in the perceived entrepreneurship capability scores for the students from the three different colleges:  $F(2, 338) = 630, p = 0.00$ . In addition, the effect size calculated using eta squared was .079. Thus, besides reaching statistical significance, the actual difference in mean scores between the colleges was quite modest. Based on that, post-hoc test was carried out to find out where these differences lie.

**Table 2: Results from ANOVA**

TOTAL ENTREP CAPABILITY

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	93.422	2	46.711	630.079	.000
Within Groups	25.058	338	.074		
Total	118.480	340			

Source: Author's computation.

As shown on table 3 below, Post-hoc comparisons using the Tukey HSD test indicated that the mean score for Students from College of Business ( $M = 4.10, SD = .252$ ) was significantly different from both College of Engineering ( $M = 2.98, SD = .252$ ) and College of Environmental studies ( $M = 3.06, SD = .298$ ). However, Colleges of Engineering and Environmental studies did not differ significantly from each other.

**Table 3: Tukey Post hoc Analysis**

(I) College	(J) College	Mean Difference (I-J)	Std. Error	Sig.
1 Engineering	2 Environmental	-.07887	.03717	.087
	3 Business	-1.12357*	.03617	.000
2 Environmental	1 Engineering	.07887	.03717	.087
	3 Business	-1.04470*	.03536	.000
3 Business	1 Engineering	1.12357*	.03617	.000
	2 Environmental	1.04470*	.03536	.000

Source: Author's computation

#### 4.1 Main Findings

The main finding of the study is that EE has, to a certain extent raised students' level of entrepreneurial capacity. However, discernible differences exist in the magnitude of the impact across the different colleges. As expected, students from Colleges of Business (because of their background) reported the most positive perceptions of EE. This was followed by environmental sciences, whereas undergraduates of engineering disciplines were found to possess the least entrepreneurial capability. This finding is instructive against the background that EE is merely taught for a semester on an ad hoc basis irrespective of students' background.

The finding of the study is consistent with literature. Specifically, the finding concurs with Karlsson & Moberg (2013) and Ekpoh & Edet (2011) studies where it was suggested that entrepreneurship program was effective in enhancing students' entrepreneurial capability. Similarly, the result of the study upholds the previous findings of Thandi and Sharma (2004) that, entrepreneurship courses can indeed raise the level of students' skills on entrepreneurial activity. The finding that students from College of Business are entrepreneurially more inclined than their counterparts in other colleges was in line with Vazquez-Burgete, Lanero, Raisiene & Garcia (2012). This could be associated with their exposure to other related courses (marketing, financial management, human resource management etc) that also enhances their entrepreneurial capability. On the other hand, the result of the study contradicts Oosterbeek et al. (2010) research that found insignificant effect of entrepreneurship education on students' self-assessed entrepreneurial skills.

#### 5.1 Conclusion and Recommendation

Although this study attempted evaluating the impact of EE on capacity building among the HNDII students, it has some limitations that suggest further research. The study employed the use of descriptive statistics as its methodology. However, descriptive and retrospective studies are not usually sufficient to provide convincing evidence for presumed effects of a phenomenon. As such, more powerful techniques such as rigorous and strong quasi-experimental control-group design can be employed in future studies in the area.

Based on the finding that the impact of EE varies across colleges, it is recommended that the students' academic background should largely determine the curriculum content of EE and teaching method to be adopted.

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## **Financial liberalisation and banking efficiency: An empirical analysis of Libyan banks pre- and during the reform period**

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***Abstract:** This paper examines the technical efficiency of the Libyan banks over the period before and during financial liberalisation (1998-2009). The non-parametric technique Data Envelopment Analysis (DEA) is used. Under the assumption of variable returns to scale, the overall technical efficiency is decomposed into pure technical efficiency and scale efficiency. The findings indicate that, in general, technical efficiency of the Libyan banks was not high. The technical efficiency and its components were found to be negatively influenced in this respect by financial liberalisation. They declined during financial liberalisation.*

*Key words:* Liberalisation, efficiency, Libyan banking, DEA

### **1. Introduction**

After three decades of excessive state regulation, the Libyan government has undertaken cautious steps towards financial liberalisation. In the early 2000s, with the support of the IMF and the World Bank, Libya initiated financial liberalisation, accepting the obligations of Article VIII of the IMF's Articles of Agreement, and adopting a market-based economy as an economic system. A new banking law was introduced in 2005, which allowed entry to both domestic and foreign banks, improved banking regulation and supervision, and gave more independence to the Central Bank of Libya (CBL). The interest rates ceiling and directed credit policy were removed, a large share of the state banks was privatised, and small regional banks were merged. The objective of these measures was to intensify competition, promote the performance of the banking system and foster economic growth. Two of the state banks were privatised, with a foreign strategic partner (BNP Paribas and Arab Bank of Jordan) owning 19% of their shares, while the other two banks were integrated. 42 out of the 48 regional banks were acquired by North Africa Bank, 50% of whose shares are owned by CBL, while the remaining six merged to form two private banks. By the end of 2009, the number of private banks increased to nine.

The aim of this paper is twofold. Firstly, it examines the technical efficiency of the Libyan banks. Secondly, it investigates the impact of financial liberalisation on their technical efficiency. Although the impact of financial liberalization has been widely studied, particularly, with regard to the banking industry in developed countries, there is no consensus regarding the impact of such policy on productivity and efficiency, (Berger and Humphrey, 1997). This study thus aims to contribute to the body of knowledge on banking efficiency, particularly in developing countries. It is the first study in Libya that estimates the technical efficiency of commercial banks and evaluates the impact of financial liberalisation. It is also expected to be real value to various parties such as the managers of the Libyan banks, policy makers (CBL) and researchers.

The paper is organised as follows: the next section presents a brief review of the literature on the impact of financial liberalisation on banking efficiency.

The application of the DEA and data are explained in section three. The findings and conclusions are discussed in sections four and five.

### **2. Literature review**

The development in the banking industry has led to reduced transaction costs, extending the financial markets and increasing competition, which has forced bank managers to reassess their banking performance (Berger and Mester, 2003). It has been argued that financial liberalisation leads to improved performance of the financial institutions, and therefore, many empirical studies have

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examined the impact of financial liberalisation on the performance of the banking system, as reviewed in Berger and Humphrey's (1997) survey.

According to this survey, the findings of these studies were mixed, and depended on the objective of the study, technique, input and output selection, and period of study. It was found that, in fact, liberalization can either enhance or deteriorate efficiency, depending on the condition of industry prior to deregulation, (Berger and Humphrey, 1997).

Several empirical studies have reported a positive effect of financial liberalisation and an improvement in banking efficiency. For example, Berg, Førsund and Jansen (1992) investigated the impact of deregulation on the productivity growth of Norwegian banking prior to and during the deregulation period, 1980-89. They found that the productivity significantly improved during deregulation. Isik and Hassan (2003) investigated the impact of financial deregulation on the productivity of Turkish banks during the deregulation period 1981-1990. Using the non-parametric technique, the findings indicated that productivity of the Turkish banks significantly increased during deregulation. This progress was driven by efficiency increases rather than technical progress. However, Sturm and Williams (2004) examined the impact of financial liberalisation on Australian banking efficiency over 1998-2001 and found that technological progress rather than technical efficiency was the main driver in the improvement in banking efficiency in the post deregulation period. In a more recent study, Andries and Capraru (2012) investigated the impact of financial liberalisation on banking sector performance in 17 Central and Eastern European countries over the period 2004-2008. Their findings indicate that the more liberalised the countries were, the greater cost efficiency.

However, other studies have reported a negative impact and a resulting decline in banking efficiency. The findings of Elyasiani and Mehdian (1995), who studied the technical efficiency and technological change for two groups of U.S commercial banks prior to and post deregulation (1979-1986) indicated a decline in efficiency over the period. Denizer, Dinc, and Tarimcilar (2007) examined the efficiency of Turkish banks prior to and post financial liberalisation over the period, from 1970-1994. They found that the efficiency of Turkish banks had declined during the study period, and that the Turkish banking system had a serious scale problem. In contrast, Hao, Hunter and Yang (2001) examined the efficiency of private Korean banks post deregulation and found little or no significant effects on efficiency in the sample.

The majority of the empirical studies in literature have focused on developed economies (Berger and Humphrey, 1997; Humphrey and Pulley, 1997; Isik and Hassan, 2003). However, the number of studies concerned with the situation in the developing countries is limited (Bhattacharyya, Lovell and Sahay, 1997). For Libya, to our knowledge, no such studies have been carried out so far.

### **3. Methodology and Data**

The technical efficiency of a firm ( in our case, a bank) is defined as its ability to obtain the maximum level of outputs by using the available inputs, (Coelli, Rao and Battese, 1998). Thus, studying the relationship between outputs and inputs indicates the extent of the success/failure of a bank in transferring inputs to outputs. The non-parametric Data Envelopment Analysis (DEA) technique was employed in this study to estimate the input-oriented technical efficiency of the Libyan commercial banks. The DEA method measures the technical efficiency of a bank relative to other banks, with the simple restriction that all banks either lie on the efficiency frontier, if they are fully efficient, or below it, if they are not (Farrell, 1957). The main advantages of this method are that DEA requires neither price information nor explicit specification of the functional form of the error term, while its main disadvantages include its extreme sensitivity to input and output selection and data errors, (Coelli, Rao and Battese, 1998).

DEA is a method proposed by Farrell, (1957) and developed by Charnes, Cooper and Rhodes (1978) (CCR model) and Banker, Charnes and Cooper (1984) (BCC model). The DEA can be calculated under the assumption of either constant return to scale (CRS) or variable return to scale (VRS). Under these



two assumptions the overall technical efficiency (TE) can be decomposed into pure technical efficiency (PTE) which indicates the management's capability to use given inputs, and scale efficiency (SE) which refers to the exploitation of scale economies, (for more details see Coelli, Rao and Battese, 1998).

Assume that there is data on  $K$ , inputs, and  $M$ , outputs, on each of  $N$  banks. For the  $i$ th DMU these are presented by the vectors  $x_i$  and  $y_i$ , respectively.  $X$  is the  $K \times N$  input matrix and  $Y$  the  $M \times N$  output matrix for all  $N$  DMUs. To ensure that the efficiency measures of each of  $N$  banks is maximised, DEA searches for the ratio of all weighted outputs over all weighted inputs where the weights are selected from the dual of the original linear programming (LP) problem. The input oriented measure of a particular DMU, under CRS, is calculated as:

$$\text{Min}_{\theta, \lambda^{\theta}}, \text{ subject to } -y_i + Y\lambda \geq 0, \lambda \geq 0 \quad (1)$$

where  $\theta \leq 1$  is the scalar efficiency score and  $\lambda$  is  $N \times 1$  vector of constant. A value of  $\theta = 1$  indicates that the DMU is fully technically efficient, while if  $\theta < 1$ , this indicates that the bank is inefficient and needs a  $1 - \theta$  reduction in the input levels to be efficient. The equation (1) needs to be solved  $N$  times, once for each DMU in the sample.

Banker, Charnes and Cooper (1984) developed the above equation to derive the VRS by adding the convexity  $\sum \lambda = 1$ , where  $\mathbf{1}$  is a  $N \times 1$  vector of ones. The efficiency score under the BCC model is named "pure technical efficiency". Once the latter is obtained, scale efficiency (SE) can be computed as: scale efficiency (SE) = technical efficiency (CRS) / pure technical efficiency

### 3.1 Specification of bank inputs, outputs and data

Over the last ten years, the structure of the banking system has been changed significantly, due to new entry banks, privatisation, and mergers and acquisitions. By the end of 2009, the Libyan banking system consisted of twenty banks, which included four state-owned specialised banks, two state-owned banks, two state-owned banks transferred into joint-venture banks, one partly state-owned bank, three regional banks transferred into private banks, three regional banks integrated to form a private bank, and one joint-venture bank and six private banks.

Data were collected from the banks' annual reports. The study considers the commercial banks operating between 1998 and 2009, which covers the periods before (1998-2004) and during (2005-2009) financial liberalisation, in order to trace the change in efficiency before and during deregulation. The specialised banks were excluded to achieve homogeneity in the sample, and two private banks were also excluded due to data unavailability. Thus, the sample consists of 13 out of the 15 commercial banks and covers 98% of the total assets of the Libyan banking system, pooled into a single sample of 129 observations.

Commercial banks in Libya are considered as intermediaries between savers and investors, with the objective of mobilising funds for direct lending and investment. Therefore, the study adopts the intermediation approach proposed by Sealey and Lindley (1977), who argue that earning assets (loans, securities, interbank assets, etc.) make up bank outputs, while deposits, capital and labour can be inputs. (For more details, see (Berger and Humphrey, 1992). The two inputs comprise: total deposits (demand deposits, savings deposits, and time deposits), and the fixed assets (the sum of building, equipment, computer systems, and furniture, after excluding depreciation). The two outputs comprise total loans and the other earning assets (certificate deposits (CDs), securities, contributions and investments).

## 4. Main findings

The input-oriented overall technical efficiency (TE), pure technical efficiency (PTE), and scale efficiency (SE) scores are presented in Table 1. With respect to overall technical efficiency (TE), the average scores of (TE) of the Libyan banks peaked at 70.9% in 2000. These then decreased slowly for

the rest of the examined period. However, the Libyan banks, on average, exhibited mean overall technical efficiency of 62%, which indicates that they could have reduced their inputs by 38% to produce the same level of outputs. Alternatively, they had the scope to produce 1.63 times (i.e.,  $1/0.615$ ) more outputs from the same level of inputs.

Table 1- Technical efficiency, pure technical efficiency, and scale efficiency of the Libyan banks, 1998-2009

Measure	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1998-2009
<b>TE</b>	0.643	0.662	0.709	0.678	0.688	0.699	0.615	0.576	0.537	0.580	0.511	0.480	0.615
ST.DV	0.232	0.171	0.197	0.190	0.166	0.209	0.196	0.250	0.133	0.187	0.234	0.218	0.234
<b>PTE</b>	0.861	0.903	0.918	0.849	0.842	0.824	0.750	0.681	0.669	0.734	0.669	0.666	0.780
ST.DV	0.123	0.085	0.076	0.142	0.166	0.199	0.227	0.286	0.182	0.229	0.251	0.300	0.237
<b>SE</b>	0.739	0.735	0.767	0.803	0.821	0.852	0.837	0.852	0.814	0.807	0.751	0.698	0.790
ST.DV	0.211	0.176	0.183	0.180	0.133	0.146	0.159	0.131	0.146	0.134	0.263	0.239	0.223

ST.DV: Standard deviation

With regard to PTE, similarly to TE scores, the pure technical efficiency scores showed an upward trend until 2000. They then gradually decreased during the deregulation period from 92% in 2000 to 67% in 2009. The average was 78%, which suggests that these Libyan banks could have reduced their resources by 22% or produced 1.3 times (i.e.,  $1/0.780$ ) as much outputs from the same level of resources. This indicates that the managers were not able to utilise all given resources to produce the outputs. This average value (78%) is similar to those found in other studies in certain developing countries, (Bhattacharyya, Lovell and Sahay, 1997; Taylor et al., 1997; Yildirim, 2002) which reported technical efficiency in Indian, Mexican, and Turkish banks as about 79%, 75%, and 89% respectively. Scale efficiency scores (SE), gradually increased from approximately 74% in 1998 to 85% in 2004, but declined to about 70% by 2009. The average SE is 79%, implying that inefficiency due to the divergence of the actual scale of operation from the most productive scale size was 21%. The mean difference between average PTE and average SE was not significant. The pure technical inefficiency contributed slightly more than scale inefficiency towards technical inefficiency. The findings indicate that the managers of the Libyan banks were not able to employ the bank's given inputs, as well as indicating problems of economic scale. In addition, the variability of relative efficiency, measured as standard deviation, was greater for technical efficiency and pure technical efficiency.

Table 2 compares the average efficiency scores for the period before financial liberalisation and during the liberalisation period. During the deregulation period, the average efficiency of both TE and PTE declined by 20%. Although the decline in the mean SE was not significant, at only 1%, this indicates that the Libyan banks were negatively influenced by the financial liberalisation. The relatively high technical inefficiency may be partly due the increased number of small and medium banks in the market during the deregulation period, and partly to the heavy investment in banking modernisation and adopting new banking technology (Isik and Hassan, 2002).

Table 2 Efficiency measures before and during liberalisation

	<b>TE</b>	<b>PTE</b>	<b>SE</b>
<b>All Period (1998-2009)</b>	0.615	0.780	0.790
	(0.207)	(0.22)	(0.181)
<b>Before Liberalisation (1998-2004)</b>	0.670	0.849	0.793
	(0.188)	(0.158)	(0.168)
<b>During Liberalisation (2005-2009)</b>	0.537	0.684	0.784
	(0.205)	(0.246)	(0.246)

Numbers in parentheses are standard deviation

Table 3 also confirms these findings, showing that the number and the percentage of fully efficient DMUs declined during the liberalisation period from 25 efficient DMUs, 37% before deregulation to 16 efficient DMUs, 26% during deregulation. These findings correspond with the findings obtained by Denizer, Dinc, and Tarimcilar (2007) in the Turkish case.

Table 3 Number of efficient banks over 1998-2009

Number of efficient banks	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total	1998-2009 %	1998-2004 %	2005-2009 %
DMUs No	8	9	10	10	10	10	10	11	12	13	13	13	129	129*	67*	62*
TE	1	1	1	1	0	1	0	1	0	1	1	0	8	6.2	8.8	4.8
PTE	1	3	3	1	2	3	2	2	0	2	3	3	25	19.4	26.3	16.1
SE	1	1	1	1	0	1	0	1	0	1	1	0	8	6.2	8.8	4.8
Total	3	5	5	3	2	5	2	4	0	4	5	3	41	31.8	37.3	25.8

\*Total of DMUs

Table 4 presents the results of parametric and nonparametric statistic tests to shed some additional light on the findings. The findings support our null hypothesis that the decline in TE and PTE was statistically significant during deregulation compared to the period before deregulation, but it was not significant for SE. Our results are similar to number of other studies (Al-Muharrami, 2007; Ali and Gstach, 2000; Denizer, Dinc and Tarimcilar, 2007; Grifell-Tatje and Lovell, 1996; Humphrey and Pulley, 1997; Sathye, 2002).

Table 4 Statistical tests to examine the efficiency measures prior to and post liberalisation

	TE	PTE	SE
ANOVA T test	15.454*	20.695*	0.198
Kruskal-Wallis test	14.422*	15.927*	0.216
Median test	14.385*	13.132*	0.385
Mann-Whitney U	3.798*	3.991*	0.464

\*significant level at 0.05% level

## 5. Conclusions

The study examined the impact of financial liberalisation on technical efficiency of the Libyan commercial banks over the period 1998-2009 using the non-parametric method DEA and the intermediation approach for input and output selection. The results indicate that the technical efficiency of the sample was not very high, which implies that managers of the Libyan banks were not perfectly able to use the available resources to produce the maximum possible outputs. It appears that the technical efficiency of the Libyan banks was negatively affected by financial liberalisation. Further work can be suggested to analyse allocative, cost, and profit efficiency and also the effect of variations of size and ownership structure.

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## Estimating the informal sector activities in Gauteng Province

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*Abstract: A lot has been written about the importance of the informal economy to the improvement of the standard of living of people and its contribution to economic growth. Most recent studies have noted an increase in the size of informal economies in several countries, in both absolute and relative terms. Rapid urbanisation, the slow pace of economic growth, the decrease in the incidence of formal employment, the promotion of small- medium- and micro-enterprises (SMMEs), business registration bottlenecks or red-tape as well as the so-called 'informalisation' of formal businesses are all factors that can influence growth of the informal economy.*

*This study estimates the size and trends of the informal economy in South Africa's Gauteng Province, and it then discusses possible policy implications. The research utilises time series data covering the period 1980 to 2011, and it has employed the currency demand approach.*

*The findings are that the size of South Africa's (national) second economy averaged 8.2 percent of GDP over the period 1980 to 2011. However there is a clear decline in the size of the second economy relative to formal GDP for the 1980 to 2011 period, with the share of second economy declining sharply from a relatively high value of 21.6 percent in 1981 to 3.5 percent by the end of 2011.*

*The percentage share of informal activities versus formal GDP has been averaging around 5.6 percent per annum, with the highest share of 8.6 percent recorded in 1995. The minimum percentage share of 3.5 percent was recorded in both 2008 and 2009.*

*Though the informal sector is declining, its size is fairly significant. Policy recommendations are made for enhancing the contribution of the informal sector.*

*Keywords: currency demand approach, Gauteng Province, informal economy, size, trends.*

### 1 Introduction

The problem in understanding the national South African economy is that firstly there is no existing policy at the national to support the development of the informal sector. This vacuum has led the provincial governments to use municipality By laws to control the activities of the informal sector and this has ended up in clashes between the informal traders and the metro police who have at times used oppressive tactics of using rubber bullets to restore order and protracted court battles have recently been witnessed in Johannesburg, Gauteng (Star, 6<sup>th</sup> December 2013). This defeats the freedom Nelson Mandela fought for all oppressed South Africans. The use of rubber bullets, whips, mounted police and crack team of law enforcement units creates tension between the City of Johannesburg and the informal traders. This is contrary to the legacy of Nelson Mandela for a democratic and free South Africa. Above all, there are no measures of the contribution of the informal sector at the provincial level and this promotes a parochial perspective in attempts to promote economic development at the provincial level. As will be pointed out below, some estimates have been made at the contribution of the informal sector at the national level. However, the lack of a national policy on the informal sector is lacking though efforts are currently being made by the Department of Industry and Trade.

The objective of this article is to suggest an index of the contribution of the informal sector to the economy of Gauteng province. This will serve as a baseline to measure the impact of interventions aimed at supporting and promoting the informal sector in the province. It is hoped that this measure is replicated in all the eight provinces in South Africa.

Recommendations are given for policy and support infrastructure to nurture the informal sector in Gauteng and invariably the other provinces in South Africa.

### 2 Literature Review

According to Tanzi (1982), the size of informal economy activities (the second economy) can be quantified in three different ways. He identifies these as the speculation by various interest groups, making educated guesses and well defined approaches which use direct, indirect and model approaches

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(also see the work of Saunders and Loots, 2005). Firstly, Schneider and Enste (2003) explain the direct approach as using surveys based on tax audits and voluntary responses. They point out that these surveys provide point estimates and are useful in estimating changes in the size of the second economy. However, the surveys obtain voluntary information and might not cover all sections of a given population and as a result tend to under estimate the contribution of the second economy.

Secondly, the indirect approach uses secondary data to estimate the size of the informal economy (Saunders and Loots, 2005). These approaches are mostly macroeconomic in character and tend to use indicators that contain information about how the unrecorded economy evolves over time, Ocran, 2009. This group uses the discrepancy approach (Hartzenberg and Leiman, 1992, Loots, 1991), electricity approach (Dobozi and Pohl, 1995/Lacko, 1998) and the electricity approaches.

Thirdly, the currency demand approach and the Multiple Indicator Multiple Cases (MIMC) have been suggested by Giles (1999), and Frey and Schneider (2000). This article uses the currency demand approach as MIMC is very sensitive when data is not readily available to build the estimation model.

### Currency demand approach

According to Dickerson (2011), the size of the informal sector is around 40-60% of Sub-Saharan Africa's GDP, and employs as much as 93% of non-agricultural workers in Sub-Saharan Africa (SSA). The ILO (2002) estimates that in 1990, 21% of SSA's 227 million labour force was working in the informal economy and by 1998 it was estimated to comprise 40-60% of urban employment. Thus, the informal sector plays a significant role in both employment creation and economic growth in SSA.

The informal sector in SSA is characterized by street vendors who do not add much value to what they sell. This is in line with the profiling of the informal sector in which the informal sector was mainly buying and selling and not involved in productive value adding activities, Bbenkele (2012).

According to Barnett and Sparks (2011), in order to harness the potential of the informal sector, SSA governments "need to unequivocally recognize and admit the importance of the informal sector and find ways to encourage its growth". They also need to decide how to strengthen the formal sector and extend benefits to those in the informal sector, while removing barriers to the formal sector to allow more to participate.

Table 1 below summarizes various studies conducted and estimates derived using various model approaches in no order.

**Table 1: Work done in South Africa and other countries.**

Author(s)	Approach used and where	Period and Indices
Saunders and Loots (2003)	Currency demand in South Africa	1966-2002 at 9.5% and declining up to 1993.
Abedian & Desmidt (1990)	Time series estimate in South Africa	1970-1988 at 12%
Van der Berg (1990) Hartzenberg & Leihman (1992)	Currency demand in South Africa	9%
Loots (1991)	Labour market approach in South Africa	12.6%
Martins & Ligthelm (1995)	1993 & 1994 Household Survey data RSA.	1993 – 9.2%: 1994 – 6.7%
Makochekanwa (2010)	Currency demand approach in Zimbabwe.	1980 – 70% 2008 – 30%

Ocran (2009)	Ghana. Currency demand	1960 – 14%; 2004 – 30%.
Bagachwa & Naho (1995)	Currency demand in Tanzania	1980 – 20%

The above table shows that at the national level the informal sector in South Africa is making a single digit contribution as compared to other countries like Zimbabwe, Tanzania and Ghana which show the contribution in double digits. This is a cause of concern and needs to be addressed as soon as possible for the achievement of rapid economic growth.

### 3 Methodology

#### A. Model Specification

The model which can be used to estimate the magnitude of the second economy can be specified as follows:

$$Y = f(X_1, X_2, \mu)$$

(1) Where  $Y$  is the dependent variable and represents the ratio of currency in circulation outside banks either in demand deposits, to a narrowly defined money supply, or to money broadly defined.

$Y$  may also represent real currency holdings, that is, cash in held in public hands deflated by the general consumer price index.  $X_1$  is a set of explanatory variables traditionally considered to be the major determinants of  $Y$  and  $X_2$ , the proxies for variables that stimulate second economy activity, and  $\mu$  is the stochastic disturbance term.

When the variables that stimulate second economy activities are assigned their respective lowest historical values, then the regression equation yields the estimate of the demand for currency of the formal economy. It is then possible to estimate currency holdings with or without second economy activity. The difference gives an estimate of the currency held in the second economy which, when multiplied by the income velocity of money, gives an indication of the size of the second economy.

It is important to note that the empirical model to be estimated will be a variant of Tanzi's model and is underpinned by the following key assumption:

It is assumed that transactions in the informal economy are conducted with cash and that the velocity of money in the second economy is the same as that in the formal economy.

Given the limited data in Gauteng province for an extended period of time needed to allow robust econometric estimations, the study proceeded as follows to get the estimates for Gauteng province:

- i. The research estimated the equation at national (South Africa) level.
- ii. The research calculated the activities of the informal economy, which is the second economy GDP for South Africa.
- iii. Provided with the annual percentage shares of Gauteng province in South Africa's GDP, the study apportioned a certain percent of second economy to Gauteng province on annual basis.

The empirical demand for currency equation to be estimated for South Africa borrows from Bagachwa and Naho (1995), Saunders and Loots (2005) and Ocran (2009) and can be defined as follows:

$$\ln NCM_t = +\alpha_1 \ln Y_t + \alpha_2 \ln IR_t + \alpha_3 \ln RPFC_t + \alpha_4 GR + \alpha_5 \ln ATR_t + \alpha_6 \ln Trend_t + \mu_t$$



(2) Where:

NCM = ration of currency (notes and coins) holdings with the non-bank public to total currency (i.e., M1/M3)

Y = Real income or GDP

IR = nominal interest rate

RPFC = Ratio of private final consumption expenditure to GDP

GR = ratio of government revenue to GDP

ATR = Average tax rate

Trend = Time trend

## **B. Data Sources**

The study employed the time series data covering the period 1980 to 2011 from three sources: M1 (notes and coins), M3 (total money), and average tax rate (ATR), real income (or GDP) and the ratio of private final consumption expenditure to GDP (RPFC) data series were obtained from the South African Reserve Bank (SARB). GDP growth rates were obtained from the International Monetary Fund (IMF). Lastly, nominal interest rate (IR) was obtained from World Bank and SARB.

## **4 Results in Estimating of the size of the second economy**

### **A. South African Economy**

Using OLS and corresponding regression output, the size of the second economy in South Africa has been calculated. The formal GDP (FGDP), second economy GDP (2nd GDP), the ratio of the second economy GDP to formal GDP (2nd GDP/FGDP) were calculated and these are depicted in the graphs below. Since the calculations of the second economy are estimated indirectly and by its very nature not directly observable, it is emphasized that these estimated values are only broad estimates and should therefore be interpreted with caution.

While the size of the second economy averages 8.2 percent of GDP (2nd GDP/FGDP) over the whole period, there is a clear decline in the size of the second economy relative to the formal GDP for the 1980 to 2011 period. With the share of second economy declining sharply from a relatively high value of 21.6 percent in 1981 to the trough value of 3.1 percent both in 2008 and 2009 before relatively rising to 3.5 percent by end of 2011. This low figure is worrisome and deserves serious attention to address the dismal contribution of the informal sector in South Africa and Gauteng province in particular.

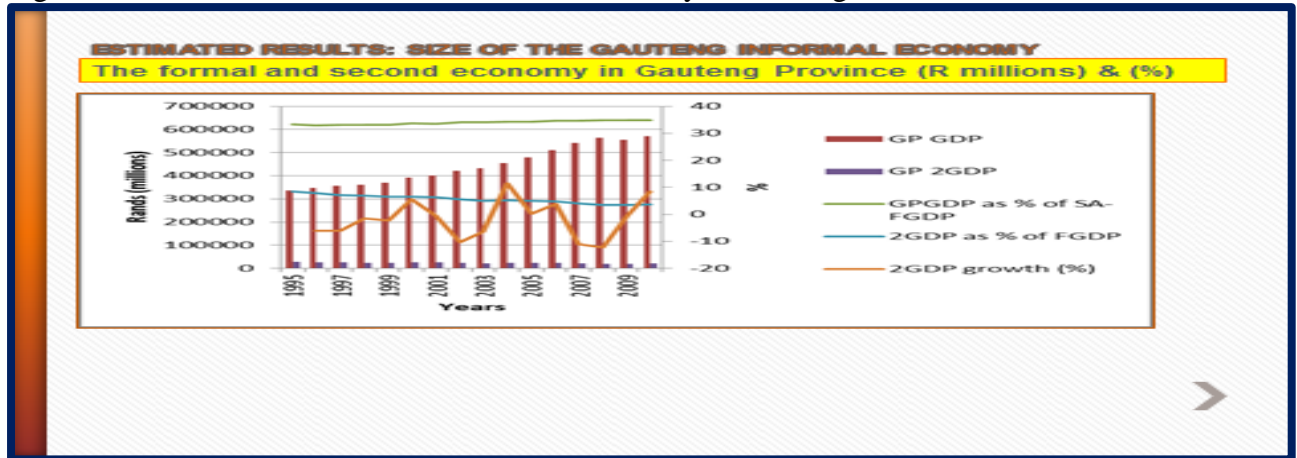
### **B. Gauteng Province**

The estimates of informal activities for Gauteng province show that Gauteng has been contributing around a third of South Africa's formal GDP between 1995 and 2010 annually.

Data further shows the trends in informal activities in Gauteng province between 1995 and 2010. As revealed in from the data, informal activities have been hovering between R20 and R29 billion during the period reported, though the trend is declining.

Figure 1 below validates the growth trends in Gauteng province's informal economic activities. The figure shows that growth trends have been oscillating around zero. During the period under review, the percentage share of informal activities versus formal GDP in Gauteng has been averaging around 5.6 percent per annum, with the highest share of 8.6 percent recorded in 1995 and the minimum percentage share of 3.5 percent was recorded in both 2008 and 2009. This is too low a contribution and is mainly a result of the trading businesses undertaken by the informal sector. A higher contribution would be possible if these engaged in manufacturing, value adding undertakings.

Figure 1: Contribution of informal to formal economy in Gauteng Province.



## 5 Conclusions, Managerial and Policy Recommendations and Implications.

The conclusion of the study is that as a whole the informal sector in South Africa is making a very low contribution to GDP compared to other countries in sub Saharan Africa this is due to the trading businesses undertaken.. This is even more worrying at the provincial level in Gauteng and the rest of the provinces are not an exception. To improve the situation, the following recommendations are made:

i. Wrong estimation of size of informal sector.

The existence of such a sizeable sector of unrecorded economic transactions has made the Gauteng province craft the wrong policies if any, to support and grow this sector. First, it is suggested that Statistics South Africa reports the contribution of the informal at provincial level. This will provide a benchmark for needed action to support interventions for the informal sector at the provincial and municipality levels.

ii. Treating all informal sector activities as unwanted.

The Government of South Africa and indeed a few of the governments especially in Southern Africa have a very negative attitude towards the informal sector. This needs to change so that the activities in this sector are supported and directed to contribute to national wealth through some clever tax regime which will not cripple the sector but see it grow. This will call for changing repressive Municipality Laws and Regulations to see the independent growth of the informal sector. This will be needed to live the legacy of the legacy of Nelson Mandela not only in South Africa but in the world a whole.

iii. More rights for choice of location.

Informal businesses in RSA, like in other countries need to have choice of location of businesses so long they follow municipality laws and regulations. Forcing locations on them will lead to continuous and unwanted clashes as informal traders like flexibility in choice of location. The invisible hand of the municipalities is not needed or wanted in this entrepreneurial decision.

iv. Role of trade associations.

Associations like the South African Traders Association and the South Africa Traders Forum need to be a- political and work towards representing the needs of informal businesses in South Africa. If these associations are not working, capacity building is

needed. Their voice should be to persuade municipalities to provide security (JMPD), toilets, water, storage, transport links or accommodation. They should be in the forefront of making sure that location decisions are self-regulated in some way.

v. Market linkages to cross border trade.

The informal traders in Gauteng need to be supported to engage in cross border trade into the neighbouring countries like Botswana, Lesotho, Swaziland, Mozambique, Zimbabwe, Namibia, Zambia, Malawi, Tanzania, Kenya etc. This will mark a reversal of informal sector traders from these countries being engaged in cross border trade to promoting informal traders from South Africa. We challenge the provincial legislature to organize outward trade missions for the informal traders and this can be done by using coaches and sleeping in \* or \*\* star hotels.

vi. Business development and micro finance

In graduating to high levels, it is required that the informal sector entrepreneurs are trained in business development skills and assisted with funding as grants or loans at affordable repayment terms than the current micro finance institutions or worse the numerous glorified Mashonisas!

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## **The Service Quality of Taiwanese Bed and Breakfast Guesthouses**

Gao-Liang Wang\*

***Abstract:** Taiwanese B&Bs have become 3-in-1 facilities that offer accommodations, dining and tourist services. One of the most influential and successful marketing methods for B&Bs is word-of-mouth advertising, usually combined with marketing initiatives via the Internet and other types of media. While it is imperative that B&B investors utilize their limited resources to improve customer satisfaction in the fast-growing and competitive market, this study's author believes that the best marketing approach for B&Bs hinges on enhanced customer satisfaction. In this present study, a PZB framed questionnaire was created to explore the expectations and satisfaction of B&B customers both before and after their accommodations periods, with the Importance-Performance Analysis (IPA) model applied to analyze and measure the service quality of B&Bs. Not only does the IPA model help determine how demographic differences affect customers' perceived B&B service quality, it also shows how well-performing Taiwanese B&Bs are as service providers.*

*Keywords:* Service Quality, B&B, IPA, PZB

### **1. Introduction**

According to a January 2013 report released by Taiwan's Tourism Bureau, there were 4,157 bed and breakfast (B&B) guesthouses nationwide, 3,733 of which were legal with a combined 14,848 rooms that increased by 101.4 percent from February 2007. It seems that the B&B sector is quite a popular target for investors. The rural areas of Hualien, Yilan, and Nantou Counties, known for scenic beauty, currently account for the largest part of legal B&B guestrooms in Taiwan. At the beginning of 2000, B&B was just a second-best or third-best choice for travelers in Taiwan, compared to hotels/motels. The B&B sector as a whole has since enjoyed improvements in the total room number as well as service quality, prompting Taiwanese B&Bs to offer a 3-in-1 service that includes lodging, dining, tourist amenities and, in some cases, amenities in more than three categories. Tourists choose to stay in a B&B can obtain a lot of information from the proprietors, or hosts, with regard to local specialties/attractions (Moyer, 2007). B&B hosts are known for their familiarity with local specialties/attractions besides regional history, culture and events; they would enthusiastically share relevant information with the guests. Most B&Bs are located in quiet, peaceful places away from busy downtown areas, enabling tourists to enjoy lodging while surrounded by Mother Nature. B&Bs generally outperform hotels in service quality and friendliness thanks to the opportunity to establish a good host-guest relationship, which is unavailable at any typical hotel. The B&B hosts' personal qualities and backgrounds result in an amusingly varied range of architectural styles (e.g., historic structures, contemporary homes, farm cottages and houses with unique designs). Most tourists choose a B&B for prices, services, a warm, family-like touch, among other value-related factors. Averagely speaking, B&Bs offer excellent value for its price range and enable the guests to pay less but enjoy more services, compared to a standard hotel (Hayes et al., 2011). They usually provide excellent breakfast experiences with a capability to whip up special dishes, which explains why most people would choose B&Bs over hotels/ motels. As word-of-mouth advertising is considered one of the most influential marketing methods for B&Bs, their investors have to utilize the limited resources to improve service quality, and subsequently increase customer satisfaction in the

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fast-growing and competitive market. In other words, the best marketing strategy a B&B can adopt is to build a good reputation among satisfied customers through word of mouth.

## 2. Literature Review

According to Taiwan's B&B Act, which cleared the legislature in 2001, a typical B&B guestroom should measure no larger than 150 square meters in area with up to 5 bedrooms available in each guesthouse. The B&B industry provides a means for Taiwan to handle the growing tourist arrivals with an increased accommodation capacity. Unlike a typical hotel that requires guests to check in, enjoy dining and stay overnight before checking out, the B&Bs feature so many distinctive elements that prompt tourists to choose them over hotels (King and Cichy, 2006). The B&B service industry has drawn much attention and enthusiasm in Taiwan over the last 10 years, with the number of guestrooms increasing by an average 1,500 annually, as shown in Table 1. The annual growth peaked in 2006 at 2,300 rooms, which is quite impressive considering that Taiwan's B&B sector was still in its infant stage when the year 2000 began. The total number of B&B rooms, however, remained at a low level in 2006. There was a noticeable addition of approximately 5,000 B&B rooms during the 2006-2009 period and a similar increase 4,000 B&B rooms from 2009 to 2012. The annual growth in total number of B&B rooms predictably dropped from 500% to 10% over the period of time shown in Table 1. Such a drastic drop indicates that Taiwan's B&B market would soon be saturated and stabilized, which in turn may cause the total B&B number to increase at a slower rate amid intensifying competition in the near future.

Table.1 Statistics concerning Taiwanese B&Bs from 2004 to 2013

Year/Month	2004/ 2	2005/ 2	2006/ 2	2007/ 2	2008/ 2	2009/ 2	2010/ 2	2011/ 2	2012/ 2	2013/ 1
Total Number of B&Bs	394	821	1247	1840	2353	2691	2955	3200	3407	3733
Total Room Number	1680	3358	5056	7370	9379	10755	11773	12725	13529	14848
Year-on-year Increase in Rooms	1400	1678	1698	2314	2009	1376	1018	952	804	1319
Year-on-year Increase (%)	500	100	51	46	27	15	9.5	8	6	10

B&Bs have been popular in Britain and Europe for many years, but only recently have they gained wide acceptance in North America as a legitimate and popular type of accommodations. The increasingly popular B&Bs are offering a considerable range of services, most of which are legal but some varying greatly from the initial definition of "B&B" (Stutts and Wortman, 2006). Taylor (2001) divided B&B establishments into four categories: B&B in its conventional sense falls into the first category, or private homes, which are usually found in residential areas with one or two family members running the business. Spare bedrooms in a private home are set aside for guests and breakfast served by the host(s). B&Bs in the second category are family-run, small lodges/inns owned and operated by a host family. Although hosts of this type live right in the B&B and might join their guests for breakfast, it is unrealistic for a guest to expect intimate, family-like interactions with them. B&Bs in the third category are profit-minded commercial entities without the essential characteristics of a genuine B&B; larger ones of them may take the forms of apartment suites stretching for blocks, cabins, motels or hotels. Most proprietors of this type live away from their B&Bs, offering no opportunities for guests to interact with host families because all they want is a share of the B&B market. B&Bs in the fourth category

offer a variety of unusual accommodations services (in a houseboat, camping trailer, recreational vehicle, tent, etc.) along with a fairly standard breakfast. This present study is focused on private-home B&Bs.

Hotch and Glassman (1992) suggest some rules to start and run a B&B, the first concerning a good location. The most important rule in operating B&Bs is to build them at a good location such as college towns, national parks, major historic sites, mid-sized business destination cities, and getaway locations like seashores or mountains. Rule number two is to devise a business plan, which does not have to be seamless and perfect, but the more details we put into them, the better. Rule number three is to research the market with common sense, using resources of the local Chamber of Commerce because it will eventually be of great help in terms of liaison. Before opening a B&B, remember to talk to representatives of B&B keepers' associations, if there is one. Most regions with any concentration of B&Bs have such local or regional associations, which are great sources of advice for those who wish to start a B&B.

Notarius and Brewer (1996) described the B&B as a generic term for accommodations offered in private homes rather than commercial facilities such as hotels or motels. The differences among a private-home B&B, a B&B inn, and a commercial inn are mainly dependent on the number of rooms. A private-home B&B has one to five rooms; a B&B inn, four to ten, a commercial inn, more than ten. In a private home, the host and hostess use their extra rooms to build friendship with interesting people and earn additional income. While many B&B hosts consider serving a unique breakfast a real highlight during a customer's visit, others prefer a simple breakfast (O'Fallon and Rutherford, 2011). This paper is focused on the service quality of Taiwanese B&Bs, with the quantitative research based on the famous service quality theory proposed by Parasuraman, Zeithaml, and Berry (1985). The SERVQUAL is a multiple-item scale that measures consumers' perceptions of service quality.

### **3. Taiwan's B&B Market**

Despite its short history in Taiwan, the B&B service industry has grown very quickly in the past ten years. Table 1 gives a clear picture that the total number of Taiwanese B&Bs and rooms surged before stabilizing toward a saturated market.

Table.2 Statistics concerning tourist hotels and rooms in Taiwan

Types of Accommodations Facilities	International Tourist Hotels	Standard Tourist Hotels	General-purpose Hotels	B&Bs
Total Number of Facilities	70	39	2,748	3,733
Total Room Number	20,339	5,378	114,625	14,848
Average Room Number (per hotel)	291	138	42	4
Average Room Rates	US\$123	US\$91	US\$68	US\$70

Recent statistics show that there are totally 3,733 B&Bs in Taiwan, a beautiful island in western Pacific Ocean where scenic mountain/coastal areas are just an hour's drive away from any city. As Taiwan is transforming from a developing country into a developed one, more and more Taiwanese people visit scenic attractions on vacations, hence the growing demand for B&Bs that drove up their number in a short period of time. As shown in Table 3,



Hualien, Yilan and Nantou are the three counties that account for the largest part of the 14,848 Taiwanese B&B rooms (Note: they present 20.3%, 17.7%, and 15.7% of the national total, respectively).

Table.3 Comparison among the three Taiwanese counties with the largest B&B presence

County	Hualien	Yilan	Nantou	15 Remaining Counties in Taiwan
Total Number of B&Bs	844	687	491	1,711
Total Number of B&B Rooms	3,010	2,621	2,328	6,889
Percentage of B&B Rooms in National Total	20.3%	17.7%	15.7%	46.3%
Geological Characteristics	Mountain/ Sea	Mountain/ Sea	Mountain	Rural Landscape

Compared to international tourist hotels and general-purpose hotels that were established long ago in Taiwan, B&Bs are quite a new type of accommodations with tourist-luring, distinctive characteristics, namely the good service quality, scenic beauty (i.e., location) and affordable rates. Table 4 shows the results of a SWOT analysis of Taiwanese B&Bs. The greatest difference between B&Bs and the other hospitality facilities (e.g., hotels) lies in the fact that B&B hosts offer services in a personalized, friendly and family-like manner in guestrooms with varied decoration styles. At the same time, the hosts would introduce the local history, culture, and events to their guests, enabling them to not only enjoy the beautiful scenery but also learn a lot about the neighborhood.

Table.4 Results of the SWOT analysis of Taiwanese B&Bs

Strengths	Service quality, scenic beauty, affordable rates, diversity in room decorations
Weaknesses	The long distance between B&Bs and downtown areas, uneven distribution of equipment
Opportunities	A sense of novelty, architectural distinctiveness, pristine natural environment
Threats	Fashionable motels, personal differences among B&B hosts

#### **4. The Service Quality of B&Bs**

Introduced by Martilla and James (1977), the Importance-Performance Analysis (IPA) theory helps managers confirm the service factors and subsequently improve customer satisfaction. The theory's underlying assumption is based on how important a service is to customers and how well a service is performed by B&B hosts (Sampson & Showalter, 1999). Results of the analysis enable one to determine the priority of B&B service factors. In the IPA theory, Importance and Performance are depicted with a combination of X and Y coordinates, with the X coordinate indicating the degree of Performance and Y coordinate the Importance. An outcome may fall in any of the four quadrants, namely "Concentrate here (i.e., high importance, low performance)", "Keep up with the good work (i.e., high importance, high performance)", "Low priority (i.e., low importance, low performance)" and "Possible overkill (i.e., low importance, high performance)".

Based on findings of the previous study, a PZB framed questionnaire was used to explore the expectations and satisfaction of B&B customers both before and after accommodations periods, with the IPA model applied to analyze and measure the service quality (Wang,

2012). The analysis results in Table 5 show that 3 out of the 23 service factors fall in the “concentrated concerned” quadrant (i.e., tidiness, architectural characteristics and reasonable rates); 6 factors fall in the “continued maintain” quadrant (i.e., adequate parking space, commitment to customers, handling of customers’ opinions, legal B&B certification, the capability to solve complaints, and the availability of local specialties-ordering service); 10 factors fall in the “low priority” quadrant; 4 items fall in the “over-strived” quadrant.

Table.5 The service factors of Taiwanese B&Bs in IPA model

1. Concentrated Concerned (High Importance & Low Performance)	Architectural design/layout, reasonable room rates, tidiness
2. Continued Maintain (High Importance & High Performance)	Grievance handling, being able to solve complaints quickly, adequate parking space, local specialties-ordering service, legal B&B certification, promises delivered
3. Low Priority (Low Importance & Low Performance)	Confidence in services, security equipment, breakfast, professional knowledge, courteous & friendly service, safe and reliable lodging, immediate response to customer needs
4. Over-strived (Low Importance & High Performance)	Availability of tour packages, availability of experiences regarding local industries, timely services, exclusive services for customers

## 5. Conclusions

(1) Taiwanese B&Bs have surged in number over the past decade. Boasting distinctive architectural designs and the hospitable hosts’ enthusiastic services, B&Bs have carved out a niche market, with the room rates being an important tourist-luring factor. However, the rates vary across the country depending on the sum of investment and amount of facilities in a B&B.

(2) There is an immense architectural diversity in Taiwanese B&Bs, which may resemble a traditional Chinese farmhouse, a country cottage, a European-styled house or a building decorated with indigenous elements. Tourists choose to stay in B&Bs because they offer services that are quite different from hotel accommodations, particularly the opportunity to build personal ties with the hosts and enjoy custom-made, additional services. As a result, the hosts’ personal qualities and background are key factors to a successfully managed/operated B&B.

(3) Findings from this study indicate the B&B service factors most desired by tourists are: timely services, the ability to deliver promises, local specialties-ordering service, tour packages, experiences regarding the local agricultural industry and exclusive services. Service factors that need to be improved are the architectural design/layout, reasonable room rates, tidiness, reliable Internet access, security equipment, breakfast, professional knowledge, courteous/friendly services, and safe and reliable lodging.

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## **Effective Practices in Business Communication**

Maurice Odine\*

***Abstract:** The success of any company or organization depends on utilization of effective communication. This is even more important due globalization and imperatives to serve a multicultural clientele. Messages that are clear and concise must come from top-to-bottom, as well as bottom-to-up, assure openness to maintain trust and avert miscommunication or misinterpretation, and encourage feedback. To be effective, communication must consider appropriate channels and conceptualize messages to desired audiences. While e-mails and written content form part of today's technology, the most effective channel remains face-to-face communication because not only does it provide immediate feedback, but also visually enhances facial expression (body language) that gives a personable and credible characteristic. With effective practices in business communication, managers and employees find themselves in the same boat working toward a common goal, which is, being dedicated and reenergized to work (even harder) toward the company or organization's higher level of productivity.*

*Key words: Effective, communication, channel, message, business*

### **1. Introduction**

The "raison d'être" for any company/organization is profit. Because it is not guaranteed, profit requires strategic planning, which includes effective practices in business communication. It means the mutual exchange of understanding of messages, as in sender and receiver and feedback.

The paper will examine the imperatives for business communication in the 21<sup>st</sup> Century as companies face challenges in conducting operations at different locations (at times simultaneously), sometimes regionally, nationally, or internationally. To stay competitive, communication skills have become paramount, and employers are increasingly looking for employees who possess effective communication skills to function in contemporary complex business environments.

It is the desire of this paper to underscore the fact that, communication is the essence of management. It encompasses planning, organizing, staffing, and directing/controlling. The paper discusses the principle that, none of these management undertakings can be achieved without effective practices in business communication. The paper demonstrates that, the success of a given business depends largely on communication by sharing and/or disseminating information to all parties concerned. The dreaded opposite is prevalence of communication gaps detrimental to the goals and objectives of the organization. The paper examines message conceptualizing and the importance of choosing appropriate channels for audiences.

The paper set out to examine merits of effective communication; perspectives on cross-cultural communication; choosing the right channel for the message; interpersonal communication; effective business communication; and ineffective communication.

### **2. Literature Review**

Lisa Nielsen asserts that communication skills are the ability to absorb and transmit ideas orally and in writing. A subset of communication, the author adds, "is interpersonal skills or the ability to related with peers, management, company stakeholders, clients, and suppliers." Emphasizing effective practices in business communication, Nielsen points out that, communication skills are high in demand, thus commending employees with know-how to

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inspire others and help mediate conflict. “A company’s most valuable employees are those who are great communicators and have personal traits, such as reliability and integrity,” Nielsen concludes.

While effective communication is an organizational imperative, the art is by no means innate or automatic. Stacey Calvert agrees. The author examined the Towers Watson 2009-2010 communication report that showed top earners were those who systematically used effective business communication. The report further noted that, successful firms had maintained a two-way dialogue with employees and customers. “Inclusive communication practices had produced measurable results,” Calvert adds. “Candid clear, and inclusive communication is especially important in hard times.”

Calvert advances three characteristics of effective business communication. First, efficiency in e-mail communication may be the fastest channel to transmit a message or information within the organization. On the other hand, says the author, taking a few minutes to pick up the phone, or to walk to an employee’s office or work place, may be more effective. Moreover, body language and facial expressions help set the right tone and pave the way for “back-and-forth” dialogue, hence constructive feedback.

Second is e-mail clarity. E-mails leave much to be misunderstood, misinterpreted or misconstrued, let alone when jargon or contractor statements are contained in the e-mail. Thus, the channel would only work, efficaciously, when e-mails or memoranda are clear and precise. The third characteristic of effective business is honesty, as in making information available even it reflects negatively on the organization.

Third is honesty. Employees, too, have a stake in the organization and would be strengthened by “lows” and “highs” alike in overall performance. To the contrary, some employees may be willing to put it more, in the form of work and certain sacrifices (pay cut) or reduced benefits. It is often said, “Tell people what they need to know and they will reward you with solid performance.”

Arnold Anderson reaffirms that effective communication is an important part of business success. To help establish good communication, says Anderson, an organization should have a blueprint of the “7 Cs.” The latter is a list of “C” words to create efficient communication at all levels within a company that include interactions with customers. One “C” word is concise, by which it pays the business to get to the point quickly, instead of meandering. Another “C” word is complete, and calls on the organization to carefully get all the information to the receiver(s) the first time. The third “C” is conversational, which the originator of the communication would use conversational tone, as opposed to being confrontational. The fourth “C” is clear, called upon because it is important to transmit the message with clarity, as this might be the sole chance to communicate. Other “Cs” are considerate, as in allowing questions or other expressions following your communication; confidence, presenting your data with a clear and commanding tone that indicates the communication knows the subject matter; and check, which refers to making sure the date and facts are accurate.

In communicating data facts, Leigh Richards amplifies that, paramount among the hallmarks of effective business communication are openness and two-way communication. Anderson takes the view that, organizations with effective business communication can weather even tough economic environments. What it takes, Richards emphasizes, is a commitment to openness and honesty and two-way communication. The author articulates that today’s business leaders understand the need for transparency in order to establish an environment of trust and loyalty, and that businesses benefit when they encourage open, two-way communication between employees and their managers, and between each other. Use of

multiple channels, too, is a form of effective communication. This is essential in that certain information is only appropriate on certain channels, as well the recognition that direct supervisors should possess the tools and training, while engaging in supervisory communication. And since technology may tantalize managers or supervisors to hide behind computer keyboards, face-to-face communication should be pursued whenever possible.

Even where face-to-face communication is part of the norm, certain none-astute businesses fall short of maximizing effective practices in business communication. Alyssa Gregory is the owner of averua. LLC, a full-service virtual assailant firm. Gregory, via the blog, "Small Business Idea Creator," disseminates information on effective business communication and provides tips to organizations in their quest to improve internal and external communication. The author has developed tips considered important in this sphere, and labels them, "secrets of effective business communication."

According to Gregory, "the ability to communicate, and communicate well, is one of the biggest factors in business success." The writer likens effective communication to an excellent designer, who, if unable to promote services and communicate effectively with clients and colleagues, would possess limited potential or none at all. Principal areas where communication is imperative include pitching potential clients; client meetings; customer services; face-to-face networking; and business marketing.

In addition, effective practices in business communication incorporate the following "performance secrets" to optimize efficacy, a) ask the right questions; communicate professionally; in holding meetings, schedule and prepare thoroughly, speak, ask, and listen; follow up, b) customer service: ask for feedback, address problems, try a new format, c) ace-to-face networking: communicate confidently, prepare an elevator speech, d) marketing your services: be responsive, write well, and e) your turn to weigh in.

### **3. Research Methodology**

The present paper employed qualitative methodology. Thus, secondary sources were consulted. These were books in library holdings, newspapers, magazines, websites, and pertinent online sources. Secondary sources were exploited, and yielded the foundation for analysis and interpretation. The author took advantage of experience as professional communicator and teacher of business communication to college business students. Cognitive dissonance and frame of reference formed the theoretical framework for the paper.

### **4. Main Findings**

#### **a) Merits of Effective Business Communication**

Lisa Nielsen is an effective business communication enthusiast. Nielsen notices that employers are placing increased emphasis on a candidate's communication skills for a host of reasons. Salespeople, for example, find themselves more often in a competitive environment where speed and accuracy of the communication to customers. In such a competitive environment, effective business communication can mean the difference between a sale and a missed opportunity. "Employers are looking for people who can communicate effectively both orally and in writing," Nielsen explains. According to Nielsen, the employee who is able to make a compelling sales presentation, communicate succinctly via e-mail, sound persuasive on the phone, write a complex business plan that the audience understands, or can motivate a team to action, is the one who will succeed in the 21<sup>st</sup> Century.

#### **b) Perspectives on Cross-cultural Communication**

Success reflected in effective business communication has a prerequisite enshrined in cross-cultural communication. MindTools, a company that specializes in cross-cultural communication, references a quote, "We didn't come over on the same ship, but we're all in

the same boat.” This supports the fact that, today’s workplace is rapidly becoming vast, as business expands to various geographic locations across numerous cultures. A manager/director or employee must, in the interest of effective business communication, recognize the prevalence of cultural diversity. In this vein, an effective communication strategy begins with the premise that, a sender and receiver of a message are from different cultures and backgrounds.

In France, one “peck” on the cheek is acceptable behavior at the workplace, but in the United States (US), kissing a business associate is considered inappropriate. Even the firm handshake widely practiced in the US is frowned upon in many other cultures. To cultivate and demand workplace tolerance is another variable of cross-cultural communication. Here, a US team communicating with counterparts or customers in New Zealand, would need to understand that the other side is nine hours ahead, thereby requiring tolerance. Tolerance is equally essential in a case where the overseas party’s English is difficult to understand. Under these circumstances, the sender of the message must make the communication simple. Naturally, lack of tolerance would tend to drive away potential business and/or profit. And hiring a translator would be wise if language problems persist.

Pearn Kandola (2006) has completed a report entitled, “The Psychology of Effective Business Communications in Geographically Dispersed Teams.” In the words of Kandola, “People are driven to build relations with others regardless of the geographic or cultural mix of the teams they work in.” Trust, therefore, engenders strength and bonds that build effective business communication. Trust is particularly crucial in environments where members are located in different locations and interact primarily by telephone or computer using forms of Internet connectivity.

### **c) Choosing the Right Channel**

More often than admitted or expected, the choosing a communication channel is the determinant of the effectiveness of business communication. Olympia Kryiakidou comments on “achieving effective internal communication for successful small business operations.” The author draws from case studies at the Center for Hospitality Industry Performance Research (CHIPR) chronicling visits and interviews with managers and employees. It is Kryiakidou’s opinion that, the best practice in business communication involves the use of both formal and informal channels, development of an organizational culture based on participation and cooperation, plus learning and teamwork. The organization’s culture, supreme in business communication, “is the set of meanings and values within the organization and provides the context for members’ interpretation of information provided through any communication channels,” Kryiakidou reiterates.

Kandola (2006) suggests exploiting “richer media,” such as voice and video communications, particularly in establishing and building relationships. Kandola strongly believes that high-quality, media-rich forms of communications breed trust, which is a critical factor in influencing group effectiveness. The business communication expert adds that, effective communication tools, coupled with a variety of communication channels, help team members avoid misinterpreting the actions of their colleagues. On the other hand, silence (not choosing appropriate communication channel) can be very damaging to virtual team effectiveness because it leads individuals to misattribute explanations for the silence.

### **d) Communicating Face-to-Face or in Writing?**

To avoid the “cutter” brought about by communicating in a digital workplace, diligent attention should be given to interpersonal communication. James D’Ambrosio advances the point that, interpersonal communication “has long been known to be the most effective form of communication.” Advantages of this medium include: elimination of “back-and-forth” that

cannot only result in misunderstanding and incomplete exchanges, but can also lead to mistakes; avoidance of major mistakes by using direct communication and necessary emphases; creating better understanding through observance of body language and emotional reaction to key points; ability to make a “polished” presentation taking advantage of experience and comfort using interpersonal communication; and provides for ample discussion during discussion or meetings.

Danielle Joynson says interpersonal communication’s advantage is that it leads to the creation of relationships, which are also maintained. “If you do not have the ability to have interpersonal skills,” Joynson argues, “you will struggle to express any feelings or emotions with people, as well as empathize with various situations.” Joynson does not shy away from the belief that, interpersonal communication is important when dealing with customers in order to be personable toward them and to show empathy for their request or frustration.

#### **e) Effective Business Communication**

Invoking friendliness and empathy does not necessarily mean the communication is superlative. It is merely a means to effective communication. This leaves the window wide open for best practices to be taken into account. James Ford (2011) is mindful that, some organizations have established communication channels. These include written instructions, formal training classes, daily informal meetings, even an “open door” policy that encourages feedback. Communication resources, as in mobile phones and two-way radios, exemplify the significance of business communication.

Eliminating distraction during communication is prudent. With a speaker in a meeting, being “cold” or “hot” may interfere with the receiver’s ability to listen or retain the message. The sender should take time to encourage feedback, as communication is effective only when the message is understood. Lisa Margolin-Feher (2011) shares “Five Best Practices for Effective Internal Communications,” a) international communication, which should be used with zeal, care, and creativity as is the case with external audiences, b) consistency, by making every communication available to the business and to be used to transmit the same message with frequency, c) align with the brand, which is to avoid occasions when different employees or managers/directors associate with brands different from others, d) provide mechanisms to ensure communication is consistent, frequent, and reflective of the brand, and e) to measure communication strategy (simple survey).

Best practices in business communication involve making a presentation to a group of stakeholders, market representatives, or select individuals within the organization. The present author has experience teaching college students the art of business communication. For practical purposes, eye contact and use of hand gestures and body language are invaluable. The first priority is to do necessary research to be current with information related to the topic. Second, the speaker must dress formally (conservatively) and use formal language. Third, the speaker must support the information with statistics and references to show credibility. Fourth, the speaker must adhere to three-part delivery: introduction (captivate audience within the first 30 to 40 seconds), body, and conclusion. Fifth, the speaker must be personable, able to exhibit a smile and likability. Sixth, the speaker must avoid distractions (flamboyant jewelry, touching/fondling hair), and to use visuals (PowerPoint) to enhance delivery (limit video clip to 45 seconds for 15- to 20-minute speech).

#### **f) Ineffective Business Communication**

Despite the benefits of effective communication, undesirables creep in in the form of ineffective communication. Karen Johnson points out that, the surest way to be ineffective in business communication is to treat an organization’s stakeholders the same. These include



customers, inventors, media, employees, suppliers, financial institutions, and even adversaries. For instance, employees expect to receive information before it is transmitted to customers or the media. Reading it first in the newspaper can have a negative impact on morale and breed miscommunication or confusion. By the same token, not using research amounts to ineffective communication. Lack of research may lead to choosing communication channels that fail to reach the target audiences, let alone not knowing the reading, viewing, or social media habits of the target audience. Ignoring research is tantamount to “throwing good money after bad,” as neither customer feedback nor answers to specific questions would be obtained.

## **5. Conclusions**

Effective practices in business communication are indispensable in determining the success of a company/organization. Irrespective of size or productivity, communication is necessary to “market” the products/services to external audiences and to share successes and failures to internal audiences. This requires honesty and cultural sensitivity in message conceptualization and choice of channels. Meanwhile, face-to-face communication should be used often, compared to e-mails and memos that may cause misinterpretation.

Furthermore, effective business communication is manifested in oral presentation(s) exemplifying language dexterity and captivating visuals. Information and messages are shared with employees about the company/organization. Employees, in turn, feel proud and willing to make sacrifices for continued growth and productivity. In employing effective practices in business communication, “one shoe does not fit all,” which means messages are to be conceived with cross-cultural audiences in mind, and where possible, to tailor the message to a target audience. It is important for a business to use a multi-channel approach as an objective to effective communication. There is an old adage that “one channel complements another.”

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## **An analysis of local and immigrant entrepreneurs in South Africa**

Simon Radipere\* and Shepherd Dhiwayo\*\*

***Abstract:** The performance of the SMMEs was investigated, and the reasons and gaps that have led to the assumed low competitive ranking and poor performance of South African entrepreneurs compared to immigrant entrepreneurs were analysed. A structured research instrument (questionnaire) was used to collect data through interviews and a self-administered survey*

*The results of the study showed a significant correlation between motivation and business performance (a motivated entrepreneur is more likely to succeed in business than an unmotivated entrepreneur) and a significant positive correlation between culture and motivation to start a business (a culture that is supportive of entrepreneurial activities, low uncertainty avoidance, high individualism and low power distance relates positively to a high level of entrepreneurial self-efficacy).*

*Key terms: immigrant entrepreneurs, entrepreneurial intention, culture, self-efficacy and motivation.*

### **1. Introduction**

As the pace of change continues to accelerate globally, the success of community enterprises depends on the innovation of entrepreneurs. Yet the Global Entrepreneurship Monitor (GEM 2011) reported South Africa as performing low (9.1%) in entrepreneurship, with total entrepreneurial activity (TEA) below the average of comparable economies around the world. This remains a concern and feeds the debate around the factors that impact on entrepreneurial performance. South Africa's low ranking in global competitiveness is a source of national concern. This means that South Africa has the smallest proportion of entrepreneurs compared with other developing countries. Rogerson (1997:1) reports that since 1994, there has been a growing movement of foreign migrants and refugees to South Africa. These migrants reportedly come primarily from South Africa's traditional labour supply areas, including many Southern African Development Community (SADC) countries. In South Africa there have been intermittent but persistent, and at times fatal, attacks on non-South African entrepreneurs. Many traders have been killed by groups purporting to represent unemployed people in South Africa (Nkealah 2012:125). These people complain that foreigners are taking their jobs and are taking over businesses and sometimes entire industries, for example the taxi industry (Nkealah 2012:125). The apparently strong business establishment of the foreign ethnic part of South Africa's economy presents a template of success for immigrant entrepreneurship. The paper attempts to examine whether immigrant entrepreneurs perform better than local entrepreneurs. It is therefore necessary to understand how the entrepreneurial start-up factors (motivation, culture, self-efficacy, intention and business performance) affect the way people start a business (in other words, there is a need to find out to what extent the entrepreneurial start-up factors affect a person's ability to start a business). The study was therefore also directed at establishing whether these factors affect immigrants and South Africans the same way. The study was undertaken to investigate the assumption that in the SMME sector, immigrant entrepreneurs perform better than South African entrepreneurs. The researchers looked at the basis of entrepreneurial formation by investigating the motivation, intention, self-efficacy, culture, and performance of immigrant and local owner-managers of SMMEs.

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## **2. Literature review**

Measuring Total Entrepreneurial Activity (TEA) is one of the major methods the GEM uses to assess entrepreneurship in countries. When comparing South Africa's economy with those of other countries, its data present a worrying pattern. In 2003 South Africa's number of entrepreneurs as a percentage of the total labour force was 4.3, which is lower than the average percentage of 8.8 for all participating countries (GEM 2003:5). In 2010 South Africa ranked 27<sup>th</sup> out of 59 countries, with a TEA rate of 8.9% – below the average (11.9%) of all participating countries. South Africa's 2010 TEA rate of 8.9% was a significant improvement on its 2009 TEA rate of 5.9%; however, it was still below the average for efficiency-driven economies (11.7%) and significantly below the average for all middle to low-income countries (15.6%). Bosma and Levie (2009:4) argue that economic development is not the only factor that determines entrepreneurship rates; entrepreneurial attitudes and perceptions also play an important role in creating an entrepreneurial culture. The important factor to look at is the proportion of start-ups or new companies to established businesses. The country achieved 3.9% in terms of new company activity, which is lower than the average of 5.9% for all GEM countries and 5.2% for all efficiency-driven countries. This and other figures showing a lower than average level of entrepreneurial activity in South Africa and its present challenges to all role players (government, the private sector and educators) for getting programmes that encourage entrepreneurship off the ground so that this gap can be decreased (Bosma and Levie, 2009:4)

### **Immigrant entrepreneurship in South Africa**

The increasing number of immigrant-owned businesses in Gauteng leads to increased attention on immigrant entrepreneurship. This is a particular point of interest in efforts to explain the variations in the level of entrepreneurial activity between different groups of entrepreneurs. In different countries, we find certain groups of immigrants who have levels of self-employment exceeding the national average. For example, the level of self-employment is the highest among Asians and SADC immigrants in South Africa (Mthembu-Mahanyele 2002). Most immigrants suffer prolonged unemployment and experience difficulties in getting into the labour market. For many, this is the reason why they engage in small business. The majority of non-South African firm owners started their businesses hoping to avoid ethnic discrimination and unemployment. According to Statistics South Africa (StatsSA 2010) immigrant businesses make up about 2.5% of the total number of businesses and the immigrant population is about 3% of the total population. Immigrant businesses are estimated to account for about 2% of new business start-ups. In Johannesburg and Tshwane's inner cities, over 50% of the participants in clothing production are from West Africa (Rogerson 1997:43). Other West and Central Africans gravitate towards operating restaurants and night clubs. These businesses tend to specialise in supplying food, music and clothes from home countries, confirming the importance of networks in directing forms of entrepreneurship.

**Entrepreneurial intention:** Entrepreneurship is the process of organisational emergence (Van Vuuren and Nieman. 1999). The researcher's understanding of the entrepreneurial intention is guided by two models: Ajzen's (1991:24) theory of planned behaviour (TPB) and Shapero's (2000:39) entrepreneurial event model (SEE). The TPB was developed to explain individual attitudes towards an act, the subjective norm, and perceived behavioural control as antecedents of intention. The SEE was developed to understand entrepreneurial behaviour. Entrepreneurial intention is derived from perceptions of desirability, feasibility and a

propensity to act upon opportunities. In a society, there are structural barriers that can prevent a particular group of people (like immigrants and ethnic minorities) from competing with the local residents on an equal basis. Some of these immigrants are pushed into self-employment. Thus, this study suggests that: **H<sub>0</sub>1a:** There is no difference between the mean scores of the origin of the owner(s) and the intention to start a business.

**Motivation:** Motivation is what drives people to behave in certain ways. People are not always aware of what motivates them. They behave in ways that seem right under the circumstances. Kuratko, Morris and Covin (2008:226) propose a model of entrepreneurial motivation and postulates that the desire to create a new venture and willingness to sustain it relate to the entrepreneur's motivation. According to the neoclassic perspective, entrepreneurship is the result of arbitration between the earnings expected from self-employment and wages expected from being an employee (Chrysostome 2010: 141). This means that a person becomes an immigrant entrepreneur if he or she motivated that the earnings expected from being an entrepreneur are higher than the wages expected from being an employee. Thus, this study suggests that: **H<sub>0</sub>1b:** There is no significant difference between the mean scores of the origin of the owner(s) and motivation to start a business.

**Self-efficacy:** Self-efficacy is a self-regulatory motivational variable that is concerned with judgments of how well one can execute a course of action required to deal with a prospective situation (Bandura 1982:122) and beliefs in one's capabilities to mobilise the motivation, cognitive resources and course of action needed to meet the given situational demands. It is best measured by asking people to rate their confidence in being able to attain various levels. Drnovsek et al (2009:332) support the findings on the relationship between entrepreneurial self-efficacy and career intention formation. Thus, this study suggests that: **H<sub>0</sub>1c:** There is no significant difference between the mean scores of the origin of the owner(s) and self-efficacy to start a business.

**Culture:** It is proposed in this study that the cultural backgrounds of entrepreneurs play a significant role in defining the motivation for entrepreneurship. It is the contention of the researcher that motivation for business formation is not universal and that differences in cultural frames of reference would account for differences in the motivation for business formation. According to Hofstede (2001:147), culture is the interactive aggregate of common characteristics that influence a group's response to their environment. Waldinger (2002:90) points out that cultural factor also contribute towards entrepreneurship. Immigrant entrepreneurship is a continuation of the immigrant's cultural habits in the host country. It stems from the entrepreneurial mentality immigrants carry with them when they immigrate to their host country. Thus, this study suggests that: **H<sub>0</sub>1d:** There is no significant difference between the mean scores of the origin of the owner(s) and culture to start a business.

**Entrepreneurial performance:** Business performance is measured by income, profit, market share, return on investment, number of employees and product lines. For a business to be successful, the entrepreneur must ensure that the business operates as efficiently and effectively as possible. The level of self-employment is, for example, higher among Asians and SADC immigrants in South Africa than among nationals (Mthembu-Mahanyele 2002). Most of these businesses seem successful when we compare them with local businesses. Their success is realised in terms of market growth or increases in business size. Thus, this study suggests that: **H<sub>0</sub>1e:** There is no significant difference between the mean scores of the origin of the owner(s) and business performance.

### **3. Methodology**

The population of the study is SMMEs (Small, Medium and Micro enterprises) in the retail sector of the Gauteng province of South Africa. The researcher uses the brabys.com populations of SMMEs in Gauteng.

Probability sampling was used. Given this study's estimate of a population of 10 000, it means that the targeted sample was 500 respondents (that is, 10 000 entrepreneurs X 0.05 = 500 respondents). A structured research instrument (a questionnaire) was used to collect data through self-administration interview.

### **4. Results and discussions**

The results of Cronbach alpha test for reliability showed that the data were reliable (0.673%) on motivation; culture (0.782); self-efficacy (0.850); intention (0.633); entrepreneurial orientation (0.831) and entrepreneurial performance (0.902). The T-test was used to test the hypotheses that there is no significant differences between the demographic variables and the constructs (culture, self-efficacy, entrepreneurial intention and business performance).

#### ***Origin of owner and entrepreneurial intention:***

Results show a p-value 0.327,  $> \alpha=0.05$  at a 95% confidence level (table 1). Hypothesis H<sub>0</sub>1a on entrepreneurial intention is accepted. It is therefore concluded that there is no significant difference between the mean scores of the origin of the owner and entrepreneurial intention. This implies that the intention of the owner to start a business is not determined by where he or she comes from. People just start businesses irrespective of where they come from.

#### ***Origin of owner and motivation***

There is no significant difference between the mean scores of the origin of the owner and the motivation to start a business. There is no statistical significant difference between the mean scores of the origin of the owner and motivation, with p-value of 0.145 which is more than the alpha value of 0.05 at a 95% confidence level as appears in table 2 above. Hypothesis H<sub>0</sub>1b on motivation is accepted. It is therefore concluded that there is no significant difference between motivation to start a business and the origin of the sampled SMME owners in the retail industry of Gauteng province. This implies that the motivation to start a business is not determined by whether the owner is local or foreign.

#### ***Origin of owner and self-efficacy:***

There is no significant difference between the mean scores of the origin of the business owner and self-efficacy to start a business. Results show that there is a statistical significant difference between the mean scores of the origin of the owner and self-efficacy, with p-value 0.001,  $< \alpha=0.05$  at a 95% confidence level. Hypothesis H<sub>0</sub>1c on self-efficacy is rejected.

It is therefore concluded that there is a significant difference between the mean scores of the origin of the owner and his or her self-efficacy. This result shows that the variable "origin of owner(s)" does play a significant role in one's self-efficacy. This implies that the origin of the owner affects one's inner self in terms of taking serious decisions.

#### ***The origin of owner and culture***

The results show that there is no statistical significant difference between the mean scores of the origin of the owner and culture, as shown by a p-value of 0.466,  $> \alpha=0.05$ . Hypothesis H<sub>0</sub>1d on culture is therefore accepted. The results show that a significant difference does not exist between the owner's origin and culture. This implies that the variable "origin of owner(s)" is not a determining factor in one's culture to start a business, in other words it implies that one's entrepreneurial culture to start a business is not determined by where one comes from.

***Origin of owner and business performance:***

Results show,  $p$ -value 0.548,  $> \alpha=0.05$  at a 95% confidence level as appears in table 1 above. Hypothesis  $H_{01e}$  on business performance is accepted.

It is therefore concluded that there is no significant difference between the mean scores of the origin of the owner and business performance. This implies that the performance of business is not informed by whether the owner is local or foreign. The owner can perform good or bad irrespective of whether he or she comes from a foreign country or is local. The findings do not support the assertion that foreign owners perform better than the local owners.

## **5. Recommendations**

Introducing learners to entrepreneurship education at an early stage in the entrepreneurial process can be beneficial as they develop intentions toward starting a new business. Entrepreneurs must be able to develop new ideas into marketable products or services so that they can take advantage of an opportunity (Groenewald et al 2006:46). It is recommended that adults teach young people to identify and challenge negative thoughts that undermine their self-belief to master a task. Adults must increase self-efficacy by teaching young adults to identify successes and to accurately assess their potential contribution. The nation, together with the government, needs to set the stage to enable a larger part of the population to participate in a more open, more accessible and more widespread culture of innovative entrepreneurship.

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## **A Model for Multi Products Planning**

Seyed Nasser Marashi\*

### **1. Introduction**

An approach to find the best and practical way to optimize time scheduling for production planning in case of multi products manufacturing.

We know when the variety of products in a manufacturing company is higher than 3 or 4 type; time scheduling is seemed to be more complicated.

This study try to explain a new method in which we can easily find a solution in production planning for above mentioned case.

### **2. Literature:**

There are many solutions by using simulation software to solve such problems but need to spend so much time.

Main key factors in this model are:

- **Lead Time:** Total additional days from time to start in production of a part in manufacturing work place or assembling line to the end time of completed product.
- **Production Period:** Is the days required for assembling the manufactured or purchased parts in assembling line.
- **Procurement Period:** Is the days required to spend in manufacturing all its job operation in different work places including waiting time and delays.
- **Lot size:** Is the batch size of each parts/components to be ordered to manufacturing work area or for purchasing.

### **3. Research Methodology:**

Model start to calculate the procurement period for each parts, raw materials, assembling components which all has a position in products' bill of material(B.O.M).

Procurement period for manufacturing parts could be formulated as bellow:

Proc Period= SUM (Lot Size\*operation time of each process+ Set up time + SUM (All Delays +Waiting Time + Transportation between work areas)

Production Period for each part in B.O.M is summation of its procurement period plus production period of its parent part in higher level of product structure as shown in annex-1 of this paper.

After calculation of Production period for all parts we can determine the Lead Time as formulated bellow:

Lead Time= SUM (Procurement Period + Production Period)

Now we can easily calculate start/End date for each part to be used in production order by underneath equation.

Start Date= Finished Products' Date – Lead Time

End Date= Start Time+ Procurement Period

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#### **4. Main Finding:**

Using this model will save the time and cost in planning management without using any especial software or high speed computers.

In real situation normally we need to update scheduling program weekly based on feedback from actual progress of each product.

This model can easily update the start date for non started parts as well as in process parts.

#### **5. Conclusions:**

This study could be improved by concerning on calculation the procurement period according to operational times of each job and how we can minimize the waiting time behind of work places regarding to restriction in its available capacity.

Considering the priority method is highly recommended for job assignment in each work place in manufacturing hall.

Optimum lot size for each part is also has a very important role in this way.

#### **6. References:**

This study is completely based on my past experience in working as production planning expert in HEPCO biggest Iranian manufacturer of heavy equipment machineries located in Arak.

#### **7. Appendix:**

Appendix-1 is a diagram and table of sample B.O.M for a products' structure.

##### **Product's B.O.M Structure**

<b>Level</b>	<b>description</b>	<b>Qty</b>	<b>(Days) Proc</b>	<b>(Days) Lead time</b>
0	Finish Product	1	2	2
1	ASSY 1	1	15	17
2	PART X <sub>1</sub>	1	5	22
2	PART X <sub>2</sub>	2	6	25
3	RAW X <sub>21</sub>	1.5	10	27
1	ASSY 2	1	20	22
2	PART X <sub>3</sub>	1	5	27
3	RAW X <sub>31</sub>	0,85	12	39

Max (Lead Time) = 39 Days

It means that 39 days before end date of finished product we should start to open and send the orders for production to the production manager.

**Product Assembling Diagram**

