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# USING STRATEGIC COMPENSATION FOR STAFF RECRUITMENT AND RETENTION IN THE HOSPITALITY INDUSTRY: THE CASE OF GABORONE ESTABLISHMENTS

G Kaisara and J Pansiri<sup>1</sup>

## ABSTRACT

*This study explores the relationship between compensation, working conditions and employee satisfaction in the hospitality sector in Botswana. Data were collected from 105 respondents working for hospitality establishments in Gaborone (Botswana) and the surrounding areas. A series of Chi-square analyses were conducted to test relationships between compensation, working conditions and employee satisfaction. Findings demonstrated that working conditions had a greater effect on employee satisfaction than compensation. Furthermore, the study showed that current compensation strategies adopted in the hospitality industry in Botswana were counter-productive, not offering employees any real incentives to strive for higher achievement. The study provides evidence to support the need for strategic compensation in order to retain staff.*

**Keywords:** Compensation; working conditions, employee satisfaction; hospitality establishments; work incentives; strategic compensation

## INTRODUCTION

In the ever competitive business world, businesses in different industries are continuously seeking ways of recruiting and retaining employees. Especially in the hospitality sector employees are the face of the business, and are therefore critical to the success and satisfaction of the clientele. The hospitality sector of developing economies such as Botswana has a close relationship with the labour market from which it draws its workforce, and on which the industry depends for the delivery of quality service to meet existing and anticipated demand from its visitors. As Baum, Amoah and Spivack (1997: 222) put it: "Tourism and hospitality, for many communities provides a major and growing sector of the economy and employment opportunities which other traditional and declining sectors of the economy may not provide."

Change within the labour market demands positive responses in the tourism recruitment process and this, in turn, has had major implications for remuneration, working conditions, employment security and related issues. The negative employment image of the sector in many locations is a major barrier to the recruitment and retention of quality and well-educated employees (Martin, Mactaggart & Bowden 2006). The purpose of this study is to investigate the relationship between working conditions, compensation, and employee satisfaction.

## LITERATURE REVIEW

This section describes and explores elements of compensation, employee satisfaction, working conditions and how these concepts are accommodated in the hospitality industry. The theoretical foundations and critical literature review provides the study with a much needed base.

## COMPENSATION

Several definitions exist for the term compensation. Milkovich and Newman (2005: 6) define compensation as "all forms of financial returns, tangible services and benefits employees receive as part of an employment relationship", while other scholars distinguish four distinct components

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related to compensation: wage or salary, employee benefits, non-recurring financial rewards and non pecuniary rewards (Bergmann & Scarpello 2001; Abdulai 2000).

Remuneration in organizations plays a critical role and usually organizational reward systems involve some form of monetary compensation and non-monetary rewards. Money and benefits form an integral part of compensation (McGaughey, Puleo, & Casey 2005; Taylor III, Murphy & Price 2006) and have been used to attract, retain and motivate employees to achieve organizational objectives (Appelbaum & Mackenzie 1996; Bergmann & Scarpello 2001; Chiu, Luk, & Tang 2002; Phillips & Fox 2003). Organizations could also provide a competitive incentive wage so that employees feel they are being paid fairly, thus encouraging them to comply with organizational practices (Sigler 1991; Carraher 2011) and influencing employees to stay on.

Employee benefits present considerable financial security to hired individuals and their families but remain expenditure to employers (McGaughey *et al* 2005; Carraher 2011) and should be used to complement wage payment. Companies should not assume employees have identical preferences for compensation or reward, and therefore human resources managers need to identify the most significant compensation components which can satisfy employee needs (Chiu *et al* 2002). Factors include labour market conditions, economic and socio-political environment, employee characteristics, industry characteristics, job characteristics and employee behavioural characteristics (Appelbaum & Mackenzie 1996).

There is a developing tendency among competitors to standardise wage rates because of the need to control labour costs. It is, however, imperative for employers to find innovative ways to motivate personal development and high performance among employees, while still managing the intricate compensation matrix, because for employees pay means recognition and appreciation (Appelbaum & Mackenzie 1996). Money on its own has been recognized as the dominant player in motivation (Stringer, Didham & Theivananthampillai 2011) while pay-for-performance incentive systems have a major motivational effect on high performers. Companies should design compensation plans that not only reward employee performance, but also strive to improve and manage it as per company goals (Hurwich 1986). They should design incentive policies that motivate their best employees, encouraging behaviours that are supportive of organizational effectiveness (Kim & Hancer 2010). Therefore employee benefit plans should be carefully reviewed as they are of great significance to employees (McGaughey *et al* 2005).

### **Strategic Compensation**

Companies should strive for techniques that look forward, beyond their current situation and even beyond pay systems themselves (Hurwich 1986). Milkovich (1987) argue that being strategic about compensation issues is definitely involving business strategy support and being sensitive to anticipated environmental pressures. The approach of strategic compensation focuses on what an organization needs in order to become more competitive, and then on developing a compensation plan to help achieve that goal (Hurwich 1986). This goes well with the notion that compensation policy is strategic thereby affecting the visions and missions of the organization. A strategic perspective on compensation focuses on patterns of compensation decisions that are critical to the performance of the organization (Milkovich 1987; Hurwich 1986). Hurwich (1986) argues that strategic compensation programs should be designed not just to fit in company plans but also help shape the organization. These formulated compensation strategies should facilitate the achievement of set organizational objectives, be aligned to strategic plans, and be cost effective (Phillips & Fox 2003; Milkovich 1987). However there is recognition that major factors affecting strategic compensation are organizational business strategies, including factors in the internal and external business environment (Milkovich 1987).

Many companies today are attempting to identify innovative compensation strategies that are

directly linked to overall organizational performance (Appelbaum & Mackenzie 1996; Phillips & Fox 2003) and managers need to make conscious decisions whether a firm's pay strategies lead or lag the market (Weber & Rynes 1991). Strategic compensation approaches work best where companies identify gaps between what it has been practising all along, and seeing its pay practices as part of the solution (Hurwich 1986). It is known that there are several options available to use such a non-monetary approach in order to increase company attractiveness to employees and retaining valuable human resources (Appelbaum & Kamal 2000).

### **Compensation and job satisfaction**

Job satisfaction is defined as "the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs" (Spector 1997, as cited in Chiun Lo and Ramayah 2011). Serious company management take deliberate steps to create a stimulating work environment which is welcoming to their employees as a way of enhancing job satisfaction (Chiun Lo & Ramayah 2011). This is because any loss of talented employees may be very detrimental to the company's future success and have to be addressed diligently (Sigler 1999). Companies need to understand that job satisfaction is an antecedent of organizational commitment (Silva 2006; Gunlu, Aksarayli & Percin 2010) and is usually defined as a pleasurable feeling that arises from one's workplace.

Another factor that is closely related to job satisfaction is workplace turnover or rather, lack thereof (Silva 2006). The hospitality industry has not escaped the problem of employee turnover and some reasons cited repeatedly are low compensation, inadequate benefits, poor working conditions, low worker morale and negative attitudes (Hjalager & Andersen 2001; Birdir 2002; Silva 2006; Collins 2007). Other authors cited the perceived negative image of the low status of the hospitality industry (Baum *et al* 1997; Martin *et al* 2006). There are suggestions that the hospitality industry has not placed employee benefit and salary policies strategically in order to achieve targets and improve employee morale (Davies, Taylor & Savery 2001). This is a great cause of concern because high employee turnover has a significant role in weakening the performance and profitability of hospitality establishments and cannot be left unattended (Birdir 2002). In order for employees to be fully satisfied and motivated in their jobs, they must feel they are contributing, appreciated and recognized by senior managers and fellow employees.

It is also quite evident that hospitality employers are having a difficult time satisfying their employees' basic needs (Martin *et al* 2006) and jobs done in the industry tend to be more repetitive, experience-based and relying on easily acquired skills with low or no qualifications. In some instances education level is tied to income level since the salary and related benefits appear higher for individuals with a higher education level compared to those of individuals with a lower level of education (Gunlu *et al* 2010). Hospitality company pay and benefits should be more competitive than those that other employers are providing (Taylor III *et al* 2006).

Research by Stringer *et al* (2011) show a positive association between pay and intrinsic motivation and intrinsic motivation and job satisfaction, and that pay satisfaction had the strongest association with job satisfaction.

Furthermore, to retain employees and improve their efficiency there is need to capture their commitment because when employees are not satisfied, they tend to shift and look for satisfaction elsewhere which may include leaving the company (Chiun Lo & Ramayah 2011; Taylor III *et al* 2006). Therefore, to address stumbling blocks in employee retention, companies could look at aspects like incentive compensation, employee job satisfaction, employee benefits together with a well-maintained supportive work environment, including supportive supervisors (Sigler 1999; Carraher 2011; Karatepe & Tizapi, 2011). They could also offer meaningful participation in decision-making, which will not only improve employee job satisfaction, but also help to retain employees for longer (Sigler 1999).

### **Compensation in the hospitality sector**

There are differing views in relation to the status of the hospitality industry, including tourism, as it is believed by some in industry that the sector provides a dynamic working environment where employees may utilize their capabilities and achieve their career objectives (Gunlu *et al* 2010). What is clear is that employees desire compensation systems that they perceive to be fair and commensurate with their skills and expectations in order to meet their human needs – therefore they hold closely to their hearts the issue of pay (Martin *et al* 2006). On the other hand many employees in the hospitality sector are reported not to be happy with salary and benefits, a feeling that leads to low commitment (Davies *et al* 2001). Furthermore they also view positions in the sector as a short-term money earner while waiting for ‘real’ jobs to appear or just to take refuge when job opportunities in other sectors are scarce (Hjalager & Andersen 2001). This can be seen with many restaurants and hotels engaging individuals who are mostly students to do work. Gunlu *et al* (2010) argue that generally wages in the hospitality and tourism industry are often lower than in other industries leading to the industry not being respected as an alternative career option. Burgess (2011) maintains that hotels seem to have taken a fairly short-term approach to career development and advises that there is a danger that they will lose skilled labour to better opportunities elsewhere.

The hospitality industry as a whole needs to take advantage by using remuneration and benefits strategies to improve employee morale and reducing employee turnover (Davies *et al* 2001). The major challenge facing hotels is the need to maintain a balance between strong business management to optimize profits in an uncertain environment, and the need for future investment in staff that can help achieve company objectives (Burgess 2011; Davies *et al* 2001). Available options such as flexible pay, performance bonuses, cafeteria style benefits and incentive allowances can be considered for both large and small establishments as a way to meet employee expectations (Davies *et al* 2001). Employee benefits programmes should meet the purpose of motivating employees and should therefore be reviewed periodically with this criterion in mind.

### **Working conditions in the hospitality sector**

Working conditions in hospitality sector are challenging and tiring because of long working hours and seasonality (Gunlu *et al* 2010). These working conditions differ in relation to the type of hotels either chain or independent hotels. It is further reinstated that the industry low image and informal management style remain the concrete barriers to tourism employment (Martin *et al* 2006). The situation is not helped by the existing tourism industry’s perceived lack of career development while the younger generation looks for well-established career tracks (Hjalager & Andersen 2001). To improve this aspect of work there is need to recruit employees who are emotionally stable because they tend to be more committed (Silva 2006) and also those of specific personality traits especially if they are to be frontline service workers (Karatepe & Tizapi 2011). All immediate supervisors of employees must be of acceptable caliber and trained to recognize depressed employees (Karatepe & Tizapi 2011) and be able to pick loss of interest in tasks, low levels of energy and increased fatigue.

### **Research methodology**

The study covered the period from August 2007 to April 2008. In Botswana, existing hospitality sector databases of employees are limited and not easily accessible. For this reason, a small-scale study was conducted and 105 questionnaires were administered to employees in Gaborone hospitality facilities i.e. lodges and guest houses. Purposive sampling was used to collect data from 105 respondents in Gaborone and the surrounding areas.

For this survey, wide-ranging review of literature on the topic was conducted. The outcome of the literature review was a questionnaire, produced to be used as a survey instrument. The questionnaire was divided into several parts and it covered respondents’ demographic details, pay

structure, fringe benefits and job satisfaction. The questionnaire was hand delivered to employees of selected hospitality facilities to be collected one week later.

## ANALYSIS

### Demographic data of respondents

Through purposive sampling technique, 140 employees were approached in 34 hospitality establishments in Gaborone (including Tlokweng and Mogoditshane). Out of the 140 approached, 105 respondents managed to complete the questionnaire at the time of collection, representing a 75% response rate. Out of 105 respondents, 83.8% were females while 16.2% were males. In terms of the age cohort, the majority of respondents were below 31 years of age (71.4%). In terms of the education level of respondents, the study revealed that 96.2% of the respondents had a qualification of a diploma or lower, while 41.9% had the Botswana General Certificate of Secondary Education (BGCSE). 89.5% of respondents had fewer than 3 children and 96.2% earned less than P3000 with 63.8% earning less than P1000.

**Table 1: Employee working conditions**

NO	Mean	Std.	Deviation
Influence of salary on work choice	101	1.57	.766
Importance of hospitality industry to the economy	104	1.40	.531
Compensation or salary help retain staff	104	1.53	.737
State of the hospitality sector	100	2.01	.870
Compensation satisfy a wide range/array of human needs	97	1.71	.763
Pride in working for company	102	2.38	1.034
Approachability of company management	103	2.74	1.075

### Compensation, work conditions, and employee satisfaction

The aim of this article was to test whether there are any significant associations between compensation, work conditions, and employee satisfaction among employees in the hospitality sector in Gaborone. The study used three compensation variables, four working conditions variables, a number of independent variables and six satisfaction variables. Table 2 reports the Pearson chi-square and its associated degrees of freedom. As can be shown in Table 2, working conditions variables explain employee satisfaction better than compensation variables. Only influence of salary on work choice was found significantly associated with satisfaction with financial and non-financial benefits ( $p < 0.01$ ), and compensation satisfies a wide range/array of human needs as was associated with satisfaction with company salary and benefits ( $p < 0.01$ ).

Working conditions best explain employee satisfaction. Table 2 shows that significant associations exists between pride in working for company and satisfaction with work environment ( $p < 0.001$ ), Satisfaction with company salary and benefits ( $p < 0.01$ ), and satisfaction and decision to stay in the company ( $p < 0.001$ ). Approachability of company management was significantly associated with satisfaction with work environment ( $p < 0.001$ ), satisfaction with company salary and benefits ( $p < 0.01$ ), and satisfaction and decision to stay in the company ( $p < 0.01$ ). Importance of hospitality industry to the economy was significantly associated with satisfaction with financial and non-financial benefits ( $p < 0.01$ ) while state of the hospitality sector was significantly associated with satisfaction with financial and non-financial benefits ( $p < 0.05$ ) and satisfaction and decision to stay with the company ( $p < 0.01$ ).

**Table 2: Compensation, work conditions, and employee satisfaction**

Compensation and work conditions	Employee Satisfaction							
	Satisfaction with work environment		Satisfaction with financial and non-financial benefits		Satisfaction with company salary and benefits		Satisfaction and decision to stay with the company	
	d.f	$\chi^2$	d.f	$\chi^2$	d.f	$\chi^2$	d.f	$\chi^2$
<b>Compensation</b>								
Influence of salary on work choice	3	5.93	3	13.06**	3		3.79	3 2.18
Compensation or salary help retain staff	3	0.88	3	6.10	3	2.93	3	4.58
Compensation satisfy a wide range/ array of human needs	3	7.54	3	4.23	3	11.585**	3	6.32
<b>Work conditions</b>								
Pride in working for company	3	29.65***	3	3.03	3	15.88**	3	18.45***
Approachability of company management	3	17.42***	3	4.32	3	14.56**	3	17.34**
Importance of hospitality industry to the economy	2	2.22	2	9.90**	2	0.77	2	1.44
State of the hospitality sector	3	4.8	3	9.31*	3	11.74**	3	7.95

Notes: \* $p < 0.05$  and \*\* $p < 0.01$ ; \*\*\* $p < 0.001$

## DISCUSSIONS

The purpose of this article was to investigate the relationship between compensation, working conditions, and employee satisfaction. It has been established that working condition variables best explain employee satisfaction rather than compensation variables and as argued by Gunlu *et al* (2010), working conditions in the hospitality sector are challenging. The findings of this study in general reveal that employees are not necessarily after compensation, but desire workplaces which will make them feel proud to be in the industry. However the influence of salary on work choice was also found to be significantly associated with satisfaction. Taylor III *et al* (2006) reiterated that company pay must be competitive so that prospective employees could choose to work for such companies. This is so because salary or money helps a great deal to meet individual needs and act as a form of reward for services offered.

This study also reiterates that compensation gratifies a wide range of human needs and employees associate it with job satisfaction. Davies *et al* (2001) argue that it seems the hospitality industry have not placed benefits policies and employee salary strategically within their companies in order to achieve targets and improve employee morale.

It has also emerged that significant associations exists between employee pride in working for a company and their actual satisfaction with the working environment. What this tells us is that when employees take pride working for an establishment, it influences their satisfaction with the work environment. In additional, company management should not be out of reach for employees as they may feel neglected and that lowers their level of satisfaction. This shows that financial benefits play a major role in the satisfaction index of employees in the hospitality industry.

This further emphasises the need for companies in the hospitality sector to have comprehensive compensation policies to address needs of employees.

## CONCLUSION

This study highlights the fact that hospitality sector employees need more than an adequate salary from their employers. The hospitality sector needs committed and satisfied employees and hospitality sector employers must do their part to offer competitive compensation packages and strategically place compensation issues in their recruitment and retention strategies. While the focus is usually on salary or wages, the benefit package on offer is a vital element of total compensation. Working conditions also play an important role in employee satisfaction. It is up to all stakeholders in the hospitality sector to realize that unhappy staff will display their frustration to visitors who expect to be treated as ‘kings and queens’ when they visit. The study also found that employees’ pride to be working for a specific company relates to their actual satisfaction of the working conditions. Approachability of company management was significantly associated with satisfaction with the work environment, and hospitality managers cannot take this issue lightly as it speaks to their management style.

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# SOCIAL CAPITAL, DEMOCRACY AND ECONOMIC DEVELOPMENT: AN EXPLORATORY VIEW

M Mazanai and G Caleb<sup>1</sup>

## ABSTRACT

*Social capital has historically been critical to the success of democracy and likewise democracy has been an inevitable feature of well-functioning political lives in many African societies. Economic reform is often politically painful and it is apparent in many African nations which attempted economic reforms that stronger civil society and more highly developed interest groups resist the necessary reform. This is not to advocate for dictatorial transition, democracy should be viewed as necessary and conducive to development. Cooperation and networks among the civil society, the government, colonial superpowers and other agencies is paramount to economic and social development of Africa as whole. This article therefore takes an exploratory view to establish a clear link between social capital and democracy as important tools for economic reforms which are paramount to Africa's development. It is therefore recommended that grassroots policies promoting social cooperation built on trust, honesty and integrity entrenched in the African cultural ethos should be the basis for economic development. The underpinning argument is to minimize dysfunctional and illegitimate political structures and policies so as to provide new directions in the continuing discourse on Africa's development.*

**Keywords:** Social capital; Economic reform; World Bank; Social capital

## INTRODUCTION

Africa has a value system that is in consonance with her environment and conditions, and any way to displace it renders the society hopeless. The community, economic and social development of Africa depends on the culture of Ubuntu, communalism, honesty, trust and a spirit of development. For sustainable development and economic reform to take place amicably, there is a need for a bond that hold the community together based on common cultural identifications, a sense of belonging and shared behavioral norms and values. This calls for the cultivation of social capital. Narayan (1997) defined social capital as the rules, norms, values, obligations, reciprocity and trust embedded in social relations, social structures and society's institutional arrangements which enable members to achieve their individual and community objectives. Paxton (2002) ascertains that social capital is the notion that social relations can facilitate the production of economic and noneconomic goods. Paxton (2002) further revealed that social capital resides not in individuals but in the relations between individuals. Social capital takes many forms, including obligations within a group, trust, intergenerational closure, norms, and sanctions.

There is a lot of controversy surrounding whether social capital should be referred to as capital. Among the critics of the term social capital are two Nobel-prize winning economists, Kenneth Arrow and Robert Solow, who argued that social capital does not have the characteristics of "capital" as defined by economists. Arrow pointed out the lack of deliberate sacrifice in the present for future benefit aspect of social capital and also that social networks are built up for reasons other than their economic value to the participants. However, the two agree on the importance of social capital, but reject the analogy to capital as used by economists; however the term remains ubiquitous (OECD, 2010).

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In order to achieve a common goal particularly on economic reforms, a necessity for Africa's development, there is a need for a bond that brings people together; share a spirit of togetherness and belonging as well as a spirit of ownership. The reason why several critics emerge whenever programmes of economic reforms are initiated within a society is mainly because people are divided, i.e they do not have common shared values and norms built on the spirit of African identity and culture. Africans do not believe, or more precisely fail to uphold their African identity mainly because many African nations if not all adopted the Western philosophy of education and culture and disregard what they had before colonialism. Julius Nyerere (1967) was once quoted as saying:

*“A country which lacks its own culture is no more than a collection of people without the spirit which makes them a nation. Of all the crimes of colonialism, there is none worse than the attempt to make us believe that we had no indigenous culture of our own; or that which we had was worthless”*

At present Africa lacks the spirit of togetherness, a spirit that was once a common feature of the primitive African culture. Social capital provides networks built through several years of shared values and norms which create cooperation and harmony among groups and between groups. Such harmony and cooperation among community members is a prerequisite for peaceful resource redistribution and development thus fighting inequality and poverty. The underpinning idea behind social capital is that social networks have economic value. Therefore this article argues for a cultivation and recognition of social capital as a necessity to build democratic societies able and willing to develop their communities.

## **SOCIAL CAPITAL FOR DEMOCRACY**

Several studies (Putman 1993, Marsh 2000, Paxton 2002, Park & Shin 2003) argued that there is a close relationship between social capital and democracy. Putman (1993) revealed that social capital plays a critical role in the effective functioning of democratic communities. Paxton (2002) also confirms that when a country has a vigorous associational life it is better able to create and maintain a democracy. When citizens interact often, join groups, and trust each other, their relationships aid democratization by crystallizing and organizing opposition to a nondemocratic regime. Once a democracy is established, these relationships expand citizen access to information and political ideas, which increases governmental accountability. Development rests on ‘the ability of people to help themselves and to influence the world’ (Sen 1999). Paxton (2002) further asserts that strong social capital reduce the ability of the state to directly oppress citizens and provide a space for growth in organized opposition to a nondemocratic regime.

Communities with strong positive values and ties that bind people to one another will have more powerful norms of generalized reciprocity and cooperation. Trust as a moral resource leads us to look beyond our own kind (Uslander 1999). Democracy is necessary for equitable distribution of resources and thus to addressing inequalities and poverty. According to Herring (2003) asset redistribution also enables social democracy, and even populist distributive programs work well with social democracy than without. Social democracy is, however, not a direct policy choice; there is much historical contingency at work. Drèze and Sen (2002) defined democracy as the formal exercise of political and civic rights, the full participation of people in matters that affect their lives, an accountable and transparent government and an equitable distribution of power. The concept of democracy is closely related to participation of people in decisions and activities that affect them. The World Bank (2001) defines participation as *“a process through which stakeholders influence and share control over development initiatives and the decisions and resources that affect them”*. The ultimate aim of participation is increased accountability, transparency and efficiency and this promote development. Therefore, shared norms and values create cooperation and links

among groups (social capital) and this is more likely to foster participation of everyone in the community and hence to democratic activities.

Democracy is widely accepted as conducive to development (World Bank 2001). The role of public discussion and interactions in the emergence of shared values and commitments is essential in specifying a society's underlying values and in choosing the ends of policies. In any democratic community, members should be viewed as the masters of their own destiny not as subjects who should be spoon-fed and dictated of what to do. Democracy builds cooperation, participation and full commitment towards development. Therefore, the links between social capital and democracy as catalysts to economic development should be recognised in all structures committed to economic development.

### **SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT: AN AFRICAN PERSPECTIVE**

Africa has strong social values and traditions which are conducive to economic development. Contrary to Western materialistic values, Africa has humanity values, a spirit of communalism. An authentic African is known and identified in, by and through his community. Central to this Afrocentric approach is the term, Ubuntu which means, "*I am because we are*". Collectivism is opposed to individualism and intensive competitiveness, and places great emphasis on concern for people and working for the common good (Williams & Green 1994). The guiding principle in African economic spheres is being one's brother's keeper or caring for each other's welfare, at least within one's immediate community. Opposed to capitalism, individualism, class conflicts and exploitation, African communalism must be the fundamental guiding principle of the economic arrangements. A man is just as rich or as poor as his community, thus everyone is obliged to work and contribute to the development of the community. Embedded in the African communalism is the philosophy that guarantees individual responsibility within communal ownership and relationship. The prosperity of a single man does not make the community rich. Therefore, cooperation, trust, a sense of humanity and a sense of community are fundamental components of harmonious economic development.

Paldam (2002) points out that social capital is a micro concept, however through a simple aggregation rule it can be aggregated to a macro level. Authors analyzed the relationship between existing macro-series pertaining to social capital and outcome variables notably economic growth. Notable among these authors is North (1990) who studied the impact of social capital at macro level. North (1990) argued that the differences in per capita incomes across countries cannot only be explained by the per capita distribution of productive resources such as land and natural resources, human capital and produced capital. The study found that institutions and other forms of social capital, along with public policies determine the returns a country can extract from its other forms of capital. Social capital provides networks which provide informal frameworks for sharing information, coordinating activities and making collective decisions. Collective decision making is a necessary condition for the provision of public goods and the management of market externalities. More so, social capital is more effective at enforcing common agreements and cooperative actions when assets are distributed relatively equitably and benefits shared equally (North, 1990). This is to advocate for equitable resource distribution and this is a complex issue in many African nations given the legacy left by colonialism and apartheid. Conflicts arising from the distribution of resources are rampant in Africa and this erodes social capital. For example notable conflicts over control of oil resources in Sudan and Nigeria, land in Zimbabwe, mineral resources in Democratic Republic of Congo, etc.

There is a growing body of literature pointing at physical and human capital alone as the instruments for economic development. A failure to recognize and attempt to develop the necessary level of social capital will not achieve the necessary developmental outcomes. Krebs (2008) endorses that social capital encompasses communities of practice, knowledge

exchanges, information flows, interest groups, social networks and other emergent connections between employees, suppliers, regulators, partners and customers. Social capital is what connects various forms of human capital and is instrumental in a cohesive human capital development. Coleman (1988) argues that just like physical and human capital, social capital facilitates productive activities. For example, groups where there is trust and cooperation are more likely to produce more than groups with lack thereof. OECD (2008) also affirms that social capital increases the productivity in communities. A failure to embed the social capital element in human capital development renders such attempts inadequate.

A human capital built based on shared values, norms and standards, which is bonded together towards a common good, i.e the development of the entire society, is more desirable to address the economic and social ills of the society. Serageldin and Grootaert (1996) endorses that social capital enhances the efficiency of the combination process of other factors of productions. Putnam (1993) as quoted by Serageldin and Grootaert (1996) infers that, "*Social capital enhances the benefits of investment in physical and human capital*". In another study, Paldam (2002) examined the relationship between social capital and production and revealed that social capital allows for cheap self-monitoring and thus reduces monitoring costs. It was further argued that transactions are easier in the presence of trust and thus social capital should be regarded as a factor of production. Coleman (1990) also opines that "*social organization constitutes social capital, facilitating the achievement of goals that could not be achieved in its absence or could be achieved only at a higher cost*". It was further revealed that social capital is also useful in overcoming problems associated with collective action and should facilitate the production of public goods.

Social capital comes in many forms including psychological overviews, or frames; individual skills; informal networks and exchanges; organizations that allow for long term action; and activities and programs of doing work together. These assets foster trust, mutual obligation, and cooperation. Social capital is the mortar of civic engagement and community involvement (Nelson, Kaboolian & Carver 2003). Social capital also has significant benefits in terms of equitable resource distribution, cooperation towards mutual development and hence addressing income inequality and poverty challenges in Africa. With trust, information sharing, democracy and full cooperation of individuals and groups, the much needed economic development in Africa can be achieved.

## **DEVELOPING AND DESTROYING SOCIAL CAPITAL**

Social capital is often a legacy of long periods of historical development; therefore it cannot be added in the short run (Hobbs 2000). Therefore, it is safe to argue that social capital is a result of long periods of interactions within a group of people sharing similar norms and values. Cooperation among members of a group creates habits and attitudes geared towards a common good and this can be carried over to members' interactions with non-members and hence widen the social capital base. Putnam (1993) argued that social capital is difficult to develop and, consequently, societies which historically have had low levels of social capital may face extreme difficulties in developing this requisite of effective democracy and economic development. In another study, Hobbs (2000) argued that it is possible to create social capital, however the process is incremental. This is to argue that the accumulation of social capital is the outcome of long periods of learning interactions. These learning interactions can occur through learning events or in a broader socio-cultural and political framework. Falk and Kilpatrick (1999) deduces that effective learning interactions involve a historical context, external interactions, reciprocity, trust, shared norms and values. Thus external agents must not attempt to create social capital but rather support groups with a certain history without disregarding existing norms and values. Oakley *et al* (1991) proposes the following six dimensions for strengthening social capital:

**Table 1: Dimensions to strengthen Social Capital**

<b>DIMENSION</b>	<b>EXPLANATION</b>
<b>Animation</b>	Assisting local people stimulate their own critical awareness, to examine and explain issues in their own words and to realize what they can do to bring about change.
<b>Structuring</b>	The development of internal cohesion and solidarity among people and some form of structured organization.
<b>Facilitation</b>	A service role which assist people to undertake specific actions, these actions include the acquiring of particular technical and managerial skills, gaining access to available resources or translating their own ideas into feasible projects.
<b>Intermediary</b>	To serve as a go-between in relation to other external services. To establish contact with existing services and introduce people to the procedures and mechanisms for dealing with these services.
<b>Linking</b>	To help develop links between people in similar contexts and facing similar problems.
<b>Withdrawal</b>	A progressive redundancy of external intervention.

**Source: Hobbs (2000)**

It is important to emphasize at this point that social capital is a result of long periods of shared norms and values. Hobbs (2000) believes that social capital can be eroded faster and more easily than it can be created. This is a case to argue for Africa's lack of social capital. Most African nations' social capital was eroded by Western and European colonialists who brought their own cultural ideals and values and imposed them into the African society through their Eurocentric education. Rather than supporting the existing structures, colonialists fought towards replacing them and this led to resistance and antagonistic forces were experienced leading to a divide within the existing group. Such divides are difficult to bring together mainly due to lack of trust and without trust there would be no cooperation necessary for economic development. Paldam (2000) validates that the trust-cooperation complex is a solid basis for social capital and economically can be a social basis for production. It was argued that, without trust, cooperation is limited to activities that are easy to simultaneously monitor, thus trust is interlinked with voluntary cooperation. Cooperation and shared values and norms are therefore needed to foster amicable community development.

## **CONCLUSIONS AND RECOMMENDATION**

Given the enormous benefits of social capital to democracy and economic development, there is a need to restore trust among Africans so that they can work towards a common goal for Africa's development. Capitalism, individualism and exploitation will not yield the much needed development in Africa. Social capital is a concept that is applied in sociology, economics, political science and many other social sciences with multifaceted conceptions across these disciplines. Finding harmony in applying the concept of social capital may achieve the much needed developmental outcomes in Africa. This article challenges African researchers, scholars and policy makers to explore application, benefits and ways to develop social capital in Africa to foster economic, political and social development.

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# **CORRUPTION, MONEY LAUNDERING AND THEIR DEBILITATING CONSEQUENCES FOR LESS DEVELOPED COUNTRIES (LDCs): THE NIGERIAN EXPERIENCE**

AA Ikechukwu<sup>1</sup>

## **ABSTRACT**

*The perennial underdevelopment of many Less Developed Countries (LDCs), some of which have huge sources of revenue like Nigeria, motivates this study. The study identifies corruption and money laundering as possible culprits in this state of affairs. It therefore examines theoretically the implications of corruption for the LDCs and investigates the link between corruption and money laundering. It goes further to empirically verify the relationship between corruption and economic growth in Nigeria. Data on corruption obtained from Transparency International is used. The Central Bank of Nigeria (CBN) is the source of economic variables' data, which includes Gross Domestic Product, government debt, government revenue, private savings, manufacturing capacity utilization, exchange rate, prime lending rate and inflation. Ordinary least square regression technique is adopted to analyze data after stationarity of the variables was established using Augmented Dickey Fuller test. Corruption relates adversely with most economic variables examined except in the case of GDP growth rate where obtained results are contrary to theoretical speculations. The study therefore recommends the adoption of more radical and innovative approaches to fighting corruption and the cooperation of developed countries to fight the menace of money laundering in LDCs.*

**Keywords:** Gross Domestic Product, exchange rate, prime lending rate; corruption

## **INTRODUCTION**

As globalization gains currency, the need for underdeveloped economies to develop so as not to act as a drag on the rest of the world intensifies. The international linkages between economies and their interdependence were reinforced by the way the Asian financial crises of the 1990s quickly spread around the world impacting on even the developed economies of the world. This has been further emphasized in the recent financial crisis which though started in the subprime mortgage sector of the United States financial system spread throughout the world.

It is in the light of the above interdependence of economies that the perennial under-development of Sub-Saharan African countries and other less developed economies of the world cannot be overlooked. These economies, which Nigeria typifies, are characterized by low per-capita income, low productivity, poor technology base and high unemployment. The state of these economies is sickening, viewed from the perspective of massive revenues accruing to some of them like Nigeria, from sales of crude oil. Some of these economies are also known to be rich in other natural resources like gold, bitumen, agricultural produce like oil palm, cocoa, coffee etc. from which a lot of foreign exchange is derived. Despite the huge revenues accruing to these economies, their under-development is monumental making an enquiry into the cause of poverty in the mist of plenty, necessary.

To answer the question raised above, opinions converge that the cause of the slow pace of the development in economies such as Nigeria's in spite of the abundance of natural resources is corruption (Zhang 2000). The political elite of these countries, be they soldiers or civilians are to known to appropriate most of the resources of these countries for personal use, thereby depriving these economies of much needed developmental funds. To make matters worse, most

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of these resources corruptly cornered by these political leaders are never invested in these economies but are usually expropriated to other countries.

Knowing the corrupt origins of such funds, these politicians and their cohorts often try to pass them as genuinely acquired resources using shell companies and pseudonyms. This practice known as money laundering is therefore the avenue through which most of the resources of these countries end up in banks and other financial institutions in other countries. Considering the fact that stealing of the money in the first place is not what deprives these economies of their use, as these funds could have as well been invested in them; but rather it is the unwholesome carting of such resources away to other economies through money laundering schemes that causes this deprivation, impoverishes and leads to under-development of these economies (Ferwerda 2010; Baker 2005; 2007). An examination of the Asian tiger economies lends credence to this because despite the high level of corruption they still experiences tremendous development over a short period at a pace which confounded experts and caused them to dub it “Asian Miracle” (Wedeman 2012; Lim 2003).

Following from this background, this study sets out to achieve the objective outlined below:

- to theoretically examine the implications of corruption for developing economies
- to trace the link between corruption and money laundering in these economies
- to empirically verify the relationship between corruption and the economy.

To attain these objectives, this article is organized in sections starting with these introductory remarks. The next section discusses the concept of corruption and money laundering and their economic implications. After this review of literature is the section on the outline of research methodology, which is followed by data analysis and result interpretation section. Finally, conclusion is drawn and recommendations are made in the last section.

## LITERATURE REVIEW

### The Concept of Corruption

The concept of corruption like many social science concepts is eclectic. There is therefore no generally accepted definition nor is any clearly agreed dimensions to it. This can be seen from the variations in the scope, meaning and conceptualization of the term corruption by experts.

Corruption can be seen as the acceptance of money or money’s worth by a public officer to do or not to do something he is duty bound to do (McMullan 1961). While Frederick (1972) sees corruption as a behavioural deviation from the norm associated with the motivation of private gain at public expense. Palmier (1983) simply captures it as the “use of public office for private advantage. In line with this, Sen (1999) defines it as “the violation of the established rules for personal gain and profit”.

Nye (1967) offers a more elaborate definition of the concept corruption. He defines it as:

*Any behavior which deviates from the formal duties of a public role because of private (personal, close family, private clique), pecuniary or status gains, or violates rules against the exercise of certain types of private gains. This includes behaviours as bribery, nepotism (bestowal of patronage by reason of ascriptive relationships rather than by merit).*

The list of activities that typifies corruption was extended by Bayart, Ellis and Hibou (1997) to include embezzlement of public funds, frauds such as bribery, smuggling and forgery, extortion and favouritism, and diversion of scarce public resources into private pockets.

Osoba (1996) contributes to the conceptualization of corruption by specifying that it is an

anti-social behaviour conferring improper benefits, contrary to the legal or normal norms, which undermines efforts to improve the living conditions of the people.

Despite the divergence in the characterization of corruption by experts, certain commonalities can still be identified. For instance, they all agree that corruption is behavioural and a negation of proper conduct. Another point of convergence among these is that corruption leads to the diversion of resources and benefits from those it is due to others. It is in this context therefore that this article views corruption as the conversion of public resources and other benefits for personal uses or gains. This leads to the question of why public officers would betray public trust for private gains.

### **Causes of Corruption**

Folorunso (2007) opines that causes of corruption as discerned from literature can be placed into three distinct categories – political, economic and socio-cultural. Considering political causes, studies have shown that the type of government operating in a country has implications for the level of corruption. It has for instance been deduced that federal states and authoritarian regimes are more corrupt than centralized and democratic ones (Girling 1997; Lipset and Lenz 2000 and Treisman 2000). Still considering political causes of corruption, Mauro (1997) identified pervasive government regulations which allow officials implementation discretions as corruption enhancing. He went further to identify some of such regulations to include trade restrictions, subsidies, price controls, multiple exchange rate practices and foreign exchange allocation schemes.

On the economic front, it has been shown that countries with poor economic conditions experience high level of corruption. Corruption is more in countries where productivity is low, unemployment rate is high and per capita income is low (Ali and Isse 2003; Shleifer and Vishny 1993). Mauro (1997) corroborated this by stating that “low wages in the civil service relative to wages in the private sector are a source of low-level corruption”. Lowly paid civil servants in order to make ends meet collect bribes from those they should serve. Folorunso (2007) further gives credence to this position by stating that poverty and economic instability cause people to be corrupt.

From the socio-cultural perspective, lack of value system, poor ethical standards and indiscipline are known to be positively correlated with corruption ((Broadman and Recanatini 2002; Lipset and Lenz 2000; Bowman 1991). Corruption may also result from social pressures which contribute to rent seeking behaviour. Weak tradition of the rule of law and low level respect for the law are some other cultural factors that can increase corruption propensity in a country (Holmes 1999; Voskanyan 2000). Also traditional attitudes of a people towards family, kinship and tribesmen could also enhance corruption (Leiken 1997, Tanzi 1994). The study by Mauro (1997) concurs with this, it holds that societies divided along ethnic and linguistic lines experience higher levels of corruption.

In Nigeria many of the aforementioned factors are presently helping to entrench a culture of corruption. Obayelu (2007) indicated that Nigeria’s political economy, weak institutions of government and dysfunctional legal systems are key factors causing corruption in Nigeria. Buttressing this argument Maduagwe (1996) points out that absence of clear rules and codes of ethics leads to abuse of discretionary powers, culture of ostentatious living, extended family pressures, ethnic loyalties and competitive ethnicity. These make many Nigerian susceptible to corruption. Obayelu (2007) identified other causes of corruption in Nigeria to include: low civil service salaries and poor working conditions, few incentives and rewards for efficient and effective performance, lack of transparency, weak monitoring mechanism and setting of bad examples of self-enrichment by the political class. These are some of the factors that have made Nigeria notorious as one of the most corrupt countries of the world (Awojobi 1982).

Corruption in Nigeria manifests itself in many forms, some of which are election rigging, nepotism, tribalism, kickback on contract awards, uncurtail lust for wealth, bribery, falsification of

document/account, false asset declarations, payment for unprosecuted contracts, embezzlement of public funds, tax avoidance, exchange rate manipulation and import license fraud (Akindele 2005; Odunlami 1999; Gidado 1999). To these, Obayelu (2007) adds abuse of positions and privileges, low level transparency and accountability, inflation of contracts, misappropriation or diversion of funds, under and over-invoicing, false declarations, advance fee fraud, collection of illegal tolls and taxes, illicit smuggling of drugs and arms, commodity hoarding, currency counterfeiting, piracy and smuggling. The unending nature of the list of corrupt practices in Nigeria and the prevalence of these practices make the forage into implications of corruption for the economy necessary.

### **Consequences of Corruption**

Expert opinions diverge as to the implications of corruption for economic growth. Some studies argue that corruption has positive economic fallout (Leff, 1964; Huntington, 1968 & 1990; Acemoglu and Verdier 1998; Lui 1985; Braguinsky 1996; Bardhan 1997). They argue that corruption induces more efficient provision of government services and provides an avenue for circumventing inefficient government regulations. They opine that bribery can help entrepreneurs get around excessive regulations and do business with hostile or indifferent government. They further argue that corruption could enhance efficiency by cutting down time needed to process permits, licenses and other work. Leff (1964) further sees corruption as a form of auction mechanism where the most efficient firm will out bid others by paying the highest bribe.

In recent times, the argument in favour of corruption has been variously refuted (Murphy, Shleifer and Vishny 1993; Kaufmann, 1997; Cheryl and Kaufmann 1998; Tanzi and Davoodi, 1997; Mikesell 1995). In addition, recent empirical investigations lend credence to the refutation of the argument that corruption could be growth enhancing (Mauro 1995; Mo, 2001; Sarkar and Hasan 2001).

Mo (2001) holds that corruption hurts innovative activities because innovators need government supplied-goods like permits and import quotas. Corruption in these areas could easily stifle innovation, which in turn reduces private investment and stock of producible inputs in the long run. This will discourage people from accumulating capital, knowledge and skills and encourage investment of efforts in rent-seeking activities.

Studies have also indicted corruption for diverting resources from more beneficial investments in education and health care to less beneficial ones like bogus airports, road constructions because the latter gives more room to graft and embezzlement (Tanzi and Dwoodi 1997). Johnston (1997) observes that high rate of corruption makes the prediction of investment returns difficult. This deters foreign and local investors and starves the economy of investments required for sustainable growth. Lipset and Lenz (2000) reduce investment level by increasing investment risk. To Svensson (2003) corruption does not only reduce resources available for private investment but also reduces public revenue and translates into less public service. High level of corruption is associated with poor quality infrastructure, which in turn reduces output.

The implication of corruption for economic growth was succinctly articulated by Ogboru (2009) thus:

*It has three debilitating effects on any economy where it is pervasive. First, it aggravates capital shortage problems in the economy by making less money available for developmental purposes. Secondly, it accentuates capital flight with political and other elites competing for private accumulation of public capital... which is deposited in overseas banks where they are deemed to be safe. Such monies are therefore unavailable for capital formation purposes. Thirdly, it debases the value system of the society by placing emphasis on wealth accumulation, irrespective of method and process as index of success.*

Going by the definition, typology, causes and consequences of corruption discussed so far in this study, a casual observer of events in Nigeria will not fail to agree with Olayiwola (2001) that corruption is “pervasive” or Akindele (2005) that describes it as “endemic” or the description by Goodling (2003) that it is “systemic” or that of Folorunso (2007) that it has become a “pandemic”. Folorunso (2007) further paints a bleak picture of the extent of corruption in Nigeria as having reached a terrifying level in which almost every citizen is involved in one corrupt practice or the other. He further states:

*Nigerians are living witnesses to high level corruption on daily basis and the menace of corruption has spread its tentacles into all sectors of the Nigerian economy. For instance, slow movement of files in offices, police extortion at checkpoints, illegal fee fraud syndrome, embezzlement of public funds... have become the order of present day Nigeria.*

Ayobolu (2006) identifies corruption as one of the intractable unresolved problems of Nigeria that has “hobbled and skewed development”. This opinion is shared by various experts and observers of the Nigerian situation. Sachs (2007) for instance opines that corruption is a cankerworm that has eaten deep into the fabric of the Nigerian nation and remains its long-term political and economic challenge. The fact that Nigeria is purportedly a wealthy nation being the world’s seventh largest exporter of oil, sixth largest producer in OPEC and Africa’s largest oil exporter, but still has over 69.1% of its citizens living in abject poverty has been blamed on mismanagement of this oil wealth by corrupt government officials and their western cronies (Ogboru and Abimiku 2010; National Bureau of Statistics 2010; Thomas and Canagarajah 2002; Onibokun and Kumuyi 1996). This is in line with Awojobi (1982) and Ayua (2001) “Nigeria could be one of the most prosperous nations. But instead, it has squandered oil and mineral wealth, generated horrendously, unfair income distribution and has become notorious as one of the world’s most corrupt countries”. This position has been corroborated by the ranking of the country as one of the most corrupt nations by Transparency International. In its 2011 rankings, Nigeria is placed 143rd out of 182 nations.

The unbridled looting of Nigeria’s public treasury as bad as it is, may not have been as injurious to economic growth of the country as is being experienced if these looted resources were ploughed into productive ventures within the economy. The unfortunate experience is that many of these looters for fear of discovery and seizure expropriate their loot to foreign banks and offshore financial centers (OFCs). The wholesome transfer of these resources (looted funds) to foreign countries denies the country the use of these funds in capital formation impairs public service, reduces the quality and quantity of social infrastructure, increases unemployment and poverty etc. This is why this study holds that it is the money laundering dimension of corruption that has the most inimical implications for economic growth in Nigeria. If corrupt politicians and other government officials have no safe havens for their loot, their appetite for corruptly enriching themselves would be reduced. Money laundering is therefore not just a criminal and corrupt action, but also fuels corruption in developing countries like Nigeria. The attention money laundering gets in this article is based on this.

## **MONEY LAUNDERING: CONCEPT AND ECONOMIC IMPLICATIONS**

Money laundering is the movement of illicit funds for the purpose of concealing their true source, ownership or use (Akinbo 2010; Barlett 2002). Mohassoa, (n.d) defines money laundering as “concealment or disguise of true nature, source, location, disposition, movement, rights with respect to or ownership of property knowing such property is derived from an offence or offences”. Money laundering is therefore the criminals’ way of ensuring that crime pays. Since the proceeds of crime will remain useless to the criminal as long as it is associated with crime and is within the underground economy. This generates the need for dissociating the proceeds from their criminal origin in order to introduce it into the formal economy.

To achieve the objective of passing illicit money as legitimate earnings, the funds to be laundered are passed through three stages – placement, layering and integration. At the placement stage, the illegal proceeds of the launderer are injected into financial institutions through deposits, wire transfers, etc. In layering, the criminal uses services of complex financial transactions to obscure and obliterate the criminal origin of such funds. After successfully separating the funds from their criminal origin by layering, the funds are then returned to the formal economy through legitimate transactions. (Caruana and Farrugia 2003; McDowell 2001). By integrating these illegitimate resources into the economy, the criminal can now make use of these proceeds of crime without fear of detection or seizure. Since many developing economies including Nigeria clamour for foreign investment and money laundering could provide this, which raises the following questions: first, does the source of capital (criminal or legitimate) matter to the receiving country? And secondly, what implications does the direction (inflow or outflow) of money laundering activities have for an economy? Answers to these and other ancillary questions are attempted next.

In answering these questions McDowell (2001) and Masciandaro (1999) opine that “money laundering has potentially devastating economic security and social consequences”. This they further stated is because “it provides the fuel for drug dealers, terrorist, illegal arms dealers, corrupt public officials and others to operate and expand their criminal enterprises” Quirk (1997) addresses the issue of whether the source of capital injection has implications for the economy. He argues that the underground nature of these activities make them hard to measure thereby distorting economic data and complicating economic management of government. He further states that “to the extent money demand appears to shift from one country to another because of money laundering – resulting in misleading monetary data – it will have adverse consequences for interest and exchange rate volatility...”

Money laundering is also known to distort investment and depress productivity by diverting resources to less-productive activities. Investment by money launderers is motivated by the need to hide the origin of their funds and not by profitability. Money launderers are not therefore interested in the most efficient use of funds or returns on such funds, which is why they can invest in less productive assets and importation of luxury goods. This could be more devastating to developing economies in need of productive investments to engender economic growth (Caruana and Farrugia 2003).

Money laundering also has serious consequences for the private sector as money launderers often set-up front companies to aid them achieve their goals. These companies because of the money laundering subsidies they are fed with operate at a competitive edge over others in the industry that relies on market funds at market rates. These legitimate companies are usually, eventually forced out of the market because of competition skewed in favour of money laundering front companies. Unfortunately, these front companies remain in business only as long as they serve their money laundering purpose and the economy suffers a double jeopardy when eventually they too are closed. (Bartlett and Ballantine 2002; Porteous 2000)

Money laundering also distorts and destabilizes the operations of the financial system and institutions in it. Association with criminals, acceptance of illicit funds and laundering of such funds by financial institutions is known to have detrimental consequences on the institutions and economy at large. For one, the movement of proceeds of crime is not determined by economic factors but rather by non-market factors such as law enforcement operations. A financial institution can suffer liquidity crises and subsequent run on it due to sudden withdrawal of money laundering deposits. Association with money launderers could also damage the reputation of a financial institution/system. If this happens, legitimate businesses will distance themselves from such institutions/systems. The financial institution could suffer a run on it and have difficulties in mobilizing deposits. On the other hand, the financial system suffering a loss of reputation

under similar circumstance will be ignored by foreign investors, leading to a low foreign direct investment inflow. These financial institutions are also known to be prone to frauds by the criminal elements they deal with and by their own staff who are exposed to these illegal transactions.

Economies that suffer substantial money laundering also lose substantial government revenue. Criminal proceeds which are in the underground economy can hardly be taxed, even when eventually they are integrated into the formal economy. Criminals are not in the habit of paying taxes and will devise schemes to either evade or avoid it. Money laundering could lead to unintended income distribution, redirecting income from high savers (legitimate businesses, civil servants etc.) to low savers (criminals). This also has the consequences of redirecting investment from sound ones to highly risky ones (Quirk 1997; Quirk 1996). Money launderers do not need to save in the conventional sense of bank savings for fear of detection and seizure but will rather use proceeds to purchase artifacts, gold, diamond etc. Also in investing, the risk-return tradeoff is least of their consideration; they can therefore invest in highly risky ventures as long as it serves the purpose of masking the origin of invested funds.

Nigeria, which is a model less-developed country, manifests many of the adverse implications of money laundering. Corruption by highly placed government officials and their private sector fronts is the highest source of ill-gotten money in Nigeria. These politicians and their cronies for fear of confiscation of these illicit proceeds launder most of them abroad. This action starves the economy of much needed investments. What is not laundered abroad, they usually commit to ostentatious living and luxurious goods. Building of country homes (mansions with over twenty bedrooms) in impoverish rural communities, purchase and "storage" of many luxurious automobiles, purchase of helicopters and private jets are common occurrence. Apart from the adverse consequences of the loss, resources laundered abroad and the unproductive investment of the remnants, the flagrant display of their ill-gotten wealth sends the message that corruption/crime pays with further debilitating consequences for morals, societal harmony and security. This high level corruption and the ease of laundering its proceeds both locally and internationally can be blamed for the prevalence of other forms of corruption. For instance, high level of non-performing loans in our banks is attributed to the fact that many Nigerians borrow from banks without intention of ever repaying these loans (Acha 2012).

Corruption has also compounded the predominance of cash transactions in the Nigerian economy with its attendant implications for monetary management. It is common knowledge that many corrupt government officers keep large sums of money in both local and foreign currencies in their homes. It is believed that the billions of Naira discovered (not recovered) in the homes of some of these officials that fell out of grace is only a tip of the iceberg as many who still enjoy government favours have similar cash cache in their homes. The sudden injection of these cash holdings for monetary management and exchange rate volatility are pretty obvious.

The position of literature that money laundering exacerbates criminal activities seem to be borne out by the Nigerian situation; as the successful laundering of proceeds of corruption by top government officials has signaled to all that "crime pays". People commit murder, rig elections and engage in many other nefarious acts to get into government in order to have a go at the public treasury. Those with no access to the public treasury borrow from banks and refuse to repay, extort money from citizens at the highways and in offices etc.

This article therefore argues that the evil consequences of corruption are compounded, complicated and exacerbated by money laundering by providing corrupt officials safe avenues both locally and internationally to use their ill-gotten wealth. It further holds that the unwholesome laundering of the illicitly acquired public funds abroad by government officials depriving the economy of needed resources for capital formation is the worst negative effect money laundering has on the Nigerian economy.

## OUTLINE OF RESEARCH METHODOLOGY AND MODEL SPECIFICATION

The study uses data obtained from Transparency International (TI) and the Central Bank of Nigeria (CBN). Specifically, the corruption perception index (CPI) which proxies corruption in this study is obtained from Transparency International annual index of corruption in various countries. The economic variables on the other hand were obtained from CBN publications. Data were analyzed using Ordinary Least Square (OLS) regression technique. To ensure that regression results were not spurious, Augmented Dickey-Fuller (ADF) unit root test was used to test for the stationarity of variables. While the long-run relationship between variables included in the model was determined using Johansen Cointegration test.

To carry out these analyses, the following linear model was specified:

$$\text{CPI} = \text{GDPG} + \text{TDG} + \text{GRG} + \text{SAG} + \text{MCU} + \text{MKTC} + \text{EXR} + \text{PLR} + \text{INF}$$

Where:

CPI	=	Corruption Perception Index
GDPG	=	Gross Domestic Product growth rate
TDG	=	Total Debt Growth Rate
GRG	=	Government Revenue Growth Rate
SAG	=	Total Savings Growth Rate
MCU	=	Manufacturing Capacity Utilization
MKTC	=	Stock Market Capitalization
EXR	=	Exchange Rate
PLR	=	Prime Lending Rate
INF	=	Inflation

It is important to note that Transparency International's Corruption Perception index ranges from 0 – 10; with 0 signifying the highest level of corruption and 10 indicating absence of corruption.

## DATA ANALYSIS AND INTERPRETATION OF RESULTS

### DATA ANALYSIS

**Table 1: Summary of ADF unit root test**

Variable	Levels	1st difference	Critical level	Conclusion
CPI	- 0.32	-4.38	-2.97	1(1)
GDPG	-4.29	-	-2.97	1(0)
TDG	-4.24	-	-2.97	1(0)
GRG	-6.17	-	-2.97	1(0)
SAG	-4.13	-	-2.97	1(0)
MCU	-2.23	-3.00	-2.97	1(1)
EXR	-0.13	-5.72	-2.97	1(1)
PLR	-4.54	-	-2.99	1(0)
INF	-2.83	-5.51	-2.97	1(1)

Source: Author's computation using Eviews

The result of the ADF unit root test indicates that 5 of the variables (GDPG, TDG, GRG, SAG, PLR) are stationary at levels, while the other four (CPI, MCU, EXR, INF) became stationary after first differencing. A further diagnostic test using Johansen cointegration test reveals the existence of long-run relationship among regression variables. While the trace statistic identifies 6 cointegrating equations, the eigenvalue statistic indicates the presence of 4 cointegrating equations.

Armed with these diagnostic results, we proceed to estimate the regression equation where the following result is obtained.

Equation Estimate:

$$\text{CPI} = a_0 + a_1\text{GDPG} + a_2\text{TDG} + a_3\text{GRG} + a_4\text{SAG} + a_5\text{MCU} + a_6\text{EXR} + a_7\text{PLR} + a_8\text{INF}$$

Obtained model is:

	$\alpha$	GDPG	TDG	GRG	SAG	MCU	EXR	PLR	INF
CPI	-0.53	-0.02	0.0005	0.0001	0.01	0.009	0.013	0.02	0.005
SE	0.54	0.01	0.001	0.004	0.009	0.008	0.002	0.02	0.005
t-statistic	-0.97	-1.5	-0.66	-0.04	1.21	1.18	7.30	0.83	-0.91
Probability	0.34	0.15	0.52	0.97	0.24	0.25	0.00	0.42	0.37

$$R^2 = 0.88$$

$$\text{Adjusted } R^2 = 0.83$$

$$F - \text{Statistic} = 19.43$$

$$\text{Probability (F - Statistic)} = 0.00$$

$$\text{Durbin - Watson Statistic} = 1.55$$

The regression shows a reasonable fit with the independent variables explaining 88% of variations in the dependent variable. It further reveals that the result is significant going by the probability (F-Statistic) of 0.00 and that there is only a slight autocorrelation problem as shown by the Durbin Watson statistic.

### Interpretation of Results

The results show that the corruption perception index (CPI) and GDPG are negatively correlated. This implies that as CPI increases, GDPG decreases. Since increase in CPI denotes reduction in corruption it entails that reduced corruption can be associated with reduced GDP growth. This is contrary to theoretical postulation that corruption stifles economic growth. This collaborates the finding by Ogboru and Abimiku (2010) that reduction in GDP in Nigeria reduces the amount available for corrupt government officials to fiddle with and hence reduces the level of corruption.

Reduction in corruption is also associated with reduction in total debt growth rate (TDG). The reduction in total debt can be understood in the context that reduction in corruption checks the contracting of illegitimate and unnecessary loans by the government. It also lays credence to the theory that efficiency in resource utilization increases with reduction in corruption as resources slated for debt repayment and servicing are used for these purposes. The results also show that CPI is inversely related to government revenue growth rate (GRG). This also bears out the theoretical position that corruption reduces government revenue.

This is a paradox which can be unraveled by investigating the various channels through which corruption is said to impact on an economy. These channels include reduction in revenue, reduced efficiency of investment, reduced capital formation, deterioration in quality and human capital and

increased poverty. The result therefore tends to support a hypothesis that the main channel of this impact in Nigeria is through poverty. The fact that increased GDP growth tends to be associated with reduced corruption lends credence to this.

Going by the same reasoning, it can be seen that the CPI is positively related to savings growth, manufacturing capacity utilization, exchange rate, prime lending rate and inflation. It therefore means that as corruption reduces, people save more. The increased confidence of the populace and even foreigners in deposit-taking institutions and in the economy explains this. The same can be said for the level of productivity, as corruption reduces and more confidence is built in the economy, more investors (local and international) are attracted to commit their resources to such an economy.

The direct relationship between CPI Exchange Rate and prime lending rate could be a tentative confirmation of the hypothesis that the main channel through which corruption negatively impacts the economies of less developed countries in general and Nigeria's in particular is through money laundering activities. Since increase in CPI which denotes reduction in corruption leads to increases in exchange rates and prime lending rates; one could argue that as corruption reduces, it reduces the amount of money laundered in foreign banks by government officials and their friends, which in turn contracts the availability of foreign exchange and increases the rate. The same principle could be adopted to explain the behaviour of lending rate. As illicitly acquired funds reduce, the amount laundered through banks locally also reduces constricting the availability of funds.

It is not surprising that reduction in corruption is associated with reduction in economic volatility. As CPI relates inversely to inflation, it could therefore be deduced that reduction in corruption, signified by increase in CPI, leads to reduction in inflation and vice versa. This further reinforces the argument in literature that corruption is detrimental to the economy.

## CONCLUSION AND RECOMMENDATIONS

This study identifies corruption and money laundering as twin evil that have detrimental implications for LDCs. Using Nigeria's economic data obtained from the Central Bank of Nigeria and Corruption Perception Index of Transparency International, the study notes adverse relationship between corruption and economic growth variables. This leads to the conclusion in line with recent literature and empirical studies, that corruption has detrimental consequences for the economies of LDCs epitomized by Nigeria. To tackle the problem of corruption and money laundering, the following suggestions are made:

- Concerted effort should be made to check official corruption in LDCs as this study has shown that reduction in corruption will be beneficial to their economies.
- The introduction of very steep penalties for acts of corruption is suggested as an approach to discourage official corruption. The flagrant conversion of public assets and funds to private use will be stemmed if corrupt public officers are made to not only forfeit the stolen properties to government, but to forfeit all their properties in addition to prison terms. This will act as a deterrent if law enforcement agencies ensure that offenders are brought to book as several studies have shown that certainty of punishment deters criminals (Nagin and Pogarsky, 2001; Nagin 1998; Bean 1981; Tullock 1974; Andnaes 1972; Parke and Walter 1967)
- Society's culture and norms have been identified as some of the factors that foster corruption. There is need to re-orientate people in such societies on proper internationally acceptable conduct.

Action should be taken to reduce the level of poverty by enhancing the salary of workers in order to further reduce corruption in LDCs.

- For many LDCs, money laundering in foreign financial institutions seems to be the major fuel of corruption; therefore concerted efforts should be made by financial institutions' regulators locally to check the use of these institutions in laundering money. Since there is need for cooperation and collaboration with foreign financial institutions for international money laundering schemes to be successful. These institutions should introduce measures to check this trend.
- The government of countries, especially the developed ones, where resources stolen from LDCs are laundered should show more political will in addressing this problem. They should in fact adopt a zero tolerance to money laundering and cooperate with the LDCs to recover identified laundered funds.

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## APPENDIX 1

Variables from which growth rates were computed

YEAR	GROSS DOMESTIC PRODUCT (GDP)	INFLATION	MANUFACTURING CAPACITY UTILIZATION	EXCHANGE RATE	PRIME LENDING RATES	GOVT. REVENUE	TOTAL DEBT	MARKET CAPITALIZATION	SAVINGS
1981	47619.66	21.4	73.3	0.61	7.75	13290.50	2331.20	5.0	5796.10
1982	49069.28	7.2	63.6	0.67	10.25	11433.70	8819.40	5.0	6338.20
1983	53107.38	23.2	49.7	0.72	10.50	10508.70	10577.70	5.1	8082.90
1984	59622.53	40.7	43.0	0.76	12.50	11253.30	14808.70	5.5	9391.30
1985	67908.55	4.7	38.3	0.89	9.25	15050.40	17300.60	6.6	10550.90
1986	69146.99	5.4	38.8	2.02	10.50	12595.80	41452.40	6.8	11487.70
1987	105222.84	10.2	40.4	4.01	17.50	25380.60	100789.10	8.2	15088.70
1988	139085.30	56.0	42.4	4.53	16.50	27596.70	133956.30	10.0	18397.20
1989	216797.54	50.5	43.8	7.39	26.80	53870.40	240393.70	12.8	17813.30
1990	267549.99	7.5	40.3	8.04	25.50	98102.40	298614.40	16.3	23137.10
1991	312139.74	12.7	42.0	9.91	20.01	100991.60	328453.80	23.1	30359.70
1992	532613.83	44.8	38.1	17.30	29.80	190453.20	544264.10	31.2	43438.80
1993	683869.79	57.2	37.2	22.05	18.32	192769.40	633144.40	49.5	60895.90
1994	899863.22	57.0	30.4	21.89	21.00	201910.80	648813.00	66.3	76127.80
1995	1933211.55	72.8	29.3	81.0	20.18	459987.30	716865.60	180.4	93327.80
1996	2702719.13	29.3	32.3	81.3	19.74	523597.00	617320.00	285.8	115352.30
1997	2801972.58	10.7	30.4	81.6	13.54	582811.10	595931.90	281.9	154055.70
1998	2708430.86	7.9	32.4	83.8	18.29	463608.80	633017.00	262.6	161931.90
1999	3194014.97	6.6	34.1	92.3	21.32	949187.90	2577374.40	300.0	241604.70
2000	4582127.29	6.9	36.1	100.1	17.98	1906159.70	3097383.40	472.3	343174.1
2001	4725086.00	18.9	42.7	111.5	18.29	2231600.00	3176291.00	662.5	451963.10
2002	6912381.25	12.9	54.9	120.5	24.85	1731837.50	3932884.80	764.9	556011.70
2003	8487031.57	14.0	56.5	129.2	20.71	2575095.90	4478329.30	1359.3	655739.70
2004	11411066.91	15.0	55.7	133.0	19.18	3920500.00	4890269.60	2115.5	799517.20
2005	14572239.12	17.9	54.8	131.1	17.95	5547500.00	2695072.20	2900.1	1316957.40
2006	18564594.73	8.2	53.3	128.1	17.26	5965101.90	45146.70	5121.0	1739636.90
2007	20657317.67	5.4	53.4	125.1	16.94	5715600.00	431079.85	13294.6	2693554.30
2008	24296329.29	11.6	53.8	117.8	15.14	7866590.10	493180.22	9563.0	4118172.80
2009	24794238.66	12.5	54.1	147.3	18.36	4844592.34	590441.08	7030.8	5763511.20
2010	29205782.96	13.7	55.1	148.3	17.59	7303671.55	689845.30	9918.2	5954260.50

Source: Central Bank of Nigeria Statistical Bulletin, 2010.

**APPENDIX II**

Variables used for Analysis:

YEAR	GDPG*	TDG*	GRG*	SAG*	MCU**	MKTC**	EXR**	PLR**	INF**	CPI***
1981	-----	-----	-----	-----	73.3	5.0	0.61	7.75	21.4	00
1982	2.95	73.6	(16.2)	8.6	63.6	5.0	0.67	10.25	7.2	00
1983	7.60	16.6	(8.8)	21.6	49.7	5.7	0.72	10.00	23.32	00
1984	10.90	28.6	6.6	13.9	43.0	5.5	0.76	12.50	40.7	00
1985	12.20	14.4	25.2	10.9	38.3	6.6	0.89	9.25	4.7	00
1986	1.79	58.3	(19.5)	8.2	38.8	6.8	2.02	10.50	5.4	00
1987	34.3	58.9	50.4	23.9	40.4	8.2	4.01	17.50	10.2	00
1988	24.3	24.8	8.0	17.9	42.4	10.0	4.53	16.50	56.0	00
1989	35.8	44.3	48.8	(3.3)	43.8	12.8	7.39	26.80	50.5	00
1990	18.9	19.5	45.1	23.0	40.3	16.3	8.04	25.50	7.5	00
1991	14.3	9.08	2.9	23.8	42.0	23.1	9.91	20.01	12.7	00
1992	41.4	39.7	46.9	30.1	38.1	31.2	17.30	29.80	44.8	00
1993	22.1	14.0	1.2	28.7	37.2	47.5	22.05	18.32	57.2	00
1994	24.0	2.40	4.5	20.0	30.4	66.3	21.89	21.00	57.0	00
1995	53.5	9.50	56.1	18.4	29.3	180.4	81.00	20.18	72.8	00
1996	28.5	(16.1)	12.1	19.1	32.3	285.8	81.30	19.74	29.3	00
1997	3.54	(3.59)	10.2	25.1	30.4	281.9	81.6	13.54	10.7	1.00
1998	(3.45)	5.86	(25.7)	4.9	32.4	262.6	83.8	18.29	7.9	1.90
1999	15.2	75.4	51.2	32.9	34.6	300.0	92.3	21.32	6.6	1.60
2000	30.3	16.8	50.2	29.6	36.1	472.3	100.1	17.98	6.9	1.20
2001	3.03	2.50	14.6	24.1	42.7	662.5	111.5	18.29	18.9	1.00
2002	31.6	19.2	(28.9)	18.7	54.9	764.9	120.5	24.85	12.9	1.60
2003	18.6	12.3	32.7	15.2	56.5	1359.3	129.2	20.71	14.0	1.40
2004	25.6	8.4	34.3	17.8	55.7	2115.5	133.0	19.18	15.0	1.60
2005	21.7	(81.5)	29.3	39.4	54.8	2900.1	131.1	17.95	17.9	1.90
2006	21.5	(496.9)	7.0	24.3	53.3	5121.0	128.1	17.26	8.2	2.20
2007	10.1	(4.73)	(4.4)	35.4	53.4	13294.6	125.1	16.94	5.4	2.20
2008	14.9	12.6	27.3	34.6	53.8	9563.0	117.8	15.14	11.6	2.70
2009	2.00	16.5	(62.4)	28.5	54.1	7030.8	147.3	18.36	12.5	2.50
2010	15.1	14.4	33.7	32.0	55.1	9918.2	148.3	17.59	13.7	2.40

Source: \*Author's computation using data from Appendix 1,  
 \*\*Central Bank of Nigeria Statistical Bulletin, 2010 and  
 \*\*\*Transparency International Annual Corruption Index, 2011.

# THE NGO SECTOR IN SOUTH AFRICA: HISTORY, ISSUES AND PROSPECTS

M Kumaran, N Samuel and L Winston<sup>1</sup>

## ABSTRACT

*This article presents an overview of the state of non-governmental organisations (NGO) sector in South Africa based on a review of available literature. It traces the robust growth of South Africa's NGO sector from the apartheid period through the post-apartheid era and up to the country's current status. The document highlights the legal framework under which the sector operates; explores philanthropic giving and volunteering patterns; identifies some broad issues the sector is facing including the regulatory framework, governance, transparency and accountability, resource mobilization, and strategic growth; and highlights opportunities for growth. Some similarities in the growth pattern, barriers and prospects between the NGO sectors of South Africa and India are also explored.*

**Keywords:** Non-Governmental Organisations, Civil Society, Philanthropy and Volunteerism, Social Services, Transparency & Accountability, and NGO collaboration.

## INTRODUCTION

South Africa has one of the most vibrant non-governmental organisations (NGO) sectors in the continent of Africa. Mobilizing and rallying people against the atrocities of apartheid, the South African NGO sector played a vital role in ending this regime. Since the launching of democracy in 1994, the NGO sector has been gaining momentum in addressing various issues in South African society. During the nation's relatively short history of democracy since 1994, while the government focused on establishing infrastructure and democratic government institutions, the NGO sector has played a vital role in improving living standards of South Africans. The country has made improvements in social development, especially in the areas of poverty reduction, citizen empowerment, civil and human rights, gender equality, youth development, education, HIV/AIDS prevention, communal land rights and the promotion of democracy (Jones & Stokke 2005).

The voluntary sector's involvement in addressing a variety of socio-economic, political, and environmental issues has also been accompanied with an impressive growth in the numbers and impacts of NGOs. The sector plays a vital role in the economy – in 1998, it accounted for \$1.7 billion in revenues and expenditures or 1.3% of the nation's GDP, and employed a workforce of 645,000 full time equivalent employees; enjoys extensive volunteer involvement – over 30,000 full time equivalent volunteers or 1.3% of the workforce. South Africa has one of the largest NGO sectors among developing and transitional nations in the world – it exceeds the developing country average (Salamon & Sokolowski 2004). The sector has potential to provide various crucial services needed in a growing democratic society; however, it also faces challenges in the areas of resource mobilization, collaboration, transparency and accountability, capacity building, and strategic growth.

## THE NGO SECTOR OF SOUTH AFRICA

With an estimated population of 50.59 million people (Statistics South Africa 2011), South Africa has emerged as the largest economy in the continent of Africa. With a stable democracy since 1994, the country has enjoyed steady economic development, high literacy rate, and overall growth in living standards. Political and social developments in South Africa have also been supported by a

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rapidly growing NGO sector. As in many developing countries, the NGO sector of South Africa has responded to address the various needs of the society that are not met by the public and private sectors. Within the relatively narrow span of 18 years, the sector has shown growth and provides a wide variety of social and other services. Between 2000 and 2011, the number of registered NGOs grew by an enormous 573% (Department of Social Development, Republic of South Africa). The following table shows the impressive growth in the number of registered NGOs in South Africa.

**Table 1: Growth in the Number of Registered NGOs in South Africa**

Year	2000	2005	2008	2009	2010	2011
Number of NGOs	13,282	36,981	49,826	55,341	65,633	76,175
% growth since 2000	–	278%	375%	417%	494%	573%

Source: Department of Social Development, Republic of South Africa

According to the National Nonprofit Organizations Registry Database (2011), 95% of the registered NGOs are classified under ‘Voluntary Associations’, 3% are registered as ‘Section 21 Companies,’ and 2% registered as ‘Trusts.’ There is also a wide range in the regional distribution of registered NGOs among the nine provinces. The second most populous province of Gauteng has the largest proportion of registered NGOs – 32% or about one-third of all NGOs in the country, while the most populous, KwaZulu-Natal province, accounts for 20% of the registered NGOs. The distribution of registered NGOs in the other provinces are: Limpopo 11%; The Western Cape 10%; The Eastern Cape 9%; Mpumalanga 6%; The Free State and North West, 5% each; and the Northern Cape only 2%. About one third of registered NGOs provide social services and about a fifth of them provide development and housing related services. Table 2 shows a breakdown of the number and percentage of registered NGOs based on service area.

**Table 2: Number of Registered NGOs by Service Area**

Service Area	Total Number	Percentage (%)
Social Services	26,199	34
Development and Housing	15,797	21
Religion	8,839	12
Health	8,723	11
Education and Research	8,655	11
Culture and Recreation	4,069	5
Others	3,893	6

Source: *National NPO Database 2011*, Department of Social Development

NGO registration is not a mandatory requirement; thus, it can be assumed that the actual number of NGOs in South Africa is much more than the documented 76,175 NGOs registered with the Department of Social Development. Due to strict regulations, the Department of Social Development also rejected approximately one-third of the initial NGO registration applications in 2010 due to insufficient information (USAID 2011). In 2011, of the total 15,265 NGOs that applied for registration, only 10,542 (69%) were accepted and registered and 4,729 NGO applications were rejected or cancelled. It can be further assumed that the majority of the NGOs rejected from registration continue to operate. The Southern African NGO Network (SANGONeT) estimates that approximately 100,000 NGOs are currently operating in South Africa.

## **The Legal Framework for the South African NGO Sector**

Throughout the chaos of apartheid, the government placed few restrictions and regulations on NGOs. There was a fear that with increased transparency and documentation, those NGOs who were affiliated with the corrupt government would be exposed to the public (Kabane 2011). While the current system still is not as efficient as most developed countries, since it takes five to six months to complete registration, the framework now has much more structure and is continually improving (Brown 2012).

The implementation of the Financial Intelligence Centre Act (FICA) stipulates that a NGO must be registered in order to open a bank account and to be eligible to gain government contracts (USAID 2011). Often, there is a correlation between the registration status and the level of funding that the NGO receives, which urges the organizations to mobilize on receiving registration status. The following spells out the four-stage process that NGOs in South Africa follow in order to register with the government. With the exception of stage one, not all of the following steps are required and or need to be completed in a specific order.

### **Stage One – Registration**

All NGOs are categorized into one of the following three categories, depending on the activities they provide, and their financial status regarding funding.

#### **Voluntary Associations**

With the establishment of a constitution, one option for an organisation is to register to be a voluntary association. A voluntary association is formed when three or more unrelated individuals come together to achieve the same goal, not for profit under common law, spelled out in their “oral or written agreement” (Council on Foundations 2011). According to the Council on Foundations (2011), after review, the association is either listed as a *universitas*, a “corporate body”, or a “non-corporate [association],” or “unincorporated” body. The majority of NGOs in South Africa are listed under this category because of the simplicity of the process and the lack of requirement for formal documentation (Council on Foundations 2011).

#### **Section 21 Company**

If the mission and vision of the organisation encompasses “public benefit, cultural, social activities, or communal or group interest,” they are then to register as a Section 21 Company in accordance with the Companies Act of 2008, which was amended in 2011 (2011). Under this law, companies not native to South Africa are to file to gain status as an “external non-profit company” (Council on Foundations 2011). A stipulation of this foreign company is that they must have at least one agency within the South African boundaries.

#### **Trusts**

Companies who register as a trust are covered under written law and have philanthropic intentions. These organisations are distinguished from the two above by an examination of the trust deed. The Trust Property Control Act 57 of 1988 states that the land given to the trust deed must be used in accordance with the non-profits objectives (“Regulations in South Africa” 2011).

### **Stage Two – Elective Registration**

The Nonprofit Organisations (NPO) Act 71 of 1997 established the NPO Directorate as the central location within the Department of Social Development, where NGOs can register themselves. Although this registration is not a required process, many organisations are inclined to complete the application and constitution submittal in order to appeal to those funding their projects. Often, foreign donors require accreditation to provide funds to a certain NGO and usually only

give to “registered NGOs”. Each registered NGO is required to submit their “narrative and financial reports” to the online website annually as well as update any additional changes that may arise throughout the year. Once granted, this registration is to be held by the NGO indefinitely unless there is an amendment to the Non-Profit Organisations Act, the organisation voluntarily removes themselves from the database, or the NGO ceases to exist (Council on Foundations 2011).

### **Stage Three – Tax Exemptions**

Through this particular tax exemption registration process, a non-profit will be listed as a Public Benefit Organisation (PBO) (“Regulations in South Africa” 2011). General requirements for tax breaks include having “three unrelated persons have fiduciary responsibilities” as well as providing beneficial services to the citizens of South Africa (2011). Also, it is not a requirement for an NGO to be registered in order to receive tax exemption status. These organisations are created under the “Tax Act 58 of 1962” and include over 60 different NGO categories. Registration is done through the “Tax Exemption Unit of South African Revenue Services” (Council on Foundations 2011). An NGO that does not have its headquarters located in South Africa can also receive tax exemption status if its branch office in South Africa received funds to provide service within the country.

### **Stage Four – Tax Deductibility**

Just like in stage three, the Income Tax Act has roots in tax-deductible donations in South Africa. For an NGO to receive tax-deductible donations, its mission and objectives must involve “welfare and humanitarianism, healthcare, education and development, conservation, environment and animal welfare, [or] land and housing.” There must also be documentation (i.e. a receipt), from the “Public Benefit Organisation, and it cannot exceed 10 percent of the taxable income of the taxpayer.” With this proof, the NGO is granted donor deductible status (Council on Foundations 2011).

## **HISTORY OF THE NGO SECTOR IN SOUTH AFRICA**

### **Apartheid Era**

South Africa has a long history of discrimination and oppression of African people (Jagwanth 2003). An all-white government was created under the first constitution in 1910, which created a continued struggle for equality. This was further compounded by the dispossession of African individuals land with the Land Act of 1913 (Jagwanth 2003). The policy of apartheid, introduced in 1948, favored the white population who were well off financially. Many South African NGOs were developed as a response to Africans and coloured people being deprived of resources by the apartheid regime. NGO anti-apartheid activists lobbied politicians to make changes from “within the political system” to break down racial barriers (Heinrich 2001).

According to Michael (2004), NGOs in apartheid South Africa played an important role in providing social services to its disenfranchised population under the apartheid government. The movement away from apartheid became evident in 1990 with the removal of the ban against the African National Congress (ANC) and political prisoners being released (Jagwanth 2003). The Convention for a Democratic Society, an organisation that represented various political parties with ANC and NGOs, was formed in 1993 to develop “policy positions and determining priorities for the new South Africa” (Jagwanth 2003). As part of this oppressed individuals liberation movement, the ANC acknowledged the need for the role of NGOs in providing social services to the masses in its pre 1994 election constitution. The document outlined the need for the reconstruction and development of South Africa. Michael (2004), a decade after the election, indicated that the situation pertaining to NGO participation in reconstruction and development did

not materialize as outlined in the document. In fact, NGOs faced hostility from national government officials who were reluctant to be more open to the development of a civil society.

During the transition period between 1990 and 1994, NGOs established themselves as a sector by building networks and coalitions and worked with ANC to develop policy positions. NGOs played a vital role in coordinating voter education programmes. They were also involved in monitoring elections, which facilitated the process to ensure they were fair and helped to create a democratic South Africa (Greenstein 1998). In 1994 NGOs participated in a project called Reconstruction and Development Programme (RDP), which was directed by the ANC. The goal of RDP was to address the social inequalities created under apartheid (Ranchod 2007). The RDP sought to capitalize on NGOs participatory and consultative approach through partnerships at all levels of the program development process (Ranchod 2007). There were three main components to the RDP. The first was capacity building, mainly of the rural poor who were disenfranchised under the apartheid regime, to empower them to take charge of their lives. Second was defining the role of NGOs and other stakeholders in the policy-making process in a post-election era. Thirdly, the role of NGOs in implementation of the RDP as the government would have limited experience and resources of dealing with people in marginalized communities (Greenstein 1998).

In the 1980's the South African National Civic Organisation (SANCO) was formed as part of the township resistance movement with its roots in radical civics (Deegan 1999). In its early years SANCO focused on local issues such as rent and township services. SANCO and other civic society organisations had to redefine their roles after the elections of 1994, as a new set of issues now had to be addressed. There was no longer a need for emphasis on anti-apartheid issues (Deegan 1999). Today, NGOs in South Africa have spanned the voluntary sector to include concerns such as rural development, health, education on several levels, children, welfare, human rights, politics, women and several other social issues (Heinrich 2001).

### **Post-Apartheid Period**

Following the break from apartheid, the country fell into an identity crisis (Heinrich 2001). For the first time in the country's history, a democratic South African government was accountable to its citizens and its role shifted to providing services to the entire population (Deegan 1999). The role of NGOs during apartheid was clear-cut, to provide resistance to the apartheid movement, a goal that united the civil society. In the early post-apartheid years, there were numerous issues to be addressed and less of a focus on a central goal. People had varying views of what a democratic South Africa should look like and how the reconstruction and development process should be designed and implemented (Greenstein 1998). The government began to partner with NGOs to provide resources to focus on the immediate needs of citizens that the government was unable to fulfill (Deegan 1999).

Some NGOs had difficulty adapting to the new agenda, which caused them to discontinue their operations. It took others an extended period of time to develop the skills and practices needed to be effective in this new situation. Larger NGOs that provided welfare services and were less involved in politics made a quicker transition to adopting the new agenda. Others had to make a major change in orientation in order to be in compliance with specific donor and government regulations (Greenstein 1998).

The metamorphosis of South Africa resulted in visible shifts in the NGO sector. The sector has become varied from the single focus of anti-apartheid activities into three main groups. There are formal NGOs that partner with the government to provide services on behalf of the state; those that operate locally within marginalized communities, also called survivalist agencies; and NGOs that operate to effect policy changes at state level (du Tolt 2010).

Following apartheid, many activists left the NGO sector to assume upper management positions in the newly elected democratic government. This resulted in a brain drain in the NGO sector. The movement of experts in the development field once again shifted in the late 1990's from government to statutory bodies such as the Truth Reconciliation Commission and South African Human Rights Commission. Cawthra and Kraak (1999) indicated that the government had reached its maximum capacity in terms of the number of staff it can absorb from the NGO sector. A 1998 reflection on the initial brain drain experienced by the NGOs, viewed it as having a positive effect on the sector as they were able to entice a cadre of younger, stable staff based on implemented employment improvements (Cawthra & Kraak 1999).

NGOs had a white image, which had a negative connotation, that they experienced difficulty shedding. An infusion of Africans was needed to project an integrated image that was representative of South African society as a whole. Another obstacle that NGOs faced was the failure to provide attractive salaries and career growth. The dilemma at this point was for NGOs to either move in the direction of a more professional approach that would give them the ability to perform their social mission, or retain their mission by relying on voluntary and donor contributions (Greenstein 1998).

With a legitimate, democratic government elected, many international funding agencies shifted their support from the NGO sector working directly with the government. Emphasis was now being placed on funding the RDP initiatives of the new government. This resulted in a decline in direct funding that NGOs received from outside agencies. However, the government in turn allocated some of the funds received to NGOs (Kaniki 2007).

Another donor approach to funding was to directly support development projects instead of giving organisations core funding (Greenstein 1998). This resulted in a more competitive donor environment with a higher standard of accountability and reporting by NGOs as well as more scrutiny by donors. Greater attention to project costs and financial issues was now critical to secure funding. For many NGOs human capacity in long-term project planning, budgeting and management was deficient and when coupled with the need for financial accountability became a severe strain on the organisation. For these reasons, certain NGOs had to close their doors (Brandi 2012; Greenstein 1998; Noyoo n.d.). These challenges have ultimately affected NGOs ability to respond to the needs of the poor (Noyoo n.d.). Brandi (2012) mentioned that in today's economic climate donors are supporting NGOs with outstanding track records of service delivery, effective utilization of funds, good internal checks and balances, reporting and evaluation tools that show impact, and productive staff.

## **GROWTH OF NGOS: SOME PARALLELS BETWEEN SOUTH AFRICAN AND INDIAN NGO SECTORS**

Several similarities can be drawn between the NGO sector of South Africa and that of India in their growth patterns and social impacts. South Africa's NGO sector also mirrors India's NGO sector in terms of issues, barriers and opportunities. Hence, there are several lessons that South Africa's NGO sector can learn from the success and failures of India's NGO sector.

Historically, both South Africa and India have strong roots of philanthropy and volunteerism that gave impetus to their modern NGO sectors. While the Indian NGO sector spearheaded the independent movement against the oppressive British colonialism during the 1930s and 1940s, the South African NGO sector galvanized the struggle against apartheid in the 1980s and 1990s. Both these movements were lead by a cadre of national leaders who guided these movements through non-violent channels. In the case of India, it was leaders such as Mahatma Gandhi, Jawaharlal Nehru, and Vallabhbhai Patel and in the case of South Africa, leaders like Nelson Mandela, Oliver Tambo, Walter Sisulu, and Bishop Desmond Tutu, who were at the forefront of these

unified national movements. It is also interesting to note that Mahatma Gandhi honed his nonviolent, civil disobedience method of freedom struggle while he lived in South Africa between 1893 and 1915. These leaders rallied NGOs, including faith base institutions across their nations in successful freedom struggles.

In both countries, after the independence in India and end of apartheid in South Africa, the NGO sectors went through a period without a good sense of direction. This is due to the governments' focus on nation building and launching democratic political systems. While this period lasted from 1947 – early 1970s in India, it lasted only for a few years in South Africa after 1994. The initial measures for government support to NGOs in India came in the early 1970s during the 5th Five Year Plan, when the Planning Commission began to consider NGOs as partners in development. In South Africa initial measures of NGO sector – government collaborative processes were established in the late 1990s. INGOs began to set-up their operations in India in the 1980s, where as in South Africa, INGO operations began right after the end of apartheid.

NGO sectors in both countries have strong grassroots community connections. Because many NGOs assisted people during the economic struggles of the nation building process, they enjoy the trust of the people they serve. This adds to the strengths of the NGO sectors, because they can mobilize people within relatively short times and with limited resources, while governments cannot engage with people effectively for awareness building in various social issues. Promoting civic engagement is another area where NGO sectors of both countries have made major progress. Development NGOs in both countries have achieved impressive results in bringing community residents to discuss local issues and resolve them through consensus building.

NGO sectors in both countries grew, and are still growing, very rapidly in response to direct and immediate demand for social and other services. Unfortunately, such growth has resulted in several NGOs operating without proper governance structures to guide and promote their mission. In both countries the NGO sectors have achieved increased levels of goodwill among stakeholders, but not many attempts have been made to enhance their legitimacy through good governance practices (Kumaran 2012). The sectors suffer from lack of collaboration between NGOs, INGOs and government entities for efficient and effective service delivery. This is primarily due to the 'territorial' mentality that seems to be prevalent among NGOs. Another major weakness in both NGO sectors is the lack of self-imposed and government-imposed regulatory framework to promote NGO transparency and accountability.

## **PHILANTHROPY AND VOLUNTEERISM IN SOUTH AFRICA**

The practice of philanthropic giving for social causes has always been instilled in South African culture, whether it is in a formal or informal manner. As the 25th most populated country in the world with about 50 million people, it can be assumed that there is a great need for aid in the country as well as an abundant number of volunteers to donate their time and or resources (Council on Foundations 2011). In South Africa, there is a phenomenon that contradicts the norm of general giving behavior. In terms of philanthropic trends around the world, it is generally common for those individuals ranked as upper class, in terms of financial status, to give more than those in the middle or working class. There is a conception that donations increase with the donor's affluence, status, and financial benefit in terms of tax deductibility. However, in the case of South Africa, poverty does not seem to be a deterrent to charitable giving (Everatt, D., Habib, A., Maharaj, B., & Nyar, A. 2005). In 2003, South Africans donated R740 million to the NGO sector. In addition, in an average year, 1.5 million South Africans volunteer their time with NGOs (Everatt *et al* 2005).

According to the literature (Kbane 2011; Kragelund 2011), prior to 1994, donors were hesitant to give donations to any NGO that might be affiliated with the corrupt government. Such NGOs were often viewed as illegitimate and many assumed that their donations would be used to fuel the apartheid movement. Since there was such an apparent detachment between donors and NGOs

associated with the government, many organisations would not go through the standard registration process, but instead operate outside the legal framework of the government (Kabane 2011; Kragelund 2011). This disassociation was what provided the continuation of funding and donations for many anti apartheid NGOs.

As the 1994 elections were approaching, individuals who would traditionally donate to formal organisations slowed or stopped their contributions until the results were announced. Following the elections, there was still a great deal of people who continued to hold on to their money until they saw what direction the new government would take. Others decided to donate to the Reconstruction and Development Programme (RDP) to help the new democratic system flourish, instead of aiding a particular NGO (Naidoo 1997). Since the end of apartheid, the range of the focus of NGOs has expanded to encompass several social and political topics, thus promoting philanthropy.

Another aspect that should be considered regarding giving behavior in South Africa is whether the donation is made to a formal or informal institution. The literature states that extended families along with religious affiliations are held in high respect in the South African culture (Everatt *et al* 2005). In addition, “2011 Charities Aid Foundation World Giving Index” listed that voluntary acts of kindness are customary within most of Africa (Brown 2012). The majority of individuals who give in this manner are acting through intrinsic motivation rather than an obligatory feeling. Surveys have shown that 89% of South Africans give due to their religious beliefs and obligations (Everatt *et al* 2005). However, the majority of citizens do not attribute contributions to family members or religious institutions as an act of philanthropic giving. Everatt, Habib, Maharaj and Nyar (2005) documented in their study on “Patterns of Giving in South Africa,” that in the year 2003, the NGO sector received an estimated total of R921.8 million in both formal and informal philanthropic gifts from South Africans. R200 million of this total was attributed to informal giving (Everatt *et al* 2005).

Approximately, 1.5 million South Africans volunteer for NGOs on a regular basis (Everatt *et al* 2005). This study concluded that in general men give more money to NGOs than women do. On the other hand, women give more of their time as volunteers and are more likely to provide resources and in-kind gifts. From a racial standpoint, the study shows that white individuals tend to give more money and less of their time than other ethnic groups (Everatt *et al* 2005).

In terms of ‘foreign philanthropy,’ there is a general lack of funding for NGOs across the world, especially during the current global recession. Advocacy and governance-related NGOs in South Africa have traditionally received high levels of international funding and have been most severely affected by the downturn in the global economy. The sector saw a decline of R3 billion in funding from 2009 – 2010 (USAID 2011). According to a study done prior to the recession, the majority of funding for NGO social service programs in South Africa comes from foreign donors. This category occupied a substantial 37% of fund generation (Heinrich, 2001). The next largest source of funding for social services comes from program service fees. Heinrich (2001) identified that corporate donors and other government funding make up about 24%. Overall, the majority of foreign donations go to helping the youth, persons with HIV/AIDs, and the impoverished. While NGOs have seen a decline in foreign philanthropic giving in the past few years, there has been an unusual increase in the amount of individuals who have donated to South African NGOs (Brown 2012). This is most likely attributed to the new ventures and fundraising tactics that NGOs are implementing to help stay afloat in these harsh economic times.

## EXAMPLE OF AN NGO EXCELLENCE: THE CASE OF IDASA

One of the major needs that South Africa had right after 'it broke down the chain of apartheid, especially African majority and other minority groups', was its people's understanding of the principles of democracy, civic engagement, and democratic governance (Levy 2007). There was a serious lack of 'people's democracy' and citizen empowerment due to decades of oppressive apartheid. One NGO, the Institute for a Democratic Alternative for South Africa (IDASA), emerged to address this void in 1987, long before the end of apartheid. Interestingly, it was established by two former white members of parliament, Dr. Alex Boraine and Dr. Frederik van Zyl Slabbert, who resigned from their positions in protest of the politics of exclusion and repression by the white only government. Against all odds, IDASA set out to attempt its democracy-building projects with the aim of finding "an alternative way to address the polarisation between black and white South Africans" and a mission "to assist a peaceful transition to democracy in the country and foster and strengthen a culture of democracy," (Levy 2007).

By introducing the concept of political negotiation and facilitating its practice between the African National Congress and the apartheid regime, IDASA assisted in shaping-up the democratic system that became a reality in 1994. Through its Training Centres for Democracy, the organisation provided public workshops, seminars and conferences to introduce the philosophy of democracy and citizen involvement needed to develop the new democratic society. IDASA also played a role in drafting the new constitution for South Africa. In order to promote people's awareness on various information and functions of the government, it established Public Information Centres. These Centres collected and analysed information on public policy with the purpose of improving government transparency and accountability to the public. The Centres also informed the public about various policy implementations and implications, so that people would become active in exercising their democratic rights (Levy 2007).

IDASA also emerged as a watchdog group for the national legislative body, the parliament. Through its Parliamentary Information & Monitoring Service, it provided people access to information on parliamentary proceedings in order to promote legislative transparency. To assess the progress in democracy building, the organisation also developed the Democracy Index published in 1998, 2002 and 2005 to identify areas of weakness. It provided various voters education material based on their findings. Other major, progressive, and timely projects of IDASA include: Public Opinion Service, to build citizen capacity for democratic participation; Citizen Leadership Project, to identify and train local leaders to promote civic engagements in their communities; Institutional Capacity Building Unit, to strengthen the capacity of NGOs and community base organisations; Local Government Centres, to build capacity of local government officials and empower communities to demand their rightful services from municipalities; Budget Information Service, to educate NGOs and citizens on the public budgeting process. IDASA's operations now go well beyond South Africa to about 18 African nations to promote democracy (Levy 2007).

Another major strength of IDASA has been its strategic approach to growth. It has morphed itself by responding to various issues and needs in the country and by diversifying its services in public awareness building, political negotiations and facilitation, social and policy research, watch dog function, and information dissemination – all towards its new mission, which states that "IDASA is committed to promoting sustainable democracy based on active citizenship, democratic institutions, and social justice." (Graham 2007). IDASA has also been successful in mobilising resources for its growth from donors, governments, and INGOs. It also has a fund raising unit, "Friends of IDASA," a registered nonprofit in the United States.

## TRANSPARENCY AND ACCOUNTABILITY IN SOUTH AFRICAN NGO SECTOR

In their progression of ideal growth stages, at some point NGOs should reach the highest levels of transparency and accountability to their stakeholders including clients, donors, employees, volunteers, and the general public. In addition to achieving legitimacy, transparency and accountability also help NGOs in resource mobilization for growth and expansion. On the contrary, lack of transparency and accountability can eventually lead to the demise of NGOs.

Transparency means that decisions made by an NGO and the implementation of those decisions need to follow rules and regulations that govern the specific NGO sector. Another important dimension of transparency is that information on such decisions and their implementation is freely available and easily accessible to those who are affected by them. Finally, transparency requires that sufficient information be provided in different ways that are easily understood by stakeholders (UNESCAP). Accountability, on the other hand, is a key requirement of good NGO governance. NGOs must be accountable to all their stakeholders. Good NGO accountability directly results in high levels of credibility and goodwill among stakeholders. Typically, transparency precedes accountability and accountability is difficult to enforce without regulatory mechanisms (UNESCAP).

Transparency and accountability of NGOs can stem from one or both of the following processes:

- Government regulations through a regulatory mechanism, and
- Selfregulation by associations or coalition of NGOs. South African NGOs are certainly not regulated by the government through legislative acts or government agencies established to enforce them. As mentioned earlier, the general registration system for NGOs is voluntary. The Financial Intelligence Centre Act (FICA) of 2001, has made NGO registration with the Department of Social Development mandatory before they initiate dealings with financial institutions such as opening bank accounts. Laws like this move government regulations in the right direction, but in order to be effective, these regulations should be backed up by an enforcing mechanism that will adversely affect NGOs that are not in compliance. On the selfregulation front, the South African NGO Coalition has come up with the Code of Ethics for its members. However, the Code's effects on NGO accountability is weak because, it does not give any indication on the actions against member NGOs that fail to comply with the Code (Hammer *et al* 2010).

Often times, even perceptions of poor transparency and accountability can be detrimental to NGOs and their operations. In a July 2006 public opinion survey, on NGOs conducted by SANGONeT, the majority of 58% of the respondents either strongly agreed or agreed to the statement: "the South African NGO sector lacks accountability" (Farouk 2007). A few recent studies have also painted a bleak picture on the state of NGO transparency and accountability. For example, in his 2010 book "Snakes in Paradise – NGOs and the Aid Industry in Africa," Hans Holmen gives a stinging critique on the lack of transparency and accountability in the NGO sectors of Africa. It is imperative that the NGO sector takes these opinions and criticisms on poor transparency and accountability seriously and make all attempts to improve on them in order to achieve higher levels of legitimacy.

## NGOS NETWORKING AND COLLABORATION

### Networking and collaboration within the NGO sector

To a considerable extent, the future of South Africa's NGO sector depends upon the level of collaborative partnerships among NGOs with the same or similar mission. NGOs with different missions and service areas can also network under the umbrellas of local, regional and national NGO coalitions and associations for the overall growth of the sector. During declining economic

conditions, collaborative partnerships can be especially helpful in pooling scarce resources and partner NGO's strengths (in their service areas) towards efficient and effective service/program delivery. Another reason for within sector collaboration is that more and more funding agencies, both government, foreign, and foundations, are soliciting only collaborative projects from NGOs for grants and contracts. As mentioned earlier, the 'territorial mentality' of NGOs is a major impediment to NGO networking and collaboration.

The South African NGO sector has achieved considerable success in networking and coalition building. SANGONeT and the South African National NGO Coalition (SANGOCO) are examples of exemplary NGO action for networking and coalition building. SANGONeT was established in 1987 with a mission to "support the effective use of information communication technologies in Southern African civil society organisations by providing quality services and initiatives." SANGONeT's web portal [www.ngopulse.org](http://www.ngopulse.org) has truly harnessed the power of internet-based networking and information sharing for NGOs within South Africa, and from across the globe. This web portal is one of the most vibrant and frequently updated Internet resources for NGOs operated from any developing or developed country. Postings related to NGO management, blogs, news briefs and information technology resources in this web portal cover a wide spectrum of useful and practical information for NGOs. NGO pulse also uses up-to-date social media avenues to connect NGOs with the fast growing world of the Internet.

SANGOCO was established in 1995 as an umbrella coalition of NGOs with a focus on coordinating NGO input into government policy and to promote the NGO sector in serving the people of South Africa. SANGOCO has also developed an impressive code of ethics for its members/partners that include standard of practices in: core values, governance, accountability, human resources and financial management. While the sector has done well in networking and coalition building, there is lack of information and/or evidence about successful collaborative partnerships among NGOs in providing specific services or projects funded by various sources.

## **NGOS – GOVERNMENT COLLABORATION**

NGO sectors across the world provide services that the government sectors often fail to provide, and the NGO sector of South Africa is no exception. For this reason, it is vital that the government sector collaborates with the NGO sector as partners in development. Estimates on the government sectors resource input into NGOs in South Africa varies. According to the John Hopkins Comparative Nonprofit Sector Project, government payments are the dominant source of NGO sector revenue. It estimates that 44% of the NGO sector's total revenue comes from the government, 32% from fees for services and the rest 24% from philanthropy (Salamon 2004). In spite of this resource input from the government sector, NGOs face several challenges in collaborating with the government.

Jagwanth (2003) posited that strong linkages through joint efforts between the various sectors of society are paramount to effectively transform South Africa. In some instances, partnerships between government and NGOs are vital to leverage many international donors who want to see an established relationship between agencies (Jagwanth 2003). Sikhakahne (2010) suggested that South Africa is lagging as a developmental state because of ANC's inability to effectively build linkages between the government and NGO sectors. The linkages are weak or nonexistent because the state is challenged when it comes to developing common goals that can be implemented and replicated in different communities (Sikhakahne 2010). ANC views the NGO sector as a threat politically, and does not possess the skills or organisational structure within its ranks to effectively collaborate with NGOs. Sikhakahne (2010) goes so far to comment that South Africa's success in evolving as a developmental state centers on its capacity to participate with the NGO sector at the level it partners with for profit entities.

The current South African constitution is considered to be one of the more advanced or progressive in the world as it seeks societal transformation and addresses the inequalities that plagued its history (Jagwanth 2003). Jagwanth (2003) mentioned that the wording of the constitution allowed for long-term involvement of the public sector and the NGO sector in governance. Although collaboration is needed, the NGO sector must still maintain its independence to effectively serve the role of watchdog, insisting on government accountability, a task that has proven difficult for many NGOs (Jagwanth 2003; Noyoo n.d.). Today, there is still a thrust for NGOs to closely monitor the actions of the government and to hold officials accountable (Lekota 2011). The migration of experts from NGOs to government has created a feeling of disloyalty in criticizing the government (Jagwanth 2003). Government bureaucracy is another limiting factor in the advancement of the NGO sector-government relationship. This often impenetrable barrier has isolated the government from the people, especially the underserved populations whose needs the constitution was specifically designed to address (Jagwanth 2003; Lekota 2011; Noyoo n.d.).

There is still an enormous gap between the rich and the poor in South Africa and there is concern that NGOs are losing their ability to effectively identify and meet the needs of the country's most marginalized populations (Jagwanth 2003). Noyoo (n.d.) mentioned that the NGO sector no longer plays an important role in national decisions and provided the example of their exclusion from providing input into South Africa's Millenium Development Goals Report.

There is general lack of knowledge by many community-based organisations on how government operates and on how to influence government on a local level to benefit the communities in which they work (Pact and Action Aid 2007). They do not possess a comprehensive understanding of how "participatory democracy complements politically legitimate and legally responsible structures" (Pact and Action Aid 2007).

## **OPPORTUNITIES**

In spite of several issues and barriers, many opportunities also exist to further strengthen South Africa's NGO sector. Outlined are a few such opportunities based on the literature search conducted:

- The sector lacks the extensive type of reporting as that covered on the public and private sectors. This has resulted in a lack of information of the true effectiveness of the sector (du Tolt 2010). The development of a reporting system would provide more accurate and up-to-date information on the impact of the NGO sector.
- Current research data on the sector is sparse. In researching for this study the majority of articles were published in the first ten or so years after the end of apartheid. Current studies can potentially provide a true picture of the contribution of the sector to South Africa's economy; progress made towards meeting RDP goals; and identify important issues on which the sector should focus.
- The sector should take a more business-like approach in terms of compensation and career advancement opportunities offered to its employees in order to be able to attract and retain a quality work force. The benefit of such an approach is having the human capacity needed to conduct evaluations to show program impacts and show financial accountability that is now a critical focus of funding agencies.
- The sector should strive to establish stronger NGO-government-corporate sector linkages that foster a spirit of partnership in development, goodwill, corporate social responsibility, and increase the effectiveness and efficiency of government and NGO sectors in meeting the needs of the nation's marginalized populations.

## CONCLUSION

Throughout the struggle against apartheid and making numerous inroads for the overall development of society in the post-apartheid era, the NGO sector of South Africa has become a shining example of how the sector can contribute in a transitional developing country. South Africa's NGO sector has come a long way in providing a wide array of services direly needed by the society.

Compared to many countries in Africa and numerous countries in the developing world, South Africa has better legal framework for its NGO sector, however, there is lack of enforcement. The government should mandate registration of all NGOs with the Department of Social Development. This can be followed-up with the establishment of a central NGO regulatory agency with monitoring and enforcement powers to promote transparency and accountability in the sector.

While the South African NGO sector enjoys networks and coalitions established by SANGONeT and SAGOCO that provide vital information on various policy, resources and procedural issues, the sector needs an NGO association to serve the 'capacity building' role. This could be a national NGO with chapters across regions to promote specific NGO capacities on governance, fund raising, strategic planning, risk management, and other essential tools NGOs need to strengthen themselves.

South Africa's NGO sector needs to reach out to individual NGOs, coalition of NGOs and INGOs from both developing and developed countries for collaboration and mutual benefits. South Africa has been successful in hosting and staging major global events such as the Durban World Conference Against Racism (August/September 2001) and the Durban Climate Change Conference (November/December 2011), where thousands of NGOs and INGOs from around the world congregated to discuss the civil rights, human rights and the environmental future of the world. It is unclear if and to what extent the South African NGO sector capitalized on such opportunities to network with NGOs and INGOs from other parts of the world. When such opportunities arise in the future, South Africa's NGO sector should come together in order to seize networking and collaborative benefits with the global NGO sector.

Finally, there is a strong need for academic research, especially by social scientists, on various aspects of NGO management. There is very little literature available about the fast growing NGO sector. It is important that institutions of higher learning conduct studies on issues, barriers and opportunities faced by NGOs and reach out to them in building their capacities to address issues and seize opportunities.

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South African National NGO Coalition (SANGOCO): [www.sangoco.org.za](http://www.sangoco.org.za)



# THE RELATIONSHIP BETWEEN SPORT EVENTS AND TOURISM WITH REFERENCE TO THE SPEC-SAVERS IRONMAN TRIATHLON

S Mxunyelwa<sup>1</sup>

## ABSTRACT

*In recent years, events have shown rapid growth as types of attractions within destinations. Such events have created a favourable image of a host destination by, among others, expanding the traditional tourist season, spreading tourist demand more evenly through an area and attracting foreign and domestic visitors (Keyser, 2002). Thus events are increasingly becoming established as an integral part of tourism development and marketing strategies.*

*Buffalo City, comprising the city of East London and the towns of Berlin, Bisho, Butterworth, King William's Town and Stutterheim, is situated in the Eastern Cape Province of South Africa. It has hosted a number of successful events, notably the Spec-Savers Ironman 70.3, that have attracted many national and international tourists, either as participants or spectators (Buffalo City Tourism 2010). However, no known research has been done to determine the socio-cultural impact of such events on the community of Buffalo City.*

*The purpose of this article is to report the findings of a study aimed at determining the socio-cultural impact of event tourism on the East London community, with the particular target event being the Spec-Savers Ironman 70.3, Buffalo City, South Africa.*

*It is hoped that the findings will provide a foundation for event managers, local municipality decision-makers and other parties involved to be utilised in the planning, promotion and presentation of future events with a view to local community support and sustainability in the context of a developing economy such as the city of East London.*

**Keywords:** Sports, Events tourism, Socio-cultural impact, Spec-Savers Ironman, Triathlon, Spectators

## INTRODUCTION

The overall aim of this article is to provide a clear understanding of sports tourism, the relationship between sports and tourism and the socio-cultural impact of sports tourism on the local community, with particular reference to the Spec-Savers Ironman 70.3<sup>2</sup>. This event is an annual international sports event presented in the city of East London which situated in the Eastern Cape Province of South Africa.

The study aims to provide an overview of the sports tourism phenomenon and its contribution to the tourism industry while it also places a critical focus on sports tourism and its impact on the community of Buffalo City.

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<sup>2</sup>Spec-Savers Ironman 70.3 is one event in a series of triathlon events – in 2011 there were 38 such events held around the globe. Each event is open to both amateur and professional athletes and athletes who perform at an acceptable level in a specified number of these events qualify for the World Championship event held annually in Hawaii. These events are organised under the auspices of World Triathlon Corporation which holds the rights to the name “Ironman” for marketing and licensing purposes, in association with contests consisting of swimming, biking and running ([http://en.wikipedia.org/wiki/2011\\_Ironman\\_70.3\\_World\\_Championship](http://en.wikipedia.org/wiki/2011_Ironman_70.3_World_Championship)).

Sports Event Tourism is an increasingly important facet of the tourism product of many destinations. For instance, as far back as 1996, about 233 sports tourism events were identified in New Zealand that met the requirements of being able to attract international or out of region visitors. Research has shown that recent strategies abroad highlighted such events as a key means to grow year-round and regional demand. Since sport attracts both international and domestic tourists, there is a need to cater for tourists at the destination where the event is intended to be staged. Depending on the success of the event, it will therefore imply repeat visitation and sustainable business opportunities.

Events do not take place in a vacuum. They touch almost every aspect of our lives: socially, culturally, economically, environmentally and politically. The benefits that culminate from these positive connections are a large part of the reason for the popularity and support of such events.

Various theorists have researched the social impact of the tourism industry on the local community and consequently, different theories have developed around this issue over the years. Special events have proven a popular component of tourism and economic development strategies for communities and regions in many parts of the world.

The FIFA World Cup is one example that can be referred to when articulating the point of the benefits that can be created by sports tourism events. For example, in 2010 the general assumption was that the FIFA Confederations Soccer Tournament staged in South Africa would impact positively on the country as a whole. However, it later proved that the impact of this world event differed from destination to destination, a lot depending on the importance the local organisers attached to the staging of the individual events at a particular destination. Gauteng province, for example, hosted 223,039 tourists, while the Northern Cape hosted only 3,333 over the same period. ([http://www.southafrica.net/sat/action/media/downloadFile?media\\_fileid=35419](http://www.southafrica.net/sat/action/media/downloadFile?media_fileid=35419)).

Research has revealed that an understanding of the positive and negative impacts of sports events facilitate residents' (community) support for such events. This study reports on the views of the Buffalo City community with regard to the positive and negative socio-cultural aspects of the impact of sports event tourism.

Special events are often viewed as key sources of tourism-related benefits to the host community. In this context, it is expected that events such as Spec-Savers Ironman 70.3 should create greater tourism awareness of the host city or region in addition to encouraging tourism activity associated with the event itself and with the creation of new facilities and infrastructure. For instance, in South Africa, in preparation for the FIFA 2010 World Cup, there was significant infrastructural development in the host cities. Apart from job creation, the additional state-of-the-art facilities had a positive impact on the tourism industry and it created numerous new entrepreneurial opportunities in the host destinations.

While the negative outcomes associated with such events are often a concern to the local community, special events will continue to be a popular option for community officials and business people as they attempt to increase tourism earnings and to facilitate specific tourist images of the host communities or regions. A better, more comprehensive understanding of the impact of such events will highlight the concerns of the local community and thus provide the opportunity to organising committees to take these concerns into consideration and enter into partnership with the community.

In some cities sports events have become an integral part of their branding. These events range from large international ones to small localised events with authentic street parties in which tourists mingle with residents. Researchers have been closely studying the various forms that sports events take, how event managers go about organising them, their socio-cultural impact on the local community and their impact on tourism in the region in general. They have pointed out

the advantages of garnering local community support by creating opportunities for community involvement leading to positive perceptions and socio-cultural and economic benefit for all. If this doesn't happen, sustainability of such projects will come into question. They will lose local support as they will be perceived as being of no socio-cultural and economic benefit to the community; for example, new, post FIFA World Cup sports stadiums seen as white elephants with future maintenance being a drag on municipal financial resources.

## **OVERVIEW OF GLOBAL SPORTS TOURISM AND THE SPORTS TOURISM EVENTS INDUSTRY**

According to Gibson (1998: 50), travelling in order to participate in or to be a spectator at a sporting event is not a new phenomenon. It dates back to when the Greeks travelled to participate in and to watch the Ancient Greek Games (Gibson 1998: 50). However, positioning the concept of tourism and sporting events together and calling them sports tourism events is fairly new concept (Gibson 1998: 58). So far, limited research has focused mostly on the economic impact of such events.

In order to fully understand the concept "sports tourism events", it is necessary to define the concepts "sport", "tourism" and "sport tourism" and their relationship to one another. According to Standeven and De Knop (1999: 7) sport is the experience of physical activity. In addition, sport is viewed as being fiercely competitive and organised for both the participants and the spectators. Coakley (1990: 47) indicates that in the United States (US) non-competitive activities are considered recreational activities, whereas in some other countries these activities may be considered sport, concluding that sport may be defined differently according to different socio-cultural perspectives. In the US characteristics of sport include a complexity of physical skills and vigorous physical exertion. It involves some form of rule-governed competition and has organised and structured relations, while it maintains a sense of freedom and spontaneity (Coakley, 1990). Furthermore, sporting events often involve tourism numbers in the form of spectators, participants' family and friends, media personnel and officials (Burgan & Mules, 1992: 701). Tourists may know about the events in advance, but gravitate to areas where attractions, services and events are concentrated (Getz 1997: 43).

The World Tourism Organisation defines tourism as "...Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure" (<http://media.unwto.org/en/content/understanding-tourism-basic-glossary>).

Bennett (1995: 6) summarises the elements of tourism as "activities that are concerned solely with aspects of daily life outside the normal routines of work and social commitments; travel and transportation to and from the destination; activities engaged in during the stay at the destination; and facilities that are provided to cater for the needs of the tourists." The process of tourism is complex and it therefore requires the cooperation and coordination of different sectors in order to contribute to tourists' experiences.

Standeven and De Knop (1999: 7) highlight that tourism involves an experience of travel and place. In view of the fact that sport has a huge worldwide market which attracts tourists, tourism authorities are also eager to use sporting events as part of their promotion of a tourist destination. For example, when South Africa hosted the 2010 FIFA Soccer World Cup it was expected to have a positive impact on South African Tourism, nationally and internationally.

We can therefore conclude that sports event tourism is a component of tourism, which involves both sport and tourism. However, it is not a simple combination of sport and tourism, since definitions of sport tourism and a sport tourist may vary because of their characteristics, complexity and different perspectives.

### Events in South Africa

The World Travel & Tourism Council (<http://www.wttc.org/>) indicates that in South Africa, with the demise of apartheid in 1994, the national government made a decision to structure tourism into one of the country's leading industries for the creation of employment and in the generation of the foreign currency earnings.

The national, provincial and local spheres of government made it their mission to prioritise tourism as a desired strategic industry because of the high probability of the creation of employment opportunities against the backdrop of a vibrant economy. Such initiatives are envisaged as playing a crucial role in acting as a catalyst in alleviating poverty in South Africa. Furthermore, in 1995 former president, Nelson Mandela, commented on the massive impact on nation building of mega sports events staged in South Africa, like the 1995 Rugby World Cup (South Africa Tourism, 2006).

Van Schalkwyk (2010: 24) points out that these events also have enormous impact on the economies of developing nations such as South Africa. However, South African Tourism (2007: 6) emphasises that the nature of these impacts have not been properly understood nationally. It argues that most of these events have occurred in the absence of a nationally coordinated strategy inclusive of the sport and cultural sectors. There is also lack of uniformity with regard to the methodology that is utilised to measure these impacts nationally.

### Events in the Eastern Cape Province

South Africa's political history left the country with developmental challenges that require a holistic approach if they are to be addressed. Event Management could be seen as one of a number of strategies that destination managers could use to meet these challenges and it is widely accepted that events contribute significantly toward increasing tourist traffic and driving economic development in a region. If managed and coordinated effectively, a well-designed event strategy has the potential to deliver the following benefits and achieve the following objectives for a destination (SA Tourism, 2007: 17):

- Provide a means by which to reinforce a destinations' benefits and attributes and generate a favourable image for the destination as a tourist destination
- Establish a destination as a major tourist attraction by attracting high yield visitors, especially repeat visitors
- Enhance a destinations' competitive position within a country and place it on the global tourist map
- Generate an increased rate of tourist growth
- Truly bring a destination to life, showcasing its brand personality and instilling confidence and pride in its local community
- Maximise the use of, and revenue, for maintaining and upgrading existing facilities
- Increase favourable purposeful and incidental media coverage through the event platform that extends the normal communication reach
- Improve the organisational marketing and bidding capability of the community
- Increase community support for events.

Events can become the most common method for visitors to satisfy their desire to sample local foods and traditions, participate in games, or are entertained. Local and regional events can have the added advantage of keeping the domestic tourism market active. Smaller local events have the advantage that they can make event tourists believe that they are participating in an authentically indigenous activity (Getz, 1997: 127).

## Strategic event growth

The importance of staging events has increased in a number of destinations around South Africa because more and more destinations are beginning to realise the potential benefit of using events as a strategic development tool. Destinations such as Johannesburg, Cape Town and Durban have, for instance, created permanent management positions for this purpose, while other destinations have created posts contingent on being able to prove sustainability. According to SA Tourism (2002: 112), city event strategies for Cape Town, Durban, Johannesburg and Port Elizabeth show that differentiation exists in relation to the capacity for bidding for events, ability to attract major events, infrastructural capacity and institutional arrangement.

Specific events dominate certain destinations – it could be indicative of certain destinations developing event niches as well as clear branding and positioning. Some destinations have given themselves event-related titles to accentuate their tourism strategy: the area known as Buffalo City (consisting of East London, Berlin, Bisho, Butterworth, King William's Town and Stutterheim), has sought to position itself as the “Sports Event City”. Some level of competition between destination cities is also evident. For instance, Durban and Port Elizabeth both use water sports to position themselves. Attempts are also being made to utilise events to flatten seasonality or to boost tourism in a destination.

More recently, municipalities such as the Cape Town Metropolitan Council have created event units or bureaux with a resulting increase in event products on offer. This has created exciting possibilities for public-private partnerships among the arts, environmental and sponsoring organisations. This means that events need to be managed as businesses to an ever increasing extent. Events are beginning to play an important role in destination marketing, the aim being to attract investment, tourism and even desirable residents.

The Eastern Cape Province is one of the biggest provinces in South Africa. Tourism is being utilised increasingly as a vehicle to drive local economic development in the province. The Provincial Growth and Development Plan (PGDP) strategy framework identifies opportunities for tourism development in the Eastern Cape, which includes developing niche markets in events and business tourism. The PGDP is aimed at, amongst others, consolidating the development of events such as the National Arts Festival and the Wild Coast Festival (PGDP 2004).

Buffalo City, which is in the Amathole District of the Eastern Cape Province, is the second largest metropolitan area in the province. It forms the central hub of the Eastern Cape, with the Sunshine Coast tourist route leading west from Buffalo City to Port Elizabeth and the Wild Coast route leading from Buffalo City northeast towards Durban. However, Buffalo City and its surrounding region have a largely untapped tourism sector with scope for expansion ([http://www.buffalocity.gov.za/municipality/keydocs/tourism\\_masterplan/phase4/Report.PDF](http://www.buffalocity.gov.za/municipality/keydocs/tourism_masterplan/phase4/Report.PDF)).

In the past three years Buffalo City Municipality has decided to form a unit, known as Tourism Buffalo City, which deals with marketing Buffalo City regionally, nationally and internationally. The rationale of forming this unit is to create a powerful tourism multiplier for promoting ecotourism, cultural tourism and sports tourism in order to create jobs locally and to promote economic growth. Buffalo City's Tourism Master Plan aims to focus on opportunities for further development, including events tourism. The city has invested in sports infrastructure and has already hosted some mega events like Spec-Savers Ironman 70.3 (<http://www.ironman703.co.za/>).

East London is South Africa's only river port; it is the commercial and tourism hub of Buffalo City. East London has already succeeded in strategically positioning itself as a sports event tourism destination. This should enable East London to create substantial tourism spin-offs as a result of these events.

## DEFINITIONS AND CATEGORIES OF SPORTS TOURISM

Gammon and Ramshaw (2007) in Hinch & Higham (2011: 12) hold that sports tourism involves tourists who travel outside their usual place of residence for the sole purpose of active participation, either as a participant, organiser or official, or in the form of passive engagement in the form of a supporter or spectator, at a competitive sport event – their so-called “hard definition of sports tourism”. Their “soft” definition refers to sports tourists who travel outside their usual environment for the primary purpose of active engagement in a recreational sport in the form of participant or spectator.

In the international arena there are largely two forms of sports tourism: active or participatory sports tourism and event-based sports tourism, which include visits to sports halls of fame, stadiums, cruises and associated sports themed eating and drinking places (Gibson 1998).

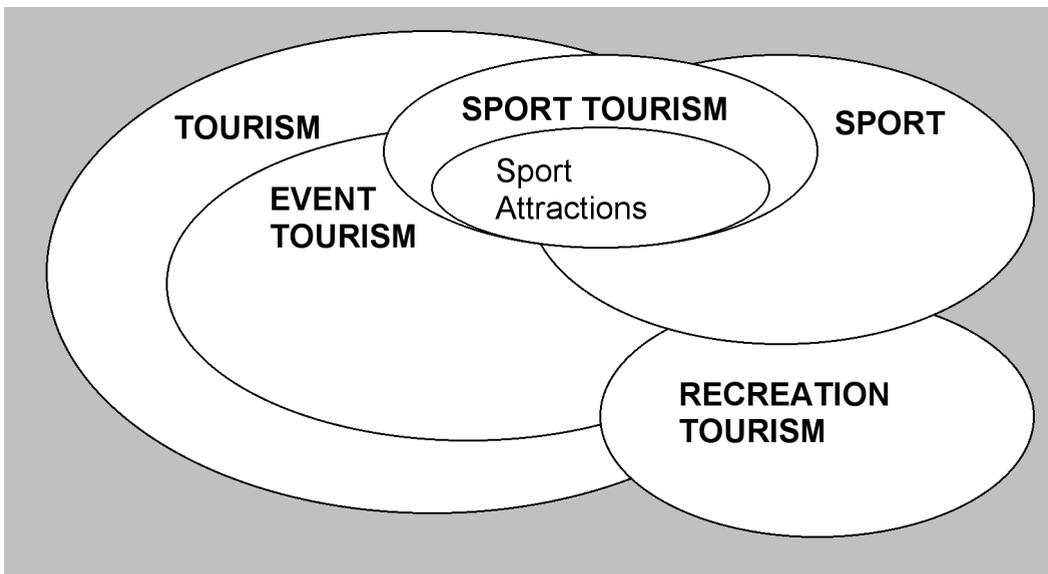
Event destinations provide attractions that bring visitors to an event and attract event visitors to stay beyond the period of the event. A case in point is the British Lions and Irish Rugby Tour in 2009, when supporters stayed and toured parts of South Africa long after the rugby matches.

Hinch and Higham (2003: 25) distinguish three categories of sports tourism attractions, namely primary attractions, secondary attractions and tertiary attractions. They further explain that primary attractions have the power to influence a visitor’s decision to travel to a destination, based solely on that attraction. Secondary attractions are already known to visitors prior to their visit and therefore play a critical role in decisions concerning their travel itinerary. In these situations, tourists know about the sporting events before they arrive at a destination. However, their interests are more focused on the secondary attractions which may be of a physical or cultural nature.

Weed and Bull (2004: 123-125) categorise sports tourism as tourism with sports content and includes sports participation tourism, sports training, sports events and luxury sports tourism.

The following sports event tourism model, presented by Fredline, Deery and Jago (2004) (see Figure 1 below) provides a concise overview of the different perceptions of sport, tourism, sport tourism, event tourism and recreation tourism and show how they overlap:

**Figure 1: A sports event tourism model**



Source: Fredline, Deery & Jago (2004)

Fredline, Deery and Jago (2004) also point out that some sporting events are purely that, and have no relationship with tourism. Similarly, there are some tourism events that have no connection or relationship with sport, for example wine and food festivals. They argue that there is a component of sports tourism that is related to tourism which is focused on attractions, museums and sport stadiums. More importantly, their model shows the relationships between tourism, event tourism and sport tourism.

### **The relationship between sport and tourism**

The term 'sport tourism' links the features of two areas, namely, sport and tourism. Sport tourism is conceptualised as a social, economic and cultural phenomenon that arises from the unique interaction of activity, people and places (Weed & Bull 2004). The authors also point to the debate around the use of "sport" versus "sports", with the latter referring to the collection of activities that has come to be defined as such (Weed & Bull 2004).

Though sports tourism is one of the fastest-growing market segments in the tourism industry and a relatively new focus in destination planning, it still needs thorough research for further development.

### **Background to the Spec-Savers Ironman South Africa Triathlon (SSITST)**

Spec-Savers Ironman South Africa Triathlon (SSITST) is an international concept which was established by Triangle Events Triathlon. Triangle is said to be one of the international event organising agencies with dependencies in four countries. Triangle Events Triathlon organises Ironman in France, South Africa, Austria and Monaco. This event is often hosted in Austria where it was originally established. The event has two formats: the half-race (70.3) and the full-race.

South Africa has hosted both formats of this event: the one format is the Spec-Savers Ironman South Africa Triathlon Event, which is the half event, and is held under the auspices of Buffalo City Municipality. The other format, the full one, is held in Port Elizabeth, under the auspices of Nelson Mandela Bay Municipality.

Spec-Savers Ironman South Africa 70.3 Buffalo City is a half-distance Ironman race. The race consists of a 1.9km sea swim, 90km cycle and 21.1km run. The event takes place in the heat of the South African summer season and has gained popularity for itself and Buffalo City. The triathlon guide (Buffalo City 2010) states that the event was staged for the third time in Buffalo City in 2010. Between 2000-5000 athletes participated in each event so far and approximately 20 000 spectators attended. This event is viewed by Buffalo City Municipality as a major niche-market sporting event. The influx of local, national and international visitors is deemed important for tourism development in the area.

### **Impacts**

Bowden *et al* (2006: 37) states that all events have a direct social and cultural impact on their participant communities extending to their wider host communities. These impacts may be as simple as a shared entertainment experience, cultural exchange and an expanded cultural exchange created by for example a sporting event or a concert. Other impacts include increased pride, which results from some community events and celebrations of national days and the validation of particular groups in the community.

Compared to the existing body of literature on the impact of tourism, relatively little has been written on the impact of sport tourism and events. Tourism impacts are generally divided into three or four categories: environmental, economic, social and cultural (or socio-cultural) (Mathieson & Wall, 1982: 140). Impacts are generally seen as being either negative or positive. Economic impacts are perceived as mainly positive, yet have also been associated with a number of economic

costs. Similarly, while environmental, social and cultural impacts have mostly been associated with negative effects, there are also certain benefits linked to these impacts. The focus of this study is on socio-cultural impacts, yet it adopts a broader definition of social impacts, which will be explained in subsequent sections.

### **Social Impacts on communities**

Studies of the social impact of tourism on host communities and residents started many years ago. During the 1980's not many studies relating to community impacts of tourism appeared and the studies have been criticised for being mostly descriptive and lacking theoretical framework (Gursoy *et al* 2004: 23).

Event managers need to have a good grasp and understanding of the broad dynamics which are presented by events on a community as these will influence the environment in which the event will operate (Bowden *et al* 2006: 101).

A number of studies have emerged since. These studies measure the attitudes of communities towards tourism events. Changes in residents' attitudes have occurred either as result of tourism development or from tourist-host interaction (Gursoy & Rutherford 2004: 12).

Tourists do not only visit a destination because of the natural and cultural resources, but because the host population in itself is "an attraction" to the tourists. Governments have expected residents to embrace tourism as it was looked upon as a positive way of bringing economic benefits to communities. However, residents' attitudes towards tourism may not always be known, either because they are not being considered, or because the locals remain silent (Krippendorf 1989: 78). Tourism has the potential for leaving long-lasting marks on local communities, some positive and some negative.

Increasingly, a broader definition of social impacts has been accepted, incorporating socio-cultural, environmental and economic factors. This is consistent with Mathieson and Wall's definition of social impacts as the "changes in the quality of life of residents of tourist destinations" (1982: 32). The argument is that economic and environmental impacts of event tourism do have an effect on residents, and environmental effects such as litter may have a negative effect on residents' lives (Fredline *et al* 2003: 19).

The approach is commonly understood as the "triple bottom line" and places focus on economic prosperity and environmental quality. The element that research has tended to overlook is the socio-cultural impact on residents' lives. Economic benefits are usually utilised by policy makers as a justification for hosting events and sometimes the economic benefits are exaggerated by using procedures yielding favourable results (Mules and Faulkner 1996: 67).

Recently, government and public sector managers have come under pressure to understand and act upon the triple bottom line issues. This brings to the fore a bigger challenge to all industries, including events and sports tourism.

### **Overview of social impacts**

O'Toole *et al* (2002: 25) state that events have a range of impacts both positive and negative on their host communities and stakeholders. It is therefore crucial for the event manager to identify and predict these impacts and manage them to achieve the best outcome for all parties, that is, a balanced overall impact of the event on the host destination.

In order to achieve the above all the anticipated positive impacts must be carefully planned for so that they are maximized. Possible negative impacts also need to be planned for so that they can be countered.

The success of the event lies with both the event manager and the community. Success can only be

achieved by means of establishing clear lines of communication with the full spectrum of stakeholders, but especially the host community.

The event manager should be able to manage these impacts to enable the community to benefit so that sustainable events can be planned, organized, implemented and evaluated successfully. However, most people perceive tourism only in terms of economic impacts, jobs and taxes.

### **The social impacts of events**

The range of impacts is wide and often affects other areas not commonly associated with tourism. The following list of the potential social impacts of event tourism, extrapolated from O'Toole *et al* (2002: 26), Swart & Bob (2005: 2) is by no means complete, but demonstrates the wide range of influence:

#### **POTENTIAL POSITIVE IMPACTS**

- Shared experiences
- Revitalizing traditions
- Building community pride
- Validation of community groups
- Increased community participation
- Introducing new and challenging ideas
- Expanding cultural perspectives
- Improves quality of life
- Improves understanding of different communities
- Enhance destination image and pride
- Supports infrastructure and amenities
- Higher standard of living
- Health care and Education
- Leisure opportunities
- Access to goods, services and technology
- Broadens educational and cultural horizons
- Breakdown of class, race, religious, cultural, and political barriers (host and guest interaction)
- Promotes peace
- Provides local employment
- Decreases social inequality
- Stabilizes demographics
- Balances family patterns
- Creates opportunities for women and youth
- Allows for diversification of leisure opportunities

#### **POTENTIAL NEGATIVE IMPACTS**

- Negative community image
- Bad behaviour
- Substance abuse and increased underage drinking
- Social dislocation

- Loss of amenity
- Family disruption
- Subtractive language and cultural influences
- Community alienation
- Manipulation of community
- Increased social inequality and conflicts
- Split between those in tourism and those not
- Competition for services and facilities
- Unequal distribution of benefits
- Host and guest conflict
- Social problems
- Crime, vandalism, prostitution and drugs
- Disease (from overcrowding and promiscuous behaviour)
- Too rapid change
- Conflict between generation and behaviours
- Disintegration of family, kinship
- Disruption of lifestyle and community organizations
- Increased density
- Crowding, noise, traffic congestion
- Pollution
- Loss of identity
- Displacement of residents
- Introduction of undesirable activities like gambling, alcohol
- Development of servile attitude
- Exploitation
- Bribery, price gouging

Events have the potential to improve the quality of life, broaden educational and cultural horizons and provide local employment. During festival time, the local community can sell crafts and more importantly participate in the planning of the events thereby enhancing the destination image and communal pride. Tourists are curious and want to learn more about the local community, which increases demand for historical and cultural exhibits.

The significance of the local community becoming an important role player in the planning of and contributor to the sustainability of events is discussed in the next section.

### **The role of the local community in event planning**

Tourist events are affluent in meaning and provide a culture from which the local community and tourists can learn, because local events, including festivals, play a major part in uplifting a city and local community. These events are attractive to host communities because they aid in developing pride and identity to the community ([http://www.unep.org/publications/contents/pub\\_details\\_search.asp?ID=3194](http://www.unep.org/publications/contents/pub_details_search.asp?ID=3194)).

Even though the community and tourists come from different socio-cultural backgrounds, each group with different beliefs and perceptions, participation in events allow an interchange of views because of the interaction that takes place between the parties. Tourists are given the opportunity

to see and experience how the local communities' celebrate their culture and how this affects community development.

Since the local residents of the community share their facilities and services with the tourists, they are hosts to the tourists. As the host of the event, interaction between the local community and tourists is bound to take place. Tourists look to the local community to guide them throughout their stay and acquaint them with their surroundings. However, Cook *et al* (1999: 249) warn that some interactions between tourists and local community may be characterised by an "at arms-length attitude" and can therefore remain at a superficial levels. This happens when the local community is untrusting where tourists are concerned. However, it remains the responsibility of the local community to cater for tourist developments and needs and ensure that events are packaged and presented as a product to the satisfaction of the tourists.

### **Social**

The interaction takes places while tourists and hosts share resources and facilities available to both tourists and host communities, such as beaches, public transport and restaurants.

### **Economic**

Tourists and hosts engage in the buying and selling of goods and services, such as art and crafts, guide services and accommodation. Often, these interactions occur within the confines of facilities created for tourists.

### **Cultural and educational**

Many destinations feature organized displays and performances of indigenous culture, or offer opportunities for cultural exchange, such as visits to local villages, places of cultural or social significance and meetings with community members.

From the above it is clear that all events have social impacts on the host community and on the participants in the events. During these events the entertainment and experiences can be shared in the process. Other impacts include increased pride, which results from some community events and celebrations of national days and the validation of particular groups in the community (O'Toole 2002: 27).

The social impact of events is often neglected, yet it can have a significant impact on the host destination. For instance, when East London hosted a Jazz festival, loads of fun and entertainment was had by the community and the attendees because of the genre of music, as a common interest, that was enjoyed by all who attended.

Usually, the media plays a significant role in marketing and promoting the impacts that are associated with any event. The power of the media to boost an event facilitates marketing of events as the media is widely accessed by the public.

Local and regional events can have the added advantage of keeping the domestic tourism market active. Smaller local events have the advantage that they can make event tourists believe that they are participating in an authentically indigenous activity (Getz 1997: 127). Specific events, such as food and art festivals, dominate certain destinations – it could be indicative of certain destinations developing event niches as well as clear marketing initiatives. Some destinations have given themselves event-related titles to accentuate their tourism strategy, for example, Buffalo City having positioned itself as the "Sport Event City".

Once destinations have embarked on the abovementioned strategies, events begin to play an important role in destination marketing, the aim being to attract investment, tourism and even desirable residents.

### **Sport and leisure: building community**

Misener and Mason (2006: 24) argue that sporting events can assist in the building of community networks and special capital. Sporting events bring a large number of people together, locals and visitors, competitors, supporters, spectators and volunteers. They further argue that the coming together creates new networks, and thus strengthens social capital within the community. They also argue that everyone within the community can partake in sporting events: as competitors, volunteers or just by being out the street cheering on a fellow local athlete. Thus the hosting of sporting events fosters opportunities for involvement of the local community, and becomes a vital source of social capital. These opportunities for involvement will also provide citizens with knowledge and enthusiasm to further participate in community-building projects.

Sporting events marketed as “community events” can unite a community in a common cause and those involved can experience bonding with others from the region and a sense of social participation.

Community should increasingly participate in and not just become “consumers” of activities. New ways to use sport as a vehicle for convening diverse groups of fellow citizens need to be identified. That will assist in building social capital amongst the community. Any meaningful event can become a catalyst for bringing people together around the appreciation of an activity. A sporting event can become a powerful illustration of building community and thus social capital.

### **Role of government**

Planning of events must link up with national and local strategies, and take into consideration the values and norms of the surrounding community. Evidence of this in South Africa is the recognition that the growing tourism industry, including the events industry, must be managed in a sustainable manner, and for that purpose partnerships between national and local government and communities are essential.

It is essential that planned events have the potential to attract foreign tourists to South Africa. Such planned events must also have the full support of SA Tourism. At the same time, the events must encourage local tourists to travel within the country. For national events to be supported by SA Tourism, provincial and city tourism authorities need to agree on key events in each of their localities that require tourism support.

It is recognised in the Events Tourism Growth Strategy (2007: 2) that the key objectives of SA Tourism are increased tourist numbers, increased tourist spending, increased length of stay, improved geographic spread, improved seasonality patterns and the promotion of transformation. An important goal within the strategy is to secure community awareness, understanding, support for and interaction with SA Tourism, which in turn will highlight the benefits of event tourism. Community values and support are identified as central elements in sustainability, while the growth of event tourism should not compromise community values. Overall well-being is measured in terms of community spirit, a sense of belonging and a positive atmosphere.

### **CONCLUSION**

The article investigated the socio-cultural impact of events tourism, with a particular emphasis on sports event tourism in Buffalo City. Socio-cultural impact is defined as the change in norms and values of society that are more apparent in the short-term. When large numbers of tourists travel to a specific destination in support of a sports event, this influx of tourists has a visible impact on the local community. It provides not only employment and entrepreneurial opportunities to the local community, but through socio-cultural interaction with the visitors, it has the potential to promote the sharing of experiences, build community pride, validate community groupings and introduce stimulating ideas and generally broaden educational and cultural horizons, leading to an improved

quality of life. However, it also has the potential to disrupt community life by destroying community values by rapid change, disruption of lifestyle and loss of identity.

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# AN ADAPTIVE USER INTERFACE MODEL FOR CONTACT CENTRE SOFTWARE APPLICATIONS

AP Calitz and BA Welcome<sup>1</sup>

## ABSTRACT

*A contact centre (CCs) is an important component of a modern business and is the primary interaction point between a business and its customers. An important challenge for a CC is to reduce the time which contact centre agents (CCAs) take to retrieve information and to answer customer queries. CCAs, however, have different capabilities, experience and expertise. Studies have provided empirical evidence that user performance can be improved when the computer user interface (UI) characteristics match the level of the user's skills. As a result, software application interfaces have to be individualised to cater for different users.*

*The users' expertise and skill affects the way in which they interact with and use software. It is thus envisaged that an adaptive user interface (AUI), which dynamically changes from a novice UI to an expert UI could possibly improve users' performance. This research focuses on applying this concept of AUIs to the domain of CCs and investigates whether an AUI for CCAs could improve the CCA's performance and improve interaction with the UI. A model was proposed for AUIs which was applied to the domain of CCs. The proposed AUI model was implemented and evaluated in a business contact centre. The results indicate that the proposed AUI model significantly improves CCAs' performance and the CCAs were satisfied with the adaptive user interface provided.*

**Keywords:** Architectures, Contact Centres, Adaptive User Interfaces, User Models.

## INTRODUCTION

Contact centres (CC) are the primary interaction point between a business and its customers and are increasingly being used as a centralised and integrated communications management unit. CCs are defined as an operation that uses trained personnel and various multi-media customer-contact channels in modern and sophisticated ways to deliver a variety of services to customers (Koole and Mandelbaum 2001; Mandelbaum 2004). The two main areas of operations for CCs are a help desk or a service desk. A help desk can be defined as a single point of contact for customer problem resolution (Frantz 2008). Service desks are defined as a central point of contact between the customer and all Information and Communications (ICT) related areas and allow customers to use multiple channels for interacting or for requesting services (Frantz 2008; Microsoft 2002). The main difference between a help desk and service desk is that a service desk enables the use of multiple communication channels to service customers.

The CC personnel managing the calls, logged by personnel or customers, are referred to as contact centre agents (CCAs) (Steel 2003). CCAs are the most expensive resources within a CC. The measurement of CCAs' effectiveness and productivity is of concern and is an important aspect monitored by management (Rothod 2001). Some of the costs involved with CCAs are costs of work, costs of training and frequent turnover (Torre, 2002). Newly appointed CCAs need to learn and acquire knowledge and skills to resolve customer queries in a very short time. The newly appointed CCAs do not remain at the same skill level. Induction training provides an opportunity for newly appointed CCAs to become competent and confident in their new roles. Improvement of the CCA training and induction process provides additional benefits for a business (Robertson 2003).

User-centered design principles have shown that good UI designs will reduce the need for prolonged training. These principles can be used as the basis for investing in the user experi-

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ence within a CC domain (Schumacher 2004). An investigation into existing CC software indicated that currently no CC software supports CCA's different expertise levels. Adaptive user interfaces (AUIs) are a possible way of alleviating this problem. The basic concept of an AUI involves changing the user interface (UI) based on particular user characteristics. AUIs are thus a promising approach to improve the varying skill levels of computer users. It is thus envisaged that by providing a more personalised UI according to the CCA's expertise level, a reduced call resolution time and an improved customer experience could be achieved.

The aim of this research is to determine if existing AUI models can be combined with an IUI model for CCAs and if such user interfaces would improve CCAs' productivity and software usability. An AUI model has been developed for CC computer UIs. Section 2 of this article discusses the problem domain of this research study, namely Differences in Expertise and AUIs. The proposed AUI model is introduced in Section 3 and implementation thereof is further discussed in Section 4. A pilot study conducted on the proposed AUI model is presented in Section 5 and Section 6 provides a discussion on the evaluation which was conducted on the proposed AUI model. Section 7 concludes this article providing some recommendations for future work.

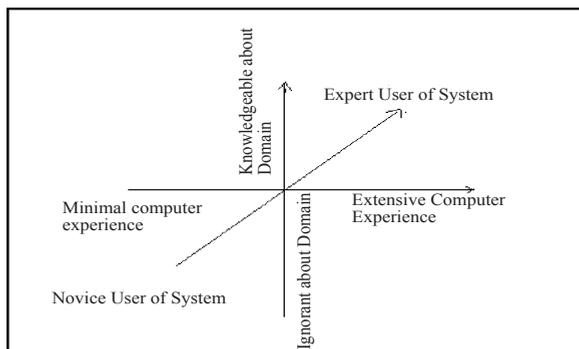
### DIFFERENCES IN EXPERTISE

A number of methods is used to classify the different and changing characteristics of users as they gain experience with computer applications. A new, relatively new or infrequent user has been classified as naïve, casual, inexperienced or novice; whereas more skilled users have been classified as experienced, full-time, frequent, power or expert (Galitz 2007). In this research the terms, novice and expert will be used to differentiate between inexperienced and experienced users.

Prumper, Frese, Zapf and Brodbeck (1991) indicated that there are usually two overlapping criteria used to differentiate between novice and expert users, namely, knowledge and the time spent working with a particular system. Nielsen (1993) supports Prumper *et al* (1991) and defines three main dimensions in which users' experience differs (Figure 1). These three dimensions are (Nielsen 1993; Wu 2000):

1. *Experience with the system (application software)*: This refers to the degree to which users have worked with similar software applications.
2. *Experience with computers in general*: This refers to the amount of experience users have in working with computers and hence includes their computer literacy.
3. *Experience with the task domain (task experience)*: This refers to the amount of experience the user has of the tasks which the system will be performing.

**Figure 1: User Cube of Expertise**



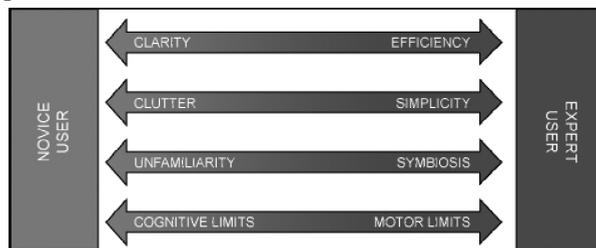
Source: Calitz (2007)

The most common dimension used when discussing user expertise is the user's experience with the specific UI. Users are normally classified as either being a novice, intermediate or an expert. Research supports the fact that novice and expert users behave differently and have different methods of selecting the correct menu items (Padilla 2003). An expert user typically knows the menu item he/she wants to select and is able to memorise the location of menu items. In contrast to expert users, novices usually do not know what menu item they want to select or its location and thus have to search for it. This implies that expert users generally tend to make quicker menu selections. This further suggests that features that differentiate searching behaviour from other types of motion may help to differentiate between novice and expert use of software applications. Features that approximate searching for menus include the number of submenus open and how often the cursor "dwells" over a menu item (Padilla 2003).

Novice users are generally concerned with how to do things instead of how fast they can do it. Novice and expert users' behaviour usually differs dramatically at the physical level of interaction. For example, novice users use the mouse to select menu items whereas expert users normally press an accelerator key. Novice performance builds the skills that transition to expert performance when the basic action of the novice and expert are the same (Buxton, Kurtenbach and Sellen 1993).

Expert users do not only know more, but they know "differently". They have the ability to take large amounts of information and see this information as connected units. Expert users are goal-orientated, thus when using a user interface, they quickly determine goals and actions to achieve the envisioned objectives. Expert users require a highly efficient interface and would thus like the number of interactions to be reduced (Wu 2000). Padilla (2003) indicates that the efficiency of using an application is limited by the motor load for expert users and by the cognitive load for novice users. The UI for novice users thus needs to be rich in explanatory elements to assist with the cognitive understanding of the screen. This explanatory value comes at a cost for expert users (Figure 2).

**Figure 2: The Spectrum of users' needs**



**Source: Padilla (2003)**

Novice users gradually become skilled and this implies that novice CCAs can become expert CCAs over a certain amount of time. AUIs are an essential component to create personalised software interfaces. The main task of an AUI is to provide an interface which is most suitable to users' needs whilst facilitating the users' varying skill levels. Within the context of CCs, AUIs are thus ideal for both novice and expert CCAs. AUIs are discussed in the next section.

### ADAPTIVE USER INTERFACES

Adaptive UIs are a theme of Human Computer Interaction (HCI) and are considered a central characteristic of Intelligent User Interfaces (IUI) (Mitchell and Shneiderman, 1989). An AUI is formally defined as, *a software artifact which can automatically alter aspects of its functionality and/or interface and improve its ability to interact with a user by constructing a user model based on partial experience with that user* (Benyon and Murray 1993; Langley 1999).

An AUI adapts the interface of a system only if it improves the interaction with the specific user.

Simple memorisation of such interactions does not suffice. Improvements should result from generalisation over past experiences and be carried over to new interactions (Langley 1999).

The architecture, behaviour and limitations of AUIs can generally be described as consisting of three components, namely:

- 1) *Afferential component of Adaptivity*: An AUI can only personalise an interface if it contains some user-related data. The afferential component of adaptivity is responsible for acquiring information about individual users (Oppermann 1994). This information can either be implicitly and/or explicitly obtained (Alvarez-CorteS, Zayas-Perez, Zarate-Silva and Uresti 2007).
- 2) *Inferential component of Adaptivity*: The inferential component of adaptivity uses user-data acquired, to identify possible indicators for adaptation. It is the most important component of adaptivity, implying that a basis must be specified (theory, set of rules) for drawing inferences. An additional implication of the inferential component is that the kind of data to be recorded (afferential component) and how the system should be adapted (efferential component) must be defined. The inferential component thus acts as the switch box of an AUI (Oppermann 1994).
- 3) *Efferential Component of Adaptivity*: AUIs require automatic modifications of the system's behaviour. The efferential component is responsible for handling the various types of adaptations, or rather for specifying how the system should be adapted (Oppermann, 1994). The adaptation can take place on four different levels, namely the information, presentation, user interface and functionality level (Jameson 2002; Reichenbacher 2003).

The three components of adaptivity highlighted above must be included when designing an AUI for CCs. The main objective of this research was to propose an AUI model for CCs. The above-mentioned components were therefore used as a basis to investigate various AUI models. Results of this investigation and the proposal of an AUI model for CCs will be discussed in the next section.

## MODEL DESIGN

Model-based approaches are a useful and powerful tool to develop UIs (Lopez-Jaquero, Montero, Molina, Fernandez-Caballero and Gonzalez 2003). A model can be defined as the representation of a system which includes details of its structure and processes. A model hides unnecessary detail to place more emphasis on the essential components (Mohagheghi and Aagedal 2007). There are certain elements which need to be present when designing a model for the purposes of software application implementation. These elements are (Pressman 2005):

- Data design;
- Architectural design;
- Component-level design; and
- Interface design.

Data design transforms the data model into the data structures that will be required to implement the system. Architectural design identifies the key components within the system as well as the relationships between these modules. Component-level design specifies the architecture's components in more detail, resulting in a procedural specification. Interface design is concerned with the design of interfaces between modules within a system (Horger 2001; Pressman 2005).

The three components of adaptivity mentioned in the previous section, were used as a basis to investigate existing AUI models. The results of the investigation revealed that only one of the four AUI models investigated satisfies all three components of adaptivity. This one existing AUI model consists of both an architectural design and a component-level design as a more procedural

design of the components is specified. It does not however specify an interface design element. The interface element of a model is important to provide a technical specification of the interface design (Pressman 2005). The other existing AUI models only specify an architectural design. Existing AUI models cannot therefore be viewed as complete models as they do not consist of all the key elements of a model and none have been specifically designed for the CC domain. These models do, however, specify the basic architecture of an AUI model and thus they could be used to produce an AUI model which supports CCAs.

Singh (2007) proposed an IUI model which was found to be suitable for CCs. The purpose of this research is to propose an AUI model for CCs which caters for the skill level of CCAs. Similar to the IUI model proposed by (Singh 2007), the proposed AUI model comprises three of the four key elements of a model, namely:

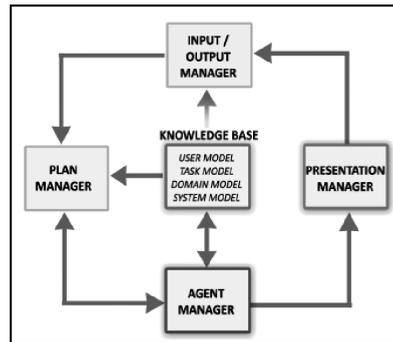
- An Architectural element;
- A component-level element; and
- An interface element.

A discussion on the design of the proposed AUI model in terms of its key elements follows.

### Architecture

Singh (2007) modified Tyler, Cook, Gargan and Schlossberg's (1991) intelligent interface architecture by addressing its limitation. This limitation was its inability to infer user's goals. The architectural element of the proposed AUI model, as depicted in Figure 3, thus comprises Tyler, *et al's* (1991) modified intelligent interface architecture.

**Figure 3:** Tyler *et al's* modified IUI model/architecture



Source: Tyler *et al* (1991)

The five main components of the architecture are:

#### *Input / Output Manager*

The purpose of this component is to provide the user with a multimodal means of input and output. Translated input is sent to the Plan Manager. The output component receives high level commands from the presentation manager which are then translated into low level commands before being presented to the user (Tyler *et al* 1991).

#### *Knowledge Base*

An IUI acquires its intelligence by employing various intelligent techniques and knowledge. The Knowledge Base is a repository that contains application knowledge, domain based knowledge, communication knowledge, instructional knowledge as well as knowledge about the user. The Knowledge Base is thus a key component of IUIs as it allows the interface to make

decisions using intelligent techniques to determine how to adapt the UI and deliver information to meet the user's needs (Tyler *et al* 1991). Singh (2007) specialised the model for CCs by incorporating CC knowledge within the Knowledge Base.

### **Plan Manager**

The purpose of this component is to assist the user with achieving high-level goals by using knowledge of the user's current goals and plans. The plan manager can provide error detection and correction; interpret ambiguous requests as well as have the ability to help users map high-level goals into low-level application commands. The Plan Manager receives low-level commands from the Input/Output Manager and compares these with constraints on the task parameter values in order to detect global errors (Tyler *et al* 1991). Singh (2007) improved Tyler, *et al's* (1991) Plan Manager by using a Task Model to infer user goals from the user's low-level commands.

### **Agent Manager**

The Agent Manager, known as the Adaptor in Tyler, *et al's* (1991) architecture, receives interface events from the Plan Manager and then consults the various models within the Knowledge Base. The Agent Manager then either updates the Knowledge Base or obtains the required information from the Knowledge Base. The Agent Manager can keep track of various user performance data due to its ability to interact with the user model. Other tasks which the Agent Manager is responsible for include error checking and the delivery of required information for the automation of steps (Singh 2007).

### **Presentation Manager**

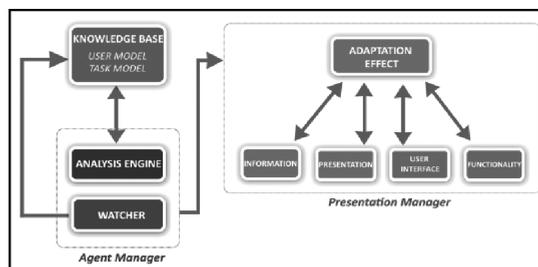
The main purpose of this component is to determine the most suitable modality and modality techniques to display to the user, based on information obtained from the Agent Manager (Tyler *et al* 1991). This model plays an important role in how the UI could adapt to a user. Besides deciding how a set of results or an interface could be displayed to a user, it caters for the customisation of output by users, based on their specifications (Singh 2007).

### **AUI Components**

The component-level element of models specifies the model's architecture components in more detail, resulting in a procedural specification (Section 3). The component-level design element of the proposed model consists of the following AUI components (Figure 4):

- Knowledge Base;
- Analysis Engine;
- Watcher; and
- Adaptation Effect.

**Figure 4: AUI Model Components**



Source: Jason and Calitz (2008)

It was previously mentioned that AUIs are recognised as being a central component of IUIs (Section 2.2). The components of the IUI architecture (Figure 3) that support AUIs are the Knowledge Base and the Presentation Manager (Adaptation Effect), the Agent Manager (Analysis Engine and Watcher) and the component-level design element. The details of these components are:

### ***Knowledge Base***

The Knowledge Base, as previously discussed, contains the user and task models needed for adaptation. The **User models** are the core components for AUIs as they provide the necessary user information needed for adaptation. The switch from guiding a novice CCA to facilitating an expert CCA requires that the system keeps track of the CCA's expertise levels. In Section 2.1 it was mentioned that novice and expert users' behaviour differs dramatically at the physical level of interaction. Intuitively, the difference between novice and expert CCAs would be how fast they log calls i.e. the speed at which they make list selections. The user model will thus contain performance-related information. The performance-related information will consist of data for each Informative Moment (IM) and the potentially Predictive Features (PF) associated with that IM.

Hurst, Hudson and Mankofforger (2007) define IMs as user actions which can readily be isolated. They are indicative of the phenomena they wish to study, model or predict and can be easily and accurately labeled. They gathered data, obtained from menu operations and utilise the data as IMs. For each IM, data for a number of possibly PFs is captured. Hurst *et al* (2007) developed potential features that could be predictive of a user's skill level. These features are not based on a task model but rather on low-level mouse and menu data which could be used in any application as they are not application specific.

The tasks undertaken by CCAs when logging customer queries are mostly list selections which are similar to performing menu selections, and thus work done could prove to be useful (Hurst *et al* 2007). For the purpose of this research, IMs are defined as list selections made by CCAs. List selections classified as IMs are when the CCA selects a customer, service name, call type, priority, source, campus, contact, cause and resolved option. The following potentially PFs, organised by category, were selected from Hurst *et al* (2007) as most appropriate for CCA's list selections made:

#### Features derived from low-level motion characteristics

- *Total Time (seconds)*: Total Elapsed time within the action (starting when the list opened and ending when it closed). This is a summative value of all the selection times for the list selection.
- *Y Mouse Velocity (pixels/second)*: Average velocity of the mouse during a list operation in the Y direction.
- *Y Mouse Acceleration (change in velocity/second)*: Average unsigned acceleration of the mouse during a list operation in the Y direction.
- *Dwell Time (seconds)*: Time spent dwelling (not moving) during the interaction sequence. Dwell time is only accumulated after the time spent in dwelling lasts longer than one second.

#### Features related to the interaction technique

- *Average dwell time (seconds/count)*: Time spent in dwelling divided by the number of menu items visited.
- *Number of Items visited (count)*: Total number of list items that were visited during the list selection.
- *Unique Items (count)*: Total number of unique list items visited during the list selection.

- *Selection Time (seconds)*: Elapsed time (starting when the list opened and ending when it closed) within which the item was ultimately selected.

#### Features related to performance models

- *KLM Difference (seconds)*: Difference between Keystroke Level Model (KLM) predicted time and selection time for the action. The KLM involves constructing a detailed, task-specific model of expert behaviour (Hurst *et al* 2007). A modified version of the KLM model created by (Hurst *et al* 2007) was used to obtain the KLM predicted time. This model is useful as it is presumed that expert users would perform at speeds closer to the predicted time than novices would.
- *KLM Ratio (dimensionless)*: KLM predicted time divided by the actual time for the action.

**Task models** represent tasks that the user can perform with the system at a particular time. A user's goal can only be recognised by use of a task model. An AUI thus uses a task model to offer task support to the user. There are various areas of task support that the proposed AUI model provides. Task support can be provided by the display of task status information. Current task and step information is displayed to the user in a section allocated to the delivery of task-based information, similar to that implemented by Singh (2007).

Task support can also be provided in the form of error checking. Error messages can be displayed to the CCA based on incomplete tasks. A consolidation with the user model enables error messages to be displayed in accordance with the CCA's skill level. Providing the task support mentioned above requires the task model to contain certain information. The information contained within the task model is the name of the task as well as its status, i.e. whether the task is complete or not.

#### ***Analysis Engine***

The Analysis Engine uses the user model and other models in the Knowledge Base to derive new user information. The Analysis Engine can update the user model, based on new information learned about the user or it can initiate an event, such as suggesting something to the user. It also responds to queries from the application. The Inferential component of adaptivity is thus satisfied by the Analysis Engine (Section 2.2).

#### ***Watcher***

The Watcher's role is to acquire user information implicitly, by observing the user's behaviour and/or information could be provided by the user explicitly. The afferential component of adaptivity is thus satisfied by the Watcher (Section 2.2). Once the Watcher has collected the necessary information from the user, it can update the user model and task model stored within the Knowledge Base. Information obtained is only useful if the Analysis Engine can map it on to a particular adaptation effect.

#### ***Adaptation Effect***

The Adaptation Effect decides how to adapt the UI to the user's behaviour based on data obtained from the Knowledge Base. The efferential component of adaptivity is satisfied by the Adaptation Effect component (Section 2.2). The adaptation can take place on different levels, i.e., various kinds of adaptations could be provided. As previously mentioned (Section 2.2), the various levels of adaptation are:

- Information Level;
- Presentation Level;
- User Interface Level; and
- Functionality Level.

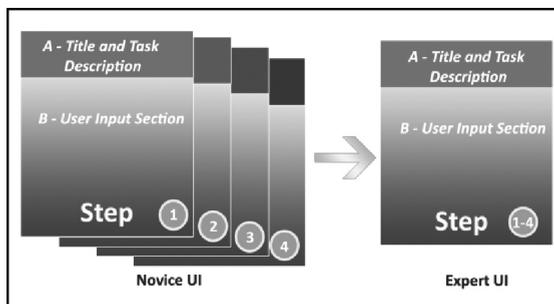
Thus, the Information, Presentation, User Interface and Functionality components within the Adaptation Effect component thus map directly to abovementioned levels of adaptation. Specialisation of the proposed model to CC domain involves an Adaptation Effect which employs the User Interface component. The UI design will be further discussed in the following section.

## INTERFACE DESIGN

Interface design can be divided into three different types of design: internal, external and human-computer interface design (Pressman 2005). The proposed AUI model focuses on human-computer interface design. The human-computer interface design has to support the CC steps involved when logging a customer's queries. The primary steps involved when logging a customer's query are:

1. Search for the customer;
2. Provide Call Description details;
3. Assign the call to a technician/CCA; and
4. If the call was assigned to the CCA receiving call, provide the call's Solution Description.

**Figure 5: Low Fidelity Prototype of the Novice and Expert UIs**



**Source: Pressman (2005)**

A common design flaw when designing UIs for CCs is that the expert user is disregarded and design caters only to the novice user (Schumacher 2004). CCAs have different skill levels and these differences need to be accounted for when designing UIs. Multi-layer UIs cater to the differing skill levels of users and facilitate the learning of UIs by empowering users to learn the UI in a meaningful sequence (Shneiderman 2003). The interface-design element of the proposed AUI model consists of a two-level, multi-layer design (Figure 5). The first level consists of a sequence of screens which is designed to cater to novice CCAs. This first-level UI will hereafter be known as the novice UI. The second level consists of a single screen which is designed to cater to expert CCAs. This second-level design will hereafter be known as the expert UI. The CCA will be transitioned from using the novice UI to using the expert UI based on rules contained within the Analysis Engine.

The novice UI and the expert UI contain the same UI design. The UI design contains two sections, namely section A and section B (Figure 5). Section A is a section dedicated to the delivery of task-based information (Singh 2007). This section uses the task model contained in the Knowledge Base (Section 3.2). Section B serves as the direct manipulation section requiring user input. The Watcher AUI component monitors the user's input within Section B of the novice UI. Novice users are more concerned with how to do things instead of how fast they can do them (Section 2.1). This suggests that novice users need to be guided through their tasks. The novice UI (Figure 5) displays a separate screen for each of the call-logging steps, guiding the CCA step-by-step through the call-logging process. Expert users require an efficient UI whereby the number of interactions is reduced (Section 2.1). The expert UI (Figure 5) displays only one screen for logging

a call and users are not constricted to do tasks in a step-by-step manner as the novice users are. This means they are given more freedom when performing tasks.

## IMPLEMENTATION

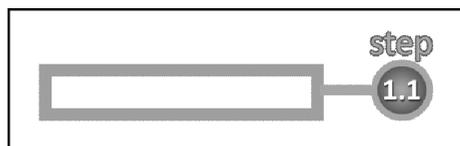
Nelson Mandela Metropolitan University (NMMU) ICT Service Desk was used as a case study for the purpose of this research. The main purpose of the NMMU ICT Service Desk is to provide solutions to computer related problems and to log problems for the users (staff and students) on all campuses. At present the NMMU ICT Service Desk uses Frontrange Solutions HEAT Product Suite (Frontrange 2008). HEAT enables the customisation of its UIs. The HEAT call log screen appears cluttered and the process of logging a customer's query remains unclear. An interview conducted with the CCAs at the NMMU ICT Service Desk revealed that the interface is overwhelming for novice CCAs (Vermaak 2008). It is thus not an easy to use interface, especially for newly appointed CCAs.

A prototype of the proposed model was implemented as a proof-of-concept. The prototype was named the Adaptive Service Desk (ASD). The ASD prototype was implemented to prove that the concept presented by the model has merit (Oliver 2004) and it should allow the user to log a call placed by a customer successfully. Implementation of the Knowledge Base was done using SQL Server 2005 combined with an extract of the existing HEAT database. The User and Task Models were implemented in XML and stored in the database. The User Model consists of data for each IM and the PFs associated with that IM.

The Watcher and Adaptation Effect component was implemented in C#. As the user performs a task, the watcher collects the interaction data and updates the User and Task Models contained in the Knowledge Base. The Watcher updates the Task Model by specifying which steps of a task are complete or incomplete and what the current step is. Current task and step information are displayed to the user in the Title and Task Description. The Watcher updates the User Model by updating the values for the Informative Moments for each task the user performs. Implementation of the Adaptation Effect was done according to the design as discussed in Section 3.3, whereby two interfaces, namely the novice and expert UI were implemented.

The novice user's unfamiliarity with the UI could be aided by incorporating explanatory elements into the UI (Section 2.1). UIs designed for novice users should include all assistance in the primary interface since novice users depend on system features to assist their recognition memory (Galitz 2007); thus the User Input section of the novice UI contains a Visual Step Indicator (Figure 6), which guides the user, step-by-step, through the process of logging a customer's query. This Visual Step Indicator gradually highlights the area of the screen requiring user input. The highlighting is represented by a green border surrounding the appropriate inter-action area. The Visual Step Indicator also visually indicates the step with which the highlighted area is associated, by means of a green circle (Figure 6). The naming convention which the Visual Step Indicator uses is [call logging step number (1 to 4)]. [sub-step number]. The Visual Step Indicator, represented in Figure 6, corresponds to step 1.1 which indicates that it is the first sub-step of the first call logging step. The Visual Step Indicator, in summary, emphasizes the next step to be completed by moving to the next step as the user handles the current step.

**Figure 6: Visual Step Indicator**



Source: Calitz (2007)

The expert UI provided less guidance (no next step indicator) and provided more freedom when performing tasks. Expert users can be catered for by including accelerators in the interface which reduce the number of keystrokes needed to enable rapid performance (Nielsen 1993). Accelerators are provided in the form of adaptive lists. Adaptive lists are provided on the expert UI, whereby the user's three most frequently and most recently used items are selected to appear at the top of the list, termed the Adaptive Section. This is differentiated from the rest of the list by a blue background colour. The research study applied the same technique that previous research applied to adaptive menus and used a Base adaptive algorithm as used by (Findlater and McGrenere 2008) which dynamically changes the selection list based on the user's previous list selections made. This algorithm incorporates both recently and frequently used items and is commonly used in Microsoft Office adaptive menus. The novice UIs contained static instead of adaptive lists, so as to remain consistent with user expectations and to avoid confusion among novice users.

It is envisaged that, based on the CCA's performance when using the novice UI, he/she will dynamically be provided with the expert UI. The Analysis Engine is responsible for determining when this moment occurs, hereafter referred to as the Adaptation Moment. Implementation of the Analysis Engine will be discussed in the next section as results obtained from the pilot study directly affect it.

## **PILOT STUDY**

A pilot study was conducted on the ASD prototype to gather interaction data from users classified as novice and expert CCAs to determine when the Adaptation Moment would occur. The Adaptation Moment could only be determined by analysing if a difference in interaction data between novice and expert users existed, and if this difference was significant enough.

### **Participants**

The participants selected should be representative of the actual users (Tullis and Albert 2008). For this reason, all participants (n=23) had a sound knowledge of the domain of information technology (IT) such that they could assist customers with IT-related queries. Thirty-five percent of the participants (n=8) were NMMU ICT Service Desk personnel (first-, and second-line CCAs, and a technician) and 65 percent of the participants (n=15) were post-graduate students from the Department of Computing Sciences at NMMU.

The scope of this research study is limited to the NMMU ICT Service Desk; therefore, the number of CCAs who were available for testing was limited. The NMMU ICT Service desk employed six CCAs (three first-line and three second-line support), however, due to restructuring, seven CCAs (four first-line support and three second-line support) and a technician were available for testing. A population of only eight CC personnel was thus available for testing. All CC personnel were compensated for their participation as the usability test took them away from their working environment. A convenience sample of 15 postgraduate participants was selected from the Department of Computing Sciences at NMMU. These students volunteered to be part of the usability test and were not compensated for their time.

A background questionnaire was used to classify the participants for this evaluation as either expert or novice users. The background questionnaire mapped to the three dimensions which were used to classify users' expertise, by reflecting the prospective participant's contact with the HEAT product suite (experience with the system); previous experience with computers (experience with computers in general) and previous experience with any other Service Desk software (experience with the task domain). The background questionnaire used a three-point Likert scale to obtain the participants' expertise results, where a 1 = "Novice" and 3 = "Expert". The median of all 23 participants for the three dimensions of expertise was 1.67; therefore, participants were classified as novice users if they received a score of between 1 and 1.67 and as expert users if they received a score of between 1.68 and 3. As expected, the 35 percent of the

participants classified as expert users represent the CC personnel and the 65 percent of participants classified as novice users represents the student participants.

### Tasks

All participants (novice and expert) were asked to evaluate the novice UI and were given two calls of medium complexity to log, chosen to mimic real-world activities. This was because the adaptation transitions a user from using the novice UI to using the expert UI; thus, only data captured while the user logs calls via the novice UI would be useful. There are either three or four steps involved with logging a customer's query. There are four call logging steps if the call is assigned to the CCA logging the call and three if the call is assigned to someone else. The first task required by the participants was to log, hereafter referred to as Task 1, comprised three of the four call logging steps and entailed a call which was assigned to someone other than the CCA logging the call.

The second task which the the participants were required to log, hereafter referred to as Task 2, comprised all four call logging steps and entailed that the CCA had to solve the call and provide its solution details. An interview conducted with the manager of NMMU ICT Service Desk (Vermaak 2008), revealed that newly appointed CCAs (novice CCAs) are only required to solve simple type customer queries, such as assistance with software. Task 2 was a Microsoft Word customer query and the participants were shown how to solve it. Due to the assistance provided by the novice UI, the participants were not given instructions on how to log these calls. The Watcher AUI component monitored each user when logging calls on the novice UI and, for each IM encountered, captured data for the PFs.

### Data Collection

The study identified nine IMs in total, each consisting of ten PFs which had to be compressed into a single IM value and were expressed in different units (e.g., seconds, pixels/second, count). In order for the PFs to represent a single IM value, it was necessary to standardize the PF values. T-scores were used for the standardisation of the PF values.

The IM T-score was calculated by applying weights to the PF T-score values. To apply the weights, the PFs were first ranked according to importance. The rankings were determined in consultation with the NMMU statistician (Venter 2008). It was suggested that the weights of the PFs be computed by inverting the PF value's rank. The rankings and weights of the PF values can be seen in Table 1 below.

**Table 1: PFs and Associated Weights**

	Predictive Features	Rank	Weights
1	Total Time	1	1
2	X Mouse Velocity	9	0.11
3	Y Mouse Acceleration	9	0.11
4	Dwell Time	2	0.5
5	Average Dwell Time	3	0.33
6	Nr Items Visited	6	0.167
7	Unique Items Visited	7	0.143
8	Selection Time	3	0.33
9	KLM Difference	5	0.2
10	KLM Ratio	8	0.125

Similar to the manner in which the ten PFs were consolidated into a single IM value, a final score was computed for each participant comprising a weighted average of the IM T-scores and the total task time T-score. The total task time represents the time from when the call logging form is first opened to the time the user completes the process of logging a call. This is not the same as the PF, total time. A T-score was computed for the total task time and this was computed in the (-1) direction, meaning a lower value meant better.

Weights were thus applied to the nine IMs and the total task time by inverting their respective rankings. The rankings were determined in consultation with the NMMU statistician (Venter 2008) and with the manager of NMMU ICT Service Desk (Vermaak 2008). The rankings and weights of the IM values and the total task time can be seen in Table 2. The final T-scores, hereafter known as the overall performance data, of all 23 participants were used to compare the differences between the novice and expert users. The descriptive statistics results for these two groups will now be discussed.

**Table 2: IMs and Associated Weights**

	<b>Informative Moments and Total Task Time</b>	<b>Rank</b>	<b>Weight</b>
1	Total Task Time	1	1
2	Search Customer	8	0.125
3	Service Name	2	0.5
4	Call Type	2	0.5
5	Priority	9	0.111
6	Source	10	0.1
7	Campus	5	0.2
8	Contact	5	0.2
9	Cause	4	0.25
10	Resolved	5	0.2

## Results

Literature suggests that novice and expert users' behaviour differs dramatically at the physical level of interaction (Section 2.1). Consultation with Venter (2008) suggested the use of a Mann-Whitney non-parametric test, to determine whether there was a significant difference in performance data between the novice and expert CCAs. In order to determine whether there was a significant difference in performance data between the novice and expert CCAs, the following null hypothesis was tested using a Mann-Whitney test:

*H<sub>0</sub>: There is no difference in interaction data between novice and expert CCAs.*

A Mann-Whitney test was conducted in the data analysis software package, STATISTICA V8.0. A level of significance of 0.05 was used to avoid a type I error, which occurs if a hypothesis is wrongly rejected. A significance level of 0.05 (5%) indicates that with a 95 percent confidence level, a hypothesis that is actually correct, will not be rejected. The significant results of the Mann-Whitney test for the overall performance data of the novice and expert users are depicted in Table 3. Based on the results of the Mann-Whitney test, there are significant differences between novice and expert users for both Task 1 and Task 2, due to the p-value for both tasks being less than the significant level of 0.05. The null hypothesis can thus be rejected with a 95 percent confidence level; therefore, it can be concluded that:

$H_1$ : There is a difference in interaction data between novice and expert CCAs.

**Table 3. Mann-Whitney Test Results**

	Novice Users (N=15)	Expert Users (N=8)		
	<b>Rank Sum</b>	<b>Rank Sum</b>	<b>U</b>	<b>p-value</b>
<b>Task 1</b>	128	148	8	0.00
<b>Task 2</b>	126	150	6	0.00

ASD starts CCAs with the capability to log a customer’s query by means of the novice UI until they have become skilled. When a CCA has reached a level which is considered to be that of an expert user, he or she is transitioned from the novice UI to the more appropriate expert UI. It was shown that a significant difference exists between novice and expert users. This encourages a shift from the novice to the expert UI. The shift can, however, only be determined by analysing the overall performance data of novice and expert users to identify a possible transitioning period.

Figure 7 illustrates the percentage of users (novice and expert) for Task 1, whose overall performance data fall within a given category. Figure 7 shows that 60 percent of novice users obtained an overall performance T-score of between 0 and 49.99. Among novice users, 33.33 percent obtained an overall performance T-score of between 50 and 54.99 and only 6.7 percent performed with a T-score larger than 55. In contrast with the novice users’ performance, none of the expert users obtained an overall performance T-score of between 0 and 49.99. Expert users obtained T-scores larger than 50, where 25 percent obtained an overall performance T-score of between 50 and 54.99 and the majority (75%) expert users obtained T-scores larger than 55.

**Figure 7: Overall Performance Data for Task 1 (n=23)**

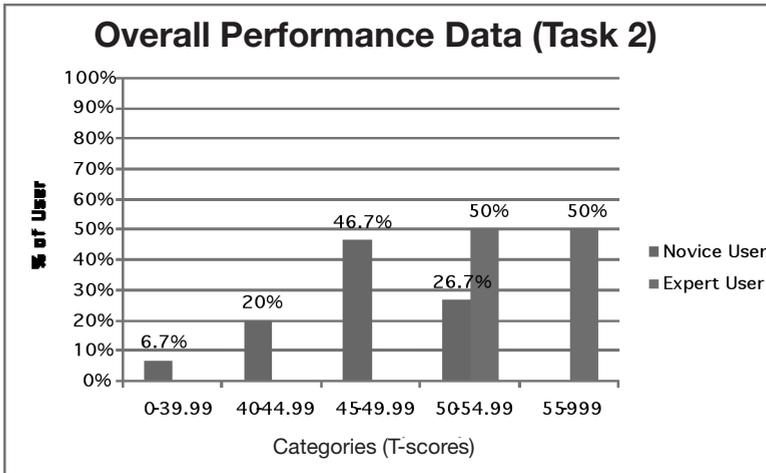
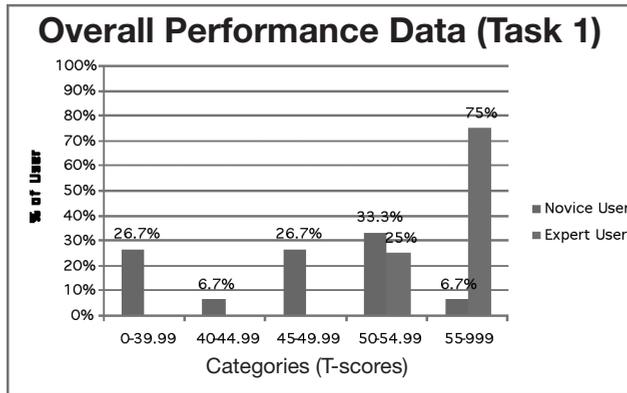


Figure 8 illustrates the percentage of users (novice and expert) for Task 2, whose overall performance data fall within a given category. Figure 8 shows that 73 percent of novice users obtained an overall performance T-score of between 0 and 49.99. 26.7% Novice users obtained an overall performance T-score of between 50 and 54.99 and no novice users performed with a T-score larger than 55. Similar to the expert users’ performance in Task 1, none of the expert users for Task 2 obtained an overall performance T-score of between 0 and 49.99. The expert users obtained T-scores larger than 50, where half (50%) obtained an overall performance T-score of between 50 and 54.99 and the other half (50%) obtained T-scores larger than 55. The overall performance data for expert users for both Tasks 1 and 2 always exceeded a T-score of 50.

Statistics such as means, medians, standard deviations and quartile values of the overall performance data were calculated for both the novice and the expert user group. There is quite a difference in overall performance means between the novice and expert users for both Task 1 and Task 2. Expert users had means of 54.88 and 55.09 for Task 1 and Task 2 respectively with small standard deviations (1.04 and 2.51). These deviations indicate a small amount of variability in the expert user group. Novice users had means of 47.4 and 47.29 for Task 1 and Task 2 respectively with relatively larger standard deviations (6.14 and 3.98). These deviations reflected a larger amount of variability in the novice user group.

**Figure 8: Overall Performance Data for Task 2 (n=23)**



Expert users' minimum T-score for the overall performance data for both Task 1 and 2 were 52.46 and 52.17 respectively. Novice users' upper quartile, which lies three quarters of the way through the values, for both Task 1 and Task 2, were 51.99 and 50.18, which does not even equate to expert users' minimum values. Figures 7 and 8 previously showed that expert users' overall performance for both Tasks 1 and 2 always had a score greater than 50. A suggestion provided by Venter (2008), was that the expert users' lower quartile T-score be used as the Adaptation Moment (i.e. if a user performs at scores greater than the expert users' quartile 1 scores, the user transitions to the expert UI). However, Venter (2008) did advise against using the expert users' mean scores for the Adaptation Moment, due to the possibility that novice users might take a long time to perform, if ever, at those scores. The mean value for expert users for Task 1 was, however, 54.88, which is close to the expert users' quartile 1 value (54.95).

The researchers decided to use an integer value of 52 (the minimum value) as the transitioning period. The Analysis Engine which is responsible for determining when the CCA will receive the expert UI, was implemented using a simple rule. The rule employed to transition a user from a novice UI to an expert UI is:

If (T-score of all the user's tasks with a solution) > 52 and If (T-score of all the user's tasks without solution) > 52

Then User expertise Level = Expert

This provides novice users with an opportunity to reach a higher skill level and obtain the expert UI; however, the disadvantage is that the switch to the expert UI might be too quick. The next subsection will discuss the implementation of the Analysis Engine, which provides the switch from the novice UI to the expert UI and the evaluation of the switch and the users' satisfaction results.

## MAIN STUDY

Evaluation of the proposed AUI model (Section 3) involves a modular approach which incorporates evaluation layers proposed by (Weibelzahl 2002). These evaluation layers can be

evaluated individually and in combinations. The evaluation layers of the proposed model are:

- *Data Layer*

The Data Layer comprises the Knowledge Base and the Watcher AUI components. The Data Layer maps directly to Weibelzahl's (2002) Evaluation of Input Data layer and involves evaluating the validity of the users' input data.

- *Inference Layer*

The Interface Layer comprises the Analysis Engine AUI component. The Interface Layer maps directly to Weibelzahl's (2002) Evaluation of Inference layer and involves evaluating the validity of the inference made.

- *User Interaction Layer*

The User Interaction Layer comprises the Adaptation Effect AUI component. The User Interaction Layer maps directly to Weibelzahl's (2002) Evaluation of Total Interaction layer and involves evaluating the usability of the AUI.

Evaluation of the Data Layer was performed in the pilot study, which was discussed in Section 5. A scenario-based prototype evaluation technique was used to evaluate the Data Layer. Novice and expert users were given tasks to log by using the the novice UI. This section concluded that the data contained attributes that were reflective of a user's skill level and could thus be inferred. The validity of the data was verified and the evaluation of the Data Layer serves as a prerequisite for evaluation of the Inference and User Interaction Layer. This Layer was evaluated in combination and required user involvement and a fully functional ASD prototype. The evaluation consisted of the usability testing of the ASD prototype.

## **Participants**

Similar to the participants selected for a pilot study (Section 5.1), the participants selected for a usability study should be representative of the actual users, and for this reason, all participants had a sound knowledge of IT meaning that they could assist customers with IT-related queries. The chosen participants were the CCAs at the NMMU ICT Service Desk and staff and post-graduate students at the NMMU Department of Computing Sciences (CS). The CCAs, selected as participants, comprised first-level (call takers) and second-level support staff (problem solvers). Staff members from the Department of CS were IT technicians and administration staff.

Thirty participants were selected to take part in the main usability study. Six of the 30 participants were CCAs at the NMMU ICT Service Desk and were compensated for their participation. The remaining participants (n=24) were a convenience sample which comprised staff members and students who volunteered to be part of the usability study and were not compensated for their time.

## **Tasks**

All participants (n=30) were asked to evaluate both the novice and expert UI. Two separate test plans were therefore drawn-up, hereafter known as the novice UI test plan and the expert UI test plan. The novice UI test plan was intended for logging calls via using the novice UI and comprised eight tasks. All participants were required to log at least four of eight calls. Tullis and Albert (2008) suggest having at least three or four trials when measuring the learnability of a system. The Adaptation Moment (the moment when the participant transitions from the novice UI to the expert UI) was only possible after the participant had logged at least four calls. The number of calls which resulted in an Adaptation Moment depended on the participant's performance. If participants did not encounter an Adaptation Moment after logging eight calls they were given the expert UI.

The expert UI test plan, as its name suggests, was intended for logging calls by using the expert UI and comprised four tasks. There were either three or four steps involved in logging a customer's query, depending on to whom the call was assigned (Section 5.2). Every second one of the eight tasks required in the novice UI test plan and the four tasks required in the expert UI test plan entailed four steps (i.e., required a solution) and every other task entailed three steps (i.e., required no solution). The expert UI additionally contained adaptive lists (Figure 4), where the most recent and frequent items were moved to the top of the list; thus, the expert UI test plan consisted of some call categories that matched the call categories presented in the novice UI test plan. On completion of the test, the participant was required to complete a post-test questionnaire which required both qualitative and quantitative responses. Qualitative responses were in the form of general comments. Quantitative responses were obtained by using a five-point Likert scale.

## Results

The results of the usability testing are discussed in terms of the Inference and User Interaction evaluation layers. Analysis of the post-test questionnaire completed by the test participants (n=30) yielded accuracy (Inference Layer) and satisfaction (User Interaction Layer) results. Analysis of the participants' performance data yielded learnability (User Interaction Layer) results.

### *Accuracy Results*

Precision was the metric used to measure the accuracy of the Analysis Engine AUI component; hence, it was used for the evaluation of the Inference Layer. The data used to measure precision was gathered from the post-test questionnaire to the participants. Part of the post-test questionnaire required participants to give a binary response (yes or no) to whether they felt the adaptation was an accurate reflection of their expertise. Precision can only be measured if the users' ratings can be transformed into a binary scale (Herlocker, Konstan, Terveen and Riedl 2004).

One adaptation was provided per participant, as each participant was transitioned from a novice UI to an expert UI. As a result, there were a total of 30 adaptations. Twenty-seven participants felt that they had enough practice using the novice UI when they were transitioned to the expert UI and only three felt that they needed more practice in using the novice UI before they were transitioned to the expert UI. This meant there were 27 relevant adaptations. The value obtained by calculating the precision value indicates the percentage of accurate adaptations (or recommendations) (Herlocker *et al* 2004). The precision value was 0.9 and there was a measured precision of 90 percent. Ninety percent (n=27) of participants felt that the adaptation accurately reflected their expertise level and, therefore, it could be expected that, on average, nine out of every ten adaptations made by the ASD system would be accurate.

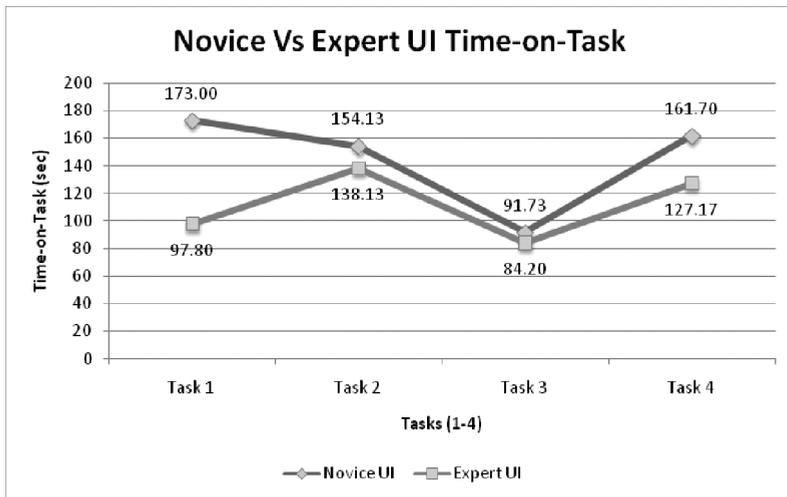
### *Learnability Results*

Learnability was one of the measures used to evaluate the User Interaction Layer. The data used to measure learnability was gathered from the participants' performance data residing within the Knowledge Base. The learnability of the ASD prototype was measured by assessing the time it took participants to learn while using the novice UI, the task completion times of the participants for both novice and expert UIs, and by measuring the number of tasks that participants performed on the novice UI before they were transitioned to the expert UI. The differences between the tasks performed on the novice UI and tasks performed on the expert UI have to be investigated to identify whether participants' performances improved when the interface was adapted to the expert UI and therefore these results will be further discussed.

Figure 9 illustrates the difference in participants' average time-on-task for tasks 1 to 4, between the novice UI and the expert UI. All participants (n=30) were required to perform at least four tasks on the novice UI and four tasks on the expert UI; therefore, the comparison between the two

interfaces involved, the first four tasks on the novice UI and the four tasks on the expert UI. Figure 9 illustrates a difference between the average time-on-task for the novice UI and the expert UI for all four tasks. The greatest difference between the time-on-task means for the novice UI and the expert UI appear to be task 1 (novice UI mean = 173 sec, expert UI mean = 97.8 sec) and task 4 (novice UI mean = 161.7 sec, expert UI mean = 127.17 sec). Although there appears to be a difference between the time-on-task means for the novice UI and the expert UI, it must be determined whether this difference is significant enough.

**Figure 9: Learnability Results Between Novice UI and Expert UI (n=30)**



Consultation with the NMMU statistician (Venter, 2008), suggested the use of a paired samples t-test to determine whether there is a significant difference in participants' performance on the two interfaces (novice UI and expert UI). A paired samples t-test is used when the design is a within-subjects design. A within-subjects design is used to compare the means for the same group of participants on two different products or designs, which is ideal for this research study (Tullis and Albert 2008).

In order to determine whether there was a significant difference between the time-on-task means for the novice UI and the expert UI, the following null hypothesis was tested using a paired samples t-test:

$H_0$ : There is no difference in participants' performances on the novice and expert UIs.

A paired samples t-test was conducted in the data analysis software package, STATISTICA V8.0. A significance level of 0.05 (5 percent) indicates that with a 95 percent confidence level, a hypothesis that is actually correct will not be rejected. The null hypothesis will be rejected if the p-value falls within the lower 5 percent of possible values. The p-value (number between 0 and 1) reflects the strength of the data used to evaluate the null hypothesis. A small p-value indicates strong evidence against the null hypothesis (Rumsey 2003).

The results of the paired samples t-test indicate that there is a significant difference between participants' performances on the novice and expert UIs ( $t=7.81$ ,  $df=29$ ,  $p<0.0005$ ,  $d=1.43>0.8$ ). Participants' performances improved significantly over time; thus, the null hypothesis can be rejected with a 95 percent confidence level. Therefore, it can be concluded that:

$H_1$ : There is a significant difference in participants' performances on the novice and expert UIs.

### ***Satisfaction Results***

Satisfaction was measured by collecting self-reported data from users about their perceptions of the system and their interaction with it. Besides learnability, user satisfaction was the other measure, used to evaluate the User Interaction Layer. The data used to measure this, was both qualitative and quantitative. Qualitative data consisted of participants' responses to the post-test questionnaire's open-ended questions. Quantitative data consisted of participants' ratings obtained from the post-test questionnaire. The post-test questionnaire used a five-point Likert scale to obtain the self-reported data. The results of the quantitative data will be discussed further.

Firstly, the overall user satisfaction results for both the novice UI and the expert UI were rated incredibly high (mean between four and five). This indicates that participants were very pleased with the design of the interfaces. Another key finding was the high satisfaction results with regards to the task support provided at the novice UI. This is significant because it indicates that user's positively used the task support provided. The adaptive lists provided at the expert UI were also highly rated. It can be concluded that, generally, participants were highly satisfied with novice and expert UIs as well as with the adaptation of the novice UI to the expert UI. This research finding is significant because an objective of this research was to enhance the CCAs' interaction with the UIs.

Forty-seven percent of the participants provided negative comments about the differences between the novice and the expert UIs. Positive comments, however, indicated that all users were highly satisfied with the training provided by the novice UI. The fact that most participants (80 percent) rated the expert UI as either their first or second choice suggest that they were generally satisfied with the adaptation from the novice UI to the expert UI.

### **CONCLUSION AND FUTURE WORK**

The aim of this research was to determine if existing AUI models can be combined with an IUI model for CCAs and if such interfaces would improve CCAs' productivity and usability. To meet this objective, an AUI model was designed and successfully implemented and evaluated. Evaluation of the implemented AUI model showed how users' productivity increased as they were transitioned from the novice to expert UI and analysis of results obtained from a post-test questionnaire indicated high satisfaction results. It can therefore be concluded that the proposed AUI model improves CCA's productivity and usability.

The scope of this research was limited to a relatively small CC; therefore, a limited number of CCAs was available to build the User Model. Future work could involve a research study on a larger-sized CC so that a more comprehensive User Model could be built. This research was limited to the logging of customer queries but future research could entail a detailed task analysis on CC applications in order to identify possible areas which can benefit from including adaptation at the interface. The envisaged benefits of this research would be increased performance of CCAs. This research helps novices become skilled/expert users and thus, a secondary benefit includes training CCAs.

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# ‘CAREER SCULPTING’: AN INNOVATIVE APPROACH TO ACADEMIC DEVELOPMENT

B du Plooy and J Vansteenkiste<sup>1</sup>

## ABSTRACT

*South African higher education is increasingly facing the haemorrhaging of research and academic expertise. As work environments, higher education institutions differ in many ways from other environments. Though universities are increasingly, over the last decades, being managed according to business models, academic institutions traditionally and historically have built entrenched archaic traditions that are very specific to this environment. Due to its historical conditions and new post-apartheid social, cultural and economic challenges, South Africa also presents a specific set of problems for academic career development and advancement.*

*It is against this background that a workshop programme titled ‘Personal Biographical Analysis and Career Sculpting’ was developed. The workshop programme centres on the specific needs of emerging and novice academics and researchers in the early stages of career development.*

*This article is a qualitative study and describes the national context, rationale and operational aspects of this workshop programme. The primary aim of the programme is to contribute to an already growing debate around innovative developments in South African higher education that are attempting to address the dire need for more effective recruitment, development, training and retention of a new generation of academics and researchers of excellence.*

**Keywords:** biographical analysis, biography, career development, career counselling, capacity development, career sculpting, academia, South African higher education.

## INTRODUCTION

South African higher education is increasingly finding itself in the unenviable condition of the haemorrhaging of research and academic expertise. Among the contributing factors are the retirement of senior academics; no exponentially corresponding influx of new academics; insufficient promotions or succession from within the established ranks of academia; inadequate, non-competitive salaries and incentives available to career academics; and the often mentioned South African braindrain due to qualified professionals leaving the country. The restructuring of post-apartheid higher education in South Africa after 1994 was primarily aimed at the equalising of opportunities, redressing of past inequalities and making tertiary education more accessible to larger numbers of the South African population. In response to the imperative for greater accessibility of higher education and the development of more and better researchers and teachers representative of the full spectrum of the South African community, many South African institutions of higher education devised programmes with the specific purpose of enhancing institutional research capacity and so-called research ‘outputs’.

Mostert and Quinn (2009: 1 in Makunye & Pelsers 2012: 530) call the new academic world one of “super-complexity”. Makunye and Pelsers (2012: 529) identify a number of factors that over the

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few decades have influenced the changing higher education landscape and traditional role of academics. These are: “globalisation, shrinking resources, increased demands for quality assurance and greater accountability [and] increased competition among HEIs”. New policies and legislation, such as the South African Qualification Authorities Act 58 of 1999, the Skills Development Act 97 of 1998, the Skills Development Levies Act 0 of 1999 and the ABET Act 52 of 2005 (Makunye & Pelser, 2012: 530), entrenched the shifting focus and new approaches to development training in higher education in South Africa. In combination with the new corporatization of higher education and the new methods of academic surveillance and performance management that accompanied it, these changes have introduced levels of expectation and pressure on not only established but more especially on newly-emerging, entry-level academics and researchers. These pressures were previously unknown and inconceivable.

Makunye and Pelser (2012: 530 & 531) explain that this local and global changing higher education environment gives rise to specific challenges and the need for specific kinds of training:

“[in] particular, academics require updating in human resource management and development, subject content and teaching and learning skills... [for]... academic staff to keep up with the rapidly changing environment, they need to respond and adapt to change. Successful adaptation will require continuous professional and organisational growth”.

Steyn (2012: 539, in Makunye & Pelser 2012: 530) and Botha and Potgieter (2009: 251, in Makunye & Pelser 2012: 530) emphasize the importance of professional development for academics in higher education. However, Botha and Potgieter specifically stress that such development must transcend mere skills development and must offer more unified and holistic approaches that “harmonise institutional and individual interests towards mutual growth” (Makunye & Pelser 2012: 530). In this rush for greater performance in and by higher education institutions the critical-ethical and humanizing concerns are often lost as institutions compete for highest ranking, highest outputs, highest government subsidies and what is often still merely superficial political correctness. Newly (re)structured vision, mission and value statements emphasize humanitarian and communal ideals, yet ironically the systems and processes driving day-to-day institutional functioning usually reflect little of these lofty ideals and intentions.

As a consequence, apathy has been identified as one of the greatest challenges in higher education training (Makunye & Pelser, 2012: 533) and is said to “reflect a frustration... or a feeling of lack of control” by individuals at the grassroots about their own lives and experiences (Hobbs, 2001: 3, in Makunye & Pelser, 2012: 533). The result, as Maistry (2012: 524) points out, is what many university academics today experience as an alienating and humiliating university culture and discourse. Along with the increasing corporatization culture, fed by neo-liberal capitalism, came increased bureaucratisation, fragmentation and what Maistry (2012: 515&525) further calls “the reckless appropriation of neo-liberal, western performance-driven models grounded in economic rationalism... [which] unleashed a destructive and debilitating psychological violence”. As a result academia is not experienced as a fulfilling and happy environment to work in. This is not only a South African phenomenon, but a global one, as Maresi Nerad’s United States-based study shows (Samuel 2012: 2):

PhDs might not be choosing academia or the ‘knowledge economy’ as a career path because... university lecturers do not necessarily enjoy the highest job satisfaction... Those outside academia were more likely to report more positive job satisfaction, intellectual challenge and professional autonomy.

Samuel (2012: 2) reports that doctoral candidates – and by extension emerging researchers in higher education – are asking for “more attention to the broader climate that enables a support-

ive environment... [they] are asking to be recognised as fuller human beings... [their] identities matter in influencing the nature of their success...”.

## **METHODOLOGICAL APPROACH**

The innovative workshop programme, entitled ‘Personal Biographical Analysis and Career Sculpting’, is inspired by the need for holistic, humane and contextualized career development in academia. This article describes both the national context and this innovative programme – its rationale and operational aspects – with the aim to contribute to an already growing debate around developments in South African higher education. It is aligned with the new higher education policy to address the dire need for more effective recruitment, development, training and retention of a new generation of academics and researchers of excellence. This article presents a qualitative, descriptive and interpretative study of the Personal Biographical and Career Sculpting workshop programme devised for academic, teacher and researcher development in higher education. The conceptual approach, as well as the practical implementation of this specific workshop programme, are described, contextualised and interpreted.

This workshop programme is conceptualised from a sociological background (Denzin & Lincoln 1998; Darroch & Silvers 1982; Berger 1966, 1972). It combines group dynamic techniques derived from organisation development (Scharmer 2009) with a qualitative and individualistic methodology, rooted in biographical counselling (Vansteenkiste 1992, 2011; Burkhard 1997, 2007; Lievegoed 2008). The name of the programme is original, specifically coined for this programme by the authors and is thus not reflected in wider literature.

The Personal Biographical Analysis and Career Sculpting programme is structured as two day-long workshops (one month apart), along with a personal and confidential coaching and counselling session in between for each workshop participant. As such this programme would represent a combination of Bryan and Schwartz’s (1998: 9) three-tiered development typology of formal, non-formal and informal professional development, since this programme transcends these categories in touching on all three these types of initiatives. It is formal since it is active and intentional training in a workshop-format, but it is also non-formal in that it lends itself to being an orientation programme (institutional, professional and personal), and at the same time informal because it incorporates voluntary activities such as journaling, one-on-one counselling, peer support and peer mentoring (Makunye & Pelsler 2012: 532).

The programme centres on identifying and addressing specific individual needs of emerging and novice academics and researchers in the early stages of career development. At the same time it provides them with the opportunity to develop a personal, integrated perspective, strategy and practical approach to their chosen professional environment. This development enables them to combine vocational focus, academic excellence, personal fulfilment, self-actualization and a sense of self-management and control. ‘One-fits-all’ career development policies and measures are often counter-productive and alienating in academia. Especially affected are junior staff members and postgraduate students who are yet unskilled in the institutional and power dynamics of negotiating higher education career development and advancement. This programme consequently ascribes to and advances a holistic sense of selfhood and identity. Academic development, research outputs and career advancement are actualised as part of integrated self-awareness and self-understanding.

The workshops implement personalized coaching and counselling interventions (Cherryholmes 1988; Psathas 1994), encourage peer support and instil self-motivated responsibility, with the purpose of enabling novice and emerging academics individual career development. Self-determination and human dignity are of high importance in this approach to development. As such our approach resonates with what Maistry (2012: 516) calls the “humane orientated” approach of researchers and theorists such as Arendt (1998, 2006), Harvey (2007), Hooks (1994), Nussbaum (2003, 2006, 2010, 2011), Sen (1999, 2005, 2009), Bourdieu (1986, 1992) and Giroux (2004).

## CONTEXT OF THE 'CAREER SCULPTING' INITIATIVE

### First-generation entrants to higher education

South Africa's political transition to democracy during the mid-1990s created an influx of many new first-generation entrants to university study and the higher education work environment: individuals who had no family tradition of higher education and no predecessors in their families who attended university and who could have been role models in this respect. They entered higher education institutions afresh, without prior social or familial acculturation that might have prepared them for it. Due to South Africa's historical system of inequalities, many of these individuals came from an inferior schooling background, with severe challenges in terms of literacy; a lack of essential skills and insufficient levels of maths and science; a lack of socio-historical conceptualizations around 'academia', 'science' and 'scientists'; and a severe handicap in terms of a culture of learning and critical thinking. For many of these students, from South Africa as well as the greater African continent, universities remained mysterious places of prestige, and symbolically significant in the conquest of a secure personal and family future, wealth, social prestige and the associated post-apartheid 'new' rights.

Yet, out of the intake of under-prepared individuals, many transcended these challenges, graduated successfully and have embarked on academic careers. Additionally there is a generation of 'mature' adult students, who were previously disadvantaged in their access to education, who have risen above their circumstances and historical challenges by undertaking academic studies while working. Some from this generation are today found in academic positions in higher education institutions.

### Career development perceptions

As work environments, higher education institutions differ in many ways from other environments such as the corporate milieu, small business and entrepreneurship, and the public sector. Though universities are increasingly, over the last decades, being managed according to business models, academic institutions traditionally and historically have built entrenched archaic traditions that are very specific to this environment. These traditions mostly revolve around the concept of a 'pursuit of knowledge', which has created an organisational culture substantially different from the corporate environment with its pursuit of profit. Subsequently work atmosphere, priorities, pressures, ethics and concepts of time, purpose and efficiency in higher education are notably different from the corporate business world.

Motivations to pursue an academic career tend to differ from corporate-focused career motivations. Most importantly, the financial prospect of earning more in a corporate environment is a significant factor in 'going corporate', since the pursuit of money and wealth is the cornerstone of business empires and the driving force of corporate management. In contrast, academically-oriented people are often still attracted by the prestige of being associated with a university, which they tend to perceive as an institution of a higher order than business or industry. This is expressed in noble, non-materialistic though often vague motives of service to the progress of humanity, dedication to science, and innovation through research. The prevailing belief that teaching is a 'noble pursuit' or 'calling' and that individuals are drawn to teaching because "they make a progressive contribution to society" further entrench this view (Lagardien 2012: 7).

The understanding of career development is also traditionally very different in higher education from what it is in the corporate environment. Expectations of the corporately-minded usually include notions about escalating profit margins, a tough environment, competitiveness, having to 'climb the ladder', 'getting to the top' and acquiring some form of managerial status and power. Correspondingly, the corporate-oriented are always aware of the corporate hierarchy and power politics which reach down from top decision-making levels to the lowest 'shop floor' level and

also of the skilful manoeuvring and manipulation that are often required for corporate survival and advancement. In the corporate world there is often an awareness of the interpersonal strategies that have to be implemented, formally and informally, in order to succeed in the climb upward – this is a notion different from academia's broader and often more altruistic reliance on and expectations of a sense of duty and loyalty and of hard work being automatically recognized and rewarded.

The career development consciousness and expectations of the academically-minded are thus often, comparatively speaking, 'more innocent' – with an underlying belief that academic careers mainly unfold by hard work, generally doing one's best, passing the test of obtaining a doctorate, publishing in accredited journals and presenting articles at conferences. In this paradigm the university has a hierarchy of a different kind – even at entry level, the status of a junior or associate lecturer is already impressive. The points of reference are the perceived power of having students 'below' one; the perceived authority of being able to 'profess' one's specialized knowledge of a specific field or discipline; and society's perception of lecturing at university level as being an elitist and prestigious position. Traditionally academics (lecturers, doctors and professors) are perceived as slightly esoteric and 'important', while the exact meaning of academic titles and the differences in rank are not common layman's knowledge. Traditionally, the more naive academic career development consciousness does not link the hierarchy, from junior lecturer to professor, primarily with competition and power, but with ascending through the accumulation of knowledge, the acquisition of degrees and the publication of research findings.

### **The new reality of research-driven competition**

Changes in the academic landscape and in the driving forces behind higher education management are increasingly creating a more complex, dynamic and uncertain space for academics and researchers. The twentieth century's massification of education is resulting in "competition, driven in part by the research capacity of universities... in the early twenty-first century" (Hazelkorn in Geertsema & Van Niekerk 2009: 913). Geertsema and Van Niekerk (2009: 913) identify the following themes as common to twenty-first century higher education strategies for change in the developed as well as the developing world: economic competitiveness; economic efficiency; concentration and selectivity leading to the promotion of focused research; an emphasis on interdisciplinary research; knowledge production and research within the mode of application; new approaches to organizational structures and cultures; a tenuous and dualistic relationship between teaching and research; entrepreneurship; and the specialization and professionalization of research management.

### **Career demands in academia**

Traditional academically-centred career approaches alone are inadequate to prepare new entrants for higher education as a work environment or to propel them towards professional success. One of the primary aims of higher education institutions in South Africa today is the development of academic research capacity and the subsequent increase in research outputs in the form of qualifications, published articles and conference presentations (which are retrospectively subsidized by the South African Department of Education, thereby forming one of the major streams of income for higher education institutions in South Africa). This aligns with the imperative of higher education globally, namely that it is "no longer simply a process of 'turning novices into experts' (Leverenz 2001: 58), but appears to be increasingly one of turning novices into published experts" (Cuthbert *et al* 2009: 139), which arguably leads to "leisurely approaches to intellectual work [being] replaced by just-in-time scholarship" (Boshier 2009).

Academic expectations are increasingly becoming less defined, more diffuse, more flexible, more commodified and much more market-oriented and result- and profit-driven. Concepts such as 'targets', 'performance contracts', 'outputs', 'productivity', 'investment', 'impact', 'adding value'

and ‘returns’ are now part of the lingua franca of academia, which is “in sharp contrast to the time when universities were places for cultivation of the intellect, knowledge was produced for its own sake and scholars were under no obligation to demonstrate the impact of their work” (Boshier, 2009: 9). Maistry (2012: 516) describes the new global academic push toward quantification as follows:

“There is increasing momentum towards a quantitative, performance-driven indicator mentality [which] is likely to reduce the finely textured richness of the academic enterprise of universities and in higher education [and] its human communities to bland, detached numerical scores.”

In addition, the metaphorical ball-game is in constant flux and successful players on the academic field need to acquire diverse skills, not only disciplinary-based, but most notably skills in self-knowledge, self-management and self-actualization are required. Research, ‘teaching and learning’, community involvement, entrepreneurship, technological advances, and administrative and management functions all compete for the time, energy and commitment of academics and researchers. Maistry (2012: 524) succinctly articulates the unrealistic burden placed on the shoulders of new and emerging researchers and academics:

“It becomes laughable when a university employs an academic with a Masters degree and expects that individual to assume a full teaching load, engage in community service, engage in PhD study and simultaneously produce at the institutionally determined research productivity levels.”

### **PERSONAL BIOGRAPHICAL ANALYSIS AND CAREER SCULPTING PROGRAMME: RATIONALE, TITLE AND OPERATIONAL ASPECTS**

The underlying motivation for the Personal Biographical and Career Sculpting programme is to empower and equip participants to become personally responsible for and more professional and productive in the management of their academic careers. The most unique characteristic of this Career Sculpting programme is that it specifically addresses the individual participants’ levels of self-knowledge and their understanding of social and organisational contexts and of career dynamics. The broader aim of the format is to bring individuals in touch with their personal motivations in life and in work, and to underpin their career motivations by setting meaningful and realistic career goals. The programme guides participants individually towards defining a meaningful connection to their field of work and emerge from the programme with specific career goals. These goals are defined down to concrete aspects such as scope, size and timing for their research and thesis work – aimed at providing participants with an impulse and motivation to immediately start implementing the self-knowledge and career-enhancing skills gained.

The title of the programme refers distinctly to the two programme components: biographical self-management methods and creative personal involvement. ‘Biographical analysis’ in the title is preceded by the adjective ‘personal’ because the workshop indeed accommodates everyone individually. This personal focus is enhanced by providing each participant with a personal and confidential coaching session between the two separate workshop days. The one-month interval between the two workshops allows for individual self-management exercises, as outlined in the accompanying workshop manual, with a specific invitation to participants to experiment with recording or diarizing their own observations in typical introspective self-study methodological fashion (Feldman 2009; Loughran *et al* 2004; Lassonde *et al* 2009; Maistry 2012).

The structure of the programme – two separate workshops with one-on-one counselling during the interval – is not designed at random. It is designed to reflect the time-dimension sequenced path followed in the programme (Vansteenkiste 1992; Schottelndreier 1989). The programme takes the participants along a journey, symbolised by the shape of the lemniscate. The left loop of the

lemniscate is the analytical part of the journey revisiting the past, the crossover point being the present, and the right hand loop represents the exploration into the future.

The designation of ‘sculpting’ in the title refers to the creative aspect of the work that is conducted as part of this programme, which strategically steers perceptions away from expectations of prevailing generalized psychometric test-based personal profiling and performance-based criteria for career monitoring. In referring to the imagery of the art of sculpting, the focus is placed on the creative involvement of individuals in the shaping of their own lives and careers.

The facilitator must be a highly competent professional with a counselling and organisational development background and an affinity with and experience of the academic world, though she/he should not be employed within the management structures of the institution. The same result cannot be reached with models and methods for career success which refer to the business and corporate environment, or with a facilitator without academic experience.

## **DESCRIPTION OF THE PERSONAL BIOGRAPHICAL ANALYSIS AND CAREER SCULPTING PROGRAMME**

### **Day 1: Theoretical introduction and establishing group cohesion**

The first day of the programme starts with a theoretical introduction toward understanding the dynamics and politics of career development, which is followed by practical personal applications. In the theory section, some pertinent insights – drawn from organisational sociology and research data about the condition of the global workplace, selected from sources such as International Labour Organisation reports – are presented at introductory level. Parallels are then drawn with the participant’s knowledge of local work environments and with the participants’ personal or indirect experiences of the phenomena of power and competition (including negative competition) in organisations. The presentation of such a theoretical framework usually has an immediate impact on the participants, since it conceptualises frustrations and problems with which they can identify.

In this introduction, forms of power and politics and their manifestation in higher education are highlighted. Participants can now refer to a typical analytical framework of organisational dynamics, with reference to specialized aspects such as: financial organisational pressures for subsidies and funding of research; pressure to generate income by enrolment of quantities of students (related to the business model of the university); international contextuality in terms of ‘centres of excellence’ and universities in third-world countries; ‘publish or perish’ career pressures; human resources pressures and demands placed on academics; and the common pitfalls of academic life, such as the importance of protecting intellectual property rights, the potential for exploitation of junior lecturers and the increasing global reality of workplace bullying in academia as well as other industries (Fazel 2012: 3).

This analysis leads the participants to formulate conclusions on how they could successfully position themselves in their careers. This includes: appreciating the necessity for taking personal responsibility for one’s career and career development; formulating a personal definition of career development, goals and success; internalizing the need to be proactive in career planning and career lobbying instead of passively and naively waiting only for the recognition and rewarding of hard work. The first day’s theoretical introduction is rounded off with a critical assessment of career stereotypes and the recognition of false expectations.

Group discussions are important at the start of the day, since it depersonalises many concerns and experiences and render them more objective when shared by all participants, establishing a sense of collegiality and solidarity. The insights gained in this manner raise the levels of motivation among participants to individually apply newly-gained insights and remedies to their own personal

situations. The trust levels within the group are raised, since collectively shared experiences now prevail over the more usual alienating practice of shying away from sharing personal information or thoughts. Without this team trust, the participants might remain reticent and withholding, in fear of being seen by others as flawed or weak. In this manner the tone is set for the actual workshop section of the day.

### **Personal biographical review with career chart**

This analytical self-knowledge activity is the cornerstone activity on which the rest of the workshop and the coaching build in meaningful ways. A time limit is set for this activity and then each participant withdraws to focus on recalling their life and subsequently creating a chart (Schottelndreier, 1989) that represents a visual overview of their life journey and experiences. The chart represents in chronological order the different phases and significant events in their private lives as well as in their professional lives, study and work. Participants are encouraged to use different colours to distinguish the private sphere from the work sphere and, as a result, two curves emerge on each chart, moving up or down or forming a plateau, according to how particular events or times are experienced. Creativity is encouraged, by the use of symbols, photographs, mementos or concepts, to mark specific events.

The individual research session is followed by a session in smaller groups in which – according to structured guidelines for presentation, listening, observing and giving feedback – each individual presents their own chart. Disclosure and participation are voluntary and no-one is forced or coerced to present their chart, though all are encouraged to participate in providing feedback. Invariably all participants do their presentation as possible early uncertainties and insecurities are dismissed through witnessing other individuals present their charts and by experiencing the group's acceptance and support. The solidarity effect of sharing life stories acts as a great equaliser, in its undoing of stereotypical views about each other and in raising high levels of empathy for what fellow human beings endure. Unfailingly, new perspectives arise, both due to the feedback that individuals receive on their own charts and from being a close witness to the charts of others. To discover new ways of interpreting one's own experiences brings dynamic movement in self-awareness, self-analysis and self-judgement. This then provides the much-needed leverage for transforming negative thought patterns, habits and self-judgements into more encouraging, inspiring and proactive thoughts, patterns and actions.

For most of the participants this is their first encounter with such structured analysis of their personal biography and also the first time they receive such spontaneous, high-quality input from peers. This personal review activity unfailingly generates positive feedback and makes a significant impact on individuals. Plenary observations and further personal observations are made, in accordance with the research questions that are included in the accompanying manual. This analysis also contributes to accelerated new personal insights about self, life context, patterns and dynamics.

### **Talent excavation**

The importance of this part of the workshop cannot be over-emphasized. In the afternoon each participant is given the opportunity to thoughtfully consider what they perceive as their personal talents, and the ways in which they manifest them. Since an actual conceptualization and self-awareness of 'talent' tends to be either very abstract or completely missing in most people, this exercise brings the participants in direct active contact with critical self-knowledge. This talent excavation activity is complementary to the preceding charting activity, but is conducted in a more holistic experiential manner, compared to the analytical approach of the chart exercise. The talent excavation elicits further positive energy through the participants' connecting with those things that they do well and enjoy doing.

The talent excavation starts with a spontaneous guided-memory relaxation exercise, which in-

dividual participants then recount to the group. Through their own narrative and observation of others' narrations, participants learn to observe themselves and others more objectively in the phenomenological tradition of qualitative research. This activity also combines the deeply personal with the collectively shared experiences and ignites a fascination with the varied world of talentedness. A fascination with talents replaces the fear which many people secretly hold: the fear of not possessing anything remarkable at all. In subsequent self-reflection, everyone is invited to review how their talents connect to their current career or future aspirations within the academic environment. This crucial stage in the process forms the link between the two workshops and is re-emphasized at the start of the second workshop – namely that the core of personal talentedness is individuality, and this individual talentedness holds the key for each person to unlock their unique potential and purpose in life.

### **Self-portrait**

At the end of the first day's workshop, all the participants are encouraged to do a brief 'stock-taking' activity, aimed at positioning themselves in the present, and discerning and describing the most significant characteristics of the individual they have become through their life journey. This they do analytically by means of set questions in the workshop manual which relate to knowledge, skills and personality. The format in which the self-portrait questions are set out aims to have each participant pay specific attention to their strengths, on the one hand, and their weaknesses, on the other. Questions relating to their environment, both personal and professional, turn the observations outward towards social and institutional context and culture, while questions about life themes encourage indepth biographical self-awareness. The final question calls for an associative creative image to act as a uniquely individual representation or signpost for each person. Images such as a tree, a goddess, an eagle and a river are popular examples which emerge.

This exercise not only functions as a summation of the day's work, but also raises self-esteem. Viewing the juxtaposition of characteristics leads to the discovery of a sense of balanced opposites present within each individual, which implies that the research has moved from an analytical level to the level of emotional intelligence. This is an important prerequisite or grounding experience for the future-oriented work of the second workshop: a wholesome self-acceptance; acceptance that things which happened cannot be changed; the realisation of having coped with all that went before; and a balanced perspective on one's positive attributes. These factors combined engender a readiness for self-improvement and change.

In the time-dimension sequenced path of this programme (Vansteenkiste 1992; Schottelndreier 1989), the self-portrait summary is a crossover activity between the analysis of the past and entering into the future. The review loop of the research lemniscate is now complete. A time interval is now necessary for the emotional impact of observations and discoveries to settle and lead to personal grounding and internalization – hence the month-long interval before the second workshop.

At the end of the first day, workshop participants often feel confused and temporarily overwhelmed by the potency of the discoveries of the day. This is the exact point at which they are ready for the inevitable self-analysis which takes place during the month between the workshops. They are, however, not left alone in this process, as each individual meets with the facilitator for a private and confidential coaching session during the interim month. During the interim month they are also encouraged to enhance their emotional self-affirmation by creating a personal collage through selecting and composing imagery representing the essence of their self-portrait.

### **Interim period: Personal coaching and counselling session**

The facilitator uses this opportunity to offer individual participants sensitive feedback, based on their life charts and workshop experiences, which would not be appropriate in the presence of the group. Concentrated individual focus in a confidential conversational style brings about intuitive

and inspirational associative insights which advance the definition of talent, life themes and life mission for each person. This then acts as the accelerator or springboard for the aims of the second workshop. For many participants their counselling session is a crucial component towards achieving a balanced self-perspective and towards feeling empowered to manage change in their personal lives and careers.

For many it is also their first experience ever of a personalized counselling intervention. Often it is necessary to use the opportunity created by the confidential session with the facilitator to unburden traumatic past experiences, which often revolves around challenging (and sometimes extremely severe) childhood experiences. If advisable, more specialized and long-term counselling is recommended as follow-up. Invariably these sessions reveal that the person in question has managed to functionally cope, often for many years, without ever having revealed these experiences. Thus the unburdening to a trusted, non-judgemental, trained professional in a safe and confidential environment is often a personal breakthrough.

Most often, in these individual sessions, experiences of frustration, alienation and uncertainty within the larger university system and hierarchy are breached. Having a facilitator who is well acquainted with the academic environment as well as with corporate career development – but not employed by the institution – effectively facilitates the coaching process. Because the independent facilitator understands the environment of academia the participants do not feel that they are speaking to someone implicated in the managerial hierarchy of their organization. The insights previously gained – during the first day's work around institutional dynamics and power structures – emerge in these discussions in newly integrated ways. The participants begin to see themselves as part of a bigger system. They are empowered with the sense of being able to 'read' politics and dynamics of power. Upon understanding and insight follows the self-assurance and confidence to begin actively managing – rather than passively experiencing – their career planning, development and advancement.

## **Day 2: Towards the future**

The specific aims of the second workshop day are to help participants generate a personal vision for their future and to guide them to translate these long-term goals into ready and immediate action. Achieving these aims fast-tracks these novice emerging academics and researchers to become leaders of excellence in a few years' time. The creative aspect of envisioning a desired and meaningful future makes the comparison of active self-involvement in personal career development to the process of sculpting even more relevant on this second day. The display of the individual collages sets the tone for a very different workshop experience.

## **Undoing resistance to change**

The energy that reconnects the group on the second day is the shared awareness of the need for personal change. The spectrum of preconceived ideas about this change ranges from excitement and eagerness to apprehension and fear. Among all these emotions the fear of change is predominant – fear being the ultimate resistance to change (Blum 1996; Hansard 2006). The group takes the first step towards overcoming resistance by each person affirming his or her individual strengths and talents. The participants voluntarily share feelings and new insights about their life and purpose which have emerged in the time between the two workshops. The facilitator uses discussion to deconstruct generalised and abstract apprehensions and notions of radical or structural change and to redefine change management as a tool kit which operates on different levels, with varying measures of risk-taking and varying speeds of implementation.

It is important to stress here that there is no application of any 'one fits all' model of change. The specific purpose of this programme is exactly the opposite – namely for each person to become

self-aware to the extent that they can identify, choose and design for themselves the appropriate change management techniques and steps that are required. This sense that managing change can potentially be much more than reacting to externally imposed change is a significant theme of this programme. Because fear of change – especially dramatic change – is deeply rooted in the human psyche, clarity about personal change management and a continued or newly gained sense of control over the process and over one's life are essential reassuring factors. These aspects make it safer and more inviting for the participants to embark upon the uncharted waters of envisioning their personal and professional futures.

### **The adventure of imagination**

The main activity at the start of the second workshop is a relaxed and playful exploration of the future. Simultaneously this re-establishes group solidarity and energy. Participants are asked to generate three imaginary future scenarios for themselves and describe each in a brief paragraph. The three scenarios all revolve around their lives 10 years from the present. The first scenario – the 'no-initiative' scenario – is a predictable extrapolation of the likely outcomes of 'going with the flow' and not taking any initiative. It reflects a possible reality if they are to make no changes to their lives and continue on as they are at that point in time. The second scenario – the 'career pinnacle' scenario – envisions a future specific to academic aspirations and career. The third scenario – 'my wildest dream' – is the most daring alternative. It envisions an attractive holistic life experience based on desires, wishes and ambitions previously not taken seriously – including but also transcending career and academic aspirations.

In all three scenarios participants are specifically encouraged to explore their academic and career dreams beyond the completion of the qualification that they are enrolled for at the time, asking the question: 'Then what?' This exercise yields very interesting observations from the group – most notably that there is little contentment to be expected from an unmanaged life and a no-initiative scenario. The scenario with the greatest magnetic appeal becomes very obvious to both individuals and the group during the personal presentations and feedback activities.

The facilitator must ensure that feedback is of a biographically integrative quality: linking talent and vocation for each participant individually.

Many novice academics almost 'accidentally' enter academia through progression from tutoring at honours level, student assistantships and temporary contract lecturing to replace permanent staff members on sabbatical, maternity leave or who are retiring. Samuel (2012: 3) accurately describes the career path of most academics as "long-winded" and a "lengthy arduous path". For most academics once they have reached the all-important goal of obtaining a doctorate it becomes difficult to envision their academic future path and where their career development – beyond their doctorate – could lead.

The prevailing workshop observation about the third scenario – the one most usually rationally dismissed – is that it reflects what individuals are passionate about in the larger, more holistic scope of their life experiences. During the scenario presentation and feedback session, participants discover the emboldening and even prophetic dimensions of speaking their dreams to an audience of witnesses. It is at this stage of the work that the group's earlier practice with unbiased listening and sensitive and respectful feedback become crucial. The facilitator now demonstrates listener's guidelines, which enable participants to tune into the intuitive recognition of true vocational enthusiasm.

The group's feedback invariably transmits enthusiasm and encouragement to each speaker toward further exploration of their personal vision. The group's maturity evolves to the level that they can assist each other (even after the workshop programme, in more social and informal support groups) in incubating meaningful further life and career developments. Through this future exploration

exercise, the element of surprise at finding new possibilities – beyond what each person deemed hypothetically possible at the start of the journey – is the reward each individual experiences for taking the risk of daring to ‘think outside the box’. Actively engaging in imagining the unseen, and overcoming their vulnerability to feedback from others, has paid off. Speaking in the sculpting metaphor: once the contours of the personal vision appear in the sculpting process, the directive energy of personal willpower can be accessed. This makes planning a course of action the realistic, reasonable and attainable next step in the creative process of each individual sculptor.

## **BIOGRAPHICAL PLANNING**

Due to varied social, cultural, familial and educational reasons, participants have not acquired the essential life skill of long-term planning. This workshop often represents their first encounter with planning. They enter the workshop as pragmatic survivors and problem-solvers, but they need to acquire effective planning skills. Some participants are good goal-setters and disciplined achievers in their professional, academic and work environments. Yet the skills needed to plan and bring to fruition a biographical vision is of a different calibre.

Biographical planning begins with envisioning a bridge spanning the time frame from the present into the desired distant future, literally ‘bridging the gap’ between the two. This is the most daunting and complicated aspect of biographical planning. The magnetic appeal of the discoveries made in the future exploration exercises makes it possible to span the bridge between the here and now and the envisioned future. Once the bridge is envisioned, planning the blueprint of how to get across the bridge follows more easily. This entails devising the strategies to reach the distant goals and negotiating the obstacle course to get there. In accordance with the scenario this bridge spans 10 years.

To anchor the plan in reality and begin the long journey with the first step, a blueprint is made for the immediate year ahead. This one year is laid out so that the 12 months ahead will result in significant measurable impact and change. This provides the encouragement and reassurance that one is well underway to crossing the bridge. Though the concrete steps and decisions in the year plan must be defined in detail, the mindset associated with the year plan must be a flexible one of steering one’s course rather than an obsession with a fixed agenda.

The second workshop concludes logically with participants having outlined an individual plan – with a specific plan of action for the next year. They will essentially have constructed a personalized developmental contract with themselves, with specific key goals, sub-goals and time frames for the achievement of each of these. An open-ended invitation is extended to all participants to remain in contact with each other and the facilitator, should they feel the need for additional guided self-reflection and peer support.

## **OUTCOMES OF THE PROGRAMME**

### **Participants embark on purposeful academic pursuits with confidence**

The immediate outcomes, achieved at the end of such a two-day workshop programme, are that the participants have gained a wider and positive appreciation of their personal biography, career goals and vision. Their new awareness heightens their sense of dignity. It also reinforces self-determination. These are two invaluable developmental outcomes. The participants are also able to transfer these outcomes onto the level of their academic pursuits. They now engage purposefully with their current institutional, academic and research projects and have a vision for continued development in these spheres.

The self-management skills acquired – specifically pertaining to analytical and planning abilities – build self-esteem and confidence. The participants emerge from the workshop with a confidence

in their pursuits and a realistic approach to their career context and development. Participants now know how to actively engage with their own talents, dreams and ambitions. Last but not least they assume responsibility for the management of both their personal and professional life.

### **Peer group effect**

Peer group association, a sense of belonging and ‘mate-ship’ (Conrad in Devenish *et al* 2009: 62) are important factors for assuring success and progress in higher education and in obtaining qualification and output in the minimum amount of time (Devenish *et al* 2009: 59). The Career Sculpting programme empowers the participants with a positive identity as academics and researchers in the South African higher education environment, despite the many institutional, systemic and situational challenges that they may face. The opening discussions on the role and value of tertiary institutions, the power of knowledge, and the contribution of leaders in science thus prove essential and even groundbreaking for some.

To engage with peers and exchange ideas across disciplines in a safe and non-threatening environment generates a cohesion among the participants as well as a new understanding of the scope of their institutional, South African and global academic community. In higher education such peer group contact is often non-existent between and within insular departments – specifically also in the South African post-merger context, with the attendant challenges of historical inequalities (historically ‘black’ versus historically ‘white’ institutions), interpersonal and inter-institutional competitiveness; vying for positions, remuneration, seniority and status; the pressurized merging of distinct educational paradigms (university versus technikon) and related ‘us’ and ‘them’ polarities; mistrust of imposed management imperatives; scepticism regarding change management, and high levels of emotional, psychological and professional exhaustion. By providing this peer group experience, the programme generates a foundational basis for solidarity and peer support which often continues in both formalized and informal ways afterwards.

### **Equity, diversity and redress**

This workshop programme resonates with the overarching strategic objective, vision and goals of South African higher education, namely to contribute to increased research outputs, thereby building the country’s research capacity and “turning novices into published experts” (Cuthbert *et al* 2009: 139) in the shortest possible time frame (Boshier 2009: 9). By applying appropriate participant selection criteria, this workshop programme can contribute not only to the larger South African redress policy, but also specifically to the higher education vision of contributing to the development of South Africa’s communities – and nurturing a new generation of potentially excellent and internationally competitive researchers and academics representative of the South African socio-cultural landscape. This is then also in line with Higher Education South Africa’s proposition (Badat 2009: 5) that two purposes should be served in higher education development – namely:

“to ensure that the challenges related to the development of a new generation of academics in South Africa are appropriately conceptualized [and] to ensure that the policies, strategies and mechanisms that are innovated for producing, transforming and retaining a new generation of academics indeed address the identified challenges”.

These challenges specifically relate to the inequality of representation; age profile of academics; expansion of higher education; challenges around the current postgraduate pipeline (duration of study towards qualification, age profile and social composition); defining designated groups, and the remuneration of academics.

### **CONCLUSION**

The 2001 National Plan for Higher Education envisages an expansion of the university system in South Africa and an ever greater increased influx of new entrants into higher education, with

as many as 100 000 new entrants expected by 2016 (Badat 2009: 10). Yet the grossly inadequate and non-competitive salaries and incentives in academic careers (relative to occupations in the public and private sectors) render it near-impossible to present academia as an exciting, viable and rewarding occupation to potential future academics. It is also estimated that close to 27% (4 000) of the current professoriate in South African higher education will retire from academia in the next decade (Badat 2009: 9), while there is no exponentially corresponding influx of new academics; nor are there sufficient promotions and successions from within the established ranks of academia. In relation to the above-mentioned challenges, Higher Education South Africa (HESA) identifies the most important tasks associated with the restructuring of the South African higher education landscape as follows (Badat 2009: 2):

“[to] advance redress and social equity for black and women South Africans; [to] produce and retain a new generation of academics; [and] to produce and retain a new generation of academics and simultaneously transform the social composition of the academic work force”.

The most important characteristics of such a new generation are that (Badat 2009: 3):

“[it] must not only be increasingly constituted by black and women South Africans; [but] [it] must also possess the intellectual and academic capabilities related to teaching and learning, research, community engagement and the institutional transformation and development of South Africa’s universities” .

The ‘Personal Biographical Analysis and Career Sculpting’ workshop programme is an example of the innovative initiatives needed for the development and retention of researchers and academics in South African higher education. The central tenant of the programme is of very great importance as it addresses challenges raised by the neo-liberal, dehumanizing structures that have infiltrated higher education. The programme’s insistence on a humanizing and holistic approach to development is essential. Adopting an individualized and personal approach to career counselling and development in academia must be a high priority for it to be successful and effective, as Maistry (2012: 515) also points out:

“A focus on capabilities rather than achievements is a useful way of engaging the development of higher education personnel as it signals the notions of care and respect as endearing human values rather than higher education institutions should not neglect in their quest for market share in a hostile neo-liberal environment.”

Combining biographical and creative approaches with institutional perspectives and self-awareness techniques can lead to renewed motivation and action among the novice and emerging academics and researchers from which South Africa’s new leaders of excellence will come.

<sup>1</sup>Three consecutive years of programmes were conducted within one South African higher education institution (2008 – 2010), with participants selected via appropriate university channels.

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# THE IMPACT OF THE FORMER LOCAL BUSINESS SERVICE CENTRES ON SMALL, MEDIUM AND MICROENTERPRISES IN THE EASTERN CAPE

R Ncwadi and P le Roux<sup>1</sup>

## ABSTRACT

*Small businesses are recognized worldwide as a key element in economic and more particularly, industrial development. Most countries in the world have created special mechanisms to enhance and facilitate the creation and growth of SMMEs. Despite the efforts by the government to establish a support structure for the small business sector in South Africa, to date this effort has not been successful. The failure rate of SMMEs is between 70% and 80% and millions of Rands are being lost on business ventures. The objective of this article is to analyze the welfare impact of public expenditure on small, medium and microenterprises in South Africa. This research makes use of a cost benefit analysis on a sample of 226 small businesses which had received some form of non-financial support from local business service centers during the period 2001 to 2005. Using a benefit cost ratio as a decision-making criteria and subjective measurements on a three point likert scale, the results suggest that public finance on SMME promotion in the Eastern Cape yields positive social returns albeit that the small businesses still face a number of constraints. It is recommended that a holistic approach towards SMME support intervention is adopted; otherwise the social returns derived from public expenditure in SMME promotions will remain sub-optimal.*

**Keywords:** SMMEs, LBSCs, welfare, cost benefit analysis, benefit cost ratio, social discount rate,

## INTRODUCTION

The promotion of entrepreneurship and small business is an important priority of the government of South Africa. In an effort to support the development of Small Medium and Microenterprises (SMMEs) in South Africa the government established a support structure for the small business sector. After the enactment of the national White Paper on Small Business, the Department of Trade and Industry (DTI) began the process of building new institutions to service the SMME economy (Manning, 1996: 36). To this end the key institutions for the development of SMMEs were Ntsika Enterprise Promotion Agency (NEPA), Khula Enterprise Finance and Khula Credit Guarantee, the National Small Business Council, and Provincial SMME Desks (RSA, 1995). An important unit of NEPA was Business Development Services (BDS) which was set up in April 1995 to coordinate the evolution and development of the network of Local Business Service Centres (LBSCs). The LBSCs are accredited organizations which deliver non-financial business support and services to small and microenterprises. The majority of small businesses assisted by the LBSCs are start-ups rather than existing businesses (Rogerson 1997: 10).

## THE PROBLEM AND ITS SETTING

Despite the efforts by government to establish a support structure for the small business sector in South Africa, this effort has not been as effective as was anticipated. Some small businesses con-

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tinued to fail in South Africa. The failure rate of SMMEs is estimated to be between 70% and 80% and millions of Rands are being lost on business ventures (Van Eeden, Viviers & Venter 2003). The failure of the small businesses despite the LBSC support provision led to a widespread belief that the LBSCs had little or no impact on small business (GEM 2002: 7). The focus of most of the critics of the LBSCs has been based on an argument that the LBSCs failed to deliver effectively on their programmes (Bloch & Daze 2000: 2).

The shortcomings with the LBSCs programmes were identified to firstly have been as a result of a lack of capacity within the LBSCs themselves in that some of the LBSCs staff were inexperienced in the task of advising entrepreneurs (Berry *et al* 2002: 10). Secondly, the geographic coverage of the LBSCs system was inadequate. There was at best one LBSC in each of the larger towns, and in the majority of medium-sized as well as smaller towns there was none (Rogerson 1997: 10). Even in the metro areas there were suburbs (or townships) with 100 000 or more inhabitants which had no centre nearby. In the rural areas and small towns, coverage was even more erratic (Rogerson 1997: 10). Thirdly, apart from the spatial coverage, the other fundamental shortcoming of the LBSCs related to a lack of availability of easily understandable information. Fourthly and lastly the LBSCs tended to service a wide range of businesses and were generally unable to mobilise the necessary expertise to provide more than a generic service to these businesses. The need to maximise service fees also resulted in a reluctance to refer clients to other suitable service providers as initially envisaged (Rogerson 1997: 12).

Despite the shortcomings of the LBSCs, the public funds were still being invested in the LBSCs. For example, Ntsika's budget for 2000 was approximately 80 million rand of which approximately 12.5 million was allocated to LBSCs. Ntsika's 2001/2002 budget was almost half of the 2000/2001 budget at 43.6 million rand of which R8 240 289 was allocated to LBSCs and a further R1 084 440 to survivalist and micro enterprises, via other conduits. Khula's budget for its two programmes that service the survivalist and micro-enterprise sectors, amounts to approximately R45 million for the year ending March 2003. This amount has been almost doubled for the year ending March 2004. The Enterprise Development Unit's budget for institutions for the financial year ending 31 March 2001 was R146 million. It was reduced to R104 million for the financial year ending 31 March 2003 (IDASA: 2003).

The above figures represent public sector funds and exclude donor funds, interest, fee income and other forms of revenue. Donors committed R1.6 billion to SMME development for the period 1994-1999. By the end of 1999, R867 million of donor funds had been disbursed to NGOs. The remainder was committed to funding of existing projects. Fifty-five percent (R480 million) of the R867 million was disbursed to the 'person-centred' survivalist sector, and therefore had poverty alleviation as its goal (ILO, 1999). These amounts do not take into account the funds secured by individual NGOs from overseas and local donors, which in most cases constitute by far the bulk of these NGOs' funds.

Given the above figures and the very limited state budget, it becomes crucial to look closely into the impact of LBSCs on the development of SMMEs.

### **Research objectives**

The objective of this research was to analyse the effectiveness of the LBSCs interventions in the small businesses which participated in the LBSCs programmes. The period being reviewed in this study is 2001 to 2005. The main focus of analysis in this research is the public funds allocated to the LBSCs for SMME development and the resultant economic and social returns on this investment in the Eastern Cape.

## Hypothesis

$H_0$ : Public expenditure on the LBSCs does not yield positive social returns.

$H_a$ : Public expenditure on the LBSCs yields positive social returns.

## Research methodology

The hypothesis was tested primarily by a cost-benefit-analysis. The idea of cost-benefit-analysis (CBA) for example, is to measure the net advantages of a capital investment project in terms of society's net utility gains (welfare economics) (Mullins 2002). The effectiveness of the LBSCs interventions was assessed firstly by measuring subjective perceptions of the respondents on improvements attributable to the LBSC programs and the objective measurement of post-assistance business performance, namely annual turnover and employment creation. The subjective measures were based on a three point *likert* scale of 1 – 3 (*1 = no impact, 2 = minor impact, 3 = major impact*).

The respondents were asked to state the percentage annual growth of the turnovers from 2002 to 2005 that could be attributed to the LBSCs support interventions. The percentages of annual turnovers attributed to the LBSCs support interventions were used to adjust the annual turnovers of the small over the period under review. Using the adjusted annual turnovers as a benefit of LBSCs interventions is in line with the work of Chrisman and McMullan who evaluated small business interventions using both client satisfaction and economic performance measures in terms of annual turnovers of the businesses (Chrisman & McMullan 2000: 37).

The costs comprised of the annual budgets allocated by Ntsika to the LBSCs for SMME development and the fees paid by the respondents to access the LBSCs services. After the costs and benefits of LBSCs interventions were identified and quantified the next step was to evaluate these costs and benefits in a time dimension (Nas 1996). The project costs and benefits streams were discounted to present values (Mullins 2002: 44). A social discount rate of eight percent was used as recommended by the Conningarth Economists (Conningarth Economists 2007). A change in social welfare of in SMME promotion in the Eastern Cape was measured by deducting the summation of social costs from social benefits.

A discounted benefit cost ratio (BCR) was used as a decision making criteria. The discounted BCR is defined as the ratio of the present value of the benefits relative to the present value of the costs (Kirkpatrick & Weiss 1996). The criterion for acceptance of a project is that the discounted BCR must exceed 1 (one).

## Sample selection

The LBSCs were approached to provide a list of the small businesses which accessed LBSCs services in 2001. The purpose was to assess the performance of these small businesses over a period 2002-2005.

This list from NMMU/ABSA Small Business Unit in Port Elizabeth contained a total number of 105 clients. The aim was to reach all 105 clients contained in the list. This database was, however, not reliable as many contact details had changed. Consequently a total number of 81 respondents could be reached for interviewing. Of the 81 respondents, 20 intimated that they were no longer running businesses but were on full time employment. The reason for this was that they could not access the necessary finances to start their businesses.

A list containing 157 clients was obtained from COMSEC in Port Elizabeth. Due to incorrect and/or changed contact numbers, only 87 clients could be reached for interviewing. Of the 87 clients, only 58 questionnaires were usable. Of the remaining 29 respondents, 15 intimated that they were

no longer in business due to finances as well as infrastructural constraints and 14 questionnaires could not be used as there was crucial data missing.

Out of a list of 60 small businesses who were assisted in Mdantsane Small Business Service Centre, only 43 small businesses were available and willing to be interviewed. The interviews were conducted on the premises of the Mdantsane Small Business Service Centre. The remainder (20) did not respond to the invitation. In Umtata, a total number of 74 small businesses out of 100 that were assisted in 2001 were approached and interviewed. The remainder (26) could not be traced due to change of addresses.

The total number of respondents included in the sample amounts to 226.

## **Descriptive results**

### **Gender**

More than half (54%) of the respondents were females as compared with their male counterparts (46%) (Table 1).

**Table 1: Gender**

Gender	N	%
Male	103	46%
Female	123	54%
Total	226	100%

**Source: Survey data (2008)**

### **Age groups**

33% of the respondents were within the age group of 31 – 40 years, followed by 29% of those who were within the age group of 41 – 50 years of age. Those who were within the age group of 21 – 30 years made up 27% whilst those between the ages of 51 – 60 made up a mere 8% followed a small percentage of 3% of those who were 60 years and above (Table 2).

**Table 2: Age groups**

Age groups	N	%
21-30	75	33%
31-40	61	27%
41-50	66	29%
51-60	18	08%
61+	06	03%
Total	226	100%

**Source: Survey data (2008)**

### **Education levels of the respondents**

More than half (51%) of the respondents had grades 8 – 10 levels of education, whilst almost 14% had grades 11 – 12 levels of education. Only 12% had tertiary qualifications whilst only a mere 8% had post matric certificates in fashion design, decorations, fashion design and construction. One percent of the respondents had no education whilst 13% had grades 1 to 7 (Table 3).

**Table 3: Education levels of the respondents**

Education levels	N	%
None	5	02%
Grades 1 – 7	29	13%
Grades 8 – 10	115	51%
Grades 11 – 12	32	14%
Post-matric certificate	18	08%
Tertiary	27	12%
Total	226	100%

Source: Survey data (2008)

### Industrial sectors

Approximately 33% of small businesses were in construction industry, followed by transport, storage and communication which made up 22%. Fifteen percent of the respondents were in community, social and personal services. The manufacturing sector made up about 10%. The remaining sectors were agriculture (6%), wholesale and retail (8%), electricity, gas and water (3%); and finance, insurance, real estate and business services (3%) (Table 4).

**Table 4: Industrial sectors**

Industrial sectors	N	%
Agriculture	14	06%
Construction	74	33%
Wholesale & Retail	18	08%
Manufacturing	23	10%
Transport & Communication	50	22%
Electricity, gas & water	7	03%
Community, social & personal services	33	15%
Finance, insurance, real estate & business services	7	3%
Total	226	100%

Source: Survey data (2008)

### Cost-Benefit Analysis (CBA)

CBA provides a protocol to measure allocative efficiency in the economy. CBA is concerned exclusively with comparisons of direct benefits and costs to society created by an investment project. CBA is ideally suited for the evaluation of capital projects i.e. projects which require immediate capital expenditure but which realise net benefits over time

### Respondents estimated annual turnovers: 2001-2005

The respondents were asked to estimate their annual turnovers from 2001 through to 2005. They were then asked to estimate the percentage of the annual turnover that could be attributed to the LBSCs interventions. These annual turnovers were then adjusted by the estimated percentage contribution of the LBSCs. The summation of the annual turnovers and the adjusted turnovers are illustrated in table 5:

**Table 5: Summation of the estimated annual turnovers and adjusted turnovers: 2001 – 2005**

Years	Annual Turnover (in Rands)	% contribution attributed to the LBSC	Sum of Adjusted annual turnovers (in rands)
2001	470 880	0	470 880
2002	823 400	97.2	359 020
2003	1 345 215	97.2	579 669
2004	1 997 981	97.2	863 533
2005	2 621 610	97.2	1 117 002

**Source: Survey data (2008)**

The costs were derived from public expenditure on the LBSCs during the period under review. Each LBSC was asked to state the amount received from the government which was targeted towards SMME training. These costs are illustrated in table 6:

**Table 6: Government subsidies targeted towards SMME training in LBSCs and fees paid for accessing some of the services (in Rands).**

LBSCs	2001	2002	2003	2004	2005
LBSC A <sup>†</sup>	75 000	75 000	134 000	113 000	263 000
LBSC B	175 000	175 000	250 000	250 000	250 000
LBSC C	40 000	45 000	50 000	65 000	70 000
LBSC D	100 000	110 000	120 000	140 000	15 0000
Sum of the fees paid by respondents	68 570	0	0	0	0
Total	458 570	405 000	554 000	568 000	733 000

**Source: Survey data (2008)**

Since the LBSCs interventions were effected in 2001, the stream of benefits were assumed to have been realised from 2002. The adjusted annual turnovers were summed as follows:

$$\sum R359\,020^{(2002)} + R579\,669^{(2003)} + R863\,533^{(2004)} + R1\,117\,002^{(2005)} = R2\,919\,224$$

Sum of the costs: (2001 – 2005):

$$\sum R458\,570^{(2001)} + R405\,000^{(2002)} + R554\,000^{(2003)} + R568\,000^{(2004)} + R733\,000^{(2005)} = R2\,718\,570$$

$$\begin{aligned} \text{Change in social welfare using the equation: } \Delta SW &= \sum_{j=1}^k B_j - \sum_{j=1}^m C_j \\ &= R2\,929\,224 - R2\,718\,570 = R210\,654 \end{aligned}$$

This implies that the promotion of SMMEs through the LBSCs over the period 2001 – 2005 amongst the selected sample led to a social welfare gain of R210 654.

<sup>†</sup>Real names of the LBSCs have not been mentioned in order to maintain confidentiality.

After the costs and benefits were identified the next step was to evaluate these costs and benefits in a time dimension.

The following formulas were used for discounting costs and benefits:

Present Value of Costs

$$PVC = \sum \frac{C_t}{(1+r)^t}$$

Where: PVC= Present value Cost

$\sum C_t$  =Sum of the costs

r = discount rate of 8%

t = period

$$PVC = R458\,570 + R405\,000 \left(\frac{1}{1+0.08}\right) + R554\,000 \left(\frac{1}{1+0.08}\right)^2 + R568\,000 \left(\frac{1}{1+0.08}\right)^3 + R733\,000 \left(\frac{1}{1+0.08}\right)^4 = R2\,298\,209$$

Present Value of benefits

$$PVB = \sum \frac{B_t}{(1+r)^t}$$

Where: PVB = Present value benefits

$\sum B_t$  =Sum of benefits

r = discount rate of 8%

t = period

$$PVB = R359\,020 \left(\frac{1}{1+0.08}\right) + R579\,669 \left(\frac{1}{1+0.08}\right)^2 + R863\,533 \left(\frac{1}{1+0.08}\right)^3 + R1\,117\,002 \left(\frac{1}{1+0.08}\right)^4 = R2\,335\,929$$

$$NPV = PVB - PVC$$

$$\therefore NPV = R2\,335\,929 - R2\,298\,209 = R37\,720$$

The NPV is defined as the discounted sum of all net benefits (i.e. the difference between the benefits and the costs) over the economic life of the project. The net present value (NPV) and the discounted benefit cost ratio (BCR) were used as a decision making criteria.

The benefit/cost ratio was determined as follows:

$$BCR = \frac{\sum_{t=0}^n \frac{B^t}{(1+i)^t}}{\sum_{t=0}^n \frac{C^t}{(1+i)^t}}$$

$$= R2\,335\,929 / R2\,298\,209 = 1.02$$

The decision criteria are the Net Present Value (NPV) and Benefit cost ratio (BCR). The NPV is greater than 0 and that the BCR is above 1, implying that the public expenditure in SMME promotion through LBSCs during the period under review was both economically and financially viable.

### Sensitivity Analysis

Sensitivity analysis is carried out to determine how a change in any one or more variables will affect the value of the criteria used, namely the BCR. In this case the average real interest rate of 7.3 % (2001 – 2005) was used. The following formulas were used for discounting costs and benefits:

Present Value of costs:

$$PVC = \sum \frac{C_t}{(1+r)^t}$$

$$PVC = R458\,570 + R405\,000 \left(\frac{1}{1+0.073}\right) + R554\,000 \left(\frac{1}{1+0.073}\right)^2 + R568\,000 \left(\frac{1}{1+0.073}\right)^3 + R733\,000 \left(\frac{1}{1+0.073}\right)^4 = R2\,329\,952.98$$

$$PVB = \sum \frac{B_t}{(1+r)^t}$$

Present Value of benefits

$$PVB = R359\,020 \left(\frac{1}{1+0.073}\right) + R579\,669 \left(\frac{1}{1+0.073}\right)^2 + R863\,533 \left(\frac{1}{1+0.073}\right)^3 + R1\,117\,002 \left(\frac{1}{1+0.073}\right)^4 = R2\,379\,742.14$$

$$NPV = R49\,789.16$$

$$BCR = PVB / PVC$$

$$= R2\,379\,742.14 / R2\,261\,382.98$$

$$= 1.05$$

Even at the lower discount rate of 7.3%, the NPV remains above zero and the BCR greater than 1. It can be concluded therefore that the project was worthwhile. The results of the CBA are also in line with the subjective perceptions of the respondents on the impact of the LBSCs on the small businesses during the period under review. Based on the results of the CBA, we therefore reject the null hypothesis in favor of the alternative one.

### Policy implications, conclusion and recommendations

The promotion of enterprise development has been a priority of the democratic government since it assumed power in 1994. In March 1995 the White Article on the promotion of small businesses in South Africa was promulgated in parliament. The White Article formed the basis for government led SMME development programme. The primary objective of the White Article was to create an enabling environment for small businesses within the context of a modernizing economy and increasing international competition, and to facilitate greater equalization of income, wealth and economic opportunities; create long-term jobs; stimulate economic growth; strengthen the cohesion between small enterprises; and level the playing fields between bigger and small business. However, the results of this study prove that the LBSCs had positive welfare effects on the economy. This is against a widespread belief that the LBSCs had not played a significant role in welfare improvement in the Economy of the Eastern Cape. Notwithstanding, there has been a number of challenges which rendered the benefits from LBSCs interventions suboptimal, namely, access to bank loans, labour relations, HIV/Aids, lack of infrastructural facilities, crime and macroeconomic instability. However, these obstacles fall beyond the scope of the LBSCs.

These challenges call for attention of the policy makers as regards SMME support provision in the Eastern Cape. Although there had been some policy changes with regard to SMME support provision in South Africa since 2004, there has been no fundamental shift in terms of the approach towards SMME promotion. The approach is still based on a linear approach wherein it is assumed that once a small business has been through an LBSC programme that small business will become viable and successful. The results of this research reject such a notion. LBSCs alone are not sufficient to boost the SMME sector in South Africa. It is clear therefore that small business support intervention should be based on an integrated approach wherein all relevant stakeholders play their part. There is a pressing need for an integrated SMME development strategy in order to address challenges facing the SMMES. The existing National Small Business Strategy is a useful first step but does not go far enough in meeting the specific needs and constraints that face the SMMES in South Africa, particularly in disadvantaged communities.

Based on the findings of this research it can be concluded that the public expenditure on SMME promotion in the Eastern Cape yielded positive social returns. Notwithstanding, it is recommended that a holistic approach towards SMME support intervention is adopted; otherwise the social returns derived from public expenditure in SMME promotions will remain sub-optimal.

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## BOOK REVIEW

By Prof CVR Wait

BOWMAKER, Simon W. 2010. *The Heart of Teaching Economics: Lessons from Leading Minds*. Cheltenham; Edward Elgar. Pages 410, including index. ISBN 978 1 84844 790 5

The author conducted a series of interviews with prominent teachers of Economics at thirteen universities in the United States. Undertaking this task was motivated by the following factors:

- To present economists with an opportunity to talk about teaching.
- To discover how these economists interpret, understand and practice their teaching.
- To present lessons that could be inspirational for other teachers of the subject.
- To deal with the association between teaching and research.

The teaching reviewed is mainly at an undergraduate level although some interviewees commented on their M- and D-degree teaching as well.

The book is divided into three main sections namely on Fundamentals, Tools and Applications.

Several main lines of enquiry were pursued namely:

- *Background information* in which the interviewee's own training and role model teachers were determined.
- *General Thoughts on Teaching* were used to determine likes and dislikes and to get views on the relationship between teaching and research.
- *The Learning Process* investigated how teachers view the way students learn and how they obtain and use feedback from students.
- *Teaching Philosophy and Technique* investigated teacher-student relationships, pedagogy, preparation of lectures and primary teaching methods.
- *Course Content and Design and Textbooks* focused on syllabi and the use and choice of textbooks. Course Content and Design was investigated with an extensive number of questions.
- *Teaching Economics in Future* was the last group of questions asked.

The following persons were interviewed on the sub-disciplines indicated:

Sub-discipline	Person	University
Principles of Microeconomics	Robert Frank	Cornell
Principles of Macroeconomics	John B Taylor	Stanford
Intermediate Microeconomics	Steven Landsburg	Rochester
Intermediate Macroeconomics	Robert J Gordon	Northwestern
Game Theory	Benjamin Polak	Yale
Econometrics	William Greene	New York
Behavioural Economics	David Laibson	Harvard
History of Economic Thought	Steven Medema	Colorado Denver
Economic History	Barry Eichengreen	California at Berkeley
Public Economics	Caroline Hoxby	Stanford
Labour Economics	Daniel Hamermesh	Texas at Austin

Urban Economics	Edward Glaeser	Harvard
Industrial Organization	Luis Cabral	Navarra
Family Economics	Shoshana Grossbard	San Diego State
Health Economics	David Cutler	Harvard
Race and Gender	Nancy Folbre	Massachusetts Amherst
Environmental Economics	John List	Chicago
Law and Economics	David Friedman	Santa Clara
International Trade	Gene Grossman	Princeton
Development Economics	William Easterly	New York
Money and Banking	Frederic Mishkin	Columbia

Some of the viewpoints held are:

When asked how he deals with heterogeneity in his Econometrics classes William Greene replied: "I try to teach to the median student. When I'm asked a dumb question, I work hard not to make the student feel he or she has asked a dumb question."

Robert Frank was asked how he assesses whether the students are learning the material. His reply was: "It's a challenge to make a test that a strong majority of a group of economists would say, 'Yeah, if they can answer those questions then I'd agree they've really mastered what I think is important.'"

A question put to Caroline Hoxby who teaches Public Economics at Stanford was about the difference in teaching styles between England and the United States. She said; "...I adore the English style of teaching. The English style is much more about deep reading and digestion. ...you should know the history of economic thought behind each issue. There is a belief that you should read articles and books from the '50s, even the 30s... American students are essentially trained via problem sets... they are asked to distill... certain pieces of information, certain lessons about methodology, or a certain empirical technique."

About the way he treats his students William Greene admitted that he has not taught undergraduates for a while but he differentiated between Ph.D. students and MBA students by saying: "...my Ph.D. students are also my colleagues. The MBAs are ...older than your typical student, but I don't think they want to be colleagues either."

Benjamin Polak was asked about the way he prepares a lecture on Game Theory. "...on the morning that I teach it, I go to a coffee shop with my handwritten notes and a notepad and more or less rewrite the whole lecture fresh... in going through those notes I'm thinking, 'Okay, so where do I want to be standing? Where do I want to be on the blackboard with this?'" Regarding teaching methods he said: "I'm a 'blackboard and chalk' guy... I don't give much in the way of handouts. I think that taking their own notes helps some students." "I am also totally terrified in front of the class... it makes me nervous enough to make me prepare."

Daniel Hamermesh, when asked what he likes least replied: "Grading articles... I actually like making up tests because of the challenge to think of good questions..." John List, who teaches Environmental Economics says "... giving grades... gets in the way of teaching... because students focus on the outcome when they really should be focussing on input such as how they need to invest to learn the material."

Nancy Folbre expects her students "...to push themselves and to be willing to get out of their methodological, political and cognitive comfort zones..."

Student feedback is an important source of information for the interviewees.

All interviewees were asked for their opinion on the question of a possible rivalry between research and teaching. Most of them hold the complementarity view.

Robert M. Solow was asked to write the foreword. He concludes: "It seems to me that one of the things we ought to teach our students, at every level, is a grown-up attitude about the relationship between theory and practice... it is an essential part of applied economics. It is a point of substance, not methodology."

This book is a must-read for every tertiary lecturer of Economics and of the other Economic Sciences.









## **JDL JOURNAL POLICIES**

The Journal for Development and Leadership (JDL) is a peer-reviewed journal of the Faculty of Business and Economic Sciences at the Nelson Mandela Metropolitan University in Port Elizabeth, South Africa. This journal is aimed at providing practical guidance and empirical evidence to researchers and practitioners specialising in Business and Economics and related fields.

The journal provides a communication forum to advance entrepreneurship, innovation, small business management and various disciplines in Business and Economics, as well as the application of the disciplines in practice. Its aim is the improvement and further development of these fields and it is designed to appeal to academics, researchers and practitioners.

A double-blind review process is followed, supported by a national and international Editorial Peer Review Board.

Full academic accreditation will be applied for at the DoHE when the set requirements have been met.

The mission of the Journal for Development and Leadership (JDL) is to be a dynamic and internationally-recognised academic journal of excellence that will stimulate sustainable development and leadership by generating and disseminating of cutting-edge knowledge and understanding.

It is envisaged that the JDL will serve as a platform for presenting information central to the concerns of academics, researchers and practitioners. In this manner, research will grow and simultaneously shape theories for future application in the relevant societal contexts.

The Journal is published bi-annually, in June and December by the Faculty of Business and Economic Sciences of the Nelson Mandela Metropolitan University.

The views expressed in the journal are those of the respective authors.

## **INFORMATION FOR CONTRIBUTORS OF ARTICLES**

### **Editorial policy**

The editorial policy includes taking cognisance of the journal's objective to advance all disciplines, fields and sub-fields within the Faculty of Business and Economic Sciences, such as those mentioned above and, in addition, the advancement of entrepreneurship, innovation, small business development, among others, as well as the application of the various, relevant disciplines in practice.

The primary purpose of the journal is to publish research articles in the various fields, to disseminate information and to serve as a publication vehicle for academics, researchers and practitioners. For example, practical articles, empirical articles, new approaches and techniques, case studies, and conceptual articles will be considered for publication, as well as book reviews and, when appropriate, conference articles.

### **Review process and proofing**

The decision of the Editorial Committee to publish a given article is based on the judgement of the reviewers, who are all knowledgeable in their respective fields.

Authors will be informed of the committee's decision, including any relevant comments, after the article had been reviewed. Neither authors nor reviewers

are identified in the review process.

### **Submission requirements**

When submitting articles, authors have to agree that:

- They have not submitted and will not submit their article to another entity while the article is under review at JDL.
- They will only submit articles and empirical reports that have not been published previously.
- Their articles are prepared according to the prescribed style of JDL.
- Articles that have not been appropriately prepared according to the set guidelines will be returned to the authors prior to peer-reviewing.

### **Format**

Font and font size should be Arial or Times New Roman in 12 pt font size.

### **Abstract**

The abstract should consist of approximately 200 words and should be in single spacing.

### **Keywords**

Authors should identify up to five keywords on the title page that characterise the principal themes covered by the article.

### **Language**

Articles should be written in English.

### **Title page**

This page should contain the title of the article and the name, affiliation, full address and contact information of every author. If the article is co-authored, then the name of the author to whom correspondence should be sent has to be marked with an asterisk (\*).

### **Body**

The article has to be typed on one side of the page only in 1.5 line spacing. Appropriate headings and sub-headings should be used to segment the article to enhance readability. The length of the article should not exceed 10000 words of typed text (approximately 30 type-written A4 pages).

### **Headings**

Headings and sub-headings should not be numbered. All headings have to be formatted in bold upper case, and subheadings in bold lower case (for example, using initial capitals and the rest lower case). Sub-sub headings should be in regular lower case. Articles should include: abstract, introduction, identification of a problem, aims of the study, method and sample, measuring instruments, procedure, followed by interpretation and articulation of the results.

A conclusion has to be provided at the end of the article followed by a bibliography and possible annexures (appendices).

### **Tables**

Tables and figures should be applied in the text, as close as possible and relevant to the appropriate explanation. They should be numbered consecutively in Arabic numerals.