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Editors
Dr. Vipin Gupta, California State University -- San Bernardino, USA
Dr. Satyendra Singh, University of Winnipeg, Canada

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info@abem.ca

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It is our great pleasure to edit the conference proceedings of the Academy of Business and Emerging Markets (ABEM) Conference 2015 which took place in Windhoek, Namibia during August 4-6, 2015. The mission of the conference is: knowledge generation, translation and transfer across the East and the West. The Academy received 46 papers from 22 countries, mostly from the developing countries and emerging markets, making it true to its mission. Each submission was peer-reviewed in a double-blind review process by at least two reviewers who were experts in the areas of the submission. Thirty-two submissions were selected for presentations. The proceedings contains 12 abstracts and seven competitive papers that were presented at the Conference. We are grateful to University of Johannesburg, California State University--San Bernardino, Inderscience publishers, conference co-chairs, organising committee, program and awards committee, reviewers and authors for contributing to the conference that resulted in the proceedings.

Sincerely,

Dr. Vipin Gupta
Editor, ABEM Conference proceedings 2015
Professor and Associate Dean
California State University -- San Bernardino
USA

Dr. Satyendra Singh
Editor, ABEM Conference proceedings 2015
Professor and Ex-Director
University of Winnipeg
Canada

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LIST OF CONTRIBUTORS

Arlene Bailey, University of the West Indies, Jamaica
Boak Barak, Western Galilee College, Israel
Tamlyn Barker, University of Johannesburg, South Africa
N Cunningham, University of Johannesburg, South Africa
Y Y A Delaporte, Ghana Institute of Management and Public Administration, Ghana
Edward S Fekpe, Ghana Institute of Management and Public Administration, Ghana
M E Fiagbey, Ghana Institute of Management and Public Administration, Ghana
Claire Grant, University of the West Indies, Jamaica
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Daniel Kipkirong Tarus, Moi Univeristy, Kenya
Peter M Lewa, United States International University, Kenya
Susan K Lewa, Jomo Kenyatta University of Agriculture and Technology, Kenya
I Lubbe, University of Johannesburg, South Africa
N Mashaba, University of Johannesburg, South Africa
Tigineh Mersha, University of Baltimore, USA
CF De Meyer-Heydenrych, University of Johannesburg, South Africa
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Weili Teng, Nottingham Trent University, UK
Joel Kiplagat Tuwey, Moi University, Kenya
Juliet Twumasi, Ghana Institute of Management and Public Administration, Ghana
L M Welthagen, University of Johannesburg, South Africa
Xiaozheng Zhang, Nottingham Trent University, UK

TABLE OF CONTENTS

ABSTRACTS

PAPERS

ABSTRACTS

THE INFLUENCE OF SERVICE FAILURE SEVERITY ON THE BEHAVIOURAL INTENTION OF BANKING INDUSTRY CONSUMERS

N Rheeder, University of Johannesburg, South Africa
N Mashaba, University of Johannesburg, South Africa

The global banking industry is identified as very competitive, and in South Africa specifically, and is prone to service failure largely due to multiple interactions between consumers and contact-personnel within the retail branch. It is therefore imperative for retail and private banks to understand the causes of service failure in order to manage this, and offer distinct banking service offerings as required by consumers. The study uncovers the influence of service failure severity on behavioural intention of consumers within the retail banking industry of South Africa. The study found that there is a negative relationship between levels of service failure severity, consumer satisfaction and behavioural intentions after service failure, and that gender is not a differentiator with regards to these variables. Based on the results, marketers are able to understand the impact of service failure severity on customer behaviour and better retain relationships after a service failure.

ACCOUNTING FOR ENVIRONMENTAL AWARENESS IN SOCIAL RATE OF TIME PREFERENCE DISCOUNT RATE METHODOLOGY

Boaz Barak, Western Galilee College Akko, Israel

When evaluating governmental environmental programs, cost benefit analysis is extremely sensitive to the selection of discount rate. While controversy remains regarding the appropriate methodology for discount rate selection between the market-oriented approaches of social opportunity cost vs. the social rate of time preference, it is clear today that individuals and societies have changed their views and time preferences with regards to environmental risks and benefits. In light of this social rift in environmental awareness, the discount rate selection methodology must update its components that account for these preferences. The marginal utility of consumption, a key component of discount rate calculation, should be revised in the social rate of time preference methodology to include the effect of changes in future consumption elasticity in a state of deteriorating environmental conditions. Using stated choice experiments, we can estimate the effects of the changes in society's views and the resulting impact on discount rate selection.

FUNDING PARADIGMS AND NEW HEALTH PROFESSION -- PROGRAM OPPORTUNITIES IN DEVELOPING COUNTRIES

Susan Prattis, American University of Beirut, Lebanon

Health care delivery systems are key international drivers of innovation and improved health circumstances in developing countries. Increasing costs and lack of coverage associated with health mandates in North American have changed health care infrastructure and provider roles, while developing countries face challenges in meeting domains in settings fraught with economic and health instability. One Health influences assimilating animal, human and environmental health indices can provide a lens into these new developments. Philanthropic practices rely on culturally – mediated giving patterns based on familial, community and societal bonds; effective communication across schisms; and productive marketing of associated goals. This study will identify and describe concepts associated with philanthropic fundraising practices and nonprofit management in different cultural settings associated with health care delivery within developing and middle income countries. Key indices of successful collaborative productive working relationships between voluntary, for profit and

governmental organizations will be examined for philanthropic success; health care personnel role definition; corporate social responsibility and One Health influences. This process may be important in developing internal management and philanthropic benchmarks.

SOCIAL ENTERPRISE IMPACT ASSESSMENT IN EMERGING MARKETS: WHAT METRICS ARE APPROPRIATE?

Ven Sriram, Merrick School of Business, University of Baltimore, USA
Tigineh Mersha, Merrick School of Business, University of Baltimore, USA

Given the uncertain funding in tough economic times, and in a consequent attempt to reduce their reliance on external sources, many traditional nonprofits have begun to develop their own revenue streams. These hybrid organizations, called social enterprises, possess characteristics of both nonprofits and for-profits. The revenue and profits generated are used to fund their social mission and what makes them different from other organizations which create social value (such as socially responsible businesses and corporations that practice social responsibility), is that they are driven by their social mission and not by the profit motive. In emerging markets in particular, social enterprises have an important role to play as countries privatize and eliminate or cut back some of the social services the government used to provide. In many countries, the private sector is not well developed or is unwilling to enter industry sectors where the profits are uncertain. These market gaps were partly filled by nonprofits but given the shrinking donor funding, they too are often unable to fully meet the need. In many sectors such as health, education, agriculture, sanitation and others, social enterprises have stepped in.

WOMEN ENTREPRENEURS IN AFRICA: MOTIVATIONS, CONSTRAINTS AND PERFORMANCE

Tigineh Mersha, Merrick School of Business, University of Baltimore, USA
Ven Sriram, Merrick School of Business, University of Baltimore, USA

In both developed nations and emerging economies, it is now widely recognized that entrepreneurship helps create jobs and stimulates economic growth. To more fully exploit the benefits that can accrue from entrepreneurial activities of all citizens, promoting women entrepreneurship and strengthening the likelihood of their success is critical. However, studies indicate that the playing field is not level for aspiring men and female entrepreneurs in many societies, and that women often encounter more hurdles in their effort to start and grow businesses compared to their male counterparts. This recognition has prompted some nations to introduce policy initiatives aimed at encouraging women entrepreneurship with encouraging results. Unfortunately, however, not all nations have taken such steps.

THE INFLUENCE OF SERVICE FAILURE SEVERITY ON PERCEIVED JUSTICE BY CONSUMERS IN THE BANKING INDUSTRY

C De Meyer, University of Johannesburg, South Africa
I Lubbe, University of Johannesburg, South Africa
L M Welthagen, University of Johannesburg, South Africa

The banking industry has recently received the attention of policymakers with the newly implemented Basel III framework which presents banks with an opportunity to develop innovative solutions to combat the higher capital requirements issued in the new framework. It is important for markers to

understand how service failures influence the satisfaction levels of banking customers and the consequences of these failures on the bank. This paper provides insight into customers' service failure severity levels and determining which service failure scales are considered important by customers. The data was gathered through convenience sampling amongst consumers at popular shopping centres located in the Gauteng province. The results reveal that service failure does have an influence on customers' perceived justice

EXPLORING CULTURAL CONTEXT CONGRUENCY IN TELEVISION: A CONCEPTUAL FRAMEWORK FOR ASSESSING THE IMPACT OF MEDIA CONTEXT ON ADVERTISING EFFECTIVENESS IN AN EMERGING MARKET

Claire Grant, University of the West Indies, Jamaica
Arlene Bailey, University of the West Indies, Jamaica
Alphonso Ogbuehi, Clayton State University, USA

This paper explores a perspective for further inquiry on how and where specific elements of media context impacts advertising effectiveness when placed in the television environment. The specific element of media context to be explored is that of the origin (local or foreign) of television programming. The setting to conduct the inquiry suggested is an example of a 21st century emerging market with a small open economy, the island state of Jamaica. The concept of cultural context congruence is introduced to develop a rationale for future research into how the cultural origin of television programming, whether it is local or foreign, has a bearing on advertising effectiveness based on programme and advertisement context congruency as decoded by audiences. Audience Attitude Theory and the Schema-Congruity Framework will be employed to help define the impact of the cultural context congruence on advertising effectiveness.

E-TAILING IN INDIA COMES OF AGE: THE FLIPKART STORY

Krishanu Rakshit, Indian Institute of Management Calcutta, India

"Yesterday was a big day for us. And we really wanted it to be a great day for you. But at the end of the day, we know that your experience was less than pleasant. We did not live up to the promises we made and for that we are really and truly sorry."

The founders Sachin Bansal and Binni Bansal wrote to their twenty-six million registered users after the hiccups on "Big Billion Day" in Oct 2014. The Indian "Amazon" is growing at a much faster rate than expected. However, concerns like technological robustness, smooth supply chain, growth in small towns and the growing competition are the challenges, company is facing. However, the biggest concern for Bansals is to turn the business profitable. It has been more than seven years that Flipkart was in operation, yet the company was still in the red.

THE STATE AND THE BUSINESS GROUPS IN GLOBALIZING INDIA: A HISTORICAL PERSPECTIVE

Vipin Gupta, California State University San Bernardino

Despite institutional development and reduced corporate dependence on the State, business groups in India continue to thrive. Their resilience is difficult to explain in terms of the traditional political economy or institutional/economics perspectives. Based on a historical analysis, we examine how the business groups in India have responded to the changing State policies, and crafted appropriate globalization strategies. We interpret their resilience using a transcultural view, which underlines the

significance of both informal relational culture as well as formal network relationships, in a global context that is demanding the emerging market MNEs (Multinational Enterprises) to be socially responsible leaders.

CSR PRACTICE: SOUTH AFRICAN LISTED COMPANIES

Humayun Kabir, Tshwane University of Technology, South Africa

The study assesses four CSR dimensions (*i.e.,* economic, legal, ethical and discretionary responsibilities) in order to establish firms' involvement in various social responsibilities placed on them by stakeholders. A survey instrument was employed to collect data from all South African listed companies (*i.e.,* JSE listed companies). A five-point Likert scale was used to measure every single item of CSR. Findings reveal that JSE listed companies strongly perform CSR practices to address stakeholder demands. It indicates that they are engaged in various social activities in order to satisfy the stakeholder demands for CSR to maintain and improve the corporate reputation. This positive sign of CSR practice may have been attributed to the fact that King Report, JSE Listing and SRI Index Requirements encourage companies to comply with CSR issues. The findings of this study will add important empirical evidence to the literature on CSR practice in an African context.

THE ROLE OF AFRICAN UNIVERSITIES IN INNOVATION FOR ECONOMIC GROWTH AND DEVELOPMENT: STRATEGIES TO OVERCOME EXISTING CHALLENGES

Susan K Lewa, Jomo Kenyatta University of Agriculture and Technology, Kenya
Peter M Lewa, United States international University, Kenya

This paper examines the role universities in Africa in innovation in support of economic growth and development. The African continent has some of the world's rapidly growing economies. The continent has clearly discernable prospects for growth and development. Innovation is important if Africa is to achieve sustained economic growth, development and improved welfare of its people. African Universities can support economic growth and development by becoming more active in innovation initiatives in their operations. However, they have to address existing challenges that interfere with innovation in their operations. There are a wide range of approaches to conceptualizing innovation in the scholarly literature. Innovation can be looked at from the context of technology, commerce, social systems, economic development, and policy construction. Data and Information for this research was obtained from both primary and secondary sources. However, the work relied more on secondary data sources. The key conclusions are that Universities in Africa have an important role to play in innovation but must overcome inherent challenges in their operations in order to become more innovative and hence play their expected role in economic growth and development.

DOES CEO POWER MODERATE THE RELATIONSHIP BETWEEN BOARD LEADERSHIP AND STRATEGY INVOLVEMENT IN PRIVATE FIRMS? EVIDENCE FROM KENYA

Joel Kiplagat Tuwey, Moi University, Kenya
Daniel Kipkirong Tarus, Moi University, Kenya

The purpose of this study was to determine how board leadership affects board strategic involvement in private firms in Kenya and how CEO power moderates the relationship. We use Kenyan dataset to investigate what makes boards in private firms get involved in strategy. Survey data derived from CEOs of private firms was used and the hypotheses was tested using moderated regression analysis. The results indicate that board members knowledge, board chairman's' leadership efficacy, board members personal motivation and board members background has a positive and significant effect on board strategy involvement. We also found that CEO power moderates the relationship between board leadership and strategy involvement. The study concludes that when the CEO's wield immense power, the board tends to become passive and submit to the direction of the CEO. The study adds value to the understanding of the effect of board leadership on strategic involvement in private firms and how the CEO power influences the relationship.

PAPERS

INVESTIGATING THE INFLUENCE OF HOME LANGUAGE ON ONLINE SHOPPING BEHAVIOUR

N Cunningham, University of Johannesburg, South Africa
CF De Meyer-Heydenrych, University of Johannesburg, South Africa

This study investigates the influence of a consumer's home language on their online shopping behaviour. The home languages investigated are English and African home languages (Zulu, Xhosa, Swati, Ndebele, Sotho and Venda/Tsonga). No significant differences existed between the online shopping behaviour of individual African home languages. Therefore, the African languages were categorised as one group. The data was collected through non-probability two-stage sampling techniques (quota and convenience sampling) from respondents who have shopped online in the past six months. The results indicated that the home language of respondents is linked to differences in their online shopping behaviour. Mostly, the respondents who spoke English as their home language had more favourable online shopping behaviour than those who spoke African languages. This study therefore provides retailers with strategies on how online shopping behaviour is influenced by the home language the consumer speaks. This will assist retailers in understanding how to adapt or add online offerings to suit the specific needs of different consumer groups and possibly attract consumers located in other countries to the their websites.

Introduction

Online shopping is growing rapidly amongst consumers owing to the increase of Internet penetration (Stranahan & Kosiel, 2007, p. 421). There are however, various aspects influencing a consumer's online shopping behaviour. According to Gong, Stump and Maddox (2013, p. 215), the following factors influence a consumer's online shopping behaviour: demographics (such as home language), level of convenience and aspects about the product (such as price comparison, availability of products and product information). In the past, South African consumers were reluctant to shop online due to the lack of infrastructure, the low Internet penetration rates and the security risks involved (Ujuh, 2013). However, online shopping is currently increasing in South Africa and 70 percent of South Africans are regarded to be potential online shoppers, although this is relatively low compared to global standards. Yet, it is predicted that the number of online shoppers in South Africa will triple by 2017 (itnews, 2015). Holmes (2014) states that the South African online shopping sales are increasing by 30 percent per annum and that by the year 2016, 32 million consumers will have access to the Internet via their smartphones. South Africa is not the only country in Africa where consumers are shopping online; consumers in Egypt, Nigeria, Morocco, Kenya, Uganda, Cameroon and Ghana are increasing the frequency of their online shopping by using popular online shopping sites like Jumia which is currently valued at €445m (Coetzee, 2014). With 16 percent of the consumers on the African continent having access to the Internet (a six percent increase since 2010), consumers in Africa are familiarising themselves with online shopping. With more consumers gaining access to the Internet (mostly through the use of smartphones) there is a gap for online retailers provided they offer the consumers what they want (howwemadeitinafrica, 2014). Studies have found that consumers behave differently towards online shopping according to their demographic variables (Lee & Lee, 2010, p. 351). However, many studies focus predominantly on the demographic variables of age and gender, leaving a gap in terms of the comparison of a consumer's home language and their online shopping behaviour. Therefore, owing to the increase in online shopping in South Africa and the narrowly explored relationship between home language and online behaviour, this study will provide necessary insights to online retailers and provide strategies as to how the online retailer can offer their website to consumers in other countries. This would provide them with a competitive advantage. In particular, the study will highlight which significant differences exist between the online shopping behaviour of those who speak English as a home language and those who speak African home languages (such as Zulu, Xhosa, Swati, Ndebele, Sotho and Venda / Tsonga). This will allow online retailers (or retailers looking to expand online) to design appropriate online strategies targeted to specific customer groups according to their home language.

In the sections to follow, a literature review is provided with a particular focus on online shopping and the factors influencing online shopping behaviour. A brief discussion will then be provided on the link between home languages and online shopping which is relevant as online retailers want to expand their operations and target new groups of consumers. The problem statement, research objectives and hypotheses will follow. Thereafter, a discussion on the research methodology will be offered after which the results of the study and results of the formulated hypotheses will be discussed. In addition, managerial implications, recommendations and limitations of the research will be provided.

Literature Review

The literature review provides a discussion regarding online shopping, the factors influencing online shopping behaviour and a discussion about home language's effect on online shopping behaviour.

Online Shopping

Although there are some consumers in South Africa who are reluctant to shop online, the overall perception of online shopping is changing and consumers are therefore starting to use the channel more. As online shopping has increased in popularity, retailers have begun considering adding the channel to their existing offering (Euromonitor, 2012). This is substantiated by the 2014 Mastercard Online Shopping study, which found that 69 percent of South African respondents had made at least one online purchase in the past three months, and the majority of consumers are accessing the Internet using their smartphones, which gives them access to online shopping (Holmes, 2014). The online commerce sector in South Africa is predicted to surpass both the agricultural and construction sectors by 2016 (WorldWideWorx, 2012). This shows that online shopping is a growing trend in South Africa; one that retailers should monitor and understand.

Factors Influencing Online Shopping

In the study conducted by Gong *et al.* (2013, p. 217) the main factors influencing online shopping behaviour were consumer demographics, level of convenience and aspects about the product. The level of convenience factor refers to the ease of use and the time associated with online shopping (van Dijk, Laing & Minocha, 2005, p. 1). Convenience is seen as a crucial factor consumers consider when deciding which shopping channel to use. Possible reasons for this are the following: consumers want to save as much time as possible when purchasing products and they therefore search for the easiest way to obtain products (Lodorfos, Trosterud & Whitworth, 2006, p. 80). Thus, online retailers should ensure the highest level of convenience is offered to consumers, and this will increase the consumer's willingness to purchase (Lodorfos *et al*., 2006, p. 81). The factor of product aspects refers to the information about the product available online, the ability of the consumer to purchase products not usually available in traditional stores, the comparison of the prices of the product online and the possibility that the consumer has access to an extensive range of products online and is not restricted in the products they can purchase (businesstech, 2015; Gong *et al*., 2013, p. 217).

Home Language and Online Shopping Behaviour

Research has found that some differences exist between the online shopping behaviour of two particular groups: English speaking and African speaking consumers (Singh, 2004). For instance, one study revealed that English speaking consumers are banking online more than their African speaking counterparts; 49 percent of English speaking consumers bank online, where only 6 percent of African language speakers are doing so (Singh, 2004). The Effective Measure's report conducted in 2013 revealed that the majority of online shoppers in South Africa speak English as their home language (Muller, 2014). A predominant reason for this is that although being previously disadvantaged, the African middle class is slowly growing due to the fact that there has been an increase in disposable income which increases Internet penetration rates. In particular, consumers who speak African home languages have been found to enjoy showing their wealth and status by buying products in view of others (Turner, 2014; Steyn, 2013). This is done by shopping in crowded malls and by purchasing expensive vehicles. English home language speaking consumers, on the other hand, have been found to shop online more due to added time pressure. In addition, African home language speaking consumers tend to make purchases directly recommended by friends and family, which suggests a possible reason for African home language speaking consumers avoiding online shopping (Steyn, 2013; van Loggerenberg & Herbst, 2010). Turner (2014) and Rubric (2014) add to the discussion by stating that 72 percent of global consumers shop from an online store offering the consumer a native language option which decreases possible confusion that occurs when shopping online.

From the above literature review the primary objective is: To investigate the influence of home language on a consumer's online shopping behaviour in Johannesburg, Gauteng. From the above primary objective, the following secondary objectives are formulated to determine: (1) whether a significant relationship exists between respondents speaking *English* as their home language and their *online shopping behaviour* (level of convenience and product aspects); and, (2) whether a significant relationship exists between respondents speaking *African* home languages and their *online shopping behaviour* (level of convenience and product aspects).

From the secondary objectives, the following hypotheses are made:

H1: There is a significant difference between the online shopping behaviour of English and African home language speaking respondents.

H1a: There is a significant relationship between the home language of the respondents and the level of convenience they perceive.

H1b: There is a significant relationship between the home language of the respondents and the product aspects they perceive.

Problem Statement

South African consumers are increasingly shopping online (WorldWideWorx, 2012). With this in mind, existing retailers have begun considering adding an online shopping element to their existing offering (Euromonitor, 2012), and this makes it important to understand the factors influencing the online shopping behaviour of South African consumers. As previously mentioned, factors like demographics (including home language), the convenience level and product aspects all influence the consumer's online shopping behaviour (Gong *et al*., 2013, p. 217). In addition, many previous studies have investigated the age and gender demographic variables and their influence on a consumer's online shopping behaviour. Various studies have indicated the characteristics of the African home language speaking consumer, and these characteristics' influence on shopping (Steyn, 2013), however the researcher could not locate any study investigating the influence of the consumer's home language on their online shopping behaviour in South Africa. By making use of this research, retailers will be able to understand which factors influence which home language speaking group the most, as well as the overall influence of home language on online shopping behaviour. This understanding will allow the retailer to create specific marketing strategies for each home language group. This could increase the amount of online shopping a specific home language group engages in. In addition, by understanding the particular influence of language on online shopping behaviour, retailers have the opportunity to successfully expand operations into other countries.

Research Methodology

This study is descriptive in nature. Its aim is to investigate the influence of home language on online shopping behaviour. The target population of the study comprised participants who have purchased products online in the past six months. According to Burns and Bush (2010, p. 383), quota sampling refers to the use of significant quota characteristics such as age and gender which are chosen in accordance with the study. In order to identify the target population, non-probability two-stage sampling techniques including quota (50 percent of the respondents were male and the other 50 were female) and convenience sampling was used. Using quotas allowed for an equal number of respondents to complete the questionnaire, and this enabled a statistical comparison to be conducted. A total of 384 usable questionnaires were employed in the statistical analysis.

In order to add validity to the study, the questionnaire was adapted from previous studies conducted by Goldsmith & Flynn (2005), Javadi *et al.* (2012) and Petzer & De Meyer (2011, p. 7470). The questionnaire consisted of three sections and included closed-ended questions. It consisted of dichotomous, multiple-choice and scaled-response questions, including unlabelled five-point Likert scale questions, ranging from "5 = strongly agree" to "1 = strongly disagree": points which determined the intensity of the respondent's feelings towards the statement (Burns & Bush 2010, p. 312). The questionnaire began with a preamble which offered an introduction to the study and consisted of a screening question which ensured that respondents had shopped online in the past six months. The first section gathered responses relating to demographic variables (age, gender, home language, highest level of education, employment and marital status), the following section collected responses regarding purchase intention and the final section collected responses regarding online shopping behaviour. The respondents were informed that their details would remain confidential. To distribute the questionnaires, fieldworkers collected the data at shopping malls across the Northern, Eastern, Southern and Western suburbs in Johannesburg. The shopping malls included were: Sandton (North), Eastgate (East), The Glen (South) and Clearwater Mall (West).

The data collected was entered into the Statistical Package for Social Sciences (SPSS) version 22. After data cleaning, an examination of the frequency distribution, as well as the skewness and kurtosis of the results for each scale item included in the questionnaire were calculated in order to determine whether the data was normally distributed. This is important as it determines whether parametric or non-parametric tests should be used in order to test the hypotheses formulated for the study.

Descriptive analysis is usually conducted in the early stages of the analysis process as it provides the foundation for subsequent analysis and tests (Burns & Bush, 2010, p. 463). Descriptive statistics such as the frequencies, mean scores, percentages, and standard deviations were used to portray a typical respondent, to reveal a potential pattern in terms of responses and to allow for statistical analysis. A significance level of p-value less than 0.05 was used in this study. An independent sample t-test and a one-way analysis of variance (ANOVA) was used to determine whether significant differences between means exist in terms of the respondents' home language and their online shopping behaviour.

The reliability and validity of the questionnaire was also measured. Validity refers to the degree to which the measuring instrument measures what was outlined (Malhotra, 2007, p. 286). Using questionnaires from previous studies added to the validity of this study. Reliability refers to the degree to which the scale provided consistent results, and the Cronbach alpha scores were used in order to determine reliability (Malhotra, 2007, p. 824). The closer the Cronbach alpha score is to 1, the more reliable the scale is (Malhotra, 2007, p. 825). The Cronbach alpha score for this measurement scale was found to be 0.89, which confirms the reliability of the scale. In particular, the Cronbach alpha score for the level of convenience and the product aspect items were 0.63 and 0.82 respectively.

Results

This section provides the results of the study, in particular the overall demographic profile and the relationship between a respondent's home language and their online shopping behaviour.

Demographic Profile of the Respondent

Table 1 reveals that the majority of the respondents who participated in the study were between the ages of 18 and 24 (55.5%, $n = 213$) and the remaining respondents were older than 25 (44.3%, $n = 170$). Most of the respondents had a University degree (42.4%, $n = 163$), with the smallest number of participants had only completed primary school (0.05%, $n = 2$). The majority of the respondents were female (58.1%, $n = 223$). Most of the respondents spoke African languages as their home language (49%, $n = 188$) while the remaining respondents indicated that English was their home language (37%, $n = 142$). The most common form of employment was on a full-time basis by an organisation (34.1%, $n = 131$) and the smallest number of respondents were retired (0.8%, $n=3$), this was however closely followed by respondents who were full-time students (33.1%, $n = 127$). The majority of the respondents were single (49.5%, $n = 190$), followed by those married or living with a partner (22.9%, $n=88$).

Table 2 provides the mean scores and the standard deviations for the level of agreement respondents indicated when they were presented with the online shopping behaviour statements where 1 indicated strongly disagree and 5 indicated strongly agree.

Table 2 shows that the statement respondents agreed with the most was "I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)" (mean = 3.89, standard deviation = 1.11). The statement respondents agreed with the least was "Using the Internet for shopping is easy" (mean = 3.61, standard deviation = 1.13). The overall mean of the level of convenience was 3.63 (standard deviation = 1.16) and the overall mean of the product aspect statements was 3.76 (standard deviation = 1.13) which indicated that respondents agreed more with the statements pertaining to the product aspect. Overall the mean was 3.72 (standard deviation = 1.20) which indicates that respondents neither agree nor disagree with the statements, but lean more towards agreement.

Home Language and Online Shopping Behaviour

This section discusses the statistics for both the English home language speaking and African home language speaking respondents.

Table 1. Demographic Information Collected in this Study

Items	Description	Frequency	Percentage (%)
Age	18 – 24	213	55.50
	25 and older	170	44.30
	Missing	1	0.30
	Total:	**384**	**100.00**
Level of education	Some primary school	4	1.00
	Primary school completed	2	0.50
	Some high school	9	2.30
	Matric / Grade 12 completed	103	26.80
	Technical College Degree	34	8.90
	University of Technology Diploma	39	9.40
	University degree (B-degree or Honours)	163	42.40
	Post-graduate degree (Masters or Doctorate)	33	8.70
	Total:	**384**	**100.00**
Gender	Male	161	41.90
	Female	223	58.10
	Total:	**384**	**100.00**
Home language	English	142	37.00
	Nguni (Zulu, Xhosa, Swati, Ndebele), Sotho, Venda / Tsonga	188	49.00
	Missing	54	14.00
	Total	**384**	**100.00**
Employment status	Self-employed	26	6.80
	Employed full-time by an organisation	131	34.10
	Employed part-time by an organisation	44	11.50
	Full-time student	127	33.10
	Part-time student	26	6.80
	Housewife or househusband	7	1.80
	Retired	3	0.80
	Unemployed	20	5.20
	Total:	**384**	**100.00**
Marital status	Single	190	49.50
	Married or living with a partner	88	22.90
	Living with parents	87	22.70
	Divorced or separated	14	3.60
	Remarried	5	1.30
	Total:	**384**	**100.00**

Descriptive Analysis of the Online Shopping Behaviour

Online Shopping Behaviour of English Home Language Speaking Respondents

Table 3 reveals the means and standard deviations of the online shopping behaviour statements completed by the English home language speaking respondents (*n = 142*). Further, Table 3 suggests that English home language speaking respondents agree the most with the statement "I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)" (mean = 4.11, standard deviation = 0.97) which matches the finding in Table 2. The statement the English home language speaking respondents agreed with the least was “I find online shopping compatible with my lifestyle” (mean = 3.71, standard deviation = 1.04). Respondents who spoke English as their home language agreed the most with the product aspect statements (mean = 3.96, standard deviation = 0.97) compared to the level of convenience statements (mean = 3.84, standard deviation = 1.02). Overall, the respondents who spoke English as their home language neither agreed nor disagreed with the online shopping behaviour statements, however the responses leaned more towards agreement (overall mean = 3.90, standard deviation = 0.99).

Table 2. Descriptive Statistics of the Online Shopping Behaviour Statements

Online shopping behaviour statements		Mean	Standard deviation
Level of convenience	Using the Internet for shopping is easy	3.61	1.14
	I shop online as I do not have to leave home for shopping	3.66	1.19
	I find online shopping compatible with my lifestyle	3.63	1.67
	I shop online as I can take as much time as I want to decide	3.87	1.11
Overall mean of level of convenience		**3.69**	**1.27**
Product aspects	I shop online as I can get detailed product information online	3.69	1.11
	I shop online as I get a broader selection of products online	3.74	1.15
	Online shopping gives facility of easy price comparison	3.72	1.13
	I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)	3.89	1.11
Overall mean of product aspect		**3.76**	**1.123**
Overall mean of the online shopping behaviour		**3.72**	**1.200**

Table 3. Online Shopping Behaviour Statements of English Home Language Speaking Respondents

Online shopping behaviour statements		Mean	Standard deviation
Level of convenience	Using the Internet for shopping is easy	3.75	1.080
	I shop online as I do not have to leave home for shopping	3.90	1.045
	I find online shopping compatible with my lifestyle	3.71	1.036
	I shop online as I can take as much time as I want to decide	4.00	0.929
Overall mean of level of convenience		**3.84**	**1.022**
Product aspects	I shop online as I can get detailed product information online	3.85	0.924
	I shop online as I get a broader selection of products online	3.92	1.079
	Online shopping gives facility of easy price comparison	3.98	0.897
	I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)	4.11	0.970
Overall mean of product aspects		**3.96**	**0.967**
Overall mean of the online shopping behaviour		**3.90**	**0.994**

Online Shopping Behaviour of African Home Language Speaking Respondents

Table 4 reveals the online shopping behaviour of the respondents who speak African home languages (n = 188) and shows that the respondents who speak African home languages agreed the most with “I shop online as I can take as much time as I want to decide” (mean = 3.77, standard deviation = 1.22), while the statement they agreed with the least was the same as the English home language speaking respondents, namely “I find online shopping compatible with my lifestyle” (mean = 3.34, standard deviation = 1.24). With regard to respondents who speak African home languages, they agreed the most with the product aspect statements (mean = 3.56, standard deviation = 1.05) as opposed to the level of convenience statements (mean = 3.50, standard deviation = 1.23). Overall, the respondents who spoke African home languages neither agreed nor disagreed with the online shopping behaviour statements (overall mean = 3.49, standard deviation = 1.14).

Table 4. Online Shopping Behaviour Statements of African Home Language Speaking Respondents

Online shopping behaviour statements		Mean	Standard deviation
Level of convenience	Using the Internet for shopping is easy	3.50	1.21
	I shop online as I do not have to leave home for shopping	3.42	1.26
	I find online shopping compatible with my lifestyle	3.34	1.24
	I shop online as I can take as much time as I want to decide	3.77	1.22
Overall mean of level of convenience		**3.50**	**1.23**
Product aspects	I shop online as I can get detailed product information online	3.50	1.27
	I shop online as I get a broader selection of products online	3.57	1.22
	Online shopping gives facility of easy price comparison	3.52	1.28
	I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)	3.71	1.23
Overall mean of product aspects		**3.56**	**1.05**
Overall mean of the online shopping behaviour		**3.49**	**1.14**

Summary of Means of both English and African Home Language Speaking Respondents and Online Shopping Behaviour

This section reveals the summary of the means of both respondents who speak African and English home languages and their online shopping behaviour.

Table 5. Summary of both English and African Home Language Speaking Respondents and their Online Shopping Behaviour

English home language speaking respondents	Mean	Standard deviation	African home languages speaking respondents	Mean	Standard deviation
Level of convenience	3.84	1.02	Level of convenience	3.50	1.23
Product aspects	3.96	0.97	Product aspects	3.56	1.05

Table 5 reveals that the English home language speaking respondents and the African home language speaking respondents agreed the most with the product aspects (mean = 3.96, standard deviation = 0.97; mean = 3.56, standard deviation = 1.05), while the level of convenience statements were the statements both sets of respondents agreed with the least (mean = 3.84, standard deviation = 1.02; mean = 3.50, standard deviation = 1.23).

Upon further investigation, an independent samples t-test revealed that there were significant differences between English and African home language speaking respondents and the following statements; "I shop online as I do not have to leave the home for shopping" (mean = 3.90, mean = 3.42, p = 0.00), "I shop online as I get detailed product information online" (mean = 3.85, mean = 3.50, p = 0.02), "I shop online as I get a broader selection of products online" (mean = 3.92, mean = 3.57, p = 0.03), "Online shopping gives the facility of easy price comparison" (mean = 3.98, mean = 3.52, p = 0.00), "I find online shopping compatible with my lifestyle" (mean = 3.71, mean = 3.34, p-value = 0.02) and "I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)" (mean = 4.11, mean = 3.71, p = 0.01). From the aforementioned results, the English home language speaking respondents agreed more with all of the statements compared to their African home language speaking counterparts.

Results of the Hypotheses Formulated for the Study

A variety of findings were reached regarding the hypotheses formulated for this study. Hypothesis 1 (there is a significant difference between the online shopping behaviour of English and African home language speaking respondents) is partially supported as the results revealed that there are some significant differences between the English home language speaking respondents and the respondents who speak African home languages. These differences are described next.

With regard to the relationship between English and African home language speaking respondents and the *level of convenience* perceived, significant differences existed. The mean for the English home language speaking respondents and the level of convenience was 3.84 (standard deviation = 1.02) and the mean for the African home language speaking respondents and level of convenience was 3.50 (standard deviation = 1.23). The p-value for the home language spoken and the level of convenience perceived was less than 0.05 (p = 0.00) which indicates that H1a can be accepted.

In terms of the relationship between respondents speaking English and African languages as their home language and the *product aspects* they perceive significant differences existed. The mean for the respondents speaking English as their home language and the product aspects was 3.96 (standard deviation = 0.97), while the mean for the respondents speaking African languages as their home language and the product aspects was 3.56 (standard deviation = 1.05). The p-value for the home language spoken and the product aspects was less than 0.05 (p = 0.00) which indicates that H1b can be accepted.

Once significant differences were identified, the research attempted to determine whether significant differences exist between the respondents who spoke different African languages as their home languages - Zulu, Xhosa, Swati, Ndebele, Sotho, Venda and Tsonga. As mentioned, an independent sample t-test revealed that there were no differences between the online shopping behaviour of individual African home languages spoken. Therefore, the African languages were categorised as one group.

Table 6. Summary of Hypotheses

Hypotheses	Refined hypotheses	Accept / Reject
H1: There is a significant difference between the online shopping behaviour of English and African home language speaking respondents.	H1a: There is a significant relationship between the home language of the respondents and the *level of convenience* they perceive.	Accepted
	H1b: There is a significant relationship between the home language of the respondents and the *product aspects* they perceive.	Accepted

Managerial Implications and Recommendations

The results reveal that some significant differences exist between the online shopping behaviour of those who speak English as their home language and those who speak African home languages. In particular, significant differences exist between the perception of the level of convenience and the product aspects when shopping online.

Overall, the results revealed that the level of convenience and product aspects were more important to English home language speaking respondents (mean = 3.84, standard deviation = 1.02 and mean = 3.96, standard deviation = 0.97), compared to the respondents who spoke African home languages (mean = 3.50, standard deviation = 1.23 and mean = 3.56, standard deviation = 1.05).

The respondents who spoke English home languages agreed the most with the product aspect statement "I use online shopping for buying products which are otherwise not easily available in the nearby market or are unique (new)" (mean = 4.11, standard deviation = 0.99).This indicates that these respondents shop online because of the availability of products that are not otherwise available.

Recommendation 1

In order to address the aforementioned, online retailers (or retailers looking to introduce an online element or enter the South African market through an online store) could focus on obtaining products not easily available – unique products. Once the unique products are available online, the online retailers should promote them on websites suggested by SurveyCompare (2013) to be the most popular websites that South African consumers use, namely Google, Facebook, YouTube, Yahoo, News24 and LinkedIn. There has been an increase in the trend of consumers shopping online using social networking sites like Facebook and YouTube (Quirk, 2012). Online retailers should therefore generate a purchasing channel through these social networking sites as they are where consumers spend most of their leisure time online (Wilson, 2015).

Respondents speaking African home languages agreed the most with the level of convenience statement “I shop online as I can take as much time as I want to decide” (mean = 3.77, standard deviation = 1.22), and this indicates that time is important to these consumers.

Recommendation 2
Therefore, retailers should not rush consumers to make their online purchases. Many online shopping sites give customers fifteen minutes to complete their purchase, which could lead to consumers buying fewer products in the end as they may be concerned about an error occurring within the fifteen minute time period. However, a time limit needs to be implemented with some purchases (*i.e.,* concert tickets) so that other potential consumers are not disadvantaged. Products like clothing and speciality products should have a substantial amount of time available for the consumer to make their decision.

The statement the English respondents agreed with the least was the same as the statement the respondents who speak African home languages agreed with the least: “I find online shopping compatible with my lifestyle” (mean = 3.71, standard deviation = 1.04 and mean = 3.34, standard deviation = 1.24, respectively).

Recommendation 3
In order to improve the compatibility with the respondents’ lifestyles, research suggests that although online shopping is a convenient tool, it is still not convenient enough for some consumers (itnews, 2015). Therefore, online retailers should ensure their website is mobile friendly as it has been found that 94 percent of South African online shoppers use their smartphones to search for information about the product or purchase the product online (itnews, 2015). In addition, it has been found that 45 percent of mobile shoppers prefer to make a purchase from a mobile app rather than the mobile website (businesstech, 2015). Research also suggests that South African consumers still believe that they will purchase the product for the lowest price when they physically shop in a store as they can receive in-store promotions, use coupons and loyalty cards (businesstech, 2015). With this in mind, the online retailers should offer online shoppers access to online promotions and coupons which will encourage consumers to increase their level of online shopping.

Recommendation 4
Statista (2015) reveals that Amazon is the world’s most popular online shopping site, however Mawson (2012) indicates that some products (i.e. electronics) cannot be bought from Amazon and shipped to South Africa. This leaves a gap open to South African online retailers who could offer consumers a broader and a unique selection of products that they cannot purchase elsewhere. In addition, a study conducted by Nielsen indicated that price is a very important factor consumers consider when making a purchase (Nielsen, 2011), therefore online retailers should provide consumers with the necessary product information and the details regarding the price of the product. This can be done by indicating the price of the product on the actual website or mobile app and by placing the product on price compare websites which consumers frequent (for example, Price Check). Online retailers should also consider methods of how to decrease the prices of products online when shopping, as 88 percent of consumers state that they would be more willing to shop online if the products were cheaper (McLeod, 2015). Quirk (2012) states that consumers are reluctant to purchase online due to the risk that the product may not meet their quality expectations. Spenner (2012) observes that online shoppers frequently visit sites like YouTube to watch reviews of products and then use those reviews to decide whether or not to make the purchase. Online retailers could use this information by introducing videos to their websites about the products and perhaps using opinion leaders to upload videos about the products on YouTube.

Recommendation 5
As mentioned earlier, Turner (2014) and Rubric (2014) state that 72 percent of global consumers shop from an online store which offers the consumer a native language option, which in turn decreases possible confusion when shopping online. Online retailers could therefore offer a translation option on their website which would allow consumers to change the language and decrease confusion which may occur with a consumer who does not speak English as their home language. Alternatively, the online retailer could have various online sales consultants available who speak a variety of different languages. This could allow the consumer to directly contact someone who will be able to assist them in their native language.

Limitations and Further Research

A convenience sample was used, making the study representative of those who participated. This therefore limits the researcher's ability to generalise to the entire population. In addition, this research was only conducted in the Johannesburg, Gauteng province, limiting the type of respondent. Further research can be conducted in other geographical areas, using a different sampling technique and perhaps investigating other variables, like the influence of gender on online shopping behaviour.

Conclusion

This study investigated the influence of the respondents' home language on their online shopping behaviour. The study showed that there are significant differences between the online shopping behaviour of respondents who speak English as their home language and that of respondents who speak African home languages. Specifically, the level of convenience and the product aspects were areas where significant differences existed.

This study contributes to an understanding of how a consumer's home language influences their online shopping behaviour. This understanding will enable online retailers (or retailers who want to add an online element) to implement strategies to favourably influence the consumers' online shopping behaviour. In addition, due to the growth of online shopping around the world (particularly in Africa) there is a gap for online retailers to expand into other countries and this study reveals how a consumer's home language would influence their online shopping behaviour. Online retailers could use this information to ensure success in foreign countries. Major recommendations involve the online retailer offering consumers websites that could be translated into their home language, creating mobile apps and communicating more about the products by using reviews and videos.

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CUSTOMER EXPERIENCE MANAGEMENT IN AN EMERGING ECONOMY: A CASE STUDY PERSPECTIVE

Mornay Roberts-Lombard, University of Johannesburg, South Africa

The primary objective of the study is to investigate customer experience under the current process-centred approach at the Industrial Development Corporation (IDC) in South Africa. The population was defined as all the existing customers of the IDC who had not settled their debt obligation at the time of the study. Probability sampling was used to select the sample and the respondents were requested to complete a self-administered questionnaire. Descriptive and standard multiple regression analysis techniques were used to analyse the results. It is recommended that the IDC pay closer attention to their processes, branding and channel approach strategies to improve their service offering, as these three customer experience variables have a significant positive relationship with customer satisfaction. This, however, does not imply that the IDC should totally ignore people as a variable of customer experience.

Introduction

In today's society, people's purchasing activity is aimed not only at satisfying their material needs, but also at experiencing the real meaning reflected by the products that they purchase. As a result, economic development reflects a movement away from a traditional economy to the present experience economy. The experience economy is based on the enterprise service, on good material, and on creating a memorable experience for customers (Han & Sun, 2012). To compete successfully on the customer experience terrain, organisations are applying principles and tools of total customer experience to generate, strengthen and sustain enduring customer loyalty (Drotskie, 2009). In support of the argument by Han & Sun (2012), and Drotskie (2009), Kailash (2012, p. 4) attests that if customers' experience of the service greatly exceeds the expectation they had of the service, their satisfaction will be high. This is the impetus for why organizations are no longer self-infatuated and customers have become the central focus for management. The shift of power from company to customers forces organisations to focus on customer retention and loyalty through improved customer experience (Botha, Kruger & De Vries, 2012).

Organizations that enhance their customer experience through a customer-centred approach will not only survive during hard times, but will maintain and sustain business profitability prospects (Gummesson, 2008; Hasan, Raheem & Subhani, 2011). It is therefore not surprising that an institution such as the Industrial Development Corporation (IDC), a development finance institution, is constantly trying to improve in this area to retain its status and reputation as a profitable state-owned entity. Kailash (2012) supports the view expressed in the previous paragraph by emphasizing that in spite of public sector banks enjoying the trust of customers, which they have been leveraging to stay in the race, private sector banks seem to have satisfied their customers with good service and have been successful in achieving long-term strategic relationships with their customers. According to Drotskie (2009), central elements to be considered in creating a worthwhile customer experience are strategy, culture, customer expectation, processes, channel approach, marketing and brand, system and people.

For the purpose of this paper, the elements to be considered are process, people, branding and channel approach. As far as could be established, very little research has been done within the IDC space, specifically in the South African context, to attain better understanding of customer experience as a subject, and the influence of customer experience elements on customer satisfaction. By understanding customer experience and the elements as mentioned, the IDC will gain insight into the perceived hindrances to a positive customer experience.

Research Problem

In today's global marketplace it is becoming increasingly essential for organisations to gain and sustain a competitive advantage. This can be achieved by co-creating a valuable and worthwhile experience for customers (Ulusua, 2011). Organisations should prioritise customer experience and make it top of their agenda to achieve customer loyalty and overall business results. Understanding how to create a great experience for customers, will in the long run guarantee that organisations will reduce costs and retain existing customers as well as acquire new ones

(Mentz, 2013).

Alvarez, Casielles & Martin (2011) further note that every facet of the organisation and all its interfaces must advance the promise to deliver exceptional experience. The interactions, and hence the communication with customers and the customer experiences that result from those interactions, are for many businesses, the sole remaining frontier of competitive advantage (Alvarez *et al*., 2011). Customers' encounter with a company not only moulds their perception of the brand, but also influences the longevity of their relationship with the company. By managing the customer interfaces well, organisations are able to create an experience that will retain satisfied customers, attract a new pool of customers, and give the organisation a competitive edge (Homburg, Wieseke & Bornemann, 2009). In essence, these organisational processes and branding strategies are among the central factors in the customer experience domain.

The relationship between the customer experience variables processes, branding, channel approach, people and customer satisfaction at the IDC, however, is not known. Knowledge of the association between the four independent variables and the dependent variable customer satisfaction could however provide valuable insight into key areas that should form part of the IDC's strategy to enhance the experience of their customers.

Objectives

Emanating from the research problem, the objectives of the study were to: (1) explore whether the different customer experience elements (process, branding, channel approach and people) have a significant positive relationship with customer satisfaction at the IDC; and, (2) establish which customer experience element (process, branding, channel approach or people) can be viewed as the best predictor of customer satisfaction at the IDC.

Theoretical Background

A Perspective on Customer Experience

According to Vos *et al*. (2011), customer experience is the internal and subjective response customers have to any direct or indirect contact with a company. Customer experience is not a one-time event, but a process of continual change. The customers' experiential perspectives reveal a product's symbolic meaning, of a more subjective nature, rather than its utilitarian function based on objective features (Dirsehan, 2010). According to Frow & Payne (2007), customer experience is defined as the user's interpretation of his or her total interaction with the brand. Adding voice to the customer experience subject, Lemke, Clark & Wilson (2011) see customer experience as the customer's subjective response to the holistic direct and indirect encounter with the organisation, and customer experience quality as its perceived excellence or superiority.

Process as an Element of Customer Experience

A business process consists of a group of logically related tasks that use the resources of the organisation to provide defined results in support of the organisation's objectives. From the definition provided, it is clear that the business processes of an organisation must be linked to the organisation's objectives or goals, the most important being the goal of customer satisfaction. This link can be achieved by engineering or reengineering business processes to reflect the needs of the customer (Botha & Van Rensburg, 2010).

Processes are organisational assets that are central to creating value for customers and should be continuously improved (Furterer, 2009; Olajide & Israel, 2012). Processes define organisational roles and associated functions, each with its own specific competencies requirement (Pappa, Faltin & Zimmermann, 2009). When business processes are not normal or when they do not correspond with a customer's awareness, a negative value gap arises, which implies a difference between the service provider's intention and service recipient's expectation (Pyon, Woo & Park, 2011). Brecher (2011) is of the belief that the process, which is the "how" of service delivery, is extremely important because the service and the seller are inseparable.

It is therefore hypothesised that:

HA1: There is a significant positive relationship between process as an element of customer experience and customer satisfaction at the IDC.

People as an Element of Customer Experience
Porath, MacInnis & Folkes (2010) state that employee incivility produces a "rotten apple spoils the barrel" effect, increasing the tendency to make negative generalisations about *(a)* others who work for the firm (generalisation across people), *(b)* the firm as a whole (generalisation across entities), and *(c)* future encounters with the firm (generalisation across time). Employee incivility is deleterious to firms because it induces consumer anger, causing consumers to make far-reaching negative generalisations (inductive inferences). Porath *et al.* (2010) conclude by suggesting that employees, who learn to be mindful of their own behaviour, may create a better work environment and a better service experience. Du Plessis (2010, p. 79) supports the conception of people being a central fragment of customer experience, as they consciously and unconsciously represent a company to customers or potential customers. Pappa *et al*. (2009) position employees' role more articulately by stating that ensuring that employees have the right skills for the job, is essential for the growth and success of an organisation. According to Abbasi, Khalid, Azam & Riaz (2010), customer experience and satisfaction soar high if employee performance is excellent.

It is therefore hypothesized that
HA2: There is a significant positive relationship between people as an element of customer experience and customer satisfaction at the IDC.

Branding as an Element of Customer Experience
According to Keller (2008), brands provide important functions to customers. Brands identify the source or maker of a product and allow customers to assign responsibility to a particular organisation. Most importantly, brands take on special meaning. Thus, in keeping with Lemke *et al*.'s (2011) description of customer experience as a customer's perception of excellence or superiority, Gowri (2012) claims that branding helps in winning the battle of perception. Gowri (2012) substantiates this by indicating that when several brands of a particular product, which are similar in quality of performance and external appearance, are available to customers, brand knowledge, loyalty and trust can create a preference in their minds. A brand can be used by organisations to create a sense of trust in customers and to create an emotional connection between the organisation and customers. It is used as a vehicle to acquire and retain customers, and most notably it symbolises the sum of every customer experience (Hand, 2011).

Because of past experience with the product and its marketing programme over the years, customers find out which brands satisfy their needs and which do not. Customers will make a purchasing decision based on their experience with a particular brand. The extent to which an organisation creates a worthwhile customer experience, will determine the relationship between the organisation and the customer going forward. For the purpose of the research study, all mention of branding will refer to the emotional, symbolic and intangible features of branding, as they tell of the affective (feeling) facet that an organisation will have to get right in creating a positive experience and influencing their customers. The choice is fortified in part by the Brand Manifesto in *Brands & Branding in South Africa* (2011), which states that from a consumer's perspective, brands often evoke strong rational and emotional responses and have been described as "a powerfully held set of beliefs by the consumer".

It is therefore hypothesized that
HA3: There is a significant positive relationship between branding as an element of customer experience and customer satisfaction at the IDC.

Channel Approach as an Element of Customer Experience
The term "channel approach" has become a buzzword in business. Companies are moving from a single point of entry for customers and embracing a multichannel approach, especially retailers. Multichannel retailers present multiple contact points to consumers through various channels (Jin, Jin Yong & Kim, 2010). These increased contact points lead to increased positive confirmation of the customer's expectations, which in turn increases the customer's satisfaction level. An example of the shift is evident in the way commercial banks are conducting their business. A decade back no one would have anticipated the migration to electronic-based transacting from traditional brick and mortar transacting (Jin *et al*., 2010).

The challenge for organisations is how to create a unified and integrated customer-centric experience across whatever channel or touchpoint the customer wants to use to transact, thereby creating a completely seamless and consistent experience (Mentz, 2013). Customer experience "is likely to arise across channels, the cumulative effect of numerous encounters, rather than being driven by a single episode" (Maklan & Klaus, 2011).

It is therefore hypothesized that
HA4: There is a significant positive relationship between channel approach as an element of customer experience and customer satisfaction at the IDC.

Link between Customer Experience and Customer Satisfaction
Customer experience should not take place in isolation, but must be seen as a business driver that rests on the shoulders of all employees. Nowadays, consumers do not only care about the functional features and benefits of the products, but also give importance to the emotion it provides. Experiences can have a positive effect on their emotion, which creates a positive customer experience (Dirsehan, 2010). Dirsehan (2010) further endorses the view that customer experience is important to develop the satisfaction which leads to recommendations and revisits. Relentless attention and endeavours to getting customer experience right, will yield increased customer equity (Rich, 2009). A positive connection between customer experience and customer satisfaction is also stressed by Rich (2009), who states that when customers are satisfied, organisations may reap opportunities to cross-sell products and services. All organisations need to consider how they can create superior customer encounters leading to an "outstanding" or "perfect" customer experience. A simple means of defining outstanding or perfect in this context implies consistently achieving 5 out of 5 on customer satisfaction (Porath *et al*., 2010).

Customer satisfaction occurs when the gap between customers' expectations and their subsequent experience has been closed. To understand how to achieve satisfaction, organisations must deconstruct it into its component experiences (Thusyanthy & Senthilnathan, 2012). Wang & Chen (2012) claim that customer satisfaction with a product or service that is considered to be of great importance in the consumption experience, may lead to overall life satisfaction for a customer.

Based on the literature in this paper, it is safe to propose that customer satisfaction is an output that results from the customer's engagement and transactional bond with an organisation. An organisation performs certain customary services which customers judge on the basis of their experience. The result of this judgement of these experiences is customer satisfaction. So in essence, customer experience leads to customer satisfaction. If the customer has a favourable experience, the level of satisfaction will be high, and if the opposite holds, their satisfaction will be damagingly affected.

It is therefore hypothesized that
HA5: The variables process, people, branding and channel approach do not exert the same influence on customer satisfaction at the IDC.

Methodology

The research methodology followed was quantitative and descriptive in nature. The population of the study was all the existing customers of the IDC who had not settled their debt obligation at the time of the study. The sampling frame was a customer list drawn from the SAP-generated database of customers who received funding from the IDC between 1 April 2010 and 31 March 2013. Probability sampling was used to select the sample, since every member of the population of interest had a known and equal chance of being selected, independent of any subjective selection (Housden, 2010). Due to the complexities that had to be navigated, a sample size of only 276 customers out of the population of 572 could be contacted for the purpose of the study. This was due to the fact that the other 296 had participated in the IDC's customer satisfaction survey administered in March 2013. The IDC management requested that the 296 customers who had participated in the IDC's customer satisfaction survey not be contacted to avoid survey fatigue. A total of 113 responses were received. This amounts to a response rate of 41%.

The respondents who participated in the survey were requested to complete a self-administered questionnaire. The questionnaire was based on some of the IDC's past customer satisfaction surveys as well as studies by Drotskie (2009), Du Plessis (2010) and Van Vuuren (2011) that were previously fielded and validated. The respondents were requested to answer a series of structured, closed-ended questions that were based on a five-point Likert scale. The questionnaire consisted of three sections. In Section A, the respondents' demographic information was gathered, and Section B focused on the business information. Section C measured the two elements of customer experience (process and branding) as well as customer satisfaction. The items were measured on a scale ranging from 1 to 5 (where 1 is "strongly disagree" and 5 is "strongly agree"). The questionnaire was pretested in a pilot study involving eight customers of the IDC in Johannesburg. Pretesting was used to identify and correct flaws in the design of the questionnaire.

After the data had been coded, captured and edited, SPSS version 18 was used to analyse the results. The internal consistency reliability test was applied to measure the reliability of the scales that were used in the study. The validity of the survey was warranted by ensuring that the statements tested in the questionnaire were aligned to the research objectives of the study. Descriptive and standard multiple regression analyses were used to analyse the results and determine if the independent variables process and branding have a positive relationship with customer satisfaction at the IDC.

Results

Profile of Respondents and their Businesses

Table 1 provides a summary of the respondent and business profiles that were obtained from the survey.

Table 1. Summary of Respondent and Business Profile

Designation of the respondents	**Percentage (%)**
CEO/MD	38.4
Executive management	29.5
Senior management	27.7
Other	4.5
Gender of respondents	
Male	72.6
Female	27.4
Ethnicity of respondents	
Black	23.9
White	57.5
Coloured	10.6
Indian or Asian	8.0
Location of business entity in South Africa	
Yes	99.1
No	0.9
Province location of the business entity	
Gauteng	41.4
KwaZulu-Natal	9.9
North West	5.4
Limpopo	2.7
Western Cape	15.3
Eastern Cape	5.4
Free State	3.6
Mpumalanga	10.8
Northern Cape	5.4
Status (life cycle) of the business entity	
First-time client	48.7
Repeat clients	51.3
Type of business entity	
Private company	87.6
Public company	0.9
Close corporation	10.6
Other	0.9

From Table 1 it is clear that from the 113 respondents who participated in the survey, 38.4% are at the CEO/MD level. There is further an equal spread between executive management (29.5%) and senior management (27.7%). Almost three-quarters of the respondents (72.6%) are males, most of the realised sample can be classified into the white ethnic group (57.5%), and almost all of the businesses of the respondents are located in South Africa (99.1%). More particularly, the respondents are predominantly based in the Gauteng Province (41.4%), followed by the Western Cape (15.3%), Mpumalanga (10.8%), KwaZulu-Natal (9.9%) and then the other regions. There is an almost equal spread between the respondents who are first-time clients at the IDC (48.7%) and the respondents who are repeat clients at the IDC (51.3%). Finally, the majority of the respondents who participated in the survey (87.6%) are based at private companies.

Reliability

Cronbach's alpha is a measure of internal consistency, which indicates how closely-related a set of items are as a group. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer the coefficient is to 1.0, the greater the internal consistency of the items in the scale (Pallant, 2010). Wilson (2012) offers the rule that a Cronbach's alpha coefficient of 0.7 is acceptable and any Cronbach's alpha higher than 0.7 can be considered excellent. Table 2 reflects the Cronbach's alpha reliability coefficient of the customer experience elements, as well as the overall customer satisfaction in the current environment.

Table 2. Reliability Statistics

Constructs	Cronbach's alpha
Process	0.80
Branding	0.87
Channel approach	0.61
People	0.87
Overall experience	0.93

As per Table 2, the Cronbach's alpha coefficients for almost all the factors are higher than 0.7, suggesting that the measurement scales used are in fact reliable, with the exception of channel approach (0.61), due to a negative scoring in the factor analysis from the onset. When the negative item is excluded, a Cronbach's alpha coefficient 0.76 is attained.

Validity

According to Pallant (2010), validity refers to the extent to which the conclusion drawn from the experiment is true. Consequently, the following activities were performed to ensure validity and reliability. The questionnaire was tested in a pilot study and the testing revealed that the questionnaire's statements ensured that the objectives of the study were met. During the pilot study it was evident that some of the statements had to be tweaked to avoid ambiguity and misunderstanding. The questionnaire was designed using some of the IDC's past customer satisfaction surveys and previous studies by Drotskie (2009), Du Plessis (2010) and Van Vuuren (2011). The statistical unit of the University of Johannesburg (STATKON) was also consulted to assist in analysing the findings and ensuring that the results were correctly measured and interpreted. Finally, the large sample size surveyed further aided in obtaining accurate data for the study.

The Relationship between the Independent Variables and Customer Satisfaction

Concerning the first research objective, standard multiple regression analysis was used to explain the relationship between the independent variables process and branding and the dependent variable customer satisfaction. A number of preliminary analyses were conducted to ensure no violations of the underlying assumptions for performing the standard multiple regression analysis technique. Firstly, the sample size of 113 respondents was regarded as adequate, given the fact that it is greater than the required minimum sample size of 50 + 8 (number of independent variables), as suggested by Tabachnick & Fidell (2007). Secondly, no evidence of multicollinearity was found. Table 3 reflects the correlation between the variables and the collinearity statistics.

The Pearson product moment correlation was employed to test the associations between the independent and the dependent variables. The correlation matrix (Table 3) shows that all the variables are significantly correlated at the p

< 0.05 level, thereby indicating that there is a statistically significant positive relationship among the variables that were investigated. However, while the correlation between the elements is strong, multicollinearity was not evident, except in the case of people and process. The correlation between the independent variables people and process is too strong at 0.82. It can thus be inferred that the two variables are similar, and whatever holds true for process, will hold true for people as an element of customer experience. The tolerance value calculated for each variable was not less than 0.1 and the variance inflation factor values calculated were not close to 10. Beside the independent variables (people and process), values fell within the parameters as suggested by Pallant (2010). It could therefore be inferred that the independent variables investigated were not similar and could thus be tested separately with the concession stated.

Table 3. Correlations between Independent and Dependent Variables and Collinearity Statistics

Factors	Customer satisfaction	Process	Branding	Channel approach	People	Tolerance	VIF
Customer satisfaction	1	0.75**	0.85**	0.66**	0.75**		
Process	0.76**	1	0.69**	0.60**	0.82**	0.33	3.08
Branding	0.85**	0.69**	1	0.60**	0.78**	0.38	2.64
Channel approach	0.66**	0.60**	0.60**	1	0.68**	0.52	1.91
People	0.83**	0.82**	0.78**	0.68**	1	0.23	4.42
	** Correlation is significant at the 0.05 level (1-tailed).						

Thirdly, the residual scatterplots showed that the data was normally distributed and linear in nature and the sample size of 113 respondents was relatively large. Consequently, based on the abovementioned analysis, the researchers were able to apply the standard multiple regression analysis technique to test the hypotheses formulated for this study. The results of the regression model are displayed in Table 4.

Table 4. Regression Model

Dependent variable: Customer satisfaction			
Independent variables (predictors)	**Beta**	**T**	**Sig.**
Process	0.26	4.12	0.00
Branding	0.58	9.11	0.00
Channel approach	0.16	2.76	0.00
F (3,108)=140.06 Sig=0.00 R^2=0.80			

The researchers relied on a 95% level of confidence in the analysis of the results. Therefore a p-value of less than or equal to 0.05 implied that it is highly unlikely that the results are due to chance alone, according to the independent samples t-test. The independent variables explained approximately 79.6% (R^2=0.80) of the variance in customer satisfaction. The regression model was significant at $p < 0.000$ and it further appears that the variables process, branding and channel approach can truly be viewed as predictors of customer satisfaction. Table 4 indicates that process has a statistically significant positive relationship with the dependent variable customer satisfaction at $p = 0.00$. One unit increase in process will increase customer satisfaction by 26.1% when considering beta. Table 4 further indicates that branding and channel approach also have a statistically significant positive relationship with the dependent variable customer satisfaction at $p = 0.00$. One unit increase in branding will increase customer satisfaction by 57.8% when considering beta, and one unit increase in channel approach will increase customer satisfaction by 15.9% when considering beta. Finally, given the above findings, it can be concluded that the first, third and fourth hypotheses formulated for the study can be accepted. There is a significant positive relationship between process as an element of customer experience and customer satisfaction at the IDC. Similarly, there is a significant positive relationship between branding and channel approach as an element of customer experience and customer satisfaction at the IDC.

The second research objective and fifth hypothesis aimed at testing whether the four independent variables have an equal positive relationship with customer satisfaction at the IDC can thus also be accepted. Based on the results displayed in Table 4, the third hypothesis should be rejected. The beta values indicated that branding has the strongest relationship with customer satisfaction, followed by the variable process ($\beta = 0.26$), which has the second strongest relationship with customer satisfaction, and lastly channel approach, which has a beta value of 0.15, which indicates the lowest influence on customer satisfaction. Consequently, considering the findings, the following conceptual framework is proposed:

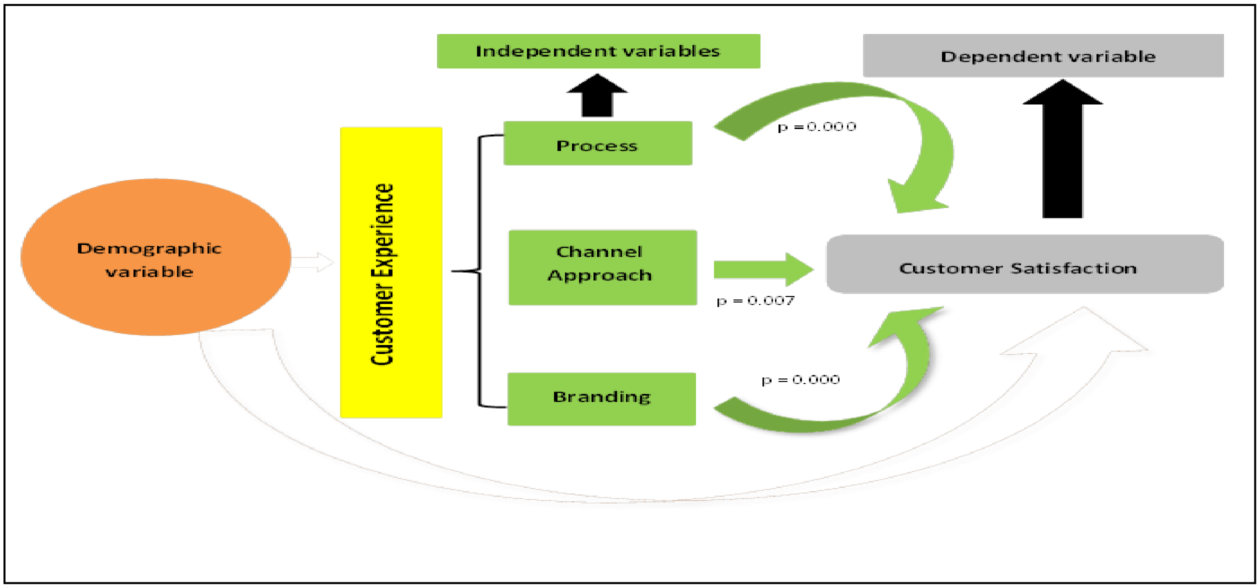

Figure 1. Conceptual Framework Proposed

Source: The author

Managerial Implications

Following the empirical findings, a number of managerial implications can be highlighted that will assist in addressing the third research objective formulated for the study.

Implications Regarding Processes

In terms of processes, it is evident from the results obtained that customers had an overall positive experience with the IDC process and perceive the IDC's due diligence process to be exhaustive and the IDC's funding criteria to be clearly defined. On the downside, customers believe that the IDC is slow in terms of disbursing the funds when requested, and that their application process drags on longer than necessary. In light of the customer response regarding their experience with the IDC, customers highlighted that for them to have a valuable experience when dealing with the IDC and their expectations to be fully met, it is critical that the IDC should make funds accessible more rapidly and improve the fluency of application approvals. Customers emphasised that they do not want to feel inconvenienced and dragged into IDC processes, particularly when they have met all the conditions related to the transaction. The perceived lack of earnestness from the IDC results in missed business opportunities and delayed response to market demands. The IDC must ensure that they design their processes from the end backwards. All process intricacies must be planned around the customers, and the operational efficiencies must be built into the process model to harness customer experience.

The customers' assessment of an organisation's brand reflects the confidence and trust they have in the organisation. The more positive their assessment of the brand, the higher their trust and confidence in the brand and the more satisfied they are with the organisation. An organisation's brand promise is reflected through the execution of its processes. The more synchronised the organisational process and brand messaging are, the more favourable the customers' experience will be. Consequently, it is also imperative for the IDC to pay attention to their branding strategies.

Implications Regarding Branding

In relation to the influence of branding on customer satisfaction at the IDC, the empirical findings revealed that the majority of customers have confidence in the IDC. Customers are content to be associated with the IDC brand and truly trust that the IDC places their interest first. True to its values, customers see the IDC as a professional and passionate state-owned agency that excels in developing new industries and creating an enabling environment that allows businesses to prosper and create jobs. The customers made it clear that they would refer the IDC to their business associates, and if the opportunity arose, they would do business again with the IDC. However, the respondents are of the opinion that the IDC could differentiate itself from its competitors through its value offering by providing risk finance at favourable rates and on flexible terms, and by being more innovative in the way that the IDC organises its internal processes and integrates its channels to guarantee effective engagement with customers, empowering its people to deliver quality service, and building a reputable and reliable brand.

Customer experience is the internal and subjective response customers have to any direct or indirect contact with a company. It is therefore imperative that when customers have an interaction with an organisation, over and above the commercial relationship reflected through an organisation's processes and branding, they feel appreciated and respected. This can be realised only by the way in which its people relate to customers and most importantly, the manner in which the organisation engages with customers through the different mediums it uses to create intimacy with them. It is for this reason that the IDC needs to refine and focus their energies on crafting and properly implementing their engagement/communication strategies.

Implications Regarding Channel Approach

With regard to the IDC's channel approach, customers felt their expectations were met. Respondents believe that they know whom to contact when assistance is needed and that their engagement with the IDC is handled in a professional manner. Although the respondents expressed satisfaction with the manner in which the IDC communicates with them, they are still of the view that there is room for improvement and that the IDC can stretch itself further in its attempt to disseminate information to its customers. Customers stressed that they want information readily available "at the click of a button". In summary, customers felt that the IDC should make it easy for them to access information that is specific and relevant to their line of business, rather than offering generic information. The majority of the customers also felt that the IDC should use other government agencies and financial institutions that are developmental in nature as additional communication channels.

The people in the employ of the IDC serve as the face of the organisation and reflect its values. People are often the voice of an organisation, being its defenders and ambassadors. Regardless of how good an organisation's value offering is, if the people in its employ are not well equipped to service its customers, the organisation might as well close its doors for trade. People are pilots of the customer experience.

Implications Regarding People

In relation to people, customers who participated in the study hold IDC's employees in high regard. Customers strongly believe that IDC employees are highly competent to deliver quality service and go the extra mile in making sure that their needs are responded to when the IDC is called to action. Customers hinted that as much as they value IDC employees' professional and friendly manner and the way they execute their role, they are more reactive than proactive in giving business advice. Customers were of the opinion that employees' reactiveness results in deferred remedial actions in times of financial difficulty. Customers also felt that IDC employees "as industry experts", are disengaged and feed customers with limited market insight.

The implication of these findings is that the IDC needs to shorten its application process and streamline and fast-track its process in terms of releasing funds. In the dissemination of information, the IDC will need to be more available and use additional alternative channels of communication to reach its customers and to aggressively show them its value proposition and offering. Prior to designing any intervention, the IDC should consult with its customers to ensure that the interventions are aligned with their expectations, and upon implementation thereof, customers' feedback must be sought to gauge the success of the interventions.

Ultimately, the findings of the survey, although limited in scope, contribute to the improvement of customer experience within the financial services sector and could lead to a more customer-focused approach.

Limitations and Implications for Future Research

The present study provided valuable information regarding the factors of customer experience that have a positive relationship with customer satisfaction at the IDC. The empirical findings, however, should be considered within the context of some limitations to the study. Firstly, the study addressed customer experience within a process-centred approach at the IDC. Not all IDC customers could participate in this particular study. The IDC executive management approved a limited sample as other customers had already participated in the IDC 2013 customer satisfaction study. The findings of the study can therefore not be generalised and applied to all development finance institutions, as the population defined for the study was specific to the company in question. The results obtained will not necessarily change the existing processes in the IDC.

Consequently, a future research study could be conducted on a broader scale that might provide more insight into the key factors (as identified in this study) that can be associated with customer satisfaction at the IDC. A robust statistical tool, such as structural equation modelling (SEM), could be applied or a longitudinal research study could be conducted to determine the relationship between the independent variables and the dependent variable over a period of time. Additional factors could also be further explored to determine whether they can be associated with customer satisfaction at the IDC. A mixed-method approach that includes both quantitative and qualitative research techniques could be considered to refine the results. The measurement instrument that was used in this study could further be applied to other services industries that have not yet been explored in the South African environment to determine if the variables investigated in this study, would have a relationship with customer satisfaction in the alternative services industry.

Conclusions

It is essential for the IDC to follow a customer-centred approach in order to maintain and sustain a profitable business. To accomplish this task, however, the IDC would need to focus on improving their processes, channel approach and branding strategies, since there is a significant positive relationship between the three customer experience variables (process, branding and channel approach) and the dependent variable customer satisfaction at the IDC. The absence of a positive relationship between people as a variable of customer experience and customer satisfaction as a dependent variable due the strong multicollinearity between people and process, does not mean the IDC may turn a blind eye to the calibre of people in its employ. It may simply mean that the major focal point at present should not be people as an independent variable, but rather the way in which people exercise their responsibilities in piloting the other three independent variables.

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ENVIRONMENTAL STRATEGIES AS MARKETING TOOLS FOR SOUTH AFRICAN BANKS

Tamlyn Barker, Honours Student, University of Johannesburg, South Africa
Alex Peitch, Honours Student, University of Johannesburg, South Africa
Cashandra Jasson, Lecturer, University of Johannesburg, South Africa

Environmental sustainability is rapidly becoming a global concern, although in South Africa it is still a fairly new concept. The concern is that certain large industries in South African are not doing enough to support this worldwide issue. While the manufacturing industry is probably the biggest contributor to environmental pollution, banks are the financiers of such large projects and furthermore, also stimulate consumption through their own advertising and marketing of financial products and services. The focus of this research is on how South African banks use environmental sustainability as a marketing tool. Contributions within the field of management and specifically marketing and strategy will be formulated from the findings for the study. How financial organizations are going about marketing their businesses when environmental sustainability underpins that strategy will be addressed.

Introduction

"Just a decade ago, the term "green building strategy" evoked visions of fringe environmentalism and a high cost for minimal good. More recently, there's been a shift in perception, an awakening of social consciousness, and a realization that a strategy good for the world can also be good for a firm's bottom line. In fact, although banks don't contribute greatly to the pollution of the environment, they do play a role as projects financiers of major developments with activities that impact the environment. Yet, very little research has been conducted on banks' triple bottom line reporting, either in their annual reports or websites (Sobhani, Amran & Zainuddin, 2011, p. 75). In sustainability terms, the triple bottom line reference has three distinct dimensions, being an economic or profitability dimension, a social dimension, (which has stakeholder relationships as objective) and an environmental dimension (Gomes *et al*., 2015, p. 117). Green Business Strategy is therefore no longer an option; the future depends on it" (Harvard Business School Press, 2007, p. 1). The world is becoming more and more aware and concerned about the impact that doing business has on the globe and the requirement for environmentally sustainable business practices. South Africa's banks can play a big role in first implementing these practices and then potentially utilizing them to their strategic advantage.

According to renowned climate scientist James Hansen, "Our global climate is near a tipping point. Changes are beginning to appear, and there is potential for rapid changes with effects that would be irreversible-if we do not rapidly slow fossil fuel emissions during the next few decades" (Melville, 2010, p. 14). There seems to be a realisation that 'we' the people of the planet cannot continue to consume and dispose of resources as we currently do.

As an emerging economy, South Africa has a small ecological footprint compared to that of developed nations. However in an African context, this country emits more than 90 per cent of energy-related carbon dioxide. All is therefore not well and as an emerging economy, South Africa is now in an optimal position to start early in its efforts to spread awareness of the prominent environmental concerns that plague many developed nations (Sonnenberg, Erasmus & Donoghue, 2011, p. 153). Although many firms become environmentally responsible when pressurized by government or in response to criticism from lobby groups (Gomes *et al.*, 2015, p. 116), South African banks seem to be proactively dealing with sustainability concerns.

Most big firms have been placed under pressure by their customers to incorporate environmental practices into their strategies and marketing efforts (Buxel, Esenduran & Griffen, 2015, p. 109), although the reporting of such practices is still voluntary (Roca & Searcy, 2012, p. 103). Due to banks' positioning they have the ability to ensure greater environmental awareness among their less informed clients and at the same time, through sustainability reporting, share details of their sustainability efforts with their stakeholders using public portals such as their websites and annual reports. Banks may perhaps even exploit it to their own competitive advantage (Roca & Searcy, 2012, p.

103). According to KPMG, the ‘big four’ aim to do this. The ‘big four’ are four South African retail banks who have aligned their environmental policies with various sustainability frameworks. These banks are realising the opportunity driven by consumers and new products. Innovation is at the bedrock of how the banks create a competitive advantage and deal with environmental sustainability. Standard Bank has placed its focus on a low carbon economy and therefore puts its efforts into carbon trading. However how exactly environmental strategies affect South Africa’s big bank’s marketing strategies is unclear (KPMG, 2010).

This study will incorporate the responses of marketing managers, marketing leaders or environmental officers in preselected banks in South Africa during semi-structured interviews. Due to the nature and sensitivity of this topic none of the banks can be named. The particular banks were selected because they are locally owned and among the largest retail banks in South Africa. Selecting the four largest retail banks in South Africa provides a relatively good indication of whether or not the South African banking industry as a whole is implementing environmental strategies as marketing tool. Marketing managers, marketing leaders or environmental officers from the various banks will be questioned during semi-structured interviews on their opinions about the study and asked to give recommendations. Obtaining information from the most relevant people will be critical to researching and gaining understanding about the topic in each firm involved in the study. The data obtained from the interviews as well as literature will be used as research material and will help to answer whether banks in South Africa use their environmental strategies as a marketing tool or not.

Valuable contributions to the field of marketing and strategy may be made through the findings of this research. Predicted positive outcomes from the findings of the study could be that retail banks in South Africa could gain financial benefits and potentially competitive advantages by using environmental policies already in place. Alternatively, new policies may be put in place following these research findings highlighting the marketing benefits of environmental sustainability. This can help shape how businesses and financial institutions determine their marketing strategies for the future. Lastly the results from this research can also be used as marketing tools for role players elsewhere in the financial sector to use in the future as well as other non-financial South African companies who can use the findings as a basis for comparative analysis.

Therefore, the problem researched in this study could be defined as follows: *Do banks in South Africa use their environmental strategies as a marketing tool?* In order to answer the research question certain objectives need to be stated and met. These are divided into primary and secondary objectives.

Research Objectives

Primary Objective
To investigate whether South African banks use their environmental strategies as a marketing tool

Secondary Objectives

- To conduct interviews with selected retail banks in South Africa.
- To investigate their environmental strategies.
- To investigate their marketing strategy.
- To determine possible benefits.
- To make recommendations.

Literature Review

There are varying viewpoints when it comes to environmental sustainability and its viability as a marketing strategy. Al Gore (former USA Vice President) who won a Nobel Prize for work on global warming in 2007 urged the world's biggest carbon emitters, China and the U.S., to “make the boldest moves, or stand accountable before history for their failure to act” (Gore, 2012). According to Gore “We, the human species, are confronting a planetary emergency—a threat to the survival of our civilization that is gathering ominous and destructive potential even as we gather here” (Gore, 2014).

According to Roca & Searcy (2012) the trend of reporting corporate sustainability efforts is on the rise as is the body of research on the same topic. South African companies are amongst the world’s carbon disclosure leaders.

According to the South African Disclosure Leadership Index (CDLI), an annual report that rates a company's performance in climate change mitigation and adaption, there are four top performers, being Barloworld, Gold Fields, Nedbank and Woolworths Holdings. For example, Woolworths has installed solar geezers and uses recycled cooking oil in 5% bio-diesel mix in the company vehicle fleet. FirstRand and Gold Fields have come on top when it comes to their emissions disclosure. (KPMG, 2010). Still, South Africa is lagging behind when it comes to environmental awareness and sustainability. How environmental sustainability affects marketing strategies specifically needs to be addressed to determine how banks are contributing to combatting the global issue of environmental sustainability. Due to the voluntary nature of sustainability reporting, there is no standard set of indicators used to determine their accuracy, level of detail and reporting depth (Roca & Searcy, 2012)

International and Local Banks Environmental Impact

From the literature it is clear that America's top banks are not actively doing enough to combat environmental problems and support sustainability. The Green Rankings 2012: U.S. Companies only saw only one American financial institution in the top 20. Furthermore many institutions that do have environmental practices in place merely do so because they have been pressured to and do not fully see the value these practices can have on the environment and their business.

Swedbank is a Scandinavian bank that is setting a high standard when it comes to green innovation and strategy. "Swedbank's sustainability strategy is based on the bank's vision, values and purpose. We enable people, businesses and society to grow. We seek to do this in a way that is sustainable in the long-term" (Swedbank, n.d.). Australian corporation, Westpac Banking is the most sustainable company on earth this year which highlights Australia as a leader in the banking industry with regards to environmental sustainability (Forbes, n.d.).

Nedbank in South Africa is a leader in green strategy. "Nedbank has differentiated itself from its competitors as the green bank in more than just brand hue, but as an environmentally 'green and caring' financial institution, and thus markets itself this way" (Green Business Journal, 2014). Furthermore Nedbank Sustainability Head Brigitte Burnett emphasises that the group's focus on sustainability provides a competitive advantage, through enhancing operating efficiencies and cost savings, and more importantly, by underpinning strategic differentiation and positioning for long-term resilience (Green Business Journal, 2014).

Other South African banks such as First Rand and Standard Bank are also putting procedures in place to be environmentally sustainable but how they use this to their advantage through their marketing practices is unclear. Banks can contribute to environmental sustainability by adopting the "Equator Principles" a global benchmark for assessing the risk in financing projects responsibly (Sobhani *et al.*, 2012, p. 76)

Evidence is emerging of behaviour change among consumers, which indicates that in developed countries like the UK, firms may be forced to respond differently to sustainability pressures. It may also impact their product offerings and marketing practices. Consumers treat with skepticism the environmental concerns expressed by industry if it appears to be less than sincere or superficial. They also perceive so called "green products" as more expensive and less effective. Consumers are likely to engage in environmental practices only if there is an economic motive (such as saving electricity), but research has also uncovered that concern expressed for the environment does not necessarily translate into green behaviour (Rettie, Burchell & Riley, 2012, p. 422). It does appear then that green marketing is not yet engaging consumers.

Marketing and Environmental Strategies

"Marketers in the past have made their strategies without major consideration for the earth's finite resources and environmental impact. With the growing recognition of finite resources and high environmental costs, marketers need to reexamine their theory and practices. Recent changes in environmental legislation have seen an increase in penalties for environmental pollution and incentives for reduced pollution (de Villiers & van Staden, 2011, p. 505). Policies on product development, pricing, distribution, and branding need revision. The recent financial meltdown has added another layer of concern as consumers adjust their lifestyles to a lower level of income and spending. Companies must balance more carefully their growth goals with the need to pursue sustainability. Increased attention will be paid to employing demarcating and social marketing thinking to meet the new challenges" (Kotler, 2011, p. 132). Big corporations are realising the importance of sustainability whether it be environmental, social or economic. The impetus has been created for big banks in South Africa to also realise the importance and find ways to best optimise this trend in their marketing campaigns.

South Africa has been receiving criticism for its slow adaptation of energy efficiency standards (Energy Information Administration, 2004). High levels of coal consumption as an input into electricity generation lead to high carbon dioxide emissions (Sonnenberg *et al*., 2001, p. 154). Growing environmental concerns are becoming a global talking point and marketers and businesses need to bear this in mind when formulating and implementing strategies. Consumers are becoming more aware of the importance of environmental sustainability and the severity of climate change. "An astonishing 53 percent of South African consumers have a positive green attitude, and subtle increases in green mindsets can be seen and also expected to continue" (Teece, 2010). Therefore they have become more aware of how they can contribute positively through their purchasing power. Studies in South Africa have found that some, although still too few, consumers consider the impact of their household appliances on the environment (Sonnenberg *et al*., 2011, p. 161) Marketers need to be aware of this and play to their strengths. For companies to gain and or retain a competitive advantage they need to realise the integral part environmental marketing strategy will play. This study intends look at how the South African financial industries are adapting to this.

Marketing tools such as research and advertising are used to further corporate image (Nieuwenhuizen & Oosthuizen, 2014, p. 213). These tools should be applied specifically to marketing strategies in the financial sector, which is highly competitive (PwC, 2014, p. 2). Thus banks should promote its products and services in a green light. Nedbank achieves that through its Green Affinity Current Account Drive. At no extra cost to the client, Nedbank donates money on its clients' behalf to the designated trust when customers open selected accounts (Nedbank, 2015).

This highlights the importance of marketing strategy as a component of a company's strategy as well as the relevance of sustainability today and for the future. It is clear that sustainability has some relevance to the customer therefore sustainable base value needs to be delivered to the customer. Through the study environmental sustainability specifically will be addressed and how environmentally sustainable practices affect marketing strategies in the South African financial sector. There is little research on how big financial institutions in South Africa are using this as a marketing strategy and this research intends to shed light on that.

Methodology

Research Approach

A qualitative research approach has been identified as the best method to follow. According to Welman, Kruger & Mitchell (2011, p. 31), qualitative research takes place in the natural setting and not in an experimental, laboratory setting. It is best suited when looking at the question at hand as it allows for the study of human behavior and allows for subjectivity. This method is also well suited because it works best with small focused sample groups. The selected sample is in-line with this method. The very nature of the research question also supports the logic of selecting a qualitative approach (Babbie & Mouton, 2001, p. 66).

Research Design

The overall design to be used will be case studies specifically focusing on four selected retail banks. Case study research was chosen because it allowed the researchers to investigate a managerial process. According to Yin (1983), case study research is a widely used research strategy in the area of business. This study is interested in a clear delineate entity, therefore this approach is best suited in this study. (Babbie & Mouton, 2001, p. 276). This would be appropriate for the study because specific organizations are being sampled. Information will be obtained through semi-structured interviews with marketing managers, marketing leaders or environmental officers in the four retail banks that have selected for this study. The research question being asked lends itself to exploratory research and according to Yin (1983) any research strategy could be followed to answer this type of question.

The four major banks that have been selected to be analyzed in this study, are all South African owned. The basis for selecting these banks is the convenience factor. Convenience sampling involves using a sample of the population that is accessible and fairly easy to interact with. (Babbie & Mouton, 2011, p. 166). The researchers have easier access to the chosen banks as opposed to other banks in the market. The selected banks also give a good overview of the total South African banking market, they are also similar in terms of the challenges they face in the market, profit margins and market share.

Sampling
The type of non- probability sampling approach that will be used in this study will be convenience sampling as both researchers have access to the sample groups selected. Convenience sampling involves using a sample of the population that is accessible and fairly easy to interact with (Babbie & Mouton, 2001, p. 166). The population of available units for research would be all marketing managers, marketing leaders or environmental officers at all the banks in South Africa. Due to the nature of the financial working environment, time constraints and availability of banking officials, not everyone can be interviewed. A sample that is too large is unfeasible, too costly and too time consuming (Welman *et al.*, 2011:13). For these reasons convenience sampling will be used. The sample size is small because non-probability sampling will be used where small sample groups are more beneficial to the research.

Data Collection Method
For the purpose of the study a semi-structured interview was selected as the primary data collection method. This method allows participants of the interview to elaborate on the questions asked. "Qualitative interviews are guided by the interviewer and typically contain a limited number of questions and requests to interviewees in order that these may be explored and analysed" (Fox & Bayat, 2007, p. 73).

The researchers personally conducted semi-structured interviews that were on average one hour in length. The researchers made use of transcriptions during the interviews as well as notes made throughout the interview. All interviews were recorded using a Dictaphone with the aim of accurate transcriptions and for reference. All interviews followed the interview guidelines where the researchers discussed themes related to the research questions and relevance to the study.

Data Analysis
The data collected has been analysed and looks at the banks environmental efforts, overall strategies and marketing strategies. Commonalities and differences between the banks selected were also addressed. The researchers have tabulated data that shows commonalities and differentiating points. The method of member checking was used to ensure trustworthiness and authenticity. This method requires that the researchers record and check the responses from the interviewees. (Fox & Bayat, 2007, p. 107)

Recording of Data
Data was recorded onto a Dictaphone allowing source data to be saved on Dictaphone cassette tapes. The researchers also took notes of non-verbal cues during interviews. As mentioned, these notes were incorporated into the transcripts to compliment the data recorded to the Dictaphone.

Discussion

Based on the research question of this paper – *Do banks in South Africa use their environmental strategies as a marketing tool?* Four separate interviews of experienced environmental and marketing representatives in leading South African retail banks were conducted. The banks will be referred to as Bank A, B, C and D. Table 1 indicates the roles of each participant interviewed at the four banks. Findings from each bank will be looked at individually and a comparative table of the four banks will also be produced based on the findings.

Bank A

Environmental Sustainability
Bank A views environmental sustainability from a corporate view as defining a strategy for a brand, which takes into account the operations of the company and has a future vision. Furthermore the bank see's understanding sustainability as a business imperative and believes that in order for a company to be sustainable one needs to look at the microenvironment and understand the pressures.

Environmental Strategies and Initiatives
The bank has a long-term environmental strategy in place where targets are set based on 10 to 15 year plans. These strategies are updated organically and when need be. There is also a committee within the bank that updates and evaluates these strategies. Sustainability heads keep up to date locally and globally with developments in the field and attend global sustainability conferences.

The banks sustainability strategy is split into different layers with one of their main focus being water. Bank A is an African focused organization so naturally one of their biggest concerns has been water scarcity as this is a major threat Africa faces. Water initiatives that the bank is involved in includes, saving and recycling water.

The banks recycling initiative also indirectly meet water-recycling objectives as the challenge is to control water as much as possible. In the banks African operations refuse waste weight was reduced by 60 percent when this was implemented. This is something that can be measured for example; the banks consumption and how much they reduce it by can be quantified. The bank is also focused on climate change and specifically big environmental issues that will affect Africa.

Table 1. Participants Involved in the Interviews

PARTICIPANTS INVOLVED IN INTERVIEW	
BANK	**POSITION**
BANK *A*	• Senior Manager: Advertising and Media
BANK *B*	• Social and Environmental Risk Manager: Enterprise Governance and Compliance • Sustainability Communications Officer: Enterprise Governance and Compliance • Communications Manager • Marketing Manager
BANK *C*	• Corporate Social Initiatives Team Leader • Sustainability Marketing Team Leader
BANK *D*	• Environmental Sustainability Manager: Regulatory Risk Management

Bank A is a member of the *Equator principle*. This principle along with the banks other principles and protocols can be found in Table B. This has been a big benefit to the bank as due to this they have financed big projects they might not have that specify these principle requirements set out. Through products offered the bank also tries to encourage and educate their clients.

The bank also believes that sustainability and Corporate Social Investment (CSI) are quite closely linked and that there can often is a crossover that encompasses both. CSI initiatives are more where their focus lies at this point. Bank A is committed to starting the sustainability process from the inside out with awareness programs for their staff in so doing changing behaviours of their own people.

Marketing Strategy

The bank has a brand through product marketing strategy, which is about growing South African's knowledge and liking of the banks products. They position themselves as having more products, cheaper products and innovative products. Marketing strategies across all the bank's markets are market lead strategies.

The bank doesn't position their sustainable efforts as a differentiator as sustainability is simply not higher up on the agenda for the bank for it to be allocated a share of marketing budget. Bank A has received a number of awards as indicated in Table B. These awards are announced to the smaller investment community, stakeholders, government etc. and are not as important to relay to individuals.

The Way Forward

When or if the bank has a shift from a product strategy to brand strategy then things that are important to people and get them to connect with the brand will be the focus. Then sustainability will be a very big part of the strategy. The bank feels that sustainability has not reached a tipping point yet so there is not the biggest demand to talk about it yet as they are not being pressured by consumers at this point. The bank is aware of the sustainability challenge the country faces, but they cannot do everything at once it's a process to get there. Now that they have a sustainability strategy that has had buy-in from all relevant parties they can embark on the sustainability journey with achievable targets set.

Bank B

Environmental Sustainability

Bank B view themselves as market leaders in sustainability and interpret environmental sustainability as being conscious of the resources that are used by creating a balance between the natural environment and the building objectives through constantly being conscious of the impact made. According to Bank B, environmental sustainability is not looked at in isolation and there is an integrated approach that is used that talks to four pillars and these pillars are social, cultural, environmental and economic. Bank B believes that for a society to thrive, one needs to be able to integrate these four pillars and this was the thinking that led to environmental strategies being developed as well as the banks ethos of being the biggest green and caring bank.

Environmental Strategies and Initiatives

Bank B has a Sustainable Development Review where an integrated approach to sustainability is adopted across the business through their three-pronged approach of: Enabling sustainability through products and services, Leading through collaboration and partnership and Managing and optimizing their own impact.

The bank enables clients to be involved in sustainable projects through the products and services on offer. See Table B for Green products and services offered. The bank is a part of the *Equator principle* as indicated in Table B. Most sustainability strategies are updated regularly and at the very least annually. All transactions are screened for environmental and social impacts and then environmental assessment of each transaction is also done. According to the bank they are the only carbon neutral bank in South Africa and Africa. They achieve this by having internal baselines of resources for electricity, water, and travel. They also have a five-year target to reduce this usage. The usage is offset through projects such as water stewardship programs.

Furthermore the bank's facilities around the country only use environmentally friendly cleaning products, recycle all waste and have educated employees on recycling, water saving etc. The bank continually receives awards for environmental excellence. Table 2 reports the most recent accolades.

From a supply chain side the bank uses green suppliers and fully analyse them. Their procurement function conducts educational quarterly indabas (meetings) with suppliers and their *Green Living* and carbon footprint guide are also available to the public. The bank branches also are starting to implement new green innovations. See Table 2.

Marketing Strategy

The bank positions itself as the leading green bank. The bank believes that marketing this message contributes to their success and believes their growing client base and data from their integrated report is testimony to this. Through this strategy the bank has saved an estimated R36 m in operating costs by being sustainable and due to this they believe there is a business case if it is approached as a business imperative and not a CSI initiative.

The Way Forward

Sustainability is ingrained in the way in which Bank B does business. The bank will continue with their green marketing strategies and environmental sustainability as a marketing tool based on historic successes.

Bank C

Environmental Sustainability

Making responsible decisions internally and externally, the bank does not necessarily follow any set system such as the *Equator Principle;* the CEO and relevant stakeholders follow an ethical approach of doing business and governing the bank. The bank wants to grow its surrounding community and thrive within it, but at the same time wants to have a community in which to operate in the future. Both the CEO and stakeholders have a passion to run the business in a manner that will ensure the bank operates in a community that is still around in the future. The social pressure to adhere to ethical business and do the right thing is also a contributing factor.

Environmental Strategies and Initiatives

The bank has several internal and external strategies in place to promote sustainability. Internally the bank has a various recycling initiatives that also inform employees of how they can implement similar initiatives at home and in their community. The bank's website contains information that external and internal people can go to, to inform themselves of what they can do to lessen the impact on the environment. The bank also strives for energy efficiency in the form of the lighting systems used in the branch buildings. When it comes to hosting conferences in various geographies, the bank tries to offset the environmental impact of hosting the conference by supporting local initiatives, such as farming or community cleanups.

From an external perspective the bank funds several renewable energy projects within the community. The bank is also active in various wildlife conservation initiatives such as the Wild Dogs, Rhino and bird life conservation and rehabilitation projects. The bank does not have a massive marketing campaign for all of these initiatives as the bank is positioned in a high net worth market niche, and would therefore like to keep that position within their clients mind and in the public's eye.

Marketing Strategy

The bank does not follow the *Equator Principle* as most other banks do. This is simply because the bank has other processes in place to manage the risk. Also, as secondary financier in many deals, risk management befalls the partnering bank as the primary financier. Furthermore, Bank C does not have the capacity to monitor this risk. The bank is also part of the *Carbon Exposure Project*, which measures the bank's carbon footprint as well as the financial impact. The bank also has internal systems, which capture expenditure to track the environmental and financial impact of doing business. To date the bank has not received any accolades in the field of environmental excellence.

The bank continuously monitors and updates its environmental strategy, based who is funding the initiatives as well as where the stakeholders see the business going. The bank strives to grow and support the communities to ensure the ability to continue to operate in a thriving community in the future.

Even though the bank does not see its environmental strategy as a focal point of its marketing strategy, it still wants to maintain a sound environmental approach to doing business. Being a "green" business is not an important factor to the banks clients, this is also contributing factor to not having an aggressive environmental marketing campaign.

The Way Forward

The bank aims to continue to keep its marketing approach in terms of how the business is positioned in the market. It aims to become a global market leader in its market segment and does not foresee having an aggressive environmental marketing campaign.

Bank D

Environmental Sustainability

When considering environmental sustainability Bank D looks at the risks and opportunities from a corporate perspective and how the company can react to this. Their view is that the sustainability of an organisation equates to their resilience and that sustainability has environmental, social and financial aspects where the potential risks influence the ability of the company to create and sustain value.

Environmental Strategies and Initiatives

Bank D is an *Equator Principle* bank and also has the Environmental and Social Risk Process in place that checks for environmental compliance. This principle, along with the bank's other principles and protocols can be found in Table B. The bank has a list of questions that need to be answered to be able to finance a project or activity. The bank also has an exclusion list of projects they would not finance.

Bank D also has in place an environmentally sustainable framework, which is set at group level. Sustainability falls within this framework. The different organisations within the group do operate within the framework but do things slightly differently. Bank D who is within the group's main strategies, focusses on energy, carbon, water waste, green products and more recently sustainable supply chain.

Energy efficiency baselines have been established for the big campuses and monitor energy consumption. From a carbon strategy point of view the bank assesses their carbon footprint based on three scopes. Scope 1 being assets that the bank own and control, Scope 2 would be electricity efficiency and Scope 3 being assets not owned by the bank. The bank's carbon footprint is then calculated and externally audited.

Bank D also offers green products and services as seen in Table B. Internally the bank does recycle and has an internal magazine where they keep employees informed about latest developments as well as involving employees in internal sustainability campaigns. The bank also has environmental awards (See table B).

Marketing Strategy
Sustainability and specifically environmental sustainability is not a big driver when it comes to this bank's marketing strategies. The bank is positioned as the most innovative bank. They focus on the products and services and therefore have a brand presence through their product marketing strategy.

The Way Forward
Future strategies may look at longer-term environmental strategies, which may be used, in marketing strategies or as marketing tool.

Table B below provides a comparison between the four banks based on a number of predetermined criteria. The criteria were determined through the literature study.

Table 2. Comparative Analysis

	BANK A	**BANK B**	**BANK C**	**BANK D**
Current marketing Strategy	-Brand through product strategy	-Green strategy	-Differentiation	-Brand through product strategy
Current environmental strategies	- Water sustainability - Climate change	- Recycling -Energy efficiency -Water -Carbon - Green products	-Recycling Environmental animal projects -Renewable energy projects -Office energy efficiency	- Sustainable supply chain strategy - energy efficiency - carbon -water waste -green products
Environmental principles, protocols and memberships	- Equator principle (2009)	-Equator principle (2005) - Membership of Dow Jones World Sustainability Index. We are the world's -premier performance	-Part of the Carbon Disclosure Project	-Equator principle (2009) -Environmental and Social Risk Process -member of the carbon disclosure project Members of the NBI Advisory

		benchmark for companies in terms of corporate sustainability. Included for the eighth year (2013: 84%) (2012: 82%). -Have been on the JSE SRI Index since 2004		Committee of Environment and Society Members of the NBI Energy Efficiency Network -Members of United Nations Environment Programme – Finance Initiative.
Accolades for environmental strategies	-Environmental Finance Magazine: Best Global Originator -Kyoto Project Credits (2014)	-3 Corporate Social Investment Leadership Award: Sunday Times Top 100 Companies. Socially Responsible Bank Award: African Banker Awards. - 2013 Transformation Champion of the Year: Black Business Quarterly (BBQ) Awards.	- Not in South Africa.	- runner-up in 2011 NBI ETA Awards for Energy Efficiency in the Commercial Category - won the 2013 Platinum award for CDP Carbon Performance Leadership won the 2012 Platinum award for CDP Carbon Performance Leadership - won the 2012 Gold award for CDP Carbon Disclosure Leadership won the 2011 Gold award for CDP Carbon disclosure Leadership
Marketing strategies for the future	-Foresee a shift from product strategy to brand strategy -Environmental sustainability will then play a large part	-Green strategy being the green and most loved bank and continue to expand on this	To remain as the market leader in a niche market and therefore sustainability will not be a marketing focal point.	To remain the most innovative bank but may look at sustainability in a long-term view.
Green innovations	building with a five-star green star rating from the GBCS	-3 buildings with a five-star green star rating from the GBCS. - starting to implement banks of the future.		building with a five-star green star rating from the GBCS

Green products	- Investment in renewable energy projects		-The banks Green Savings Bond -Carbon financing -The banks Green Index -Green backs - Exchange-traded Fund (BGreen ETF) -The Guaranteed Exchange-traded Fund Plan - The banks Green Affinity	- Eco energy loan

Conclusions from Findings

The banks have varying opinions about environmental sustainability yet they all have an ethical and responsible way of conducting business. All banks except Bank C follow the *Equator Principle,* however, all banks have environmental strategies in place. With Bank A, B and D having a big focus on water, Bank B and D on the carbon footprint and green products and Bank B, C and D on energy efficiency. Most banks have long-term views for their environmental strategies and their objectives and goals around this. Bank A, B and D are taking on green innovations in their building operations. Bank B is clearly leading the industry with green products offered. Overall all banks are implementing principles and procedures to manage sustainability and specifically environmental sustainability as well as preserve and uplift the community in which they operate.

Banks A, C and D do not use environmental sustainability as an aggressive marketing tool to position themselves in the market. These banks were more focused on marketing their CSI initiatives. Bank B does however use environmental sustainability successfully as a marketing tool and they do equate this marketing strategy to financial rewards.

Implications for Managers

All of the banks are implementing environmentally sustainable strategies. The banks implement this in varying manners and degrees, and some have become leaders in certain processes and initiatives. Therefore one possible recommendation would be for the banks to come together and learn from each other and find a one-best approach. An inter-bank committee that finds solutions from the experts in certain fields and processes would be beneficial. It could position the banks as leaders in environmental protection in the South African financial services industry. The proposed committee would be aimed at finding the best solutions from a financial and environmental perspective. Therefore the success of environmental sustainability would be greatly increased and the cost could also be drastically reduced. However this is an extremely blue-sky recommendation as this is an extremely competitive industry this is unlikely.

The only bank that is using environmental sustainability as a marketing tool is bank B. This bank has successfully used this as a marketing tool and has reaped financial benefits from it. Therefore it can be deduced that marketing managers should consider using environmental sustainability as a marketing tool as it has shown to be successful, also in profitability and wealth creation terms. This being said, in a competitive environment such as the banking industry, differentiation has been a sure means to obtaining market share and all the other banks in the survey have valid marketing strategies. With banks A, C and D not necessarily using environmental sustainability as part of their marketing strategy they are still making large environmental impacts by the way in which they do business. The banking sector could however get more actively involved in the funding of renewable energy research and projects. This would boost current renewable energy activity as well as promote research and innovation in the field.

In a technologically driven era, another recommendation would be e-waste management. Potentially the banks may donate second-hand computers, laptops and furniture to communities in need or less advantaged employees, thus increasing the lifespan of the device and reducing e-waste. Generally there is a lot of paper work involved in the financial industry. Therefore the banks could design processes and software that would reduce the amount of documents needed, stored and eventually destroyed, thus improving client experience and reducing the use of paper. From a managerial point of view it would be a big task to manage the increasing social, legislative and ethical pressure to do business with the least impact on the environment. However through proper communication with stakeholders both inside and outside the business as well as environmental impact specialist the banks could continue to achieve more and further reduce their impact on the environment.

Limitations of the Study

This study, as a research project by Honours students, has limited reach. Only four cases were investigated and the statistical methods employed may therefore appear to be less scientific from a positivist stance. Case study research is often criticized on the grounds of its limited ability to meet the standard criteria for social research (Mariotto, Zanni & Marcondes de Moraes, 2014, p. 359). It also needs to be stated that there are only a few significant retail banks operating in the financial services industry in South Africa, and the four major banks in the industry were included in the sample. The limited number of observations in the research does not provide any basis for generalization of the findings. This is arguably the biggest criticism of case study research (Mariotto *et al.*, 2014, p. 360). Finally, a convenience sample was decided upon, for the sake of saving time and funds both on the part of the interviewees and the Honours students conducting the research.

Directions for Future Research

From the outset of this paper the academic puzzle has been whether South African retail banks use environmental sustainability as marketing tool or not. From the literature available and the findings from research done it has been conclusively proven that Bank B, a South African retail bank does use environmental sustainability as a marketing tool and receives financial gain from their efforts. Other conclusions that can be drawn from this study is that of the four banks investigated, all of them do have environmental strategies in place and are concerned and are addressing it at different rates. Although South Africa and specifically South African retail banks are for the most part slightly behind the environmental sustainability curve, it is evident they are making concerted efforts to catch up. Future research may consider the investigation of standardized sustainability reporting as the literature does suggest that it may become compulsory in the near future.

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DIZI GUI AND EMPLOYEE WELL-BEING

Xiaozheng Zhang, Nottingham Trent University, UK
Weili Teng, Nottingham Trent University, UK

With an increasing attention of using Confucius teaching into management approach, this paper examines the impact of using Dizi Gui on management's approach to employees' well-being, and how it affects organisational performance. From an interpretivist perspective, this research looks at a case study of Good-ark, a Chinese semiconductor manufacturer, exploring how Good-ark develops the management of employee-welling and improves organisational performance. Overall, 35 in-depth semi-structured interviews were conducted. The research findings demonstrate that employees' learning and understanding of Dizi Gui and Confucian core values enhance employee happiness, and builds a more caring interpersonal relationships not only at workplace, but also in their personal life. Dizi Gui's teaching and training brings positive impact on employees' satisfaction and commitment towards the company. As a result, it improves the organisational performance. This case study provides an updated management development for employee well-being issues in the Chinese context.

Introduction

As the most important assets of organisations, research on people and how to obtain competitive advantages from effective development and deployment have always been a strong focus of human resource management (Guest, 2002). However, employees' wellbeing at work often is neglected due to business-oriented performance outcomes (Baptiste, 2008). In recent years, employee wellbeing has received increasing research interests (Currie, 2003; Kersley *et al*., 2006; Tehrani *et al*., 2007). It has been noticed that companies that invested deeply in employee well-being have benefited a great deal. Employee well-being has become one of the important factors when it comes to organisational success (Baptise, 2008).

The concept of well-being organisations has become popular in Western countries. It enhances organisations in four different dimensions, competitivity, innovation, leadership and sustainability (So, 2013). In the last 30 years, the concept of well-being has also attracted a lot of attention among Chinese business. With China's economic boom since Deng Xiaoping adopted open-door policy in 1978, Chinese government aims to enhance social harmony, and emphasizes a human-oriented approach, so as to maintain a competitive and sustainable development, and eventually build a wealthy society (Zeng, 2005). It is found that improving employees' welfare and enhancing employees' well-being at work is crucial for organisations to achieve success (So, 2013). The significance of well-being and its impact on organisational performance have been acknowledged by increasing number of successful Chinese entrepreneurs. How to look after employee well-being and operate as a well-being company are of concern for an increasing number of modern Chinese entrepreneurs (*e.g.,* So, 2013; Wang, 2012).

Confucian values have had a significant impact on human resource development and management in China (Chen & Chung, 1994). Zhang *et al*. (2011) state that the subjective well-being of Chinese are more society-oriented, which prioritise the ideas of identity responsibility in a social relationship, build and maintain interpersonal relationships and harmony, enhance the sustainability of collective groups' (such as family) fortune and welfare (Tang, 1999). Based on Confucianism, it is crucial for organisations to take care of employees' individual interests, which will be returned with high commitment to organisations (Warner & Zhu, 2002). Such reciprocal behaviors between employer and employees and that of employees will enhance the overall interpersonal relationships within an organisation, where individuals treat each other as family members, and treat the organisation as one big family (Chao, 1990; Zhao & Roper, 2011). With a strong familistic and collectivistic orientation (Ip, 2009; Yan and Sorenson, 2006), Confucian core values been applied by the company as the main training and managing concepts. Dizi Gui, a book that was written during the Qing Dynasty by Li Yuxiu, means 'standards for being a good pupil and child' (Winckler, 2014). Based on the basic principles and teachings of Confucianism, Dizi Gui has been increasingly popular for organisations to use as the main guidance (Liu, 2010). It provides guidance to people how to live in harmony with others from different aspects of life, and has become the focus of not only academic studies in Mainland China, but also been applied to business management, with a focus to improve employee well-being (Wang, 2009).

This research uses Good-ark, a company based in Suzhou, China as a case study. It explores how the Confucius teaching, particularly through the teaching of Dizi Gui, has been applied on management's approach to employee well-being. The influence of employee's well-being on organisational performance will also be discussed.

Confucianism and Employee Well-Being

Confucianism and Dizi Gui

For more than 2,500 years, Confucianism remains as the main traditional values among Chinese society, and have been the guidance for Chinese family and business life (Cheung & King, 2004). The core values of Confucianism emphasize harmony, reciprocity, and collective orientation (Zhao, 2014). Harmony is the core of Confucianism. It highlights each individual follows social norms and behave in an ethical way while living and working in the society. At the same time, in order to achieve harmony, Confucianism requires individual's self-discipline, by recognising his or her own position and role in the society, and act accordingly. This shows the dualistic side of harmony, and explains the importance of hierarchical structure in Chinese society (Leung *et al.* 2002). Reciprocity is another important part of Confucianism, which focuses on the reciprocal characteristics of people's relationships (Zhao, 2014). For instance, when individuals are treated well and kindly by organisations, individuals are expected to return the kindness with stronger commitment and devotion. As Zhao (2014) points out, this represents the key Confucian business ethics, Ren, a fundamental virtue of benevolence, charity, humanity, love or kindness. Collective values are the core of Confucianism (Yan & Sorenson, 2006), and are also the key measures for happiness (Xu, 2013). Harmony, reciprocity and Ren form a strong foundation for Chinese strong collective orientation, which complete the social structure with an emphasis of individuals working with each other, behave and interact with others in an appropriate manner according to his or her social status in the society (Yan & Sorenson, 2004). In this way, these Confucius values are not independent from each other. Instead, they are inter-related, and interdependent with each other.

As a significant factor in Chinese business development, Confucianism considers the society as an organic unity, by taking various interconnected parts of society into account (Zhang, 1999). Confucian cultural values serve as a foundation for the business development, for the purpose of building a sustainable society. With its important role in Chinese business history and context (Myers, 1987), Confucianism has become more and more popular with Chinese private business owners, and served as the main drive for the success of recent industry work in China, and in other Confucian-based East Asian countries (Jacobs *et al.*, 1995). Particularly, modern Confucian entrepreneurship encourages combining Confucian tradition with business management (Zhao & Roper, 2011). It means to apply the traditional values to inspire employees to taking responsibilities and help each other as a big family. According to Cheung & King (2004), the core values of Confucianism are mirrored in the key concepts of employee well-being. They include protecting employees' legitimate rights and interests, enhancing safety at work, achieve employees' welfare, and attain society's stability and social security, which are the key elements for Chinese business (Zeng, 2005).As a moral code of conduct (Shi, 2010) using Confucius basic principles and teaching, Dizi Gui has become a popular focus of management study in China. An increasing number of organisations, both state-owned and private listed ones, start introducing Dizi Gui as their management guidance and employee development.

As a moral code of conduct (Shi, 2010) using Confucius basic principles and teaching, Dizi Gui emphasizes the concepts of respect and honesty in daily life, including five sets of principles of "to be good to one's parent(入则孝, ruzexiao),""to respect others as brothers (出则悌, chuzedi),""carefulness (谨, jin),""universal love (泛爱众, fanaizhong)," and "to use remaining energy to study (余力学文, yulixuewen)"(Winckler, 2014). These key values of Confucianism focus on collectivism, harmony, loyalty, wisdom of strategic thinking, and promote an ideal family style interaction in the society, where individuals 'treat each other with love, respect and consideration for the needs of all' (Wang *et al.,* 2005, p. 315). With these principles, Dizi Gui makes it easier for individuals to follow in various social situations, including business organisations and work places. As Chiang (1996, p.1) points out, Chinese philosophy is a 'philosophy of happiness', which emphasizes on being practical to maintain a tranquil mindset and keep harmony with other beings (including both people and nature) in the society.

Employee Well-being

Well-being is defined as 'creating an environment to promote a state of contentment which allows an employee to flourish and achieve their full potential for the benefit of themselves and their organisation' (CIPD 2007, p. 4). Warr

(1987) broadly describes employee well-being as the overall quality of individual employee's experience and functioning at work. It encourages the benefits of having a healthy workforce for organisations (Cooper and Robertson, 2001). The understanding of various aspects of employee well-being appears to be crucial for organisations to comprehend areas that affect employees' quality of life at work. Based on research by different disciplines, such as economics, social science and psychology employee well-being at work is found to have a strong impact on organisations (eg. Chartered Institute of Personnel Development (CIPD), 2007; Kersley *et al*., 2006; Peccei, 2004; Warr, 2002). Studies of employee well-being have gradually been involved in three types, happiness, health and relationships (Grant *et al*., 2007; Van de Voorde, 2012).

Among them, happiness focuses on the subjective aspect of employees' experiences and performance at work, such as satisfaction and commitment. Satisfaction is about the subjective feelings at the job, whereas commitment is about individual's feelings towards the organisation (Fisher, 2010). It is defined as affective orientations of individuals towards their current work roles (Vroom, 1964). Spector (1997) takes the concepts of job satisfaction to a broader context, and suggests that it is the extent of people's feelings about their job and other related aspects at work. It involves a combination of employees' positive or negative feelings and emotions towards their work, which indicates the sense of achievement and success at work. According to Aziri (2011), job satisfaction does not only imply employees enjoying the work, feeling good and being rewarded at work, but also it implies their enthusiasm and happiness at work. Employees' sense of satisfaction is not only related to their own work, but also to the overall organisational context where their work takes place (Jernigan *et al*., 2002). It is regarded as the key factor that builds the feeling of fulfilment, through the ways of recognition, income, promotion and achievement of other goals (Kaliski, 2007). These are cognitive factors, exploring the connection between employees' perceptions of their own well-being with the quality of life (Warr, 2002). It emphasizes the psychological aspect of well-being. In other words, it focuses on the centrality of people's feelings, such as attitudes and sentiments.

In terms of health, most research focuses on the occupational health literature (Van de Voore *et al*., 2012), including stressors and strain, both of which are more work related problems. Stressors are caused by workload and intensification, and strain is employees' responses to stressors (Spector and Jex, 1998). Physical and mental health is another focus of employee well-being at work (Currie, 2001). From the healthy perspective, research emphasizes on creating a physically safe and stress-free working environment, which can enhance organisational performance (Baptiste, 2008). It aims to provide a positive and friendly workplace, by making work interesting, rewarding, and enjoyable.

The third type, relationship emphasizes the social well-being of employees (Grant *et al*., 207). It explores individual's social relationships at work, i.e. the interactions and quality of relationships between employees, and between employees and their managers or the organisation they are in.

Dizi Gui and Employee Well-being

Cultural values are an important factor to decide the conception of happiness and constrict people's experiences subjectively (Luo *et al.*, 2001). Lu and Shih (1997) found that harmony of interpersonal relationships, achievement at work and contentment with life were distinctive features of Chinese conception of happiness, which indicates the western concept of employee well-being mentioned above. These happiness values are closely related to Dizi Gui's five principles. Firstly, the harmony of interpersonal relationships is emphasized in three of Dizi Gui's principles, i.e. the principle of 'to be good to one's parent', 'to respect others as brothers' and 'universal love'. These three principles focus on the relationship between the individual and senior family member, peers and friends, and the rest of the community in a general term. It highlights the significance of respecting one's parent, or in boarder terms, to someone who is senior than the individual. It demands respect for others at the similar age or among peers. Eventually, it also encourages individual to be friendly and love everyone else, which requires a caring and considerate attitude when dealing with others.

When these principles are applied in organisational context, the emphasis of interpersonal relationships transforms the organisational management into a big family structure. In this way, leaders are the regarded as the parents of the organisation, who will look after the organisation as a family, and take on the paternalistic approach when managing employees (Javidan & Carl, 2005). It indicates Chinese organisation leaders are concerned about their employees, including both job-related and not job-related aspects. For instance, the issues could be relevant to the work environment with colleagues, and that of personal life with employee's family. Such benevolent behaviour to help employees is based on Confucian values (Cheng *et al*., 2004). The role switch, to some extent, enhances the trust between employees and management and encourages employees' loyal and commitment towards the organisation (Zhao, 2014).

The principle of 'to respect others as brothers' emphasizes on the respecting others as their own siblings. In organisational context, it encourages employees to treat their peer colleagues like their own brothers and sisters. It indicates a strong family atmosphere at work, and enhances collegial relationships to work as a family, where members love each other and care for the needs of all (Wang *et al.*, 2005). In this way, employees are more willing to help each other and share responsibilities (Zhao & Roper, 2011).

'Universal love' encourages people to love others. It can be interpreted as individuals caring and looking after others in a broader society. In organisational context, this is closely related to the concept of corporate social responsibility (CSR), which focuses on individuals' and organisations'' responsibility to look after people involved and the bigger society (Ip, 2009. "Universal love' is about individuals' ethical approach to others both inside and outside of organisations (Chan, 2007), such as the family of colleagues and the general society. As a result, it aims to create harmonious relationship and work place, where employees are happy with management, colleagues and organisation.

Although the other two Dizi Gui principles 'carefulness' and 'to use remaining energy to study' are not directly relate to happiness, health or relationships, they encourage individuals to be careful and considerate towards others, and keep improving themselves constantly. In organisational context, these two principles can also be applied when employees deal with issues at work and with colleagues, which enhances the harmonious working relationships and happiness at work. The core values of Dizi Gui promote the ideas of traditional virtues, including benevolence, courtesy and tolerance (Yang, 2015), which echoes the requirement of socialist values. In other words, Dizi Gui's teaching on benevolence, courtesy and tolerance enhances people's respect and understanding towards each other. It helps build a more positive and friendly society, and improves people's happiness through daily contact and communication in the society.

Tehrani *et al.* (2007) suggest that it is employers' responsibilities to provide a positive and friendly context in order to achieve employee's individual well-being, which enables employees to develop and achieve their full potential, and in return enhances organisations' performance and profit. That is to say employee well-being and organisational performance work hand in hand. Employers need to make efforts to improve workplace, in order to achieve well-being of employees. Vice Versa, with employees' well-being in place, organisational performance is more likely to achieve a better outcome (Currie, 2011), which is consequently related to the development of organisations. Therefore, it is crucial to look at the relationships between employee well-being and organisational performance.

However, the research of employee well-being is still largely overlooked. With Chinese government emphasizes the significance of social harmony, people-oriented management, and comprehensive and balanced development (Zeng, 2005), an increasing number of Chinese organisations and entrepreneurs start paying more attention to the concept of corporate social responsibility (CSR), particularly the idea of employee well-being. This research aims to examine the impact of using Dizi Gui on management's approach to employee well-being, and how the impact influence on organisational performance. The research will address on the questions of how Dizi Gui influences the management of employee well-being, and how it affects the organisational performance.

Research Methods

From an interpretivist perspective, this research uses a Chinese private owned company, Good-ark in Suzhou, China as a case study. Good-ark is a private listed company, which is a leading semi-conductor manufacturer with over 2,800 employees. By using Dizi Gui as the main teaching material, the management of Good-ark has been devoted to employee training and improving employee well-being since 2009. Training sessions and workshops of Dizi Gui teaching have been provided for all employees across the company, for the purpose of building a 'happy company' and employees being happier and better persons. Looking at Good-ark's policies and practices from employee care and health perspectives, altogether 35 in-depth one-on-one interviews were conducted, with 8 managers and 27 employees. On average, each interview lasts about an hour long. The participants include both managers and employees.

Findings and Conclusion

From the interviews, participants report a strong belonging to the company, which has been claimed to be the 'big family.' The teaching of Dizi Gui was found to be very helpful for both managers and employees. They reported that the learning of Dizi Gui did not only enhance their individual identity within their own family and personal life, but also form a sense of 'one big family' within Good-ark, where they see themselves working together as a family. Within this 'big family' organisational structure, managers were considered taking on parenting role, who are expected to give guidance and look after employees. On the other hand, employees considered themselves as children, who in return work with stronger commitment and more passion towards the organisation. Such amiable and harmonious family relationship built a strong trust between management and employees, and among colleagues. It also formed the balance of equality with respect, positive work attitude, and individual responsibility towards workplace and the organisation. Through the practices of employee care and health, Good-ark was able to integrate the teaching of Confucian classic, Dizi Gui with the management of employee well-being. It improved employees' health care, enhanced relationships between managers and employees and among employees, and finally achieved the ultimate happiness of individuals and that of the organisation. As a result, it improved organisational performance, and work relationships between employees and management, and among employees as well.

The research indicates positive influence of Dizi Gui on employee well-being. It also informs potential challenges and difficulties organisations may have when dealing with employee well-being in the Chinese context. However, it is acknowledged that this research is conducted in a privately owned company, the findings may not be able to apply to a state-owned corporation. Further research may investigate how employee well-being can be carried out in state-owned corporations, and how Dizi Gui influences on other aspects of organisational management.

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INNOVATIVE TRENDS OF FINANCING IN GLOBAL ENVIRONMENT – EXPERIENCE OF SLOVAKIA AND ITS INSPIRATION FOR NAMIBIA

Darina Saxunová, Comenius University, Slovakia

Resources are always scarce and needed for economy growth, social and health security system, unemployment and poverty reduction, state welfare and the development of community. It is ongoing process of seeking, exploring, evaluating and selecting the ways of new sources of financing, innovative private-to-private sector solutions, and public-private partnerships to encourage and attract additional international financing. The scientific paper investigates innovative financing that improves an access to the capital available for financing in Slovakia and Central and Eastern Europe (CEE), as well as financing alternatives for Slovak Micro, Small and Medium-sized Enterprises. Thus, a theoretical analysis of innovative trends in finance alternatives in Slovakia and CEE is presented along with forms of financing for Slovak companies, highlighting possible parallels with financing in general and for SMEs in Namibia.

Introduction

The beginning of the twenty-first century was marked by emerging innovative financing mechanisms which as alternative mechanisms shall assist with fundraising eternally scarce capital for development financing. In 2002 the concept "innovative financing for development" was first mentioned and introduced at the International conference in Monterrey on this subject and Monterrey Consensus was the consequence of a big need of financing for development aimed at (1) reducing or eradicating extreme poverty, (2) providing public goods (such as health and education - reducing child mortality rates, improving maternal health and combating various diseases (HIV/AIDS, malaria, tuberculosis), and (3) managing the natural resource base for economic and social development, and (4) mitigating the effects of climate change and adapting to new climate realities. The public sector will require a great deal of capital, nowadays estimated to trillions of dollars in capital and significant expertise from the private sector to meet development objectives. (IFD, 2014, p. 5) The agreement states that 192 United Nations member states and at least 23 international organizations will have achieved Millennium Development Goals (MDGs) by the year 2015. For the following period their post-2015 successors which are the Sustainable Development Goals (SDGs) will be the task on the development agendas that will be expected to be accomplished. For this accomplishment the capital is inevitable and innovative financing mechanisms were born out of this need.

Back to the past insurance guarantees and bonds were the tools via which the funds were obtained and since that time they have existed for centuries. These two asset classes - bonds and guarantees mobilize the most financial resources. Babylonians were the first who insured their goods during the transport in 2500 BC. In the 14th century Italian city-states started with the bond issuance in the times of renaissance. Bonds and guarantees are also frequently utilized tools in international development. The Multilateral Investment Guarantee Agency (MIGA) was founded in 1988, for instance, and partial risk guarantees were introduced by the Asian Development Bank in 1995. While the use of thematic bonds is relatively recent, the World Bank has been issuing general purpose bonds for 68 years. Other instruments, such as microfinance funds and impact investing funds, represent new and innovative models for providing access to finance, but their underlying business models are also well established within the financial services industry (WEF, 2012).

This scientific paper is to focus on analyzing theoretical concepts of innovating finance, their analysis and then systematic synthesis of the knowledge required to understand their application into the real life. Innovative financing mechanisms (IFMs) that belong to the classic instruments and newly introduced IFMs and innovative financing instruments which are used worldwide are analysed (emphasizing especially those in use in EU member states, and Slovakia and Namibia. In the end there is a critical comparison of Namibian and Slovak SMEs made in a selected area.

Development Finance and Innovative Finance Concept

There are variety of finance development sources that have been in use for over 60 years. We distinguish public and private capital sources.

The examples of public sources are as follows: (1) The national tax bases of donor countries that contribute to development assistance via budget outlays (traditional sovereign donations); (2) Contributions are monitored by the Organization for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) emerging, non-DAC donors, too; (3) global or regional taxes as a new source of public finance; (4) domestic revenue in lower- and middle income countries themselves ought to be the most stable, long-term source of development finance.

However, private sources include the following examples: (1) private firms entering into developing country markets (making investment decisions); (2) private donations by individuals and organizations involved in philanthropy; and, (3) extended family and community networks providing remittances.

Review of Literature on Mechanisms of Development Finance

Verweij (2002) highlights the discrepancy between the innovative financing mechanisms (IFMs) and incentive measures. Instituting economic and regulatory measures are included in incentive measures with the purpose of providing information and strengthening institutional capacity. A minor portion of the total demanded capital is supplied by incentive measures comparing to IFMs that finance the targeted output entirely or to a large extent using a wide range of market financing mechanisms. Verweij sees "an overlap between incentive measures and IFMs in the area of economic incentives (taxes, charges, tradable use rights and subsidies) and regulatory measures as far as these lead to compensation payments (*e.g.,* development or access restrictions, compensation for negative environmental impacts)" (Verweij, 2002). Bayon's classification of Innovative Financing Mechanisms into three groups is demonstrated in Table 1 (Bayon, 2001).

Table 1. Innovative Financing Mechanism

AS		
Providers public goods or services	Providers private goods or service (as businesses)	Aimed at correcting the incentive structure
• Taxation	• Credits and loans to green businesses (export credit)	• Tax incentive
• Grants and subsidies	• Venture capital(equity) for green businesses	• Removing damaging subsidies
• Loans from multilaterals, e.g. development banks	• Investments guarantees for green businesses	• Environmental fines
• Debt-related instruments	• Resource exctraction rents/severance fees	• Tradable permits/development rights (exctraction quotas)
• Loans from capital markets	• Entry fees/concessions	• Performance bonds
• Philanthropy	• Securitisation	• Deposits-refund schemes
New markets: Ecosystems services (e.g. carbon sequestration, water filtration)		

Source: (Humavindu &Barnes, 2006) according to Bayon (2001)

The existing mechanisms are classified based on the two aspects of mechanisms that are taken into account - their origin and their destination: the origin - where the resources come from destination – what they are going to be used for, what purpose they support. According to Girishankar (2010), four types of innovative mechanisms are identified (Table 2): (1) *Private mechanisms* involve private-to private flows in the market and in civil society; (2) *Solidarity mechanisms* support public-to-public or sovereign-to-sovereign transfers and form the backbone of multilateral and bilateral ODA and other official flows (OOF); (3) *Public-private partnership mechanisms* use public funds to leverage or mobilize private finance supporting a) public service delivery, b) other public functions (risk management); and, (4) *Catalytic mechanisms* involve public support for creating and developing private markets (*inter alia* by reducing risks of private entry).

Table 2. Innovative Mechanisms of Development Finance

<table>
<tr><td colspan="2"></td><td colspan="2">DESTINATION FOR THE RESOURCE PLACEMENT
THE PURPOSE OF USE
Public Private</td></tr>
<tr><td rowspan="2">ORIGIN
OF
SOURCES</td><td>Leverage</td><td>Public-Private Partnerships

Private finance for public service
delivery and other public functions
depends on the official flows (ODA)</td><td>Pure Private

Private initiative
in the market and in civil society</td></tr>
<tr><td>Private</td><td>Solidarity

Public-to-public transfers
using concessional flows
(Official Development Assistance ODA)</td><td>Catalytic
Public support for market creation
and development
Or for promoting private entry
into existing markets
depends on the official flows (ODA)</td></tr>
<tr><td colspan="4">Using a wide range of financial instruments resources are mobilized or deployed in order to support the country and global efforts</td></tr>
</table>

Source: Adapted from Girishankar (2010)

Instruments are the subject of innovations that take place within each of these presented mechanisms implementing "financial engineering" efforts that make use of a group of financial instruments, products, and services; for instance, (1) cash instruments (such as grants, loans, and securities); (2) contingent financing, risk mitigation instruments (such as guarantees, swaps, hedging products, derivatives, and insurance pools); and (3) advisory services.

Innovative mechanisms and instruments are those that differ from traditional approaches (budget outlays) to mobilizing development finance. "*Innovative development finance* includes nontraditional applications of solidarity, public-private–partnerships (PPP), and catalytic mechanisms that (1) encourage fund-raising by tapping new sources and engaging investors beyond the financial dimension of transactions, as partners;" it is summarized in Table 3. Moreover, Navin Girishankar (2010) adds "innovative financing refers to a range of non-traditional mechanisms to raise additional funds for development aid through "innovative" projects such as micro-contributions, taxes, public-private partnerships and market-based financial transactions." According to the World Bank "Innovative financing involves non-traditional applications of solidarity, public private partnerships, and catalytic mechanisms that (2) support fundraising by tapping new sources and engaging investors beyond the financial dimension of transactions, as partners and stakeholders in development; or (3) deliver financial solutions to development problems on the ground" (IDF, 2009). OECD states that "innovative financing comprises mechanisms of raising funds or stimulating actions in support of international development that go beyond traditional spending approaches by either the official or private sectors, such as (1) new approaches for pooling private and public revenue streams to scale up or develop activities for the benefit of partner countries; (2) new revenue streams (e.g., a new tax, charge, fee, bond raising, sale proceed or voluntary contribution scheme) earmarked to developmental activities on a multi-year basis; and, (3) new incentives (financial guarantees, corporate social responsibility or other rewards or recognition) to address market failures or scale up ongoing developmental activities" (OECD, 2009). "An innovative development financing mechanism is a mechanism for raising funds for development. The mechanisms are complementary to Official Development Assistance. They are also predictable and stable. They are closely linked to the idea of global public goods and aimed at correcting the negative effects of globalization." (IF, 2012). Innovative finance is not financial innovation as incorrectly interpreted by many people. According to Lehrer & Tufano (2011) "financial innovation is the act of creating and then popularizing new financial instruments, as well as new financial technologies, institutions, and markets. The innovations are sometimes divided into product or process variants, with product innovations exemplified by new derivative contracts, new corporate securities, or new forms of pooled investment products, and process improvements typified by new means of distributing securities, processing transactions, or pricing transactions."

Table 3. A Snapshot of the International Innovative Finance Landscape

	Fund-Raising	Financial Solutions
Traditional	▪ ODA financed by budget outlays from developed countries ▪ Some private flows	▪ Transfers (cash or contingent) to public entities
Innovative	*Solidarity mechanisms* ▪ ODA financed by budget outlays from emerging sovereign donors ▪ Global solidarity levies (such as airline ticket tax, Adaptation Fund) ▪ National lotteries ▪ Stolen Asset Recovery *Public-private partnership mechanisms* ▪ Joint financing with private donors ▪ New bonds (those in local currencies or those targeting sustainable investors) ▪ Sovereign catastrophe risk (incl. derivatives, currency swaps) ▪ Frontloading ODA *Catalytic mechanisms* ▪ Carbon funds	*Solidarity mechanisms* ▪ Counter-cyclical lending ▪ Debt swaps for results *Public-private partnership mechanisms* ▪ Private participation in social sectors and infrastructure (incl. through guarantees, OBA) ▪ Sovereign catastrophe risk finance (through derivative and hedging, deferred drawdown options or DDOs) *Catalytic mechanisms* ▪ Leveraging private investment in the financial and productive sectors (through local currency lending, guarantees, risk-sharing facilities) ▪ Creating private insurance markets (through insurance pools and DDOs) ▪ Advance market commitments ▪ Copayment schemes

Source: Garishankar (2010, p.4).

Verweij (2002) considers an innovating financing mechanism as an institutional arrangement that results in the transfer of new or increased financial resources from those willing to pay for sustainable produced goods and/or ecological services, to those willing to provide these goods and services in turn. Thus, we may conclude that the goal of innovative financing is to raise the funds from an investor, whose return is protected, risk may be shared with a public institution, and funds are used for developing a community. On the contrary the goal of financial innovation is to develop new financial products/subjects that may reduce costs of raising and allocating funds; these are instruments that could be innovative instruments through which the funds are gained.

Table 4. What is what?

INNOVATIVE FINANCING	FINANCIAL INNOVATION
Mechanisms of raising funds (public & private) for development projects and public goods	Act of creating and popularizing new financial instruments, financial technologies, institutions, markets
Providing expected returns to the private investors that are secured and known	Reducing the costs of raising and deploying funds, returns are expected, not foreseen precisely
The use of established financial instruments or assets to raise the funds for development	New financial products/subjects offer new choices for investment and consumption for various reasons
Creating the market for companies to compete to supply social goods with more efficient solutions.	Improvement of opportunities for risk sharing. It enables to lower taxes or to avoid the effects of regulations.

Source: Author

Instruments of Development Finance
Three dimensions of existing innovative financial instruments are considered: (1) type of an instrument; (2) characteristics of the innovation; and, (3) financial function. Innovative financing instruments introduce new products (responding to the question what the instruments are like), enter into new markets (responding to the question where the instruments are offered) and attract new participants (responding to the question on whom the instruments are targeted to appeal?).

Table 5. Innovative Finance, Form of Finance, and Financial Assets and Instruments Examples

INNOVATIVE FINANCE	FORMS OF INNOVATIVE FINANCE	FINANCIAL ASSETS AND INSTRUMENTS EXAMPLES
Innovative finance a) has mobilized nearly $100 billion b) has grown by about 11% per year within 2001-2013	1. Financial instruments - established	Guarantees and bonds, investment funds (65% of the innovative financing market)
	2. Financial assets	Securities and derivatives
	3. Results-based financing	
	4. Contributions	voluntary or compulsory
“Innovation” aspects of innovative financing includes:	1. introducing new products	WHAT, WHICH????
	2. extension of existing products to new markets	WHERE???
	3. presence of new types of investors	WHO???

Source: Processed by the author according source (Dahlberg, 2014)

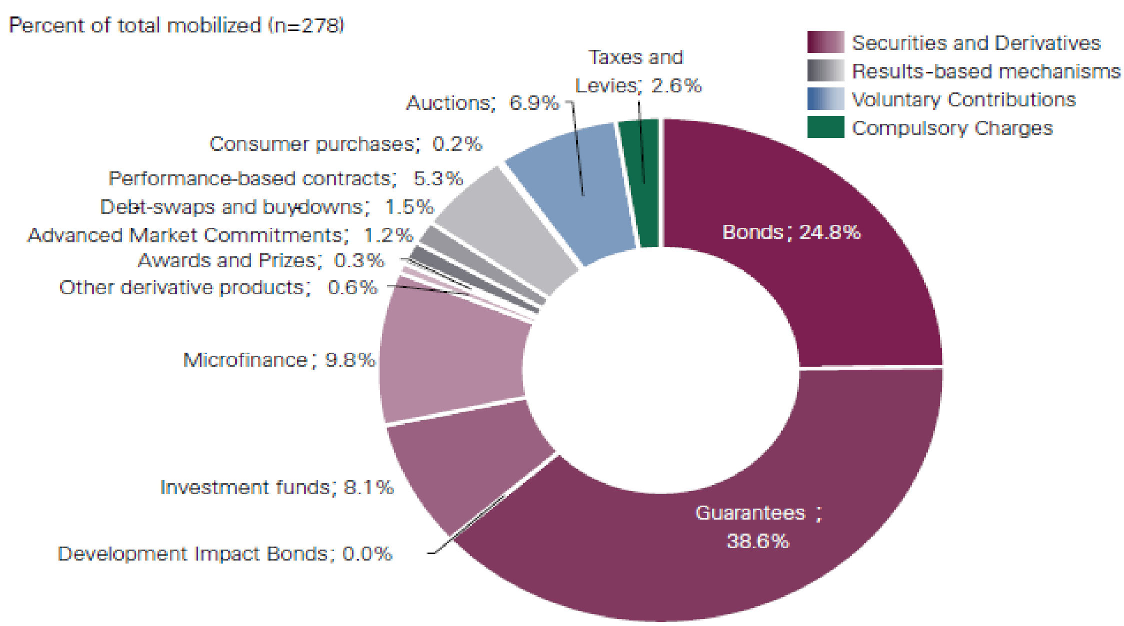


Figure 1. Capital mobilised by innovative financing mechanisms in 2001-2013

Source: Dahlberg (2014)

Growth Drivers of Innovative Financing
Private investors expect returns adjusted to the existing risks therefore innovative financing must provide the return to the private investors via financial instruments (guarantees, bonds, investment funds). Risk of private investors is shared with the public investors.

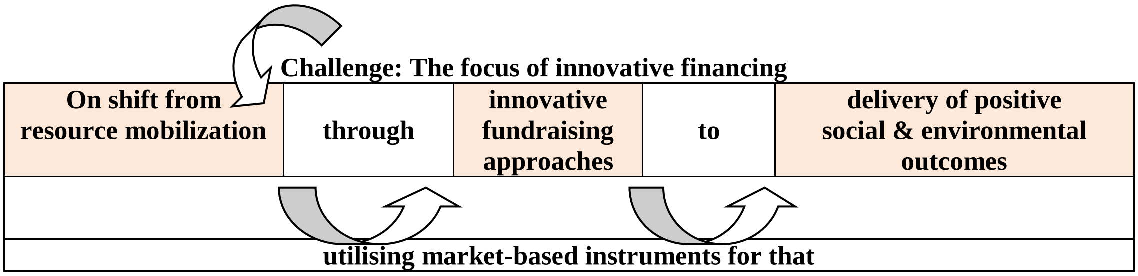


Figure 2. New Paradigm Shift

Source: The author

The international development has relied on the grant financing so far, and therefore this challenge (see Figure 2) represents significant paradigm shift. Three primary drivers of growth in the innovative financing sector were identified: (1) Established financial instruments are used in an increasing pace. Established instruments (for instance, green bonds) that investors can assess applying existing risk frameworks, will be appealing to new participants (pension funds, institutional investors as well). New standards will be needed for specifying the way of the most effective use of funds in the process of channeling the proceeds of these instruments to productive development goals. (2) Increase of replicable products resulted in expansion into new markets. New instruments such as performance-based contracts have been experimented with for over the past decade. In spite of non-existing track record of attracting institutional investors yet, these instruments may contribute to development outcome in new sectors; and, (3) New innovative financing products are created.

There is an existence of new products theoretically promising, but without any demonstrated results yet. Donor governments and other investors are encouraged to carry on experimenting with these new innovative financing products. Almost all innovative financing mechanisms combine private sector resources with public sector resources and expertise. The effort is aimed at providing risk-adjusted market return on innovative financial securities for public and private investors, therefore these mechanisms are growing and are considered prominent. On the other hand mechanisms offering below-market returns remain a significant part of the innovative financing landscape, innovative financing securities are typically guaranteed by AAA rated global organizations. Derivative securities, including guarantees, usually offer below-market returns.

Innovative Finance – Selected IFMs

Capital for Investment in Technology Innovations through Impact Investing

Majority of impact investing is focused on sectors delivering social and environmental goods, thus generating social returns, such as agriculture, healthcare and financial services. Impact investments are directly placed in established asset classes (private equity, debt, convertible debt instruments and guarantees) focusing on enterprises in either growth or venture stages (WEF, 2013). Impact investing provides the capital for the companies that struggle to obtain capital but they produce important benefits to the broader society spectrum e.g. SMEs that struggle to raise the capital for their growth, but they often create many jobs. In other case, capital is provided to ventures which are in their early stage and they support innovation in order to fund medical research and development with the aim to eradicate preventable diseases in low-income countries. The output funder does not specify how the desired outcome will be achieved, which allows the service provider to deploy innovative approaches and to tailor the intervention to local state of affairs. The implementer may, however, receive assistance from the funder, for example, through performance management systems or feedback loops; it is in the investor's interest to help the implementer succeed so that the investor receives his premium that encourages innovation (Dahlberg, 2014).

Opportunities for Community Development through Development Impact Bonds

Capital's assistance of international investors can be more effective and efficient if innovative financing is utilized. Financial markets work if the asset's value is communicated through the price of an asset. There are problems to determine the value of educational programmes, better health outcome, or the program to resolve pollution issues. Structures are formed enabling collaboration among development funders (that are intended beneficiaries) and service providers. As a result, beneficiaries can influence the services what they will receive and private sectors (service providers) are more likely to compete to deliver social goods (good education program, pollution project, etc.) and create more efficient solutions.

Table 6. Impact Investing

IMPACT INVESTING IN TECHNOLOGY INNOVATION	INNOVATION FEATURE YEAR STARTED AMOUNT OF INVESTMENT
RETURN OF INVESTMENTS	
Global Health Investment Fund -GHIF **High net worth individuals**, **Foundations** (Bill and Melinda Gates Foundation, Children's Investment Fund Foundation) **Institutional Investors** (AXA Investment Managers, JPMorgan Chase & Co, Storebrand) **Strategic investors** (GlaxoSmithKline, Merck & Co, The Pfizer Foundation) **Government backed funds-** (German Development Bank, Swedish International Development Cooperation Agency SIDA)	Combined government and private guaranteed to leverage private investment to research for new vaccines Year -2013 $108 million raised; invested in 2014 of the amount raised a)$8million in a tuberculosis early diagnostics technology; b) $5million in a new oral cholera vaccine
Investors are offered: Fixed 2% of ROI/a year, 80% of any return made by the fund, and a partial guarantee of Bill and Melinda Gates Foundation and SIDA for up to 60% of their invested capital.	

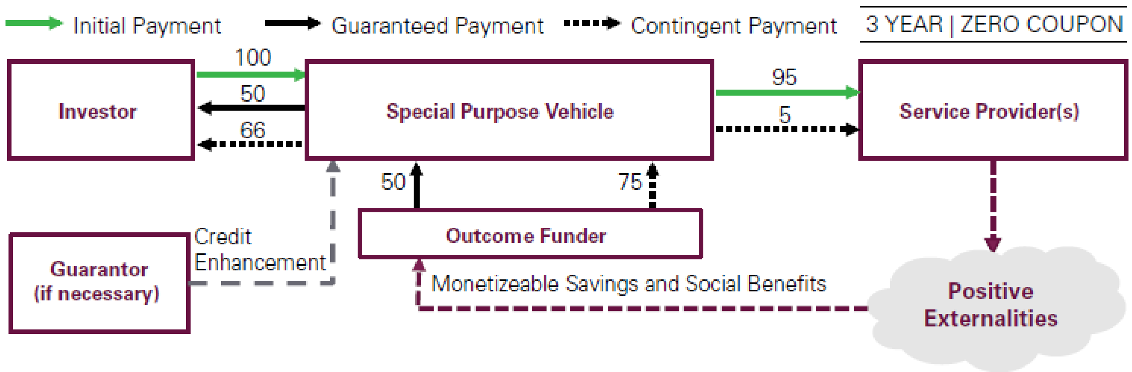
Source: Adapted from Dahlberg (2014)

Development impact bonds (DIBs) mobilize the capital for new business models creating opportunities for community development; they pool multiple performance-based contracts and turn social problems into investible opportunities, investors' returns are based on the achievement of a pre-determined outcome. They are not bonds, they have returns determined as the maximum that can be earned (like fixed income investments), but neither cash interest payments nor the principal is guaranteed (equity investment characteristics).

DIBs comprise: (1) investors providing the capital at the start of the project; (2) outcome funders ensure financing if the project is successful; (3) a fund manager that allocates capital to achieve development goals; and, (4) framework for monitoring and assessing service provider' success
If the financed projects achieve targeted values at bond maturity, the outcome funder will repay the investor the full principal plus 5% annualized return; and moreover the manager of Special Purpose Vehicle (SPV) and the service provider would also receive performance bonuses apart from previous mentioned payments.

DIBs are starting innovative finance instruments that promote risk transparency, encourage innovation. But only few have raised resources and there is not a long track to evaluate outcomes: (1) certain, assumed risk, (2) probable low returns, and, (3) lack a performance history. An increased interest from commercial investors may be shown if the successful results appear or there are important guarantees.

Innovative Financing Instruments – Initiatives of European Investment Bank
Referring to the report of European Investment Fund (EIF) they describe innovate finance instruments, such as technology transfer (TT) that "encourages collaboration between research organizations and industry, the licensing of intellectual property rights, and the creation of start-up businesses and university spin-out companies. This strategy, involving a greater level of risk is dependent on EIF being entrusted with funding sources with same objectives and risk profile. The European Commission (EC) plans to set up a Technology Transfer Finance Facility (TTFF). Assuming EC funding can be invested on a subordinated basis, this facility, with its more aggressive risk profile, would open up a new market for EIF and address the needs of a larger number of European TT players particularly in their proof-of-concept phases. The overall amount of this pilot facility is under discussion." (Kraemer-Eis, Lang & Gvetadze, 2014).



Potential Cash flows	At issue	At maturity (guaranteed)	At maturity (If metrics are achieved)
Investor	-100	+50	+66
Outcome Funder	0	-50	-75
Special Purpose Vehicle	+5	0	+4
Projects	+95	0	+5

Figure 3. Illustrative Cash Flows of a Development Impact Bond, Scheme 1

Source: Dahlberg (2014)

Other examples of EIF's initiatives are partnerships with corporate investors, structured as a Corporate Innovation Platform (CoriP), to establish collaboration between fund managers, strategic investors and portfolio companies, as well as another pilot initiative–the Social Impact Accelerator (SIA), the latter has been started to satisfy the growing need of equity finance supporting social enterprises. This segment promotes social inclusion by a) providing alternative sources of employment to marginalised social groups, and b) contributing to growth. In spite of non-existence of universally accepted definition of *social enterprises* or *social entrepreneurship* we may see their following common features: primary goal serves a social interest (social, societal, environmental objectives) instead of profit maximisation, but alongside a financial return, they are often of an innovative nature (through the inputs and output), and they often employ society's most fragile and marginalised members who are typically excluded from the mainstream labour market - socially and financially excluded people, disabled people, formers convicts, and minorities. Regarding the financial return prospect of Social Impact Funds, little evidence is publically available at this stage. This lack of information is largely due to the fact that most of the formed track records in Social Impact Investing is linked to the activity of family offices, which typically do not have a duty to disclose publicly figures on their investment performance. But owing to the current growth of social enterprises the private sector is prepared to provide them certain public services, which are either not currently subsidized or can no longer be financed with state or municipality money. The growing gap in public services resulted in the need to set up social enterprises that propose innovative ways to cope with temporary societal challenges. According to J.P. Morgan true impact investors have no trade-off between financial returns and social impact, as these two elements are positively correlated. A recent survey of impact investors revealed that the majority (71%) of impact investors consider determining impact objectives essential and even more (80%) consider generating financial returns essential. Moreover, more than half of them targets"competitive, market rate returns" from their investment (Kraemer-Eis *et al*., 2014).

Access to Capital for SMEs in Slovakia

Micro, small and medium enterprises have possibility to finance their activities with own resources (equity capital structure) and utilising creditors' resources such as various forms of bank loans, using financial or operating lease, but there is moreover an important source of funds for the European Union members represented by cohesion funds determined especially to support the region development in the EU. The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90 percent of the EU average. It aims to reduce economic and social disparities and to promote sustainable development. The program for the years 2014-2020 have goals, apart from others, e.g. building a train connection across the Europe that will improve economy in the EU and should reduce at least the disparity among regions or erase it gradually. Slovakia has to put much more effort into preparing projects to utilise these funds, only 18.6 percent resources were utilised from the capital assigned to Slovakia. The conditions are improving with new, pro-SMEs and MSMEs legislation and new resources that will be now available again to support regional development. (Kovalančíková & Novačková, 2013) Visegrad Four (V4) - discrepancy among regional development of the V4 countries and the old EU members were substantial, therefore the countries of V4 received financial support from the EU pre-accession fund (Phare, Ispa a Sapard) for modernizing infrastructure to eliminate the difference. It also prepared Slovakia, Poland, Hungary and Czech Republic for Structural Funds. V4 countries received approximately the capital of €140b from structural funds between years 2004-2013 which was financial aid for tackling the problems of infrastructure, regional disparity within countries and growing unemployment.

Visegrad countries 2004-2013	Czech Republic	Hungary	Poland	Slovakia
Capital for regional policy	€26.7b	€34.5b	€67b	€11.4b

The capital improved conditions in the regions, the disparity narrowed but the differences still remain. EU money supports infrastructure projects in CEE countries e.g. construction of highways, roads, railways, water supply network, public sewerage system, but also recovery of old industrial locations including brownfield regeneration. To encourage entrepreneurship, tourism development, research infrastructure, or investment into the human resources is also Slovak priority therefore it is essential to enable SMEs to have an access to capital for their activities. The Act for Small and Medium Enterprises "(2011 revised) with the initiative First think small" shall result in approving such regulations and public services that will ease and simplify enterprising for SMEs.

European Union Legislation and Initiatives for managing EU Funds

The legislation is prepared also for various financing schemes through which the resources should be allocated wherever it is needed. Innovative financial instruments have been defined, in accordance with regulation of European Regional Development Fund (ERDF), as stated in (Art.2 (c) (III) of the direction of European Council and European Parliament 1783/1999/ES for ERDF. Regulations for implementation of innovative financing mechanisms are elaborated in Art.8 (funds of risk capital and loans) and Art. 9 of the European Commission directive (Guaranteed funds) 1145/2003/ES that have been amended by the directive of European Commission 1685/2000/ES.

For the period 2007-2013 there were initiatives of European Commission JEREMIE a JASPERS accepted for EU member states to prepare them for implementing new innovative finance mechanisms, supported by the legislative regulations of European Investment Bank (EIB), European Investment Fund (EIF) and ERDF. JEREMIE *(*Joint European Resources for Micro and Medium Enterprises) has been the initiative of European Commission, EIB, EIF and EBRD aimed at enabling an access to financial resources for SMEs especially for supporting the science, research and development and supporting objectives of Lisbon strategy.

Innovative Finance Mechanism Implemented in Slovakia

The new innovative financing mechanisms have been created to introduce new sophisticated financial instruments to support: (1) loans for SMEs at the start-up phase and the phase of expansion, and (2) introduction of guarantee schemes for loans up €30 m for starting businesses. The guarantee is very effective and frequently used innovative financing instrument which is transferred to private entities (banks), does not increase the administration from the government point of view. The banks may provide the guarantees for bank loans, subordinated loans (debentures) and for the owners' equity. In Slovakia the Slovak Guaranteed and Development Bank is responsible for application processing, monitoring and reporting to the Slovak government. Bank loans will be guaranteed to a certain volume of the principal, which means the part of the risk is shared by the bank providing the loan, the terms to guarantee the bank loan are less strict, smaller charges to arrange loans, more advantageous terms related to the loan (time of settlement, interest rates), a shorter credit history is acceptable, instalments may be deferred under certain conditions.

Guarantees for Debentures-A debenture stands between equity and standard loans. If there are problems with repayment, they are second in the order of repayment and they are added into owner's equity structure and therefore the capital position is strengthened. The bank also may provide a guarantee to the small private companies for the loan up to €30 m (equity guarantee) to assist businesses operating in the area of latest technologies. Financing from public resources – subsidies -- enable firms to obtain know-how and technical assistance while the company is being established, help with registration of the patents, and help PPP projects that face the problems due to the inexperience with such projects in Slovakia (inexperience also on the side of public institutions), but they have a big potential to be utilised for building infrastructure and social aspect projects of the regions and communities.

Initiative JEREMIE

The threshold of introducing an innovative financing instrument is GAP analysis. EIF was empowered by the European Commission (Directorate General for Competition – DG COMP a Directorate General for Regional Development – DG REGIO) to make an analysis of the market shortcomings in the area of SMEs financing of the EU member states and the states that are preparing for accession to the EU. The purpose of the analysis was to find out gaps between the supply and demand for innovative financing instruments in the market. This analysis was the prerequisite of the European Commission (DG COMP a DG REGIO) for the start of successful implementation of the initiative JEREMIE.

The European Investment Fund (EIF) analysed the access of Slovak SMEs to financing and identified major gaps between potential demand and existing supply in the main financial instruments facilitating access to finance for SMEs. Unrevealed gaps hamper creation and development of innovative financing. EIF can act as a catalyst in covering these gaps through its know-how in setting up adequate market-oriented instruments and attracting private lenders and risk capital providers in the framework of JEREMIE. The portfolio of financial instruments was set up in a Jeremie Holding Fund structure, providing an important opportunity to the Slovak government to lay the foundations for continuous, high, economic growth; strong development and increased competitiveness compared with other European countries, in the coming years.

To continue to support SMEs and Managing Authorities, EIF is proposing to extend existing JEREMIE agreements. Under the new 2014-2020 programming period, EIF is currently assessing market needs across EU Member States and Regions to plan the deployment of the second generation of the European Structural & Financial Instruments (ESIF) and design investment solutions through standardised funding agreements and partnerships with national agencies. The entrepreneurs below benefited from JEREMIE support which allowed EIF financial intermediaries to give them the necessary kick-start to launch or expand their businesses and carry out their ambitions.

The analysis have revealed the following market failures related to the accessing SMEs to the capital in Slovak Republic: (1) very few micro-financing loans for sole-proprietors and starting entrepreneurs; (2) low share of domestic loans and activities of guarantees for SMEs on GDP; (3) low share of factoring on GDP comparing EU-25; (4) low share of activities in the area of risk funds associated to GDP and other Central European member states; and, (5) low share of research and development on GDP, poor transfer of new technologies to practice.

The analysis prepared proposal for allocating the capital from structural funds of the EU in the following areas (Rakovský & Romančíková, 2006): (1) guarantee schemes for microfinancing loans of start-ups–34 percent (the turnover of the SMEs up to €8.3m); (2) social microfinancing loans - one percent; (3) credit guaranteed schemes of portfolios for SMEs–22 percent (guarantees for SMEs with market potential, guarantees to support for entering the private investor into SMEs; (4) credit guaranteed schemes to support activities in the area of factoring–10 percent; (5) seed-capital fund–five percent (participating loans to cover the share of OE participating on the company profit for starting companies); (6) development capital fund–20 percent (investment into starting and expanding SMEs); (7) risk capital funds, smaller investments to risk funds–5 percent; (8) intellectual property fund (IP Fund)–two percent, (9) building the network of Business Angels (BANs); one percent; and, (10) funds to stimulate investments especially their stage of being prepared (VC: Private).

The program for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) is run by EIB is to improve access to finance for SMEs through two financial instruments that have been available since August 2014. COSME has a budget of over EUR 1.3b to fund these financial instruments that facilitate access to loans and equity finance for SMEs where market gaps have been identified. Thanks to this budget, it will be possible to mobilize up to EUR 25b in financing from financial intermediaries via leverage effects. The financial instruments are managed by the European Investment Fund (EIF) in cooperation with financial intermediaries in EU countries.

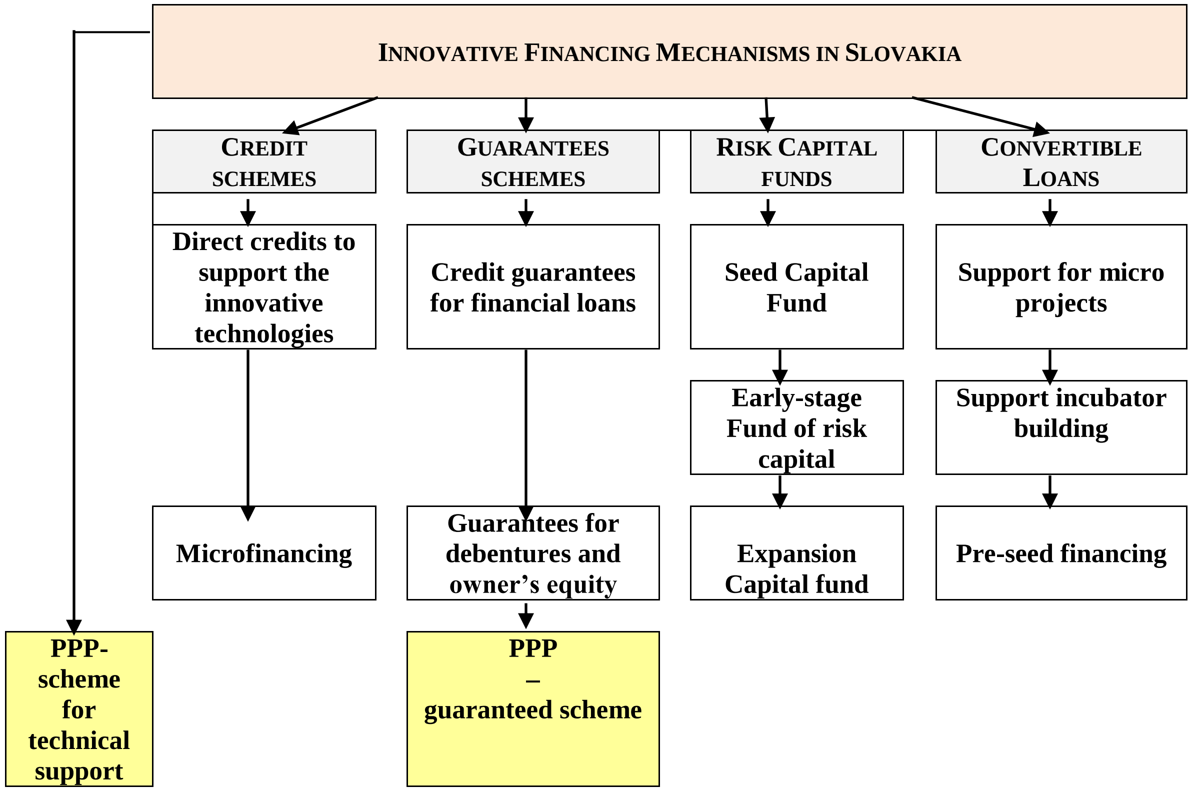


Figure 4. IFMs Available for use in Slovakia

Source: The author

New Innovative Financing Instruments in the EU

The COSME managed by EIF added new innovative finance instruments available for SME in the EU, that are run within the new 2014-2020 programming period – the Loan Guarantee Facility (LGF) and the InnovFin SME Guarantee.

Loan Guarantee Facility (LGF) Facility enables more loans and lease finance to be provided to SMEs thanks to the funds from COSME budget which will fund guarantees and counter-guarantees for financial intermediaries (e.g. guarantee organizations, banks, leasing companies). This facility will also include the securitization of SME debt-finance portfolios. The risk is shared by financing intermediaries and SMEs. SMEs will obtain the credit easier (every euro invested in a loan guarantee is expected to release up to 30 euros of financing for SMEs). It is expected that up to 330.000 SMEs will receive loans backed by COSME guarantees, with the total value of lending reaching up to EUR 21 billion. The loan program is available till 30 September 2020.

The Equity Facility for Growth (EFG) enables the part of the COSME budget to be allocated to investments in risk-capital funds that provide venture capital and mezzanine finance to expansion and growth-stage SMEs, in particular those operating across borders. The proper and thorough assessment of the SMEs performance is a necessity, because investments should be approved for SMEs with the greatest growth potential. Expectation is that about 500 firms will receive equity financing through the program—overall investment reaching up to EUR 4b—and further finance will be attracted through co-investments from other public and private sources.

The following figure demonstrates which forms of financing are the most frequently used by SMEs in Slovakia.

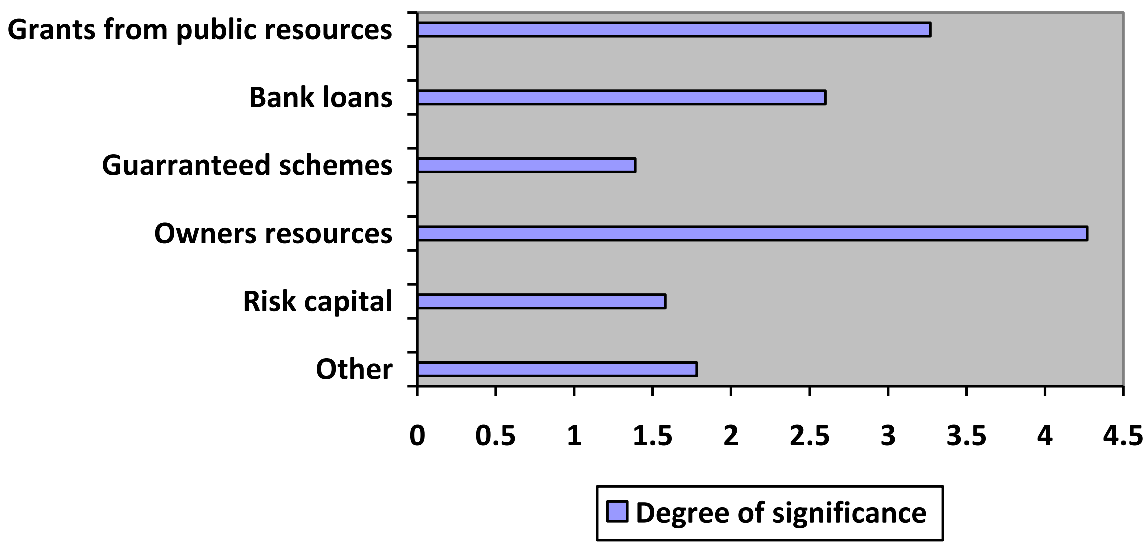


Figure 5. Source of Financing Used in Slovak Republic

Source: The author

The graph confirmed Slovak conservatism in financing, showing that the most frequent form is financing through own capital resources. Public grants are the second most important for financing followed by the bank loans. Sources of risk capital and guarantees are considered meaningless, on the other hand guaranteed schemes and funds of the risk capital are emphasized as a perspective form of the financing especially of innovative activities. The most successful loans provided by Czechoslovak Trade Bank (CSOB) offered in 2013 were: (1) Credit guarantees offered to the businesses with the employees less than 250 and the credit line of €165,000, 65 percent of resources for loans available were lent; (2) Microfinancing loans for sole proprietors and small companies (maximum of 10 employees) - a credit line of €25,000 determined for applicants; (3) Loans guaranteed by EU were attractive for the companies (Ltd), around 75 percent of Ltd companies applied, especially in the area of retail and wholesale, services and construction businesses, the loans for investing purpose were for five years with the average principal of €38,077 and the loan to finance operations was with maturity over three years and average principal of €22,715. EU Loans broke down in the following sectors: 35 percent of loans into retail and wholesale business, 21 percent of loan for service business, 17% construction business, six percent steel and metal production, four percent hotel and restaurant services and catering, 13 percent production of wooden furniture.

Slovak Republic and Namibia in Numbers

Slovakia and Namibia are countries with national parks and preserved areas, different in character and weather, but similar in problems related to SMEs. SMEs are the backbone of the European and African economy. SMEs comprise 99% of EU firms and provide about 75 percent of all private sector jobs. In Slovakia SMEs are a very important contributor to GDP l, creating almost 50 percent of the added value and providing 70 percent of all jobs, a majority of the SMEs indicates to have insufficient financing for growth, notwithstanding increased activities of commercial banks. In Namibia it is about 20 percent of jobs, 12 percent of GDP (Jauch, 2010).

As we can see in Table 9, Namibia uses more classical forms of IFMs and Instruments similarly as Slovakia, such as grants, loans, leasing, microfinancing, capital from NGOs, Namibia, since it is a very attractive destination for tourism is very active in environmental projects. Slovakia has opportunities to use the capital via various structural and regional funds, but it requires high quality projects and minimum capital for co-financing. PPP projects just started to be utilized, but there is not a lot of experience with them yet in Slovakia.

Table 7. Selected Geographical and Economic Characteristics

	NAMIBIA June, 2015 2014	SLOVAKIA June, 2015 2014
Area	0.8 km^2	0.5 km^2
population	2.3m 2.66 people/km^2	5.4 m 111 people/km^2
GDP per capita	\$4,581 \$4,473	\$15,369 \$15,171
GDP annual growth rate	8.9%; 1.7%	2.4% 3.1%
GDP growth rate	4.3% -3.7%	0.8% 0.6%
% of the world economy	0.02%	0.16%
Protected area	42-43% of Namibia' s territory, natural resources	28% of the Slovakia's territory
German impact on accounting, control	☑	☑
British impact on accounting, control	☑	Less, if via IFRS
Percentage of firms	NCC MCC PCC FCC_{2006}	NCC MCC PCC FCC_{2009}
Credit Constraint status	69.7 9.5 15.7 5.1	54.2 22.6 17.5 5.7
Unemployment (percent) **literacy rate**	26 132 of 194	11 21 of 194

Legends: NCC-noncredit constrained, MCC- maybe credit constrained, PCC potentially credit constrained, FCC- fully credit constrained

Table 8. Definitions of SME in Slovakia: (2 out of three criteria must be fulfilled)

During a financial year	**Small businesses/ Micro-entities**	**Medium-sized enterprises** are not small/micro entities	**Large enterprises** exceeding the
Criteria	not exceeding the level of	and not exceeding the level of	level of
Balance sheet total	€4,000,000 / €350,000	€20.000.000	€20,000,000
Net turnover	€8,000,000 / €700,000	€40,000,000	€40,000,000
Average number of employees	50 persons/10 persons	250 employees	250 employees

SMEs in Slovakia and Namibia

In Namibia SMEs' size criteria are defined in the following way (Kambwale, Chisoro & Karodia, 2015, p. 82) in Manufacturing sector:

employment <10 persons, net turnover < N\$1,000,000 and capital < N\$500,000. For all other businesses: employment < 5 persons, net turnover < N\$250,000 and capital < N\$100,000.

	Namibia	Slovakia
SMEs businesses	very important	very important
Failure of SMEs -start-ups	very high	very high
Use of IFM- classical	☑	☑
IFM more advanced	Potential for use exists	Potential for use exists
Financial literacy of SMEs managers	Requires improvement	Requires improvement

Table 9. Innovative Finance Mechanisms in Namibia

INSTRUMENTS	INNOVATING FINANCE MECHANISMS IN NAMIBIA	STATUS
Taxation	Government's annual allocations to the MET	
• Grants • Environmental funds	Various public/private grants to help support local community environmental projects	SKEP Grants • GEF Small Grants Fund • Walvis Bay Municipality
Loans or grants from official development aid	The routing of foreign tax money to a multilateral institution that can channel funds to projects or agencies that help protect environmental resources	GEF, SIDA, DANIDA, USAID, etc.
Loans or grants from NGOs	Various international and local NGO investments to support local communities, environmental projects	IRDNC, NNF, WWF, etc.
Tax incentives	Tax incentives for 'green' businesses or to promote private land conservation	
Tradable permits • Development rights • Extraction quotas	Setting an upper limit on an environmentally destructive activity • Allocating tradable rights to such activities using a predetermined system • Letting the actors trade, buy, or sell such rights via a market system	Partially transferable quotas in fishing
Deposit–refund schemes • Performance bonds	Imposing a small 'deposit' or surcharge on the cost of drinks sold in glass or aluminium containers, and then returning the surcharge to consumers that recycle those containers	Deposit systems in place for few beverage containers
Venture capital or loans for 'green' tourism businesses	Use of venture capital tools to support environmental businesses	Mooted by ComMark and the Development Bank of Namibia developing a loan for black economic empowerment in tourism
Resource extraction rents • Severance fees	Charging the developer of resource extraction projects (mining, fishing, etc.) a fee or royalty for the privilege of using a country's non-renewable resources	Resource rents in fisheries sector, royalties on diamonds, etc
Private conservation investments	Investments in conservation-related activities such as wildlife production on commercial land	Significant investments on private & communal land – CANAM activities • Removal of barriers needed, especially in parks and communal areas
Entry fees • Concessions	Charging for the use of environmental sites, usually in the form of park entry fees, concession fees, or excursion fees	Concession fees, park use fees, licence fees for wildlife and forest use

Source: Barnes, J. & Humavindu, M. (2006).

There is potential either in Slovakia or in Namibia, as well, to utilize IFMs to larger extent, but it requires improvement of certain educational and skills, particularly in the area of management, finance and training in project preparation. Namibia faces similar challenges. Slovakia is more oriented on the infrastructure projects and Namibia more on environmental and protection natural resources projects. Both countries try to encourage and increase economic activity for SMEs and ease doing the business for start-ups and SMEs and increase their survival.

Table 10. Doing Business

OECD income GNI per capita Population (million)	CZECH REPUBLIC High income (US$) 18,130 10.5m **2015**	 **2014**	NAMIBIA upper middle income (US$) 5,840 2.3 m **2015**	 **2014**	SLOVAK REPUBLIC High income (US$) 17,390 5.4m **2015**	 **2014**
Ease of doing business (rank)	44	47	88	80	37	35
Starting a business(rank)	110	110	156	152	77	83
Dealing with Construction Permits	139	136	25	27	110	108
Getting electricity	123	118	66	62	100	96
Registering property	31	32	173	173	11	10
Getting credit (rank)	23	45	61	55	36	30
Protecting minority investors (rank)	83	81	87	84	100	97
Paying taxes	119	116	85	82	100	91
Trading across the borders	58	57	136	119	71	70
Enforcing contracts (rank)	37	38	53	55	55	57
Resolving insolvency (rank)	20	20	81	79	31	28

Source: Doing Business 2015

Table 11. Examples of the Financing of Working Capital and Fixed Assets

% of Working capital finance by each source	**Bank & non-banking financial institutions**	**Trade credits**	**Equity finance**	**Other external sources**
1. SLOVAKIA (EE and Central Asia **2. NAMIBIA (sub Saharan)**				
Small: (x < 20)	**1. 39.95** **2. 24.76**	**1. 8.71** **2. 11.54**	**1. 18.42** **2. 4.47**	**1. 7.58** **2. 18.79**
Medium: (20 < x < 99)	**1. 41.77** **2. 29.38**	**1. 9.88** **2. 12.97**	**1. 13.47** **2. 4.63**	**1. 6.72** **2. 11.70**
Large: (x > 100)	**1. 45.18** **2. 39.21**	**1. 7.18** **2. 8.75**	**1. 11.12** **2. 6.55**	**1. 5.00** **2. 8.70**
Purchases of fixes assets **% of investments financed by each source**				
Small:(x < 20)	**1. 27.15** **2. 14.87**	**1. 11.38** **2. 19.66**		**1. 10.57** **2. 11.23**
Medium: (20 < x < 99)	**1. 34.25** **2. 19.11**	**1. 12.97** **2. 20.45**		**1. 8.45** **2. 6.86**
Large: (x > 100)	**1. 38.05** **2. 23.43**	**1. 12.39** **2. 19.53**		**1. 3.34** **2. 7.60**

Source: Processed by author (Barnes & Humavindu, 2006)

Typical features of problems of SMEs are in both countries very similar: (1) poor management (lack of planning, management skills in general, managing growth, controlling costs, setting the prices, managerial skills, lack of capital and access to capital); (2) poor crime management (personnel hired without reference and proper verification; (3) failure to introduce uniform rules, reduction costs versus employees' rewards; lack of reward system for moral and hardworking employees); and, (4) existing corruption and bribery in a case that it helps to get business opportunities (new order, etc.) (Bajzikova *et al*., 2013; Karodia *et al*., 2015).

Problems with fraud and crime is eternal as humankind itself. New category of fraud was added into the survey made by PWC auditcompany. Procurement fraud is considered a double threat. It victimizes businesses in their own acquisition of goods and services. The highest reported risk factor of procurement fraud is the process of choosing vendor contracting/maintenance. Procurement fraud usually includes collusion between business parties. Therefore, the detection of this type of fraud is often difficult. The following table illustrates selected data on procurement fraud (which was not investigated in the year 2011), money laundering and tax fraud in years 2011 and 2014 in selected countries just to demonstrate development of these serious crimes. Namibia data were not available.

Table 12. Selected Results of the Crime Research 2014

	Procurement Fraud in %		Money Laundering in %		Tax Fraud in %	
	2011	2014	2011	2014	2011	2014
Slovakia	0	31	0	12	0	4
Czech Republic	0	29	8	27	0	0
Hungary	0	25	8	25	8	25
Bulgaria	0	15	0	5	0	10
UK	0	22	13	12	0	0
South Africa	0	59	0	14	0	11
USA	4	6	0	27	0	0
Reports globally	0	29,1	10	9	4	6

Conclusion

Nowadays important trends observed in international development is the effort of supporting public and private sector in order that they may collaborate together and the effort of concentrating on programs delivering results. Traditional international resources e.g. aid, foreign direct investment are complemented with innovative financing instruments. Their role is (1) to mobilize supplementary scarce capital resources for development of a country, region and (2) to remit and deal with institutional and legislative barriers and specific market. Innovative financing is an inevitable tool for the development community that make a great effort to eliminate poverty, raise living standards, and protect the environment failures. According to the team of researchers "*successful innovative financing instruments address a specific market failure, catalyse political momentum to increase and coordinate the resources of multiple governments, and offer contractual certainty to investors*" (Dahlberg, 2014, p. 4). Therefore for accomplishment of MDGs, the key and innovative challenge is to bring new, sustainable revenue flows derived directly from the revenue and capital characterising the 21st century global economy in order that the official development assistance (ODA) may be sufficiently and regularly complemented. There is a potential of mutual inspiration between countries of Slovakia and Namibia, in the area of e.g. education, tourism, trade etc.. The paper indirectly raises many issues that could be researched deeper, even the area of mutual cooperation between countries as Slovakia (or CEE) and Namibia (Sub Saharan Africa).

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Appendix 1

Definitions of each instrument

Securities and Derivatives	Bonds and Notes	Debt financing raised in capital markets to fund development interventions like microfinance or climate change interventions
	Guarantees	Financial commitment to provide payment in case of financial loss, including insurance products, that act as a risk-mitigation incentive to attract other funders
	Loans	Loans made with concessionary repayment terms to borrowers for implementing specific development interventions like green credit lines
	Microfinance Investment Funds	Investment funds that finance microcredit lenders in developing countries who provide low-income and marginalized borrowers with access to finance
	Other Investment Funds	Investment vehicles that are structured and funded to target a specific development challenge, often blending investors with different risk/return profiles
	Other Derivative Products	Financial instrument that derives its value from performance of another asset like securities tied to residential mortgages or weather events
Results-, output-, and performance based mechanisms	Advanced market commitments	Commitment of funds to guarantee price/market for products once developed
	Awards and Prizes	Financial reward for development solutions in a competitive selection process
	Development Impact Bonds	Investors fund development intervention upfront, government/donors repay them with interest based on results achieved
	Performance-based contracts	Grant contracts structured to disburse based on meeting specific performance targets
	Debt-swaps and buy-downs	Developing country debt repayment obligations are transferred or reduced based on meeting development goals
Voluntary contributions	Carbon Auctions (voluntary market)	Voluntary participation in legally binding exchanges for trading carbon credits and reducing emissions
	Donations as part of consumer purchases	A percentage of each purchase of a consumer product goes to fund a designated development challenge
Compulsory charges	Taxes	Specific tax imposed by government to raise funding for a specific development challenge

Source: Dahlberg (2014)

Appendix 2

Table 3: Assumptions used to calculate market projections

Instrument	Historic Compound Annual Growth Rate	CAGR implied by projected range midpoint	Baseline Year in Calculations	Period used to calculate the historic growth rate	Projected Midpoint (USD M)	Percent of Total
Compulsory Charges						
Taxes and Levies	1.6%	7.7%	2013	2007-2013	687	3%
Results Based Mechanisms						
AMC	15.7%	14.1%	2012	2009-2012	985	4%
Awards and prizes	-30.7%	3.2%	2012	2005-2012	1	0%
Debt-swaps and buy-downs	19.2%	16.1%	2012	2004-2012	185	1%
Performance-based contracts	21.8%	17.7%	2012	2009-2013	3,321	14%
Securities and Derivatives						
Bonds, notes	16.9%	14.7%	2012	2006-2012	5,261	22%
Development Impact Bonds	NA	14.1%	2014	NA	110	0%
Guarantees	7.2%	10.0%	2012	2003-2012	9,075	38%
Investment funds	10.0%	11.2%	2012	2006-2012	580	2%
Loans	-1.5%	6.9%	2012	2003-2012	18	0%
Microfinance Investment Funds	15.2%	13.8%	2011	2005-2010	2,304	10%
Other derivative products	-45.8%	3.0%	2012	2008-2012	6	0%
Voluntary contributions						
Auctions	-5.3%	5.9%	2012	2008-2012	1,619	7%
Consumer Purchases	7.0%	9.8%	2012	2006-2012	38	0%
Weighted Average	12.3%	12.0%		Total	24,191	100%

Source: Dahlbeg (2014)

INTEGRATING SUSTAINABILITY INTO SUPPLY CHAINS OF SMALL AND MEDIUM SCALE MANUFACTURING FIRMS IN GHANA

Edward S Fekpe, Ghana Institute of Management and Public Administration, Accra, Ghana
Y Y A Delaporte, Ghana Institute of Management and Public Administration, Accra, Ghana
M E Fiagbey, Ghana Institute of Management and Public Administration, Accra, Ghana

The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market. This paper examined the level of integration of sustainability into the supply chains of small and medium size enterprises (SMEs) in the manufacturing industry of an emerging economy like Ghana. Benefits of sustainable supply chain include achieving higher economic performance, optimizing resources and processes, cost savings, increased productivity, and above all as a driver of competitive advantage. It is evident that SMEs appreciate the concept, recognize the benefits, and are making efforts to integrate sustainability into their supply chains. The survival of SMEs in a competitive market depends to a large extent on their ability to implement sustainable supply chain practices. It is recommended that knowledge sharing and awareness will be useful for local SMEs.

Introduction

Supply chain sustainability has been defined as the management of environmental, social and economic impacts, and the encouragement of good governance practices, throughout the life cycles of goods and services. Contemporary business management thrives on three main sustainable issues namely; economic sustainability, environmental sustainability, and social sustainability. Economic sustainability dictates that businesses should conduct their procurement or supply chain activities in such a way that protects humanity and the biosphere. Environmental sustainability is concerned with doing business in such a way that the environment is not degraded but rather it is left in a better shape for posterity. Social sustainability ensures that the products, services and profits of business activities benefit the communities in which they operate. According to Chan (2003) and Gunasekaran *et al.* (2001) the economic goals in supply chains include cost, quality, speed of delivery, flexibility, resource utilization, visibility and innovativeness among others. The environmental issues associated with supply chains are pollution, climate change; decline in ecosystems and biodiversity; deforestation; soil degradation; resource depletion and fresh water crisis (McAllister *et al*., 2005). The key social issues on the other hand, include respect for human and workers' rights – child labour, health and safety, working conditions (Maignan *et al*., 2002), poverty alleviation, among others.

Supply chain sustainability has the ability to dramatically influence the competitiveness and performance of a company by achieving operational efficiencies, by engaging consumers and increasing loyalty, by building partnerships that open new markets and by effectively collaborating with stakeholders and the civil society. The issue of sustainability in supply chain is rapidly gaining momentum especially in less developed countries where economic goals tend to overshadow the social and environmental issues. In Ghana and probably in other less developed economies, concerns about poor social and environmental conditions in companies' supply chains have emerged. Ineffective implementation of local social and environmental regulations has forced companies to address issues that were traditionally outside their core competencies and responsibilities. Moreover, public scrutiny of business behaviour has led to rising expectations that companies are responsible for the environmental, social, and governance (ESG) practices of their suppliers and customers (Klassen & Vachon, 2003). Failure to address suppliers' ESG performance can give rise to significant operational and reputational risks that can undermine any potential gains from moving into certain markets.

The economy of Ghana has shown signs of growth in the last decade partly resulting from political stability. These signs are evidenced in increasing number of private enterprises. According to Acolatse (2012), SMEs are the drivers of the Ghanaian economy even though some of them are hardly noticed. Undoubtedly SMEs have contributed immensely to income, employment generation, and ultimately economic growth of the country. Though there has been many studies on SMEs in Ghana, the focus of most of the studies were on the financial aspects at the expense of the other equally important aspects.

While short term performance may indicate the potential future growth, the issue of sustainable growth and long term survival of SMEs in a competitive market place needs to be addressed. The United Nations Global Compact report (UNGC, 2012) concluded that companies are increasingly making solid progress on setting expectations for suppliers in their attempts to integrate sustainability into their supply chains. However, these companies are not yet supporting expectations with concrete actions that drive sustainability performance in their supply chains. A sustainable development requires a greater understanding of the strategies and frameworks that would support supply chain sustainability integration in developing markets such as Ghana. Noting that some of the partners in the supply chains of SMEs in the manufacturing industry are located in foreign countries, could be a challenge to integrating sustainability into their supply chains. The objective of this paper therefore is to examine the level of appreciation for integrating sustainability into supply chains of new and expanding SMEs in a developing country like Ghana. This paper will also identify the challenges of integrating sustainability into supply chains that are peculiar to local SMEs. The findings of the paper can be used to gauge their survival rates in a competitive environment.

Literature Review

The concept of sustainability has also begun to appear in the literature of disciplines such as operations or supply chain management (SCM) (Beamon, 2008). Theyel (2001) defined sustainable supply chain management (SSCM) as the strategic, transparent integration and achievement of an organization's social, environmental and economic goals in the systemic coordination of key inter-organizational business process for improving the long-term economic performance of the individual company and its supply chain. Seuring Müller (2008) refer to SSCM as the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development i.e., economic, environmental and social, into accounts which are derived from customer and stakeholder requirements. According to United Nations Global Compact and BSR Practical Guide (UNGC, 2012), the objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market.

One key challenge organizations face when managing sustainability is its extension to other partners in the supply chain since firms are held responsible not only for their actions but also for their suppliers' environmental damages or unethical behaviours. As pointed out by Faruk *et al*. (2002) suppliers' poor environmental management can harm the buying firm environmental performance. This is also true in the case of social issues. Veerman (2004) noted that, companies such as Nike, Gap, Apple, or COCOBOD of Ghana, have all been vilified because some of their suppliers were employing child labour in their operations. As firms realize that customers and stakeholders do not distinguish between the lead company and its partners in the supply chain (Large & Gimenez, 2011), the need to develop governance mechanisms that allow them to extend sustainability along the supply chain becomes clear (Kytle & Ruggie, 2005). Theyel (2001) and Zhu *et al*., (2005) have concluded that stakeholder institutions, especially regulators hardly separate suppliers from end-users of produce and therefore it is important that manufacturers liaise properly with their supply base to minimize any unethical supply chain activities.

Advantages of SSCM

Rao (2007) showed that companies and other business entities must address SSCM to triple bottom line of economics, social and environmental components to maintain the performance of the firms. Carter & Rogers (2008) noted that firms that strategically undertake SSCM will achieve higher economic performance than firms that pursue only one or two of the three components of the triple bottom line. Wollmuth & Velislava (2014) noted that by managing and improving environmental, social and economic performance throughout supply chains, companies can conserve resources, optimize processes, uncover product innovations, save costs, increase productivity and promote corporate values.

Sustainability is increasingly being seen as an opportunity rather than a threat with company executives admitting that it gives them a competitive advantage over other industry players (EIU, 2010). This is so because a successful community does not only create demand for the products of firms but also provides critical public assets and a supportive environment thus making it important for firms to consider the social and environmental implications of their activities as pertains to the communities in which they operate (EIU, 2010).

Over the years, much emphasis has been placed on economic sustainability (D'Amato *et al*., 2009). However, recent studies have shown that addressing societal harms and environmental constraints does not necessarily raise costs for firms, rather it encourages them to be innovative, use new technologies, operating methods and management approaches and as a result increase their productivity and expand their markets (Porter & Kramer, 2011). Additionally, firms that have maintained sustainable practices have recorded reductions in their operating costs.

According to Hanifan *et al.* (2012), too often companies are adversely affected by events that have taken place in other parts of their supply chain, that are not necessarily events that are in their traditional sphere of control. These events can be environmental (products or materials tainted with toxic chemicals), economic (cost spikes of a feedstock), or social (poor or illegal labor practices by a supplier). Without integrating sustainability into the supply chain design, the risk of significant adverse impact can be high. Hanifan *et al*. (2012) also noted that sustainable supply chain is good business because by working closely with their suppliers in a systematically monitoring, measuring and communicating the benefits of sustainability, leading companies turn supply chain sustainability into a driver of competitive advantage.

Integrating Sustainability into the Supply Chain

Porter and Kramer (2011) suggest that firms consider the principle of shared value in incorporating sustainability into their supply chains. Shared value involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Several approaches for integrating sustainability into supply chains are available in the literature. The degree of complexity and the steps involved are not necessarily similar. Each approach may have its merits and demerits, however each is has been proven to be successful.

Wollmuth & Velislava (2014) observed that incorporating sustainability into a company's supply chain is complex but the failure to act may be the biggest risk of all. The authors suggested a six step process for integrating sustainability into supply chains.

1. *Map the supply chain* – inventory suppliers, identify the most significant environmental and social challenges they have, and prioritize efforts with suppliers.
2. *Communicate expectations* – involve suppliers by establishing and communicating expectations through a supplier code of conduct.
3. *Baseline supplier performance* – provide the baseline for future programs to improve supply chain sustainability and help assess where the greatest need for improvement exists.
4. *Develop training and capacity building programs* – leverage the best practices and case studies from top performing suppliers. This helps improves sustainability and drives behavioral changes throughout your supply chain.
5. *Drive performance improvement* - Once supplier baseline performance is understood, develop an audit program to measure performance improvement over time.
6. *Join industry collaboration* – Work with industry peers that share similar supply chains to set common standards and best practices for sustainability performance and allow suppliers to be evaluated on the same metrics.

Cetinkaya *et al.* (2011) described a six-step iterative approach which defines the sustainable supply chain road map. The first four steps design the sustainable supply chain strategy and the last two steps integrate the strategy. These steps are briefly defined below

1. *Assess the supply chain*–taking stock of the current state of the supply chain by assessing the strategies, practices, resources and capabilities
2. *Assess the environment*–identify current and forecast potential future developments and trends, focusing in external factors influencing the supply chain
3. *Evaluate*–the impacts of the scenarios on current supply chain strategy. Evaluate risks and opportunities derived firm the internal and external factors.
4. *Adjust supply chain strategy*–use outcome of analysis in step 3 to adjust strategy or redesign process.
5. *Operationalization*–implementation issues in order to balance social, economic, and environmental objectives using a Scorecard approach
6. *Implementation*–key ingredients required to successfully implement the sustainable supply chain strategy.

Hanifan *et al*. (2012) also suggested three specific ways of integrating sustainability into supply chains as follows:

1. *Evolving procurement strategies and a cross-functional approach* **- r**ecognizing that procurement plays a key role in any effort to achieve a sustainable supply chain.
2. *Moving from compliance to performance improvement* **-** moving beyond sustainability as merely a compliance issue, identifying opportunities for business improvement
3. *Building on communications for better decision making* **-** mining data to provide rich insights that can drive better decision making for themselves and their suppliers. Recognizing that information management is key to successfully achieving a sustainable supply chain.

It is clear that integrating sustainability in a companies' supply chain requires understanding the supply and its characteristics, information sharing and working closely with the suppliers and other partners in the supply chain; setting performance targets and monitoring performance. A successful approach should be flexible and dynamic to allow adjustments to both strategy and process as necessary.

Small and Medium Scale Firms in Ghana

In Ghana, small and medium size enterprises (SMEs) are defined in terms of size and the value of fixed assets. However, size is the most commonly used criterion. Firms with less than 10 employees are classified as small scale enterprises (Kufuor, 2008). Firms with 11 to 100 employees are considered to be medium size. In Ghana, readily available literature on SMEs is scarce but statistics from the Registrar General's Department indicates that 92 per cent of companies registered are micro, small and medium enterprises. SMEs in Ghana have also been noted to provide about 85 per cent of manufacturing employment, contribute about 70 per cent to Ghana's Gross Domestic Product (GDP), and therefore have catalytic impacts on economic growth, income and employment. SMEs are therefore important players to national development. While developed global markets may be shrinking on account of the financial and economic crises prevailing, Ghana's market size is growing and opportunities within Africa are also beginning to look attractive for SMEs in manufacturing, food processing, pharmaceutical, Information Technology (IT), agro, and service sector, among others, transportation difficulties discounted (eServices, n.d.).

Characteristics of SME Supply Chains

SMEs in Ghana are engaged in many different industries including but are not limited to fruit juice; furniture; shoes; handicrafts; toilet soap; cosmetics; confectionary; agro-based; retail; and hospitality. To help understand the supply chains of SMEs, it is important to highlight some common characteristics that define their supply chains and operations.

- SMEs typically operate with direct supply chains where only the supplier, the central company and the customer are partners in the supply chain. A supplier may have their own (second-tier) supplier.
- The number of raw materials required are relatively few. Therefore the number of suppliers to manage are equally few. Collaboration may be easier to achieve on the contrary however, the suppliers have competing customers to satisfy.
- Companies have little control over supplier practices. This results from too many customers being served by few suppliers for the same inputs
- Limited diversity in product and service offerings – the local SMEs tend to compete for the same raw materials partially because the family of products is limited.
- SMEs operations tend to be non-capital intensive. This is not because of the lack of knowledge to use sophisticated and advanced production methods, but rather access to capital is a major restricting factor.
- Production cost is high due to high cost of capital, interest rate, and labor cost compared to that of competing imported products.
- Performance of SMEs or their suppliers that rely on imported inputs are greatly affected by exchange rates and inflation.

While SMEs are concerned about competition in terms of prices and quality, it appears long term competitive advantage through deployment of sustainability practices has not been the focus. The following section describes the sustainable issues illustrated with examples.

Indicators of Sustainability Integration

There is evidence to suggest the large multi-national companies operating in Ghana have demonstrated commitment to integrate sustainability into their supply chains. For example, Nestlé Ghana's cocoa plan which enables it to work closely with its cocoa suppliers to ensure that supply chain operations are sustainable. This program focuses on 3 main pillars– (1) enabling farmers to run profitable farms through training; (2) improving social conditions by eliminating child labour and focusing on women; (2) sourcing sustainable good quality cocoa by increasing transparency in the supply chain and respecting the environment (Nestlé, n.d.). Also, in 2012 Unilever Ghana obtained 100 percent of palm oil of the company's requirements came from sustainable sources. In 2013, 48 percent of the Unilever Ghana's agricultural raw materials were sustainably sourced. In addition, Unilever Ghana plans to "create a framework for fair compensation, and help employees take action to improve their health (physical and mental), nutrition and well-being" by end of 2015 (Unilever, n.d.).

Evidence of sustainable supply chain for SME's on the other hand is limited. Integrating sustainability in the supply chains of SMEs is critical because without it, there is the risk of loss of market share, the time, and cost, of re-entering a market. Table 1 presents some essential elements that define sustainability of supply chains of SMEs. This is list is not exhaustive however these elements are considered important in assessing the degree to which sustainability has been integrated into the supply chains of SMEs. For example, SMEs engaged in fresh fruit juice production should work closely with the farmers to ensure that they use only the approved agro-chemicals, that wastes are properly disposed of without polluting soil and water bodies; that safety and health practices are adhered to and that farm workers' rights are respected and protected.

Table 1. Elements of Supply Chain Sustainability

Economic	Environmental	Social
• Quality • Cost • Capacity • Cost of imported inputs and components • Collaborative assistance to suppliers • Pricing • Supplier development • Income generation	• Deforestation • Bio-diversity • Waste water disposal • Agro-chemical use • Soil and water contamination • Soil erosion • Air pollution • Land conservation	• Job creation • Child labor • Health and safety for employees • Incentive programs for suppliers • Financial support for suppliers • Support to health, educational, social facilities • Fair compensation • Employment opportunities

Methodology

As noted in the introduction, this study examines how sustainability is appreciated and the degree of integration into supply chains of small and medium scale manufacturing enterprises in Ghana. A case study approach was adopted for this study. Yin (2003) noted a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries are not clear between the phenomenon and context. According to Baxter and Jack (2008) qualitative case study is an approach facilitates exploration of a phenomenon within its context using a variety of data sources. The case study approach is considered appropriate for this research because focuses on the phenomenon of sustainability within the context of supply chain. Also, the research involves is data collection through direct observation of the practices of these firms as well as interviews of the key players.

Case Selection and Data Collection

Purposive sampling was employed to select a few cases where the firms seemed to have demonstrated appreciation for sustainability and are working towards integrating it into their supply chains. Even though the sample size may not be statistically representative, they invariably reflect the general characteristics of SME manufacturing firms in Ghana. The cases were selected in order to examine (1) level of awareness of supply chain sustainability issues and (2) level of sustainability integration into their supply chains.

Data was collected through interviews and observational studies during site visits. For the interviews, a semi-structured guide was used and the site visits were used to triangulate the data collected through the interviews.

Interviews
A semi-structured interview guide was used to steer the discussions. The guide consisted of open-end questions which sought to not only solicit responses but to raise new questions based on the responses. The questions were designed to obtain information about the supply chains as well as steps taken towards integrating sustainability. The respondents were selected based on their knowledge and expertise regarding all the operations and activities of the firm. As such, respondents were mainly individuals holding senior positions in the organizations, some were the owners of the firms.

Site Visits
site visits were conducted at all the firms to help better understand the processes and operations, particularly as they relate to supply chain sustainability practices. The site visits provided opportunities to engage in informal conversations which yielded more insightful information.

Discussion of Findings

The Ghanaian SMEs have to compete with imported cheap products from China and other countries with low production costs. Local SMEs continually face challenges to reduce product development time, improve product quality, and reduce production costs. In their bid to remain competitive and retain high service delivery levels, SMEs have to recognize the importance of integrating sustainability into their supply chains. Christopher, (1992) advocated that "supply chains compete, not companies." A sustainable supply chain has the competitive edge.
This section presents results of analysis of qualitative data gathered from the case study firms. In order to retain the confidentiality of information, the real identities of the companies are not disclosed.

Fresh Fruit Juice Company
Several small business have emerged in the last decade that are involved in producing and distribution of fresh fruit products for local and foreign markets. The case study company provides fresh pure fruit products with no chemicals, additives and artificial flavorings added and delivering them to its consumers. This company produces freshly cut fruits and juices (mango, pineapple, pawpaw, passion) for local and to foreign customers. This company is in competition with several local companies and similar imported products. Given the short shelf life of fresh cut fruits and juices, efficient and sustainable supply chains are critical for survival. Indicators of sustainable supply chain integration are discussed below.

Economic Sustainability

- The company has persistently been able to honor its financial obligations to farmers, other suppliers whose efforts keep the company running. The suppliers in turn dutifully pay their material suppliers thereby motivating them to continue with their good works.
- Noting the short shelf life for certain fruit-juice products, the distribution network has to be designed such that the product gets to the market on time. Some consumers procure directly from the company.

Environmental Sustainability

- *Waste disposal* - By virtue of the nature of its operations i.e., processing fruits into fresh juice, the company generates large volumes of waste water. The company has worked with officials of the Environmental Protection Agency (EPA) to treat this 'dangerous' fluid into a harmless water which is used to wash vehicles and keep the decorative flora landscape in good shape.
- *Land Conservation* - As an agro-based fruit processing company, it partners with its suppliers (mostly farmers) to ensure that they use approved agro-chemicals in their farming activities. This is achieved by arranging with an agro-chemical company that supplies high quality fertilizer and other agro chemicals to the farmers.
- *Organic products* -In its effort to use organic fruits, the company encourages its farmers to adopt non-chemical fertilizers such as animal waste on their farms. The company further ensures that chemicals used to fumigate crops are non-toxic.

- *Environmental Friendliness* - The company ensures that the chemical content of the fruits used for producing its juice do not exceed internationally recommended levels. Recently some fresh pineapples from African countries including Ghana were banned by the EU authorities due to their high chemical contents. The company extends its quality control mechanisms to the farm gate where officials monitor the fertilizer application strategies of farmers.

Social Sustainability

- As a motivation strategy, farmers whose produce are of exceptional quality and quantity are given special incentives.
- The company assists in the provision of basic schools in the farming communities where it operates. Scholarship facilities have also been arranged for deserving children of farmers. The company further supports the funding of the recently established community health improvement project (CHIP) compounds under the central government’s safety net interventions for the underprivileged in the rural areas.
- Certain job positions in the company are reserved for people in areas where the company operates (factory hands, janitorial employees, security personnel).
- The company also pre-finances farmers and this ensures that suppliers (farmers) produce are sold solely to the company.

Indigenous Toilet Soap and Shower Gels Companies

A number of SMEs are involved in the production and distribution of indigenous Ghanaian soaps using local ingredients. Some companies package it as shower gels, with fragrances, herbs with medicinal values and other ingredients as a means of differentiating their products from competitors. Some of the companies produce other products in addition to the shower gels and toilet soap. It is worth noting that SMEs engaged in the production of this group of products are in direct competition with imported foreign equivalents. The following subsections present indicators of sustainable supply chain integration of this firm.

Economic Sustainability

- Some of the companies outsource acquisition of raw materials. Others utilize Just in Time (JIT) inventory where materials and products are produced or acquired only as demand requires.
- The primary raw material is derived from cocoa pods, plantain peels, and therefore for as long as cocoa exists, the source of the primary material is assured. Ready availability in terms of quantity and quality could be a challenge.
- Some of these companies compete on price and use other ingredients as a differentiating factor. For example, one company prices its products at six percent less than its primary local competitor and eight percent less than other foreign competing products.
- Some of the companies produce almost all their own raw materials in their attempt to control quality and remain competitive.

Environmental Sustainability

- Waste generated from the production process can be likened to household wastes and are disposed of as such. The size of these companies is typically small.
- Cocoa being the main source of raw material, all efforts to ensure that only approved agro-chemicals are used on cocoa plantations are applicable.Other inputs are edible farm products and therefore the environmental issues associated with their production are applicable.
- One of the SMEs engaged in cosmetics products obtains its palm oil and palm kernel oil from a dedicated supplier. The oil palm plantation employs environmentally acceptable farming methods.

Social Sustainability

- Typically, the welfare of employees is priority as the firms demand a strict adherence to the use of personal protective equipment during production.
- One company offers employment to workers within the community in which it operates.
- These companies have not demonstrated any commitment or efforts directed at improving the social welfare of their suppliers.

Furniture Company
Local furniture companies are typically medium size and they target the middle and upper class customers. While some use the cost efficient supply chain strategy by locating the factories close to the source of their primary raw materials, they all try to be responsive by locating the show rooms close to their target markets. The primary input is timber of various qualities and it is locally available. Indicators of the sustainability integration into the supply chains of this firm are discussed below.

Economic Sustainability

- The primary raw material is wood and other inputs are imported. Thus the cost of production is determined to some extent by the imported material component of each piece of furniture.
- The competitive strategy is invariably innovation in design. Some of the companies encourage their employees to develop new designs which when produced are named after the innovators.
- One the companies maintains a high speed of delivery and affordable prices while offering two year warranties and after sales delivery service.

Environmental Sustainability

- In working towards environmental sustainability, some of the furniture companies have registered with waste disposal companies that disposes off their toxic wastes. Sawdust generated from the production process is supplied to poultry farmers free of charge.
- In order to have a sustainable source of raw materials, one furniture company has acquired a land to plant trees of desired species to meet its specific demands.
- There is no evidence to indicate that the furniture companies have programs to support their timber suppliers in ensuring tree planting to avoid deforestation and reducing the adverse impacts of biodiversity.

Social Sustainability

- In a furniture factory safety and health are prime concerns. The companies ensure the use of personal protection equipment (PPEs) and safety practices in the factories.
- Information on the case studies did not provide any evidence to indicate that these companies have demonstrated any commitment or efforts directed at improving the social welfare of their timber suppliers.

Summary and Conclusions

The benefits of sustainable supply chain include achieving higher economic performance, optimizing resources and processes, cost savings, increased productivity, and above all as a driver of competitive advantage. Information available in the literature clearly indicates that proven methods of integrating sustainability into supply chains are available. These methods can be customized to meet individual needs and practices. Companies, both large and small, are beginning to appreciate the benefits of and integrating sustainability into their supply chains. The survival of SMEs in a competitive market place depends to a large extent on their ability to implement sustainable practices.

This paper used the three bottom line metrics (economic, environmental, and social) to assess the degree of appreciation and integrating of sustainability into the supply chains of SMEs. The case studies presented in this paper cannot be said to be statistical representation of the population of SMEs in Ghana. Nonetheless, it is noted that SMEs appreciate the concept of supply chain sustainability and have adopted sustainable practices so some noticeable extents.

Challenges of effectively integrating sustainability into supply chains of some SMEs include the lack of knowledge and appreciation of the value of sustainability by some partners; and the fact that some of their supply chain partners are located in foreign countries where the SMEs have no control.

It is concluded that while local SMEs appear to integrate sustainability into their supply chains to noticeable extents, this study has not established that SMEs in Ghana and probably in other developing African countries realize the link between sustainable practices on one hand and profitability and competitiveness on the other. It is recommended that knowledge sharing and awareness will be useful for local SMEs to fully engage in sustainable practices in order to enjoy the benefits of sustainable supply chains.

In terms of contributions to knowledge, it is noted that there is no established framework or method for assessing the degree of integration of sustainability into the supply chains of SMEs in the manufacturing industry especially in less developed countries. This research used qualitative empirical data to assess the extent of integration. The paper demonstrates how the three key measures of sustainability can be used to assess the degree of integration of sustainability into supply chains. The findings of this research demonstrate that companies that have integrated sustainability into their supply chains or are in the process of doing so tend to potentially have a competitive advantage and are more likely to survive in a competitive business environment.

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PERFORMANCE MEASUREMENT OF SUPPLY CHAINS: A REVIEW

Edward S Fekpe, Ghana Institute of Management and Public Administration, Accra, Ghana
Vivian Osei, Ghana Institute of Management and Public Administration, Accra, Ghana
Juliet Twumasi, Ghana Institute of Management and Public Administration, Accra, Ghana

Supply chain performance measurement is the process of qualifying the efficiency and effectiveness of a supply chain. The complexity of a supply chain makes performance measurement difficult. The performance of supply chains is multi-dimensional and selecting the appropriate performance measures for a given supply chain presents challenges. This paper examines the various concepts and challenges of different supply chain performance metrics available in the literature. A structured approach to selecting performance metrics given the multi-dimensions of the supply chain is offered. Three primary dimensions of performance measurement have been identified: purpose (strategic, tactical, operational); supply process (plan, source, make, deliver); and type of metric (financial or non-financial). This approach allows selection of metrics that reflect performance of the entire supply chain processes and consistent with the strategic and operational goals of the entire supply chain.

Introduction

A supply chain is an integrated process wherein raw materials are transformed into final products, then delivered to customers. Supply chain typically contains four primary echelons (supply, manufacturing, distribution, and consumers), where each level (or echelon) of the chain may comprise numerous facilities. The complexity of the supply chain arises from the number of echelons in the chain and the number of facilities in each echelon. Given the inherent complexity of the typical supply chain, selecting appropriate performance measures for supply chain analysis is particularly critical.

Performance measurement provides information for management and decision makers; enables identifying the success and potential of management strategies; and facilitates the understanding of the situation. In addition, performance measurement assists in directing management attention, revising company goals, and re-engineering business processes. Melnyk *et al*. (2004) suggested that performance metrics have three basic functions: control, communication and improvement. Control refers to the metrics enable managers and workers to evaluate and control the performance of the resources. Performance is communicated for internal needs and external stakeholders' purposes by the metrics. Improvement refers to the possibility of identifying the gaps between performance and expectations and identifying the areas where the development work is needed. De Waal (2003) also noted that a good performance measurement system generates more open communication between people in organizations and in the network and hence improves performance.

Performance measurement systems have traditionally been based on financial (cost based and value added) measures. According to Maskell (1991), financial performance measures are crucial for strategic decisions and external reporting. A number of criticisms have been leveled against the traditional financial measures. For example, they encourage short term perspective and local optimization (Kaplan and Norton, 1992), they have profit rather than value adding orientation; they lack support for continuous improvement, they incorporate one-dimensional measures (De Toni & Tonchia, 2002; Holmberg, 2000), they do not cater for the day to day controlling and monitoring of manufacturing and distribution operations (Maskell, 1991).

The importance of financial and non-financial measures has been realized, but attaining a balance between the two categories of measures remains elusive. Financial performance measures are important for strategic decisions and external reporting, and non-financial measures handle more day-to-day control of manufacturing and distribution operations. More often, there is the lack of clear distinction between metrics at strategic, tactical, and operational levels and assigning appropriate metrics to each level. It is equally important to measure the performance of the complete supply chain as well as the individual supply chain processes. Performance measurement can be better addressed using a good few metrics. The challenge is deciding on those few good measures.

In recognition of the complexity of supply chains and the importance of performance measurement, this paper attempts to present an overview of concepts and challenges of different supply chain performance metrics available in the literature. The ultimate goal is to suggest a structured framework that will potentially facilitate selection and application of metrics given the dimensions of the supply chain under consideration.

Purpose of Performance Measurement

Supply chain performance measurement is important because:

- It creates understanding - a well-defined performance measurement system provides feedback regarding customer requirements, company and supplier capabilities, and probable success of collaborative initiatives.
- It drives behavior - measurement shapes behavior as people pay close attention to how they are measured.
- Measurement leads to results –it is important to measure the right things and to measure them correctly. Additionally, it will provide accurate and relevant information in a timely manner.

In manufacturing companies, performance measurement provides information for the monitoring, controlling, evaluation and feedback functions for operations management. Gunasekaran and Kobu (2007) identified the following as some reasons why performance measurement system is important:

- to identify success,
- to identify whether customer needs are met,
- to provide better understanding of processes,
- to identifying bottlenecks, waste, problems and improvement opportunities, providing factual decisions,
- to enable progress, tracking progress, and
- to facilitate a more open and transparent communication and co-operation.

In summary, the purpose of performance measurement is to identify success, bottlenecks, and whether customer needs are met, provide information on how effective the development of work has been and to provide feedback about improvement.

Performance Measurement Systems

One of the most difficult aspects of supply chain performance measurement is the development of measurement systems. Important questions that must be addressed here include: What to measure? How are multiple individual measures integrated into a measurement system? How often to measure? How and when are measures re-evaluated? The measurement system should reinforce the organization's strategy as well as guide it to improve customer and shareholder satisfaction and competitiveness. When designing and developing the supply chain performance metrics, the strategy and goals of the entire supply chain need to be understood. Stadtler & Kilger (2008) suggested some indicators that should be understood and applied in the same way in every entity of the chain:

- *Perspective on indicators:* Partners in supply chain may have different perspectives to the measures depending on their role in the chain. For example, a supplier may want to calculate the order fill rate based on the order receipt date and the ship date. The customer, on the other hand, might want to calculate it based on the requested date and the receipt date at the customer's warehouse. This will lead to different results with respect to an agreed order fill rate. Both parties should agree on one perspective.
- *Capturing of Data:* The data have to be captured in a consistent way throughout the supply chain. The units should be consistent, reliable and up-to-date. Data should be available in adequate systems for the supply chain partners.
- *Confidentiality:* Confidentiality needs to be kept in mind when the supply chain consists of more than one company. The individual companies might not want to divulge complete information about their internal processes and the targets to their partners.

Ghalayini & Noble (1996) suggested that performance measurement system should: (1) have a clearly defined set of improvement areas and associated performance measures that are related to company strategy and objectives, (2) stress the role of time as a strategic performance measure, (3) allow dynamic updating of the improvement areas, (4) link the areas of improvement and performance measurement to the factory shop floor, (5) used as an improvement tool rather than just a monitoring and controlling tool and (6) consider process improvements efforts as a basic integrated part of the system.

Beamon (1996) presented a number of characteristics that are found in effective performance measurement systems. These characteristics include: inclusiveness (measurement of all pertinent aspects), universality (allow for comparison under various operating conditions), measurability (data required are measurable), and consistency (measures consistent with organization goals). Besides analyzing the measures based on their effectiveness, benchmarking is another important method that is used in performance measure evaluation. Benchmarking can be useful in that it can serve as a means of identifying improvement opportunities.

Thakkar *et al.* (2009) proposed some features for the performance metrics used in SC performance measurement and these are: (1) measurement system should have the capability to capture the essence of organizational performance, (2) measurement system should ensure an appropriate assignment of metrics to the areas where they would be most appropriate, (3) minimum deviations should exist between the organizational goals and measurement goals, (4) metrics should reflect an adequate balance between financial and nonfinancial measures, and (4) measures should reflect their clear linkages with various levels of decision making such as strategic, tactical, and operational level.

Shepherd & Gunter (2006) categorized performance metrics according to their applicability to the five supply chain processes defined in the Supply Chain Operations Reference (SCOR) model - plan, source, make, deliver and return or customer satisfaction. Bigliardi & Bottani (2014) identified 39 metrics for SCPM and classify those under six constructs: customer service, finance and marketing, innovation and learning, Internal business, supplier performance, and transport and logistics. Chan & Qi (2003) identified six core processes: supplier, inbound logistics, manufacturing, outbound logistics, marketing and sales, end customers and presented input, output and composite measures for each. Chan (2003) and Beamon (1998) distinguished between qualitative and quantitative measures.

Performance Measurement in Practice

A number of measurement approaches have been developed and these include: The Balanced Scorecard (BSC), the Supply Chain Council's SCOR Model, the Logistics Scoreboard and Activity-Based Costing (ABC). The basic idea of BSC is to maintain a balance between short term and long term objectives, between financial and non-financial measures, between lagging and leading indicators and between internal and external performance. The SCOR model provides a framework that includes supply chain business processes, performance metrics, best practices, and people features (Supply-Chain Council 2010; Theeranuphattana, 2008).

Another method, which is based on four key categories, has been developed to provide a useful basis for evaluating logistics and supply chain performance. These categories were time, quality, cost and their supporting metrics. Elements of time include on-time delivery, order cycle time variability and forecasting and planning time. Quality factors include overall customer satisfaction, processing accuracy, perfect order fulfillment, forecast and planning accuracy. Variables under cost include transportation cost, inventory carrying cost, material handling cost, and cost of goods among others whilst the other supporting category includes minimum order quality, change order time and availability of information (Keebler *et al*., 1999).

Process-based based approach to performance measurement has also be proposed in the literature. Chan (2003) and Chan & Qi (2003) identified advantages of the process-based approach to include the ability to recognize problems in operations and taking timely corrective actions; and facilitating linking operational strategies, identifying success and testing effects of strategies.

Discussions

Most of the articles on SCPM appear to be conceptual or theoretical. Invariably, the frameworks and models proposed by Gunasekaran *et al.* (2004); Gunasekaran *et al.* (2001); Shepherd & Gunter (2006) classified performance metrics under the SC processes; namely, (1) plan, (2) source, (3) make, and (4) deliver. Other frameworks used in literature include the balanced scorecard approach (Brewer & Speh, 2000, 2001; Bullinger *et al*., 2002) others suggest qualitative and quantitative approaches (Chan *et al*., 2003; Shepherd and Gunter, 2006).

The following are some key findings and challenges

- Information available in the literature clearly indicates that there are more measures for the make (produce) process of the supply chain than for any of the other process. Thus, performance metrics are more for the manufacturing side of the supply chain with the least for customer service (return).

- The metrics tend to focus more on measuring the internal functions and performance of individual organizations within a supply chain with less consideration of the cross-functional measurement of the entire supply chain (Cuthbertson & Piotrowicz, 2008) and measurement is biased towards financial measures (Angerhofer & Angelides, 2006; Saad & Patel, 2006).
- Financial based metrics are related to strategic issues while non-financial measures relate to operational elements of the supply chain.
- Lack of balance between financial and non-financial performance measures. Financial measures tend to place emphasis on short-term financial results and cost cutting (Fawcett, Ellram & Ogden, 2007).
- Performance measures can be categorized as qualitative or quantitative. The latter can be financial or non-financial.
- No standardization of metrics across types of supply chains or industries product versus service.
- The limitations of traditional performance measures have been echoed by various researches. These limitations have been addressed by some of the new conceptual frameworks.
- Each company or member of the supply has its own vision, mission objectives and performance metrics which may be different from other partners in the chain.
- Depending on the degree of integration, the performance measures of one partner may not be necessarily applicable or have same priority as other partners
- One of the major challenges with SC measures is that they are focused on satisfying customers that a company may not have direct access to thus making it difficult to acquire relevant information.
- Sillanpaa & Kess (2012) observed that one of the main challenges of SC performance measurement is that measures are mainly internal logistics performance measures that fail to capture the performance of the entire supply chain.

Noting the criticisms against traditional performance measures, new and potentially superior supply chain performance measures are expected to move beyond simple functional excellence. These measures are required to facilitate collaboration throughout the entire supply chain. Additionally, these new supply chain measures should be customer oriented in accordance with organizational goals. The following are some key desirable attributes of the new measures:

- The measures should promote cooperative behavior both horizontally and vertically and should be consistent across appropriate functions or departments.
- Data should be easy to collect, the measures easy to calculate, and their meaning simple, straightforward, and understandable to workers, managers, and customers.
- Finally, the measures should be provided in a timely basis—real time when possible.

Dimensions of Performance Metrics

Supply chain performance measurement can be considered to be multi-dimensional each with a different number of elements. The proposed approach is based on the framework of multi-dimensional analysis which is a data analysis process that groups data into two or more categories. This framework provides a structured basis for understanding and applying performance measures that best reflect the performance of any given supply chain. The following three primary dimensions can be clearly identified, thus:

1. Purpose – strategic, tactical, operational
2. Processes – plan, source, make, deliver
3. Type - Financial versus non-financial

Figure 1 is a schematic of these three primary dimensions which is a depiction of the degree of complexity in selecting the performance measures even for a given internal process while recognizing the inter-relationships with other processes (both internal and external) in the supply chain.

Supply chain performance measures should be linked to the various levels of decision making i.e., strategic, tactical and operational. The first consideration therefore in selecting the performance metrics is to decide on the purpose of the measurement effort. The purpose of the measurement determines metrics that best reflect performance in the areas of interest. Also the purpose depends in level of management or decision making. Upper level management makes strategic decisions and lower level management level need operational measures for their daily business operations. SCPM at the tactical level measures operational performance against goals to be met in order to achieve strategies specified at the strategic level and collect feedback.

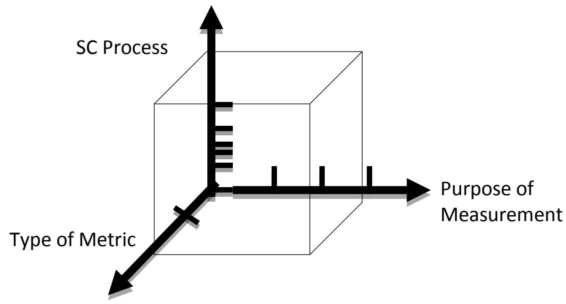

Figure 1. Dimensions of SC Performance Metrics

The next consideration is to decide on the supply process of primary interest–planning, sourcing, making/transforming and delivering. It should be noted that while strategic decisions are directed more to planning, sourcing and delivery (distribution) processes they should also be related to operational activities as well.

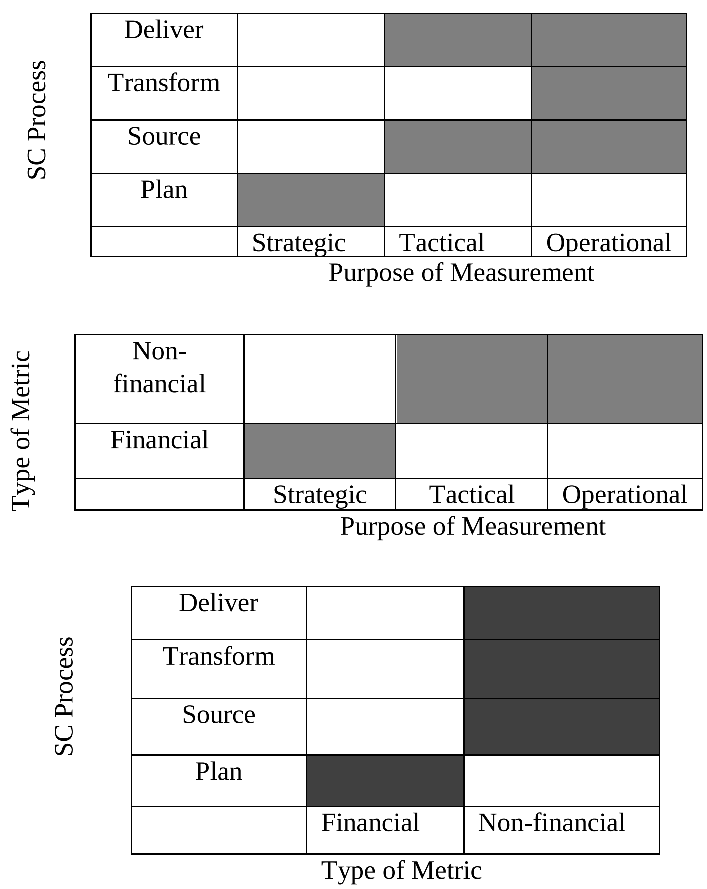

Figure 2. Relationships among Dimensions of Metrics

The third consideration is to decide the type of metric – financial or non-financial. The non-financial measures could be qualitative or quantitative. As noted earlier, the non-financial metrics are used more for operational performance while financial metrics are used primarily for strategic and tactical performance measurement. Under plan, for example, financial measures may include profit, return on asset, return on investment and end value added and non-financial measures such as total supply chain response and order fulfillment lead-time.

Figure 2 is a two-dimensional representation of the relationship of three dimensions. The goal is not to specify which metrics belong to its cell in the matrices shown in Figure 2. Instead it is intended to guide the selection and refinement of metrics that can be linked of the performance measurement.

The shaded cells in Figure 2 are only examples that indicate strong links based on information available in the literature where certain performance metrics are typically used for given decision making or managerial levels. It is noted that strategic decisions are directly linked to the planning process where financial metrics are used in assessing performance. Similarly, non-financial metrics are used for operational level decisions and performance assessment of transformation and other operational supply chain processes. These may vary depending on the supply chain and the circumstances.

The multi-dimensional view of selecting performance metrics as presented above does not diminish the complexity of supply chain performance measurement. This approach acknowledges that various approaches of assessing supply chain performance are being in practice. Regardless of the approach adopted, a key characteristic should be the ability to measure performance of individual and across supply chain processes as well as internal and inter-organizational measures. Thus in order to provide a holistic view of the performance of the entire supply chain measures should reflect performance of both individual organization and inter-organizational functions of the supply chain**.**

Conclusions and Contribution

The multi-dimensional nature of the supply chain performance measurement imposes challenges on the selection of appropriate metrics. It can be concluded that despite extensive research on supply chain performance measurement, there is no one recommended approach or set of measures that can be applied to any supply chain. This is due to the complexity and uniqueness of supply chains. However the categorization of performance metrics resulted in the identification of three primary dimensions of performance measurement: purpose, supply process, and type of metric. The proposed approach recognizes performance measurement at different management levels and distinguishes between the types of metrics (financial and non-financial). This approach allows selection of metrics that reflect performance of the entire supply chain processes and consistent with the strategic and operational goals of the entire supply chain.

This study proposes a structured approach for selecting performance measures that encompasses all types of measures by categorizing them based on easily identifiable characteristics. This approach simplifies and provides a basis for selection supply chain performance measures.

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