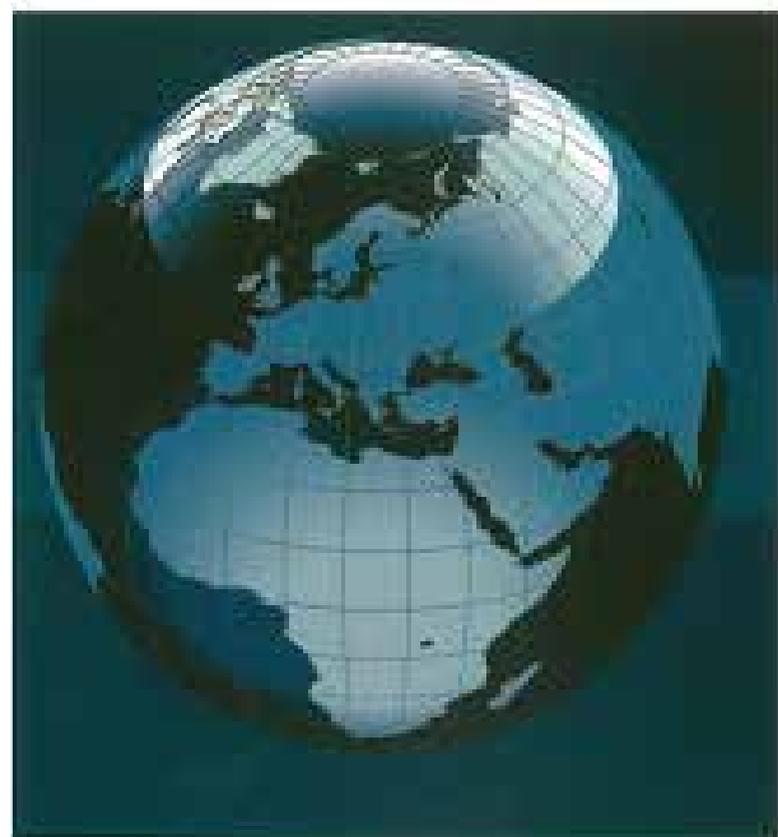


Journal for Development and Leadership



JOURNAL FOR DEVELOPMENT AND LEADERSHIP (JDL)

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**JOURNAL FOR DEVELOPMENT
AND LEADERSHIP**

*Faculty of Business and Economic Sciences
Nelson Mandela Metropolitan University*

Volume 4, Number 2, December 2015

Journal for Development and Leadership

First Publication 2012

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ISSN: 2226-0102

Printed and bound by:

Bukani Printers, Port Elizabeth, South Africa

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A TYPOLOGY OF INEQUALITIES AND THEIR RESPECTIVE MORAL STATUSES

P. Naudé¹

Talk in the public media and in politics about ‘inequality’ is an emotive issue. From the perspective of social ethics and philosophy, these discussions of inequality lack rigour. This lack of clarity is mainly due to the fact that one could construct a typology of inequalities, shifting the debate to talk in plural terms (‘inequalities’) and then making sure everyone is on the same page when a specific form of inequality (singular) is discussed.

This short exposition refers to seven different forms of inequality that differ in their ‘origin’ and in their moral quality and should be held distinctive in debates about inequalities.

1. **‘Natural’ or ‘hereditary’ inequality** refers to the fact that the human population is differently endowed with ‘talents’ or ‘gifts’. Some are born tall and could therefore do better at high-jump than others. Some have an affinity for art and others for mathematics or mechanics. Some are born with genetic diseases and could be classified as disabled or differently abled.

It is a simple empirical fact that we are not born equally abled, though external factors such as the health condition of a mother or medical care during birth could affect the abilities of a new-born child. Insofar as it is theoretically possible to isolate hereditary inequality as a ‘given’, it may be seen as an a-moral form of inequality and a constituent part of species diversity. What is indeed a moral issue, however, is how these different abilities are dealt with in society. As someone said: “If you let the greyhound off the leash at the same time as the dachshund, the result is unlikely to be a dead heat.”

2. **Cultural inequalities** refer to the socially approved awarding of unequal respect/status based on factors such as age, gender, rites of passage, familial relation, role designation and religious conviction. Children might not enjoy the same privileges as adults; the royal family is held in higher regard and enjoys unequal benefits if compared to commoners. Boys are treated differently from men who have already undergone initiation. Women may – in some religious traditions – be seen as serving individuals and therefore do not have equal access to leadership and governance.

Whether these forms of inequality are morally right or wrong would depend on the social mores of the given society or institution.

3. The group of **constitutional or political inequalities** refers to the awarding of unequal rights to people based on a variety of considerations for the sake of public and administrative order. Examples are voting (only permissible for those over 18), citizenship (not granted equally to all, but only to those who qualify), serving in public office (only those born in the said country), entering into a legal contract (reserved for those who are legally adult and sane), and so forth.

As long as these inequalities can be defended on rational grounds, are consistently applied to all, and pass the test of administrative justice, they may be accepted as part of a well-ordered society.

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4. **Ascribed inequalities** stem from socio-economic power which is awarded – due to prejudice - on purely accidental factors related to race, gender, sexual orientation, age, body-type, origin, or creed. These are typically listed in a national constitution where non-discrimination on any of these grounds is set out as principle. Some of these categories are also included in affirmative action policies to ensure forms of restorative justice.

Ascribed inequalities of this kind are usually deemed to be morally indefensible.

5. **Economic inequality** is most the prevalent form of inequality discussed in public debates, but is notoriously difficult to define or explain. Economists ask the difficult question whether economic growth by implication implies greater inequality as not all people – even under conditions of equal opportunities – make use of entrepreneurial options. There is the difference between income and capital inequality where the former can be addressed with a vigorous policy of narrowing the pay gap, whereas the latter – a more complex form of wealth in terms of property and other forms of capital – is far more difficult to address.

Economic inequalities differ from region to region and on a global scale and the outcome depends on the unit of analysis. Whether people find stark economic inequalities morally (in)defensible depends on their philosophical departure point and view of social and distributive justice.

6. **Competitive inequalities** are the outcome of fair competition under rules that apply to all participants or members of the society. Two examples will suffice: In athletics a race is run and there is an unequal outcome in that some win and some lose. In academia, grades are awarded for work completed, and the outcome is that some pass *cum laude* while others may fail.

Under fair rules these unequal outcomes are morally acceptable as they are seen as the result of equal participatory opportunity. We know, however, that even these outcomes might be the result of a combination of factors such as natural talent, different efforts, access to support and socio-economic status, and some of these are indeed moral questions.

7. **Ecological inequality** arises from the a-symmetrical power relation between humans and other species based on an anthropocentric world-view and often leads to excluding ‘nature’ as externality in economic pricing.

Difficult ethical questions such as animal rights, rights of inanimate objects such as trees, mountains and rivers, as well as the global question of climate change all stem from the fundamental inequality between humans and ‘nature’ where the latter is basically construed as ‘resource’ in the race for economic development.

In conclusion: Inequalities will always exist in human societies and encompass much more than a one-dimensional focus on economic inequality. It would be wise to uphold a richer tapestry of inequalities and judge each for its moral character based on the ‘origin’ and ‘effect’ on people and planet. Debates on inequalities require each participant to declare assumptions on procedural, administrative and distributive justice as basis for making moral claims.

Inequalities are indeed complex issues.

ENVISIONING STRATEGIC HUMAN RESOURCE MANAGEMENT IN A GLOBAL ORGANISATION: CRITICAL ISSUES AND DEBATES

I. Tomusange¹, D. Sekiwu² & R. Kyagulanyi³

ABSTRACT

This paper examines the concept of strategic human resource management (SHRM) in a global organisational environment. The paper tries to indicate that through SHRM, the role of a human resource manager becomes critical in ensuring strategic visioning of the organisation, especially nowadays when organisations are becoming more competitive in terms of product and service delivery than ever before. Strategic competitiveness works through people. But it is the role of the human resource manager to ensure that people can ensure quality delivery onto the market segment. This can be done through internal training, robust recruitment procedures, and good pay. There is an increasing need for human resource professionals to identify what capabilities they need, and to become insightful advisers and architects for organisations, not just to care for, but also build culture. The article further looks at the challenges and opportunities with respect to diversity, e-HRM, and managing human resources internationally. There is the challenge of multiculturalism in global organisations which poses two competing socialities: shared agency and conflicting socialities.

Keywords: Strategic human resource management; human resource management; shared socialities; competing socialities.

INTRODUCTION

The 21st century business organisation embraces unique features that candidly describe its ever-changing form in terms of cultural diversity and competitiveness. In today's business organisation, every stakeholder (management, employees, clients, and board of directors) ought to transform from traditional management orientations that were long informed by the Frederick Taylor's scientific management theory and Henry Fayol's human relations' management theory to more strategic orientations that focus on how to better adapt to market competition.

In other words, today's organisational interests focus more on a globalisation paradigm which suggests that, in order to ensure institutional performance, modern business entities ought to embrace competition, technology revolution and diversity using the people (employees) as the basic domains of change. This synergy thus showcases the concept of strategic human resource management (SHRM) as a contributory factor towards organisational performance. SHRM is the mirror through which human resource practices, activities, and processes could be optimally linked to organisational competitiveness to keep pace with global change.

Therefore, this article will try to envision the concept of strategic human resource management (SHRM) in global organisations by specifically exploring its meaning and purpose, how SHRM is linked to organisational performance, and the importance of SHRM to global organisations'

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strategic intent. The article will also demonstrate how different human resource strategies align with competitive business strategy.

In addition, the article will evaluate the challenges and opportunities involved with respect to diversity, e-HRM, and managing human resources internationally, as well as demonstrating the importance of legal issues related to human resource management and organisational performance.

MEANING AND PURPOSE OF STRATEGIC HUMAN RESOURCE MANAGEMENT

There is no prescriptive definition of the term 'strategic human resource management' (SHRM) because different scholars advance different meanings of the term, each depending on his or her own orientation.

First, Lawler (2005) has defined SHRM as a link between the human resource factor and the competitive advantage. Lawler assumes that for SHRM to occur, the human resource element must determine strategic performance through championing the competitiveness of an organisation. SHRM suffices to articulate the role of human resources in ensuring that organisations ably cope with market competition in a global sensibility. This is because competition breeds quality issues and market segmentation as preconditions for boosting product demand. These elements no doubt bolster the need for human resource competence in influencing such competition because people are the most important resource in an organisation.

Secondly, Kanayath (2014) defines SHRM in the context of promoting human resource development (HRD) as the basis for guaranteeing strategic performance. In this thinking, Kanayath looks at SHRM as channels that align human resource needs to organisational excellence, a process where human resource development (HRD) is given priority to define performance attributes in a global organisation. In his own words, Kanayath (2014) paints a true picture of SHRM in this way. In today's ever-changing professional world, there is an increasing need for human resource professionals to identify what capabilities they need, and to become insightful advisers and architects for organisations, not just to nurture but also build culture. What Kanayath submits is that since organisations are more internationalised today than ever-before, their fabric is becoming more structurally-oriented towards the variables of product diversity and competition (Torrington, Hall & Taylor, 2002). With an international sense, expect that product delivery is of high class. Research and information variables take precedence during the production process, because there are available opportunities to outsource capabilities across borders. At a market level, internationalisation, if genuine, comes with many improved goods and services because there are wider showcasing and choice scenarios. Variety is tapped, just as the common features of quality such as branding, flavour, as well as packaging.

However, internally, a scenario like this requires a more professional human resource function that can capably detect such outliers in the changing business environment in order to keep abreast of cutting-edge market realities. The move is about manpower competencies to be in position to sense and detect areas where an organisation can out-compete others. In order to do so, the HR is duty bound to identify the skills-mix of each staff member in line with his or her ability to interest the market segment with production outlays from their organisation. Can the staff be more strategically positioned to understand market demand?

What is in 'strategy' that keeps an organisation booming in the external environment? Internal staff are capable of understanding markets if they keep track records of these markets. Just as it was noted earlier, their capability must stretch beyond the domestic segment to incorporate transnational interests. Doing so would demand that staff gather information from a host of national and international market segments, getting to know what products are usually on high demand, as well as the technology that qualifies these products.

In order to realise organisational excellence, the SHRM function ought to target the sustainable development of its people as agents of change (Cascio, 2003). This argument is similar to that of Torrington *et al* (2005) who argue that a strategic approach to human resource management is typically focusing people to organisational competitiveness through strategic orientation.

The people in the organisation are charged with the duty of implementing organisational strategies by turning 'strategy' into activities so as to implement the chosen strategy (Ulrich, 1998). Effective strategic implementation is thus a symbol of an enabling human resource atmosphere. Such an HR atmosphere is configured on HR issues such as discipline, skills and competencies as well as terms and conditions of service. For example, when a multinational corporation has completed the design of its new strategic planning framework, it has to think meticulously about how to implement it. The implementation process would require developing staff to suit the requirements of the strategic plan in order to provide internal development programmes that will position people towards the new strategic synergy, hence requiring the strategic prowess of the human resource manager.

Thirdly, Dess, Lumpkin and Eisner (2007) define SHRM as referring to those human resource activities and decisions an organisation undertakes to ensure the proper accomplishment of its goals. Issues of recruitment and selection, employee retention, motivation, induction, training and development, industrial action, employee promotion and demotion, among others, denote such activities in the SHRM process. Dess, Lumpkin and Eisner are trying to define the concept of SHRM as an apex planning level function of the organisation. It aids the human resource functionality in organisational dynamics as a conduit through which to drive goal execution. In SHRM, the plight of the human resource function is cardinal to an overriding requirement for strategic planning by making the HR function a strategic partner who is cardinal to the realisation of business success. Tyson (1995), Ulrich (1998) and Boxall (1996) seem to concur with the view that SHRM exists where there is a relationship between the human resources, who are the most vital resource, and the organisational philosophy manifested in the mission, vision, and goals. On this note, Boxall and Purcell (2003) observe that the human resource manager cannot be divorced from this strategic enterprise because he or she has the duty to coordinate human resources as the major propellers of institutional performance.

Theoretically, SHRM will be defined within the universalistic approach. The universalistic approach provides that linking human resources to a strategic positioning of the organisation would require them to be more flexible, adaptive, and committed resources that pursue desirable marketable outcomes (Guest, 1989). Furthermore Guest indicated that SHRM is a process of positioning people in the market place through affording them capacity to compete favourably so as to move the organisation towards market driven realities. Because the market environment is ever-changing, human resources must be adaptive to change. Therefore the theoretical purpose of SHRM, in the 'universal' sense, is to bring people to recognise that organisational success ought to concentrate on competitive edge in an evolving market segment. This competitive edge is described as being inherent in the organisational philosophy (its vision and mission statement), and as the basis upon which strategic planning endeavours are developed for people to implement in the SHRM framework.

LINKING STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM) TO ORGANISATIONAL PERFORMANCE

Organisations exist to achieve set objectives with people providing the direction. Therefore, it is central that these people are strategically located to provide for the organisational objectives. People are crucial in decision-making that relates to organisational improvement because they perform tasks the aim of which is to drive the institution in the right direction, as a role of human resource management. Syed and Waseef (2012) acknowledge that human resource management

refers to a “...series of activities performed by employees and management in order to realize efficiency, effectiveness and competitiveness”. Thus it is pertinent that the process of organisational performance attracts rationalised human-led processes that are vital to the goal achievement agenda.

These processes can best be suited to the strategic human resource management framework, the attributes of which are to direct overall organisational performance, to engage multiple stakeholders in collective decision-making as a total quality management requisite, and to ensure that organisational actions impact the organisation’s environment in both the short-term and long-term. For example, a leading business enterprise in East Africa survives on a strategic performance contract which provides clearly that the human resource manager is responsible for ensuring that employees and management have the capability to scan the business environment in order to detect any hazards and opportunities crucial to its survival mechanism. When recruiting a human resource manager as part of its growth strategy, this company looks out for the following attributes in such a personality:

- a) Strategic planning competencies;
- b) Ability to align human resource skills to the overall mission and vision of the organisation;
- c) Ability to analyse the level of uncertainty, risk and opportunities in the external environment or market segment, and
- d) Experience in providing collegial leadership and advocating for collective participation in decision-making.

These principles with which such an international corporation is best established are a replica of those classical strategic human resource management attributes on which every manager ought to focus attention in global corporations. Such attributes focus on how best management could align its internal processes to the competitive nature of the global market profile. Likewise, the selection of employees/recruits, appraisal processes, and development criteria must champion strategic thinking. The organisation, through the human resource department, must make choices of people who are committed to propelling organisational performance through activities that are strategically designed to ensure such performance. The philosophy to extract from this argument is that human resource management behaviour exists to aid organisations to achieve excellence through the people, and the right people. The ‘right people’ here means that the organisational people are those competently prepared to participate conscientiously in the mechanism of producing the desired outputs, at the right timing. Therefore, right from the onset, the process of identifying the right people, developing them, rewarding them, promoting and demoting them, and leading them is one that must be acceptable to the strategic visioning of the said organisation. For example, in a good school organisation one would expect the human resource function to occupy itself with the recruitment, selection, and training of those teachers/educators that will uplift the image of the school in the national and international arenas.

This means that the sort of teachers required by the human resource function of the school or appointing authority are those that have the desired skills, experience and zeal to move the school in the right direction. In this way, outsourcing of the best teachers is a common recruitment strategy in most Ugandan schools other than the formal and traditional recruitment processes that require an advertisement through the public media. In other words, attracting good staff must be a strategically designed process seen to support the progress of an institution.

Strategic human resource management must be strategically linked to organisational performance because it provides a system where people are internally and externally prepared for competition.

Moreover, SHRM is a whole process that envisions the supra-natural setting of the modern organisation in the eyes of the external environment and its publics. SHRM is leading through

people to realise the strategic intent of the organisation. And the key features of organisational performance reflected in SHRM are mainly the following three:

- a) Matching the competition;
- b) Getting the people to realise that good performance is directed by them, and
- c) Setting strategic plans to implement organisational decisions.

Performance as a philosophy of profit making is premised around matching the competition that is around the market segment. In a diversified market segment, one expects to see many buyers and sellers of a particular product or service. But the difference in returns depends much on how subtle one is at making as many sales as possible given the fact that the same product can be sold by others in much the same way, under the same competitive credentials. High performance would mean that an organisational entity tries to match its products to market competition in the right manner, and the resultant behaviour is the continued quest for its products or services beyond the merit of other organisations in the same market place. The following questions could be posed: How does an organisation match with market competition in the right manner? What is the role of SHRM in determining the right market segment in which to invest? How important would the human resource manager be in this scope of market segmentation that builds around matching the competition?

Of course, answers to these intellectual questions point to one thing: the capacity of the organisation and its people to target environmental demand in an efficient and effective way. Part of the answer lies in assessing the capacity of the internal environment of the organisation to ensure value. Day (2003) rightly acknowledges that through value-chain analysis, the organisation could create capacity to cope with market-driven competition. He sees value-chain analysis as "...a sequential process of value-creating activities" within the organisation, "...useful for understanding the building blocks of competitive advantage".

In competitive terms, value is the amount of money that buyers are willing to part with for a product or service. However, value is created right away in the internal arrangement of an organisation; it is a psychological factor of production. In order to create value, people must align their activities in such a way that they are able to create value. The role of the human resource manager is to provide an enabling atmosphere of building the blocks of value creation. The qualitative essentials to creating value-chain analysis may include staff training, outsourcing expertise, the use of modern gadgets such as ICT, information search, change management, and managerial development. All these component parts are responsible to the human resource arm of the organisation. But the link between SHRM and organisational performance could be hindered by the fact that an organisation might lack experienced, modern, and strategically positioned human resource managers. Human resource managers, as indicated earlier, must be committed to the cause; to see to it that people have what it takes to implement business strategy both in terms of competencies, reward systems, and adaptability. Human resource managers, according to Torrington *et al* (2005), are first concerned with ensuring that the business is appropriately staffed with the right human resource needs to drive progress. There is a need to compete effectively in the employment market by recruiting and retaining the best affordable workforce that is available. Once the required work force is in place, human resource managers seek to ensure that people are well motivated and committed to maximising their performance in their different roles. Training and development have a role to play, as do reward systems, to maximise such effort and focus attention on performance targets. The above submission by Torrington *et al* (2005) best describes the basic and classical authority residing in the person of the human resource manager and how he or she is supposed to link people to strategic business success.

They simply affirm the fact that human resource managers are the fulcrum of successful linkages between SHRM and organisational performance when they provide value-chain analysis through

aligning HR strategies to corporate strategy. But the usual problem in trying to link SHRM with organisational performance would exist in circumstances where the human resource function was excluded from the strategic management process. In such events, when people are not part of the designing of the performance objectives, the cost of development would be high, and there is a likelihood of failure for people to domesticate their abilities to the greater visioning of the organisation. A number of scholarly forces such as Ulrich (1997) and Jackson, Hitt and DeNisi (2003) support the idea that HR management should be a major strategic point in most organisations. In a rapidly changing business environment and given the increasing complexity of modern organisations, human resource managers are critical go-betweens in effective human capital management.

ALIGNING HR STRATEGIES WITH COMPETITIVE BUSINESS STRATEGY

Having explored the potential of SHRM in paving the way for organisational performance, the cardinal question in this section is how best the different HR strategies can be positioned to enhance strategically competitive business growth. Competitive business growth implies that modern corporations have the capacity to compete favourably in a global multinational business environment, with all the benefits and associated challenges on the market segment. Given the many challenges and opportunities in the global market place, today's managers do more than setting long-term strategies and hoping for the best (Dess, Lumpkin & Eisner, 2007). They go beyond incremental management to tackle the external challenges of product marketisation. In this debate, the role of human resource management is basically more strategic than incremental management. Rather than seeing their role as mere custodians of the status quo, today's human resource managers are proactive, anticipate change, and continually refine, when necessary, the attributes of the people they use to champion organisational change.

In other words, important HR strategies should focus on strategic management in three ongoing processes mentioned by Dess *et al* (2007): analysis, decisions and actions. Human resource managers aim at getting people analyse strategic goals, make bold decisions that propel action for achieving the goals, and finally draw on rational actions to implement decisions in line with the competitive force of the organisation. For example, all leading organisations have strategic directions replicated through their mission statement, vision and philosophy. As such, all organisational activities undertaken to satisfy a particular strategic course are reflected in the strategic plan. Action to achieve the strategic goals, for example, is reflected in the implementation matrix of the strategic plan where strategic objectives, action indicators, activities, expected outputs, impacts, resources, and responsible people are expedited.

Boudreau and Ramstad (2003) have provided two major HR strategies in accordance with organisational intentions and competitive leverage. These two are the overarching HR strategies and the specific HR strategies. Overarching HR strategies describe general organisational intentions about how people should be managed and developed, and what steps to consider so that the business entity can attract and retain the right people. Overarching HR strategies are classically oriented towards the development of people-quality as the foothold of a fundamental strategic partnership. In this sense, bold HR strategies describe the need for talent as the fulcrum of competitive business strategy. The development of people through training programmes adds precedence to the value-chain approach because people determine the precincts for organisational excellence. Boxall and Purcell (2003) specifically mention some of these overarching HR strategies:

- a) Overall effectiveness and efficiency;
- b) Developing high-performance work processes and generally creating a great place to work for, and
- c) Ensuring people commitment, motivation and quality.

In each of these overarching HR strategies, elements of value-chain analysis are developed. The top-level HR strategies seek to develop in people the urge to perform optimally as the driving force behind competitive business strategy. For example, achieving effectiveness requires that people understand the goals of the organisation and structure their appointments towards this reality. For efficiency, people must be trained to afford low-cost resources to achieve the desired production and service-mix. Kokunda (2006) says that the human resource manager has the audacity to plan for future manpower needs and recruit them ostensibly to pursue actions that ensure quality output for the external environment. However, when it comes to developing high performance work processes, a degree of devotion ought to be coined around greater commitment, motivation and excellence as the elements of organisational superiority.

Specific HR strategies, on the other hand, could be those that set out what organisations intend to do in the practical sense. Such specific HR strategies include talent management, continuous improvement, knowledge management, resourcing through attracting and retaining high quality people, as well as learning and developing human resources. Specific HR strategies are uniquely attuned to the provision of better skill-mix and competence levels that will place people in the rightful spot to produce quality products and services for the ever-changing and competitive global market. Specific HR strategies describe that aspect of people management that revolves around human skilling as the route to high performing organisations. But the challenges of aligning SHRM to competitive business strategy are significant.

One of them is the cost associated with the identification of the right people to provide quality service as a requirement for competitive business strategy. Identifying the right people is a process, and a long one. If each of the component parts in people selection might seem to be expensive, which portion is likely to curtail the process? Cascio (2003) argues that people selection could be a disastrous process if people are the weak type who may not provide the right results in competitive business strategy. On the other hand, the strength is that with a carefully thought-out people selection process, opportunity is opened to a wider spectrum of talent. With talent, one would expect positive results because so many concepts are under into consideration, including experience, expertise, knowledge, and the degree of commitment.

CHALLENGES AND OPPORTUNITIES INVOLVED WITH RESPECT TO DIVERSITY, E-HRM, AND MANAGING HUMAN RESOURCES INTERNATIONALLY

Diversity and the management of human resources in an international organisation have critical features. It is these features that later define characteristic challenges. First, diversity issues in global organisations relate to multicultural challenges, especially where organisations are people-centred entities. According to Ameny-Dixon (2014), multiculturalism, as a philosophy, poses two contradicting organisational socialities: shared intentional agency and diversity emanating from cultural pluralism.

As a shared agency, organisational people have a remarkable set of capacities. They are capable of acting over time in ways that involve cross-temporal organisation, coordination and participative governance. They are capable of acting together with others in ways that go significantly beyond standard forms of strategic interaction. The opportunity here is that shared leadership leads to a democratic power structure in global organisations. In this contextualisation, members of the democratic process have an impetus to share in decision-making as equal conglomerates of a supra-natural organism. The underlying concept is that ideas advanced by various members of multicultural organisations are treated as equally legitimate to building consensus and collegial leadership. The challenge here is to manage people democratically but remaining committed to excellence. The questions are whether democracy always implies people effectiveness. What about situations that require autocratic treatment, how are they handled? The rational argument is for both the leader and the led to understand that shared leadership is a

participatory element that should be implemented in ways that sustain quality competitiveness. Becker and Huselid (1998) observe that in shared agency, institutional participation has varying degrees. It should be placed where participation breeds excessive organisational success. Active participation means getting the majority will of the people to struggle for quality service delivery, hence championing for strategic performance. The idea of voice in management implies voting rights that do not instead compromise quality and competitive drives. To the human resource manager, therefore, the challenge is to provide an opportunity when people collectively engage in organisational-wide development through giving ideas, expertise and making decisions on an equal level.

On the other hand, multi-culturalism may also breed organisational discrimination, isolation, and resistance (Ameny-Dixon, 2014), all of which explain the fact that cooperative activity is at times impossible to realise in some organisational arrangements. For example, Patton (2010) observed that in the USA the issue of racial minority among Hispanics, Indians and Blacks is the biggest cause of organisational discrimination and racial harassment, eventually galvanising resistance through popular protests that result in industrial action by coalitions of minority groups. In Europe, anti-Semitism, anti-immigration attitudes, anti-Muslim attitudes and homophobia are all geared towards promotion of diversity ideology rather than shared identities. And these are very common nomenclature in the organisational setting worldwide. If such negative tendencies drawn by multiculturalism in organisations are not dealt with swiftly, there is a possibility for an organisation to fall back in the market segment. The question is how such multicultural conflict can be dealt with philosophically to bring sanity.

Still, global organisations are characterised by the possession of diverse knowledge and information about a complex and uncertain world. The opportunity here is for management to gain a production advantage of their entities using the vast information age. The Internet and intranet are cutting-edge inventions of the 21st century which represent the fact that globalisation has eased human resource management in many ways. For example, some business corporations may not need to hire as many people as possible in order to produce on a competitive basis. Instead, Internet facility may substitute such services of people. Internet outsources best practices worldwide in a short period of time. For example, Lawler and Mohrman (2003) are of the view that today virtually all of the transactional work of HR can be done in a self-service mode on computer-based intranet systems in order to minimise costs.

Lawler and Mohrman (2003) submit that competing well in business strategic decision-making requires saving while maximising profits. Lawler and Mohrman (2003) further note that “...

as companies realize that they cannot build world-class capabilities in all areas, they are turning to Internet usage and information digging in hopes of receiving higher quality and less expensive services in those areas where either they cannot be world class or decide not to make the investment needed to become world class”.

The opportunity in this is that outsourcing gives room for variety which is also crucial in business strategic management. However, the challenge is how far the outsourcing is likely to remedy quality since it requires patience, consultative approaches, and window shopping for ideas, some of which might be far flung.

It is also important to note that one of the challenges of e-HRM, diversity and managing human resources internationally is that employees must be able to withstand and adapt to rapid and unanticipated changes in the marketplace. Cascio (2003) argues that global organisations are now experiencing a rapid free movement of capital, goods, services, ideas, information, and people across national boundaries because of the internationalisation paradox of the global organisation. Markets in every country have become fierce battlefields where both domestic and foreign investors are fighting for market share. Now in such a virulent corporate environment it becomes

risky to commit resources where manpower retention is endangered. The only fighting tool for the human resource manager is to think strategically in this era, to buy in more technological-led management other than people-centred activity. For example, in Uganda two virtual universities have been established to compete favourably on the higher education market in the region. Already these two universities are causing mayhem because they have perfectly answered the inherent demands of today's student, unlike the traditional colonial university which catered for a completely unemployed class of students. E-learning is the overriding issue in today's higher education spectrum. People prefer studying from a distance as they equally attend to other business. The lesson learnt from this example is that in order to cope with the challenges of modern communication and business strategy, there is a need for management to be adaptive to the changing scenario of organisations. The purpose of E-HRM, for instance, is to make the entire HR function more strategically positioned.

Of course, this rapidly changing business environment implies that the degree of market uncertainty is growing from time to time (Ulrich, 1997). From this realisation, one advances challenges as well as opportunities for growth. The challenges are that if management is not prepared for environmental change, then competitive advantages drop heavily. Preparation for change means that internal organisational processes are equipped with vast coping mechanisms; people are continuously trained to adapt to change and technology as well as providing products and services that stand the test of time in rapidly changing market segmentation. The opportunity is that such environmental uncertainties make management more alert to change. If the change means adaptation to ICT usage, then management is prepared to invest resources in it so as to cope favourably.

LEGAL ISSUES RELATED TO HUMAN RESOURCE MANAGEMENT AND ORGANISATIONAL PERFORMANCE

Finally, the pursuit of competitive business strategy requires that organisations treat their people equitably because people drive organisational progress. People have to be legally protected from possible industrial hazards. Therefore several legal issues explain the connectivity between human resource management and organisational performance. If SHRM is an activity of linking organisational processes to strategic partnership through people, this move is only possible where people are happy as their legal rights are respected. There is a need to regulate the relationship between workers and managers so as to neutralise possible industrial action that might hinder competitive performance. Kokunda (2006) argues that the organisation consists of a variety of individuals and social groupings, each having their own social values and pursuing their own interests and objectives. Those controlling and managing the enterprise have to accommodate different expectations competing in the enterprise in order to avoid undesirable conflict such as industrial action. In this sense, legal issues exist to provide counteractive measures. All values and interests must be seen to dominate equally for strategic business realisation.

Therefore, the legal issues related to human resource management and organisational performance include the provision of an employment law to safeguard people's rights in organisations. There are circumstances that warrant the emergency of law to provide sanity. Such circumstances include workplace violence, discrimination, unequal pay treatments, social security issues, retirement, health and safety, and compensation. The role of legal treatment in organisational performance is that legality preserves the opportunity for workers to increase productivity where good industrial relations result in smooth collective bargaining on the part of both the worker and management.

The implementation of labour laws specifically ensures overall protection of the people and the human resource manager has to connect this reality with the organisational strategic intent. Poor working conditions, job insecurity, and unfair practices due to employee dissatisfaction create a

climate of poor industrial relations which is likely to derail SHRM processes because SHRM works through people. When people are aggrieved then management can hardly improve corporate performance.

CONCLUSION

In the 21st century, organisations are submerged in a competitive business environment where increased productivity is dependent on the ability to out-compete other organisations that provide the same service or product or even better. The ability to manage people internally provides the willpower to compete favourably. In this case, SHRM is the key remedy to ensure that the right people to run the organisation through the competitive environment are outsourced, recruited, trained and developed. Indeed, the position of a human resource manager as a strategic partner, is instrumental because he or she provides processes that are crucial to the identification of the right people to steer organisational performance in the face of a competitive global corporation.

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THE EXCHANGE RATE CHANNEL AND MONETARY POLICY TRANSMISSION IN NAMIBIA

J.P. Sheefeni¹ & M. Ocran²

ABSTRACT

This paper investigates the exchange rate channel of monetary policy transmission in Namibia over the quarterly 1993:Q1 - 2011:Q4. The empirical analysis was conducted using innovation accounting tools such as generalised impulse response functions and forecast error variance decompositions obtained from a structural vector autoregressive model (SVAR). The results show that the exchange rate channel is operational. That is, changes in the monetary policy instruments affect the exchange rate variable which in turn transmits the shocks to output and prices but weak and not so significant.

Keywords: Namibia; monetary policy; exchange rate channel; fixed exchange rate; structural vector auto-regression.

INTRODUCTION

Monetary policy conduct in Namibia incorporated the practice of fixed exchange rate regimes whereby the exchange rate is the main policy instrument used to control inflation in order to maintain financial stability. This has been the practice since 1990 at the time of independence, when Namibia remained in the CMA. Subsequent to joining the CMA, a separate bilateral agreement between Namibia and South Africa (SA) on features of the peg was set in 1992, in anticipation of the one-to-one peg of the Namibian dollar to the SA rand, formally instituted in 1993 after the introduction of the Namibian currency. This is in line with the requirement which demands the need to fulfil the backing rules. The rand remains legal tender in Namibia (Kalenga, 2001: 3).

As a member of a CMA, Namibia does not engage in any active discretionary monetary policy because it is primarily subordinated to SA's monetary policy conduct. Hence, economic agents' expectations are heavily dependent on the movements of the nominal exchange rate. That is, under this arrangement maintenance of the exchange rate peg as an intermediate target ensures the ultimate goal of price stability by importing stable inflation from SA, the anchor country (Kalenga, 2001:4).

Developments of the SA rand have both direct and indirect impact on the Namibia dollar, particularly via imported goods, especially given the fact that SA is Namibia's main trading partner. Records show that about 80 per cent of Namibia's trade is with SA and it is expected that imports from South Africa play a significant role in determining inflation in Namibia. Economic theory states that under a fixed exchange rate regime, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. There is no study that has empirically examined this channel in Namibia. Therefore, the objective of this study is to examine the effects of the impact of the developments in SA rand in the transmission mechanisms of monetary policy in Namibia, in particular the exchange rate channel. In investigating this channel of transmission the paper is divided into five sections. Section two presents the theoretical and empirical literature review on this channel. The methodology adopted

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in estimating the exchange rate channel is discussed in section three. Section four discusses the results from the empirical analysis. Section five concludes the study.

LITERATURE REVIEW

Theoretical literature

The transmission mechanism of the exchange rate works directly through its impact on import prices aggregate demand via net exports (Ramos-Francia & Sidaoui, 2008: 369). The analysis of this channel of transmission can be divided into two parts: (i) the pass-through from the policy interest rate to the exchange rate and (ii) the pass-through from the exchange rate to the real economy.

Pass-through from the policy interest rate to the exchange rate: A policy rate change by the central bank also induces a change on return on domestic investments relative to foreign investments. The interest rate differential leads to capital outflows and affects the relative exchange rate. Therefore, central banks make serious attempts to keep the interest rate differential stable to facilitate capital account stability and to keep the bilateral exchange rate from being too volatile for the economy.

Pass-through from the exchange rate to inflation and the real economy: Changes in the exchange rate are directly transmitted to the consumer price through the cost of imported inputs and finished goods. However, the magnitude and speed of the pass-through depend on prevailing demand conditions, price adjustment costs and the perceived persistence of the depreciation/appreciation. The indirect transmission has lag effects through changes in the levels of demand (between domestic goods and import substitutes). This comes as a result of shifts in the country's external competitiveness or inflation expectations (Ramos-Francia & Sidaoui, 2008: 369).

It is generally known that the exchange rate channel examines the relationship between net private capital inflows and monetary policy. There are variant exchange rate regimes but for simplicity's sake two extreme categories are referred to in this discussion, namely the fixed and flexible exchange rate regimes. Karamanou, Mahadeva, Robinson and Syrighas (n.d.) discussed the two alternatives. Under a flexible exchange rate regime monetary tightening, for example via an interest rate rise, makes domestic currency deposits more attractive. This leads to a currency appreciation. The appreciation of a currency means the currency has gained value. The high value of the currency makes domestic goods more expensive than foreign goods. This has a negative impact on net exports because an appreciation causes a fall in net exports and consequently aggregate output. However, under the alternative regime or a system of fixed exchange rates with no capital controls, monetary tightening or a rise in interest rates will cause capital inflows. This is due to the fact that a higher domestic interest rate becomes attractive to international investors. This puts upward pressure on the exchange rate. The authorities have to act on this: the central bank will have to respond by increasing its foreign exchange reserves to bring the interest rate down to its original level. It is against this background that when the exchange rate is fixed or heavily managed, the effectiveness of monetary policy is reduced but not necessarily entirely eliminated. The authorities still have some room for manoeuvring.

Despite the fact that monetary policy under a fixed exchange rate has come under heavy debate, there is an understanding that there are two ways in which monetary policy can maintain a degree of independence with the exchange rate channel present in the case of a fixed exchange rate regime. In particular, the exchange rate might not be completely fixed but may vary slightly and secondly, monetary policy can influence the real exchange rate by working through the price level. An exchange rate system that allows some fluctuation within a target zone, accompanied by some capital controls and a system where domestic and foreign assets are imperfect substitutes, may give the central bank some scope for domestic interest rates to deviate from the

levels set by the interest rate parities. This is true for as long as the exchange rate does not reach the zone's boundaries, since when this happens maintaining [the boundaries] in the face of speculative pressure presents all the problems of a fixed exchange rate. However, if domestic and foreign assets are imperfect substitutes, domestic interest rates may deviate from international levels. In this way, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. Furthermore, via this channel the monetary authorities can affect net exports at a limited degree but with much longer lags. Therefore, capital controls and imperfect substitutability of domestic and foreign assets, along with a target zone regime, create a channel for monetary policy to affect output and prices despite a fixed exchange rate system (Bitans, Stikuts & Tillers, 2003).

The importance of evaluating the exchange rate channel is a result of suggestions that have been made on escaping from a liquidity trap. In particular these suggestions focus on the exchange rate as a tool. The most popular suggestion is that of Svensson (2001, 2003), whose proposal consists of three elements: Firstly, the central bank should announce an upward-sloping target path. Secondly, a currency devaluation is announced, together with a currency peg to a crawling exchange rate target. This would imply that the monetary authorities commit to buying and selling unlimited amounts of foreign exchange at the exchange rate. Furthermore, the initial level of exchange rate target after the devaluation is chosen with the aim of ensuring a real depreciation of the domestic currency relative to the steady state. Because of the assumption of the domestic price level being sticky, in the short run the real exchange rate moves one-to-one with the nominal exchange rate. However, the exchange rate target corresponds to a nominal depreciation of the domestic currency at the rate of difference between the domestic inflation target and foreign inflation. The appreciation of the exchange rate in nominal terms takes place when domestic inflation is lower than foreign inflation, especially when the peg is fixed instead of crawling. Thirdly, an exit strategy is confidently declared when the price level target path has been reached. This is to say, the currency peg will be abandoned in favour of flexible price level targeting (Mehrotra, 2006: 141).

Empirical literature

Below is a discussion on empirical studies on this channel. A study by Bitans, Stikuts and Tillers (2003) examined the transmission of monetary shocks in Latvia. It dealt in particular with short-term reactions of the economy to various monetary shocks. Monthly data for the period January 1995 to March 2002 were used. The importance of various channels of monetary transmission was tested empirically by using the SVAR model and small structural macroeconomic model. The analysis provided evidence that monetary shocks were transmitted to the economy mainly through the exchange rate channel. The analysis of the financial system of Latvia supported the view that the wealth channel was very weak or even non-existent at the time because of a relatively underdeveloped capital market.

A study by Muco, Sanfey and Taci (2003) examined the conduct of monetary policy in Albania during the transition period. This study used monthly data for the period January 1994 to May 2003. By employing the VAR model, the study identified various channels through which monetary policy could affect prices and output and established their relative importance. Estimates from a VAR model of key macroeconomic variables demonstrated the weak link between money supply and inflation up to mid-2000. However, the move during 2000 from direct to indirect instruments of monetary control helped to strengthen the predictability of the transmission link from money supply to inflation. Hence the conclusion that external influence, by contributing to exchange rate stability, had played an important part in keeping inflation low for most of the transition period. Moreover, the introduction of indirect instruments of monetary policy appeared to have contributed to the effectiveness of the exchange rate transmission mechanism of monetary policy into the real economy. These results concur with those of Hwee

(2004) for Singapore. This study uses the real effective exchange rate as a measure for monetary policy and finds that output reacts immediately and significantly to a contractionary monetary policy shock. The study finds that the exchange rate channel was more effective in transmitting monetary policy to the economy than the interest rate channel was.

In Armenia, Dabla-Norris and Floerkemeier's (2006) study examined monetary policy transmission in the context of the authorities' intention to shift to an inflation-targeting regime over the medium term. In this study monthly data for 2000: 5 to 2005: 12 were used. The Granger causality tests and a VAR model were used for analysis. The results from this study indicated that the capability of monetary policy to influence economic activity and inflation was still limited, as important channels of monetary transmission were not fully functional. In particular, the interest rate channel remained weak, even though there was some evidence of transmission to prices of changes in the repo rate under the central bank's new operating target for inflation. As in other emerging and transition economies with a high degree of dollarisation, the exchange rate channel had a strong impact on the inflation rate. The study also showed that inflation responded to broad money shocks, once foreign currency deposits were included.

In Vietnam, Hung (2007) analysed the monetary transmission mechanism in Vietnam, using quarterly, seasonally adjusted data from 1996Q1 to 2005Q4. In this study the techniques such as VAR, impulse response function, the Granger causality test and variance decomposition were used to analyse the effect of monetary shocks on output. In particular, the focus was on the reduced-form relationships between money, real output, price level, real interest rate, real exchange rate and credit. The results of this study revealed that monetary policy can affect output and price level. While examining the specific channels, namely the interest rate, the credit channel and the exchange rate channel, the results showed that the significance of each channel was weak. However, the credit and exchange rate channels appeared to be the most significant channels.

In Egypt, Al-Mashat and Billmeier's (2007) study examined the monetary transmission mechanism in Egypt in the context of the central bank's intention to shift to inflation targeting. The study used monthly observations running from January 1996 to June 2005. A VAR model was used to evaluate the different channels. The results revealed that exchange rate channel played a strong role in propagating monetary shocks to output and prices. Most other channels (bank lending, asset price) were rather weak. The interest rate channel was found to be underdeveloped but appeared to be strengthening after the introduction of the interest corridor in 2005, boding well for adopting inflation targeting over the medium term.

Additional empirical studies on the exchange rate channel include Zengin (2000) in Turkey where exchange rate was ineffective in monetary policy transmission; Sezer (2002) in Turkey where exchange rate was found to be effective; Citu (2003) in New Zealand where exchange rate was effective in the transmission of the dynamic effect of monetary policy in smaller developed countries but not in the big developed countries; Hwee (2004) in Singapore where exchange rate was found to be effective in transmitting monetary policy to the economy; Ramglon (2004) in the Caribbean where exchange rate has been operational but not so significantly; Al-Mashat and Billmeier (2007) in Egypt where exchange rate channel plays a strong role in propagating monetary shocks to output and prices; Samkharadze (2008) in Georgia where exchange rate is effective particularly in determining inflation, and Ornek (2009) in Turkey where exchange rate channel is effective.

RESEARCH METHODOLOGY

Econometric framework and model specification

Most empirical studies have predominantly used the structural VAR approach in analysing monetary policy transmission mechanisms. The structural vector autoregression (SVAR) model is a structural-form relationship deduced from the reduced-form VAR. These restrictions can be either contemporaneous or long-run restrictions, depending on whether economic theory suggests the shocks are either temporary or permanent in nature (McCoy, 1997: 7). Therefore it can be said that a VAR is the reduced form of a general dynamic structural model. The relationship between a reduced-form VAR and SVAR is presented below. Equation 1 below represents a dynamic structural model. The reparameterisation of Equation 1 leads to a reduced-form relationship represented by Equation 2.

$$\Gamma Y_t = B(L)Y_t + e_t \quad \dots (1)$$

$$Y_t = \Gamma^{-1}B(L)Y_t + \Gamma^{-1}e_t \quad \text{or} \quad Y_t = B^*(L)Y_t + \mu_t \quad \dots (2)$$

where Y_t is a $(n \times 1)$ vector of endogenous variables and $B(L)$ denotes a polynomial in the lag operator. Γ and B are parameters. e_t is the residual of the model.

It can be inferred from the Equations 1 and 2 that

$$B^* = \Gamma^{-1}B \quad \dots (3)$$

$$\mu_t = \Gamma^{-1}e_t \quad \dots (4)$$

Equation 4 is the core representation of the SVAR model whereby the reduced-form disturbance μ is related to the underlying structural shocks. e_t The identification of Γ and B are required to obtain the structural parameter B^* . This paper uses the four-variable VAR. The vector of endogenous variables of the exchange rate model includes:

$$Y_t' = [\Delta GY_t, \Delta CP_t, XR, R] \quad \dots (5)$$

with ΔGY_t denoting output growth, ΔCP_t the rate of inflation; XR is the exchange rate and R is the repo rate. The equation separating structural economic shocks from the estimated reduced form residuals for the exchange rate model is presented as:

$$\begin{pmatrix} 1 & 0 & 0 & 0 \\ a_{21} & 1 & 0 & 0 \\ a_{31} & a_{32} & 1 & 0 \\ 0 & 0 & a_{43} & 1 \end{pmatrix} \begin{bmatrix} \varepsilon_t^{GY} \\ \varepsilon_t^{CP} \\ \varepsilon_t^{XR} \\ \varepsilon_t^R \end{bmatrix} = \begin{pmatrix} b_{11} & 0 & 0 & 0 \\ 0 & b_{22} & 0 & 0 \\ 0 & 0 & b_{33} & 0 \\ 0 & 0 & 0 & b_{44} \end{pmatrix} \begin{bmatrix} \mu_t^{GY} \\ \mu_t^{CP} \\ \mu_t^{XR} \\ \mu_t^R \end{bmatrix} \quad \dots (6)$$

The estimation procedure is done in this sequence. The initial step is to test for non-stationary (unit root) of time series in order to establish the univariate characteristics of data and the order of integration. To investigate the non-stationarity of the series the augmented Dickey-Fuller (ADF) test, the Phillips-Perrons (PP) and the Kwiatkowski-Phillips-Schmidt-Shin (KPSS) tests

are applied. Usually, the ADF statistic tests the null hypothesis of the existence of unit roots against the alternative hypothesis of non-existence of unit roots (Pindyck & Rubinfeld, 1991; Gujarati, 1995; 2003). Thereafter, a Granger causality test is performed.

VAR can be considered as means of conducting causality tests, or more specifically Granger causality tests. Granger causality test is considered a useful technique for determining whether one time series is good for forecasting the other. Granger causality really implies a correlation between the current value of one variable and the past values of others; it does not mean changes in one variable cause changes in another. If there are two series Y_t & X_t , then it is said that X_t does not Granger cause Y_t if all lagged coefficients for X_t are zero, that is:

$$Y_t = \alpha_0 + \alpha_1 Y_{t-1} + \dots + \alpha_p Y_{t-p} + \beta_1 X_{t-1} + \dots + \beta_p X_{t-p} + \varepsilon_t \quad \dots(7)$$

Then $\beta_1 = \beta_2 = \dots = \beta_p = 0$, that is lagged of X_t has no effect on Y_t . It is possible to have causality running from variable X to Y, but not Y to X; from Y to X, but not X to Y and from both Y to X and X to Y, although in this case interpretation of the relationship is difficult. The Granger causality test can also be used as a test for whether a variable is exogenous. That is, if no variables in a model affect a particular variable it can be viewed as exogenous. To determine which variable causes the other, pair-wise Granger causality tests are used. But since this test is affected by the number of lags, before running this test it is necessary to determine the number of lags. There are many criteria used to indicate the number of lags. These criteria are Hannan-Quinn (HQ), Schwarz information criterion (SC), Akaike information criterion (AIC), final prediction error (FPE) and likelihood ratio (LR). After determining the number of lags it is possible to run a pair-wise Granger causality test so long VAR satisfies the stability condition.

The next step would be to conduct tests for co-integration, that is if two or more series have long-run equilibrium. The econometric literature deals with the cointegration subject from several perspectives. The cointegration test can be applied in several ways, according to the nature of the equation that is tested. If it is a single one the Engle-Granger method is used; if it is a multivariate system the Johansen approach is applied to determine the existence of the long-run relationship among variables. The Johansen procedure uses two tests to determine the number of cointegration vectors: the trace test and the maximum eigenvalue test. Trace statistics investigate the null hypothesis of r cointegrating relations against the alternative of n cointegrating relations, where n is the number of variables in the system for $r = 0, 1, 2 \dots n-1$. Its equation is computed according to the following formula:

$$LR_r(r/n) = -T * \sum_{i=r+1}^n \log(1 - \hat{\lambda}_i) \quad \dots(8)$$

The maximum eigenvalue statistic tests the null hypothesis of r cointegrating relations against the alternative of $r+1$ cointegrating relations for $r = 0, 1, 2 \dots n-1$. This test's statistics are computed as:

$$LR_{\max}(r/n+1) = -T * \log(1 - \hat{\lambda}) \quad \dots(9)$$

Where λ_i is the maximum eigenvalue, and T is the sample size.

In cases where trace and maximum eigenvalue statistics may yield different results, the results of the trace test are preferred. Prior to applying the Johansen test, the number of lags must be determined as suggested by the five criteria: the sequential likelihood ratio (LR), Akaike information criterion (AIC), Schwarz information criterion (SC), final prediction error (FPE) and Hannan-Quinn information criterion (HQ). If cointegration is found among the variables, the adjustment of the short-run to the long-run equilibrium is obtained through the vector error

correction model (VECM) and if no cointegration is found, then a VAR model specification is estimated. However, the structural factorisation is estimated first and this procedure is used to estimate the factorisation matrices for a structural (or identified) VAR, whether from VAR or VECM the impulse response function (IRF), and forecast error variance decompositions (FEVD) are derived. IRF traces the response of the endogenous variables to one standard deviation shock or change to one of the disturbance terms in the system. A shock to a variable is transmitted to all of the endogenous variables through the dynamic structure of the VAR. FEVD examines the effects of shocks to the dependent variables. It determines how much of the forecast error variance for any variable in a system is explained by innovations to each explanatory variable over a series of time horizons.

DATA AND DATA SOURCES

This study utilised quarterly time-series data for the period 1993Q1-2011Q4. The data is obtained from various sources, namely *National Accounts* (Republic of Namibia), the Bank of Namibia's *Quarterly and Annual Report* as well as from the International Monetary Fund's *International Financial Statistics*. The data for the following variables were obtained, namely output, general prices, real effective exchange rate and interest rate. All data has been transformed into natural logarithms.

EMPIRICAL ANALYSIS AND RESULTS

Unit root test

The first step before estimation is to establish univariate characteristics of the data to determine whether the variables are stationary. The problem with non-stationary or trended data is that the standard ordinary least square (OLS) regression procedures can easily lead to incorrect conclusions. This study uses the ADF, PP and KPSS tests. This is because some tests address the weaknesses associated with others. The results of the unit root test for all the variables in levels are presented in Table 1. The series were found to be non-stationary in level form except for the repo rate where the two tests (ADF and PP) are in contradiction. The series were differenced once and all of them became stationary at all levels of significance. Hence, they are integrated of order one.

Table 1: Unit root tests: ADF and PP in levels

Variable	Model Specification	ADF	PP	ADF	PP	Order of Integration
		Levels	Levels	First Difference	First Difference	
R _t	Intercept and trend	-3.17**	-1.87	-4.85**	-4.38**	1
	Intercept	-1.52	-0.76	-4.88**	-4.42**	1
lnXR _t	Intercept and trend	-2.04	-2.04	-8.61**	-8.64**	1
	Intercept	-1.86	-1.88	-8.56**	-8.56**	1
lnGY _t	Intercept and trend	-1.99	-2.69	-10.77**	-29.56**	1
	Intercept	-1.21	-0.26	-10.62**	-26.68**	1
lnCP _t	Intercept and trend	-2.90	-2.03	-5.87**	-5.82**	1
	Intercept	-2.75	-1.98	-5.92**	-5.87**	1

Source: Author's compilation and values obtained from Eviews

Notes:(a)at 5% the critical value -2.908 for lnGY, -2.906 for lnCP, -2.906 for R and -2.908 for lnXR. (b)** means the rejection of the null hypothesis at 5%

In general, the ADF and PP tests have very low power against $I(0)$ alternatives that are close to being $I(1)$ such that they cannot distinguish highly persistent stationary processes from non-stationary processes very well. Furthermore, tests that include a constant and trend in the test regression have less power than tests that only include a constant in the test regression. To overcome the lack of success of the common unit root tests, the KPSS test is also used as a confirmatory test because it is believed to be more efficient and have higher power than the ADF and PP tests. Table 2 below presents the results of the KPSS test that confirm the results of the earlier tests (the ADF and PP) and that the series is integrated of order one $I(1)$.

Table 2: Unit root tests: KPSS in levels and differences

Variable	Model Specification	KPSS		
		Levels	First Difference	Order of integration
R_t	Intercept and trend	0.86	0.07**	1
	Intercept	0.87	0.07**	1
$\ln XR_t$	Intercept and trend	0.23**	0.05**	1
	Intercept	0.62	0.16**	1
$\ln GY_t$	Intercept and trend	0.35**	0.11**	1
	Intercept	1.07	0.099	1
$\ln CP_t$	Intercept and trend	0.216**	0.04**	1
	Intercept	0.74	0.05**	1

Source: Author's compilation and values obtained from Eviews

Notes: (a) at 5% the critical value 0.463 for all the variables.(b)* implies rejection of the null hypothesis at 5%.

Having established the univariate characteristics of the variables, the reduced form VAR model is estimated. The information criteria for the lag order selection for the VAR system is presented in Table 3. These tests show the convergence on the lag length and that is the essence of the lag structure test. At the chosen lag length, all the inverse roots of the characteristic AR polynomial have a modulus of less than one and lie inside the unit circle, indicating that the estimated VAR is stable or satisfies the stability condition as shown in Table 4.

Table 3: Lag length criteria for the exchange rate channel

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-177.5706	NA	0.002269	5.262917	5.392431	5.314299
1	91.03119	498.2759	1.50e-06	-2.058875	-1.411308*	-1.801964*
2	111.1730	35.02920	1.34e-06	-2.178927	-1.013306	-1.716486
3	122.8667	18.98117	1.53e-06	-2.054108	-0.370434	-1.386139
4	145.4189	33.99165	1.30e-06	-2.244026	-0.042298	-1.370527
5	160.3111	20.71953	1.39e-06	-2.211915	0.507867	-1.132886
6	171.7622	14.60432	1.69e-06	-2.080063	1.157773	-0.795506
7	212.4317	47.15303*	8.97e-07*	-2.795121*	0.960768	-1.305034

Source: Author's compilation using Eviews.

Table 4: Roots of characteristic polynomial for the credit channel

Root	Modulus
0.992955	0.992955
0.884083	0.884083
0.724726	0.724726
0.684483 - 0.212173i	0.716613
0.684483 + 0.212173i	0.716613
-0.443333	0.443333
0.070666	0.070666
-0.011799	0.011799

Source: Author's compilation using Eviews.

Note: No roots lie outside the unit circle. VAR satisfies the stability condition

Cointegration Test

If two or more series are non-stationary, but a linear combination of them is stationary, then the series are said to be cointegrated. The concept of cointegration mimics the existence of a long-run equilibrium to which an economic system converges over time, and μ_t defined above can be interpreted as the disequilibrium error. This study uses the Johansen-Juselius (1990) method to test for cointegration. The results for cointegration are presented in table 5. The results shows that both trace and maximum eigen values test statistic indicate no cointegrating equations. The null hypothesis of no cointegration could not be rejected because the test statistics are less than the critical values.

Table 5: Johansen cointegration test based on trace and maximum eigen values of the stochastic matrix for the exchange rate channel

Maximum Eigen Test				Trace Test			
H_0 : rank = r	H_a : rank = r	Statistic	95% Critical Value	H_0 : rank = r	H_a : rank = r	Statistic	95% Critical Value
r = 0	r = 1	11.56	27.58	r = 0	r >= 1	27.68	47.86
r <= 1	r = 2	9.37	21.13	r <= 1	r >= 2	16.12	29.80
r <= 2	r = 3	6.70	14.26	r <= 2	r >= 3	6.75	15.49
r <= 3	r = 4	0.05	3.84	r <= 3	r >= 4	0.05	3.84

Source: Author's compilation using Eviews.

Note: Trace and max-eigenvalue tests indicate no cointegrating equations at the 0.05 level. Sample period 1993:Q1 to 2011:Q4.

Granger Causality Test

Table 6 below summarises the Granger causality results for the four-variable VAR. The results show that output can help to predict the repo rate and all other variables do not help to predict one another. Hence, there is no causality among the rest of the variables.

Table 6: Granger causality tests for the exchange rate channel

Regressor	Dependent Variable in Regression			
	GY	CP	XR	R
GY	0.00	0.40	0.88	0.00**
CP	0.95	0.00	0.99	0.83
XR	0.34	0.43	0.00	0.21
R	0.52	0.27	0.77	0.00

Source: Author’s compilation using Eviews.

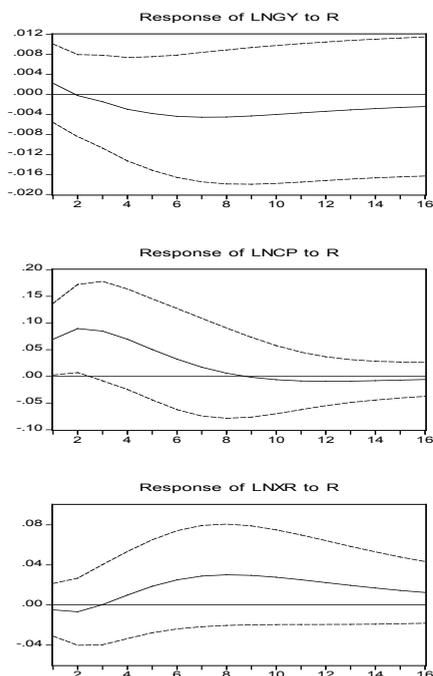
Notes: (a) GY denotes output, CP denotes rate of price inflation, XR denotes real effective exchange rate and R denotes repo rate. (b) ** means a rejection of the null hypothesis at 5%.

Impulse response functions

Figure 1 below presents the impulse responses of output and consumer prices to innovation in the repo rate. The response of output to monetary tightening is in line with economic theory. Repo rate shocks have transitory output effects that die out very quickly; the same can also be said about the response of consumer prices to monetary tightening. The figure shows transitory price effects that die out on the short term. The exchange rate appreciated after an increase in the repo rate. The deviation of the responses is very minor and remains close to the steady line, meaning they are close to the baseline. This leaves a grey area in terms of whether the exchange rate is functional in Namibia. This is no surprise in view of the fact the existence of capital controls and the rigid exchange rate regime in Namibia.

Figure 1: Responses of output, consumer prices and exchange rate: the exchange rate channel

Response to Generalized One S.D. Innovations ± 2 S.E.



Source: Author’s compilation using Eviews

Forecast error variance decomposition

Table 7 presents forecast error variance decompositions for each variable in the model over a 16-quarter forecast horizon. The result shows that fluctuations in the output are mostly attributed to the exchange rate, reported to account for 6.6 per cent after eight quarters, 9.6 per cent after 12 quarters and 12.1 per cent after 16 quarters. The repo rate also accounts for fluctuations in the output but not as much as the exchange rate. It accounts for 4.4 after 12 quarters and 4.4 after 16 quarters. The variations in the consumer prices are also mostly dominated by the exchange rate, which accounts for 2.7 per cent after 12 quarters and 3.3 per cent after 16 quarters. The repo rate is the second variable that accounts for variations in consumer prices, but with relatively lower fluctuations compared to the exchange rate.

Table 7: Variance decomposition for the exchange rate channel

Variance Decomposition of GY				
Quarter	GY	CP	XR	R
1	100	0	0	0
4	95.300	0.032	3.532	1.133
8	89.570	0.124	6.576	3.730
12	85.773	0.230	9.595	4.402
16	83.352	0.298	12.147	4.204
Variance decomposition of CP				
Quarter	GY	CP	XR	R
1	0.112	99.888	0	0
4	0.166	97.299	0.439	2.097
8	0.340	95.622	1.670	2.368
12	0.817	93.976	2.691	2.516
16	1.225	92.894	3.263	2.618
Variance decomposition of XR				
Quarter	GY	CP	XR	R
1	0.316	0.120	99.564	0
4	0.276	0.061	99.063	0.600
8	1.003	0.069	92.620	6.308
12	1.603	0.117	88.125	10.156
16	1.906	0.169	86.621	11.304
Variance decomposition of R				
Quarter	GY	CP	XR	R
1	0.437	5.776	0.228	93.558
4	0.501	3.295	0.980	95.224
8	4.184	2.595	4.536	88.685
12	10.852	2.424	7.993	76.672
16	16.072	2.251	10.167	71.511

Source: Author's compilation using Eviews.

The table also shows that fluctuations in the exchange rate are largely attributed to the repo rate, accounting for 6.3 per cent after eight quarters, 10.2 per cent after 12 quarters and 11.3 per cent after 16 quarters. The variations in the repo rate are dominated by the output, accounting for 10.9 per cent after 12 quarters and 16.1 per cent after 16 quarters. The second variable that accounts for fluctuations in the repo rate is the exchange rate, accounting for 8 per cent and 10.2 per cent after 12 and 16 quarters respectively. The relationship between output and the repo rate accounting for variations among them is not surprising, as it is evident from the result of the Granger causality and impulse responses. However, notably, the exchange rate accounts for fluctuations in almost all the other variables. This implies that inclusion of the exchange rate provides important additional information to the monetary transmission process

CONCLUSION

This paper presents a review on the exchange rate channel of monetary policy transmission in affecting prices and output. Economic theory states that under a fixed exchange rate regime, monetary policy can affect the real exchange rate through prices while holding the nominal exchange rate fixed. The study used quarterly data and covered a period of 1993 to 2011. The empirical analysis conducted makes use of the SVAR methodology. The results on the exchange rate channel demonstrate that response of output to monetary tightening is in line with economic theory. The same can also be said about the response of consumer prices to monetary tightening. The exchange rate appreciated after an increase in the repo rate but only relatively. This leaves a grey area in terms of whether the exchange rate is functional in the Namibian case. This is no surprise in view of existing capital controls and the rigid exchange rate regime of Namibia. Overall, there is evidence that the exchange rate channel has operated as a monetary policy transmission in Namibia. However, the effect is not particularly weak and not so significant, since Namibia practises a pegged exchange rate and capital controls. These results conform to other international studies that found that the exchange rate is functional but not significantly so.

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DIVERSIFICATION OF THE BOTSWANA TOURISM PRODUCT THROUGH DEVELOPMENT OF URBAN TOURISM STRATEGY – THE CASE OF FRANCISTOWN

L.S. Ketshabile¹

ABSTRACT

This paper examines the possibility of developing Francistown as one of the Botswana's tourism destinations. The focus is developmental initiatives that can transform Francistown from an ordinary transit city into a stopover where tourists can spend a few days. It would then be a city similar to Kasane and Maun which are the key tourism destinations in Botswana, also attracting visitors from the neighbouring countries of Zimbabwe, Namibia, Zambia and South Africa. Francistown is located in the north-eastern part of the country. This part of Botswana as a whole attracts comparatively few international visitors. Francistown has the potential to become one of the key tourism destinations in Botswana. A number of people living in Francistown and surrounding areas are said to be living in poverty emanating from high unemployment. Tourism has the potential to create employment and subsequently eradicate poverty.

Keywords: Economic diversification; urban tourism; poverty alleviation and tourism development.

INTRODUCTION

The Botswana tourism product is mainly nature-based and predominantly dominant in the northernmost part of the country, particularly in the Chobe and Okavango regions. In this regard, there is little focus on the development of urban tourism in the country. The Okavango Delta and the Chobe National Park are the key tourism attractions in Botswana. There is an over-emphasis on ecotourism in Botswana, and this means that measures need to be taken to diversify the country's tourism product so that the contribution of tourism to the country's economy can be enhanced. This research therefore aims to sensitise tourism leaders and city leaders in Botswana to develop and promote urban tourism so as to diversify the country's tourism offering. In particular, the research proposes that such developments and promotion should be in Francistown as well as any other suitable location. Francistown is the second largest city in Botswana and is a transit city for travellers to Kasane, Gaborone, Maun, Zimbabwe, South Africa, Zambia and Namibia.

LITERATURE REVIEW

Brief Geography of Botswana

Botswana is a landlocked country lying at the centre of the Southern African plateau (Botswana Population Census, 2001). Four countries border Botswana: Namibia, South Africa, Zambia and Zimbabwe. Botswana and Francistown in particular is a transit location for truck drivers from South Africa, Zimbabwe, Zambia and Namibia. With a population of approximately two million and a total area of 582 000 square kilometres, Botswana is a sparsely populated country (Botswana Population Census, 2001). Large parts of the country are sparsely inhabited owing to the Kgalagadi (Kalahari) desert occupying 87 per cent of the land. Most of the population live in the eastern part of the country, including Francistown, which is closer to Zimbabwean border. Botswana is rich in diamonds and tourism and these form key components in the rapid economic

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growth that the country enjoys.

Figure 1 presents a Botswana map depicting Francistown and a number of tourist locations such as national parks, lakes, deserts, and the other physical features. The map also shows countries sharing borders with Botswana. The country's history has an influence on its economic situation. For example, Botswana is renowned for its peace and tranquillity and this has helped the country to grow economically.

Figure 1: Map of Botswana



Source: Shoortravel (2008)

The Botswana citizens constitute various ethnic groups and the dominant group in Francistown is the Kalanga group (Botswana Population Census, 2001). The Kalanga group has rich cultural artefacts that can be showcased to visitors (Botswana population Census, 2001). As a matter of fact, there is a cultural village 80km from Francistown which hosts an annual cultural event but neither the event nor the village are properly marketed for tourism purposes. Tourism authorities in Francistown should take advantage of the fact that Botswana has been an independent and democratic country since 1966. Botswana was colonised by Britain, and it was historically known as the Bechuanaland Protectorate. The country acquired its current name, Botswana, after the country's independence on 30 September 1966. The fact that Botswana is an independent and a democratic country has significantly contributed to its economic development and it has the potential to influence tourism growth in the country because tourists often prefer to visit destinations that are safe. Botswana's economy is largely dependent on the country's diamond mining, tourism and agriculture industries, and it is closely tied to its neighbouring state, South Africa (Botswana's Department of Tourism, 2008). The period from colonialism to independence earmarks the economic and democratic systems of the country. Tourism is one of the key economic sectors in Botswana and its contribution to the Botswana's economy is significant (Botswana's Department of Tourism, 2008).

Developing Francistown as a Tourism City

Developing a city for a tourism purpose needs a different approach than developing a city for residents. Although the developmental logistics may be similar, the objectives and strategies may differ. For example, tourism superstructures have to meet certain grading standards and need to be accessible in places less congested, whereas the public infrastructures are not graded and are accessible by large number of people. In general, city dwellers usually have excellent access to clean water, free public schools, public libraries and public hospitals (Teaford, 1984). Similarly, people who live in Francistown and the surrounding areas have access to various facilities and the government provides such public health facilities, schools and other services. Public infrastructure is usually developed based on the number of people in need of such services (Fainstein & Stokes, 1998). In contrast, tourism facilities are developed based on the availability of tourist attractions within the vicinity of the locations. This cannot be said about Francistown because the city links various parts of Botswana with the key tourism destinations such as the Chobe National Park and the Okavango Delta, yet very few tourist facilities are available in the city. Francistown does not have recreation facilities either, which means that local tourists do not have anywhere to pass the time.

In general, the development of tourist destinations is an integral aspect in the tourism sector and many researchers approach it using various strategies and tactics (Henderson, 2006). Francistown is not an exception to this approach because it has the potential to become one of the tourism hubs in Botswana. In developing a place as a tourism destination, certain factors including infrastructures and superstructures need to be taken into consideration and should be available in such a place (Henderson, 2006). In this regard, the tourism planners and relevant authorities such as the city council need to develop some facilities and infrastructure that can make the city of Francistown more attractive, not only to the local tourists, but to tourists and visitors in general. This includes the development of roads, recreation facilities, shopping malls and restaurants of international standard.

The development of Francistown into a tourism destination may not only benefit tourists, but it would be an economic diversification initiative. Diversification and privatisation have the potential to benefit tourism industry, not only in Francistown, but in Botswana in general. There are strong marketing initiatives, both locally and internationally, by the Botswana Tourism Organisation and the country's tourism offers the peace and tranquillity for which Botswana is renowned and which play an integral role in the development and promotion of tourism destinations (WTO, 2005b).

Besides peace and stability, the other aspect which is paramount to development is the availability of varying types of complementary and competing organisations from both the private and public sector (Palvovich, 2003). Francistown in particular has both complementing public sectors and competing tourism organisations from the private sector which would make the development of the city into a tourism hub ideal.

In developing Francistown as a tourism destination, tourism planners should adhere to the principles of sustainable tourism development. Sustainable development refers to developmental strategies and resources utilisation that meet the needs of the present generation without jeopardising the future generation from meeting its needs from the same resources (WCED, 1987). In this context, sustainable development is considered a dynamic process that facilitates human needs and aspirations for both current and future generations (WCED, 1987). Furthermore, the World Tourism Organisation (WTO, 2001) maintains that sustainable tourism development aims to meet the needs of the current tourists and host communities while creating the potential for the future population to meet their needs. It is therefore envisaged that the development of Francistown as tourism destination should lead to the management of all resources in such a way that social and economic needs are satisfied without compromising

cultural and ecological integrity. This means developing tourism in such a way that the host community's standard of living is improved while enhancing both services for increased numbers of tourist in the city and in the country in general as well as promoting environmental protection.

Sustainable tourism development is more concerned with the management of developmental changes associated with tourism (Liu & Jones, 1996). In developing Francistown as a tourism destination, stakeholders should be mindful of all types of tourism, either conventional or alternative, that are compatible with sustainable development. The Botswana tourism industry is mainly nature-based and is predominantly found in the northern part of the country. Besides nature-based tourism, Botswana has little to offer in terms of recreational facilities. Tourism planners and developers should be mindful that not all tourists who come to Botswana come to see wildlife and that some may wish to visit other interesting areas. Also, tourism development significantly depends on supply and demand factors. Therefore, the development of tourism facilities and services in Francistown may motivate both local and international tourists to visit the city. Besides tourism product diversification, demand management is also essential in sustaining Botswana's nature-based tourism and effective marketing can direct tourist demand to places that are less sensitive to tourism impact. Environmental degradation has more significant impacts on a fragile environment such as an ecotourism environment than on an urban environment.

The development of attractions such as theme parks is paramount in helping the country to attract a number of tourists who would otherwise have exacerbated touristic pressure on the wildlife environment. As already stated earlier, the natural environment is the basis for the Botswana success story in the tourism sector. This justifies the reasons why the Botswana tourism policy is more intent on protecting the natural environment. From the wider perspective, tourism resources extend beyond natural resources, and include tourist attractions such as the natural environment, cultural and purpose-built attractions (Friedman, 1992). In addition, facilities such as infrastructure and superstructure play an integral role in support of tourist activities. Hospitable host communities and social settings enhance positive tourist experiences (Hitchcock *et al*, 1993). It is imperative for tourism planners and developers to understand that the development of a tourism destination cannot be done in isolation, but is a collaborative effort involving the tourism agencies such as tour operators, travel agents, the private sector, and national tourism organisations such as the Botswana Tourism Organisation (BTO) and the Department of Tourism (DOT). This collaboration is critical in packaging and marketing the whole destination locally, regionally and internationally.

Besides packaging and promoting Botswana as a tourist destination, the government of Botswana and other tourism role players should promote social and economic development initiatives. Special attention should be aimed at improving the standard of living conditions of host communities, not only in Francistown as a prospective tourism destination, but in other key tourism destinations in which host communities are said to be living in poverty (Botswana's Department of Tourism, 2008). It is unfortunate that host communities are living in poverty in close proximity to the key tourism destinations in Botswana, especially when one considers that tourism is Botswana's second economic contributor after diamond mining. This shows that the development of tourism in Botswana does not fully comply with the principles of sustainable development that stipulate that sustainable development should aim to meet the needs of host communities in terms of improving living standards in both the short and long terms (Friedman, 1992). In general, the global trend is that the tourism potential has not yet been realised, and in developing countries in particular poverty and social inequality imply that there is a great need for the host communities to benefit from and actively participate in tourism developmental activities in their area (Liu, 2003).

Sustainable development should ensure that tourism benefits accrue to the local community, particularly those living in poverty. This emphasis is based on the fact that the host communities often bear the negative consequences of tourism activities taking place in their localities (Bramwell, 1998; Mbaiwa, 2005). People living in poverty are likely to engage in unethical and unsustainable developmental activities in order to meet their basic needs (Bramwell, 1998). It is also imperative for tourism developers to understand that tourism development utilises the valuable resources that could be a source of livelihood for the host communities and that host communities should benefit from tourism is not a bonus but a right. When host communities see the value of tourism and actually benefit from it, they are likely to support and protect the location's natural and cultural environments (Smith, 1994). Similarly, if the host communities are not happy and do not support tourism activities in their localities, they may not be hospitable to the visitors and this in turn may discourage tourists from visiting that particular destination. However, involving the ordinary host community in tourism development is often a difficult exercise, particularly in developing countries such as Botswana (Tosun, 2000). Sustainable tourism development therefore needs to maintain a balance between meeting the needs of tourists, the tourism enterprises, local communities, and protecting the environment (Bramwell & Lane, 2000).

EMPIRICAL STUDY AND ANALYSIS OF RESULTS

This section of the research focuses on analysing the empirical data. The data is analysed using various graphs and tables based on the key issue of the research. The Likert scale of five items ranging from 'strongly agree' to 'strongly disagree' was used in data collection. In identifying the respondents, all tourism organisations, including the private and public sectors, in Francistown were approached to seek their consent. It is important to note that tourism in Francistown and in Botswana in general is still at its developmental stage. A total of 39 respondents participated in the research. As already indicated, the number of respondents is a true representative of the population working in the tourism sector in Francistown. It is important to note that organisations were represented by individuals who were identified by their respective managers to participate in the study. Not all organisations approached answered the questionnaire but most organisations responded to the questionnaire. This was a self-administered questionnaire in which the respondents were given the questionnaire to answer on their own. Prior to the distribution of the questionnaire to the respondents, the questionnaire and the purpose of the research were discussed with the potential respondents in various organisations. Managers from various tourism organisations were approached and were asked to identify possible respondents in their respective departments. Specifically, a snowballing approach was used to identify the respondents. The study object constitutes people who are directly involved in the tourism sector in Francistown. Of the people who participated on the research, 64 per cent were women aged between 20 and 29 years. This shows that women play important role in the Botswana tourism sector. The respondents were all citizens of Botswana who have undergraduate degrees in tourism management. Table 1 presents results on how participants responded to the various items:

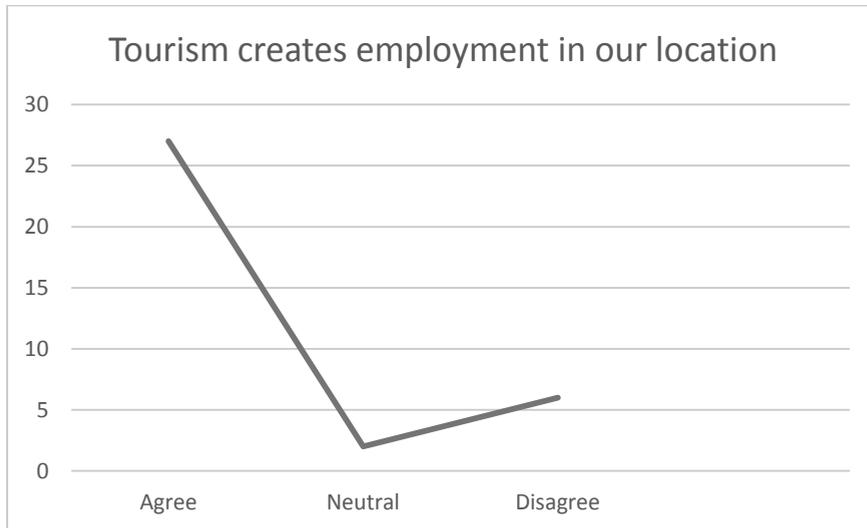
Table 1: Survey Results

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Tourism creates employment in our location	11	16	2	6	0
Tourism motivates host communities to be more conscious of the need to maintain and improve the appearance of the area	9	17	7	5	0
The development of tourism facilities has generally improved the appearance of the area	7	18	3	9	1
Tourism contributes to the conservation of the environment as a national asset	16	16	3	3	0
Tourism development brings facilities that improve the quality of life of residents	15	13	5	3	1
The economic benefits of tourism to the communities are overrated	1	12	12	5	2
Tourism benefits only a small proportion of the community members	13	10	10	3	2
Francistown should be developed to be one of the major tourism destinations in Botswana	31	7	1	0	0
Francistown has the potential to become a key tourism destination	25	11	1	1	0
Development of Francistown into a tourism destination will help poverty eradication initiatives in Botswana	24	15	0	0	0
Tourism contributes employment creation in your location	12	18	4	4	1
Unemployment exacerbates poverty levels in our community	15	16	3	2	0
Tourism increases social cultural problems such as commercial sex work	6	12	12	7	2
Sex tourism is a common practice in our area	2	2	10	6	18
Tourists are often an intrusion on communities' lifestyles	2	15	10	8	2
Tourism results in damage to the natural environment	2	14	9	9	4
Tourism increases the cost of living in host communities	6	12	11	5	5
Development of Francistown as a tourism destination will disadvantage the community	1	2	3	11	20
The host community should be involved and work closely with business community in tourism development	30	4	2	0	1

Tourism contributes to the economic development of Botswana because it creates both direct and indirect employment. Of the people who answered the questionnaire, 27 out of 39 indicated that

tourism creates employment. Besides creating employment, tourism contributes significantly to the country's GDP. Francistown would benefit from this contribution and the development of the city into a tourism destination would enhance the contribution of the sector to the city and to the country in general. Figure 2 depicts the respondents' perception of the economic contribution of tourism in Francistown, particularly as regards employment creation.

Figure 2: Respondents' perceptions of tourism and employment



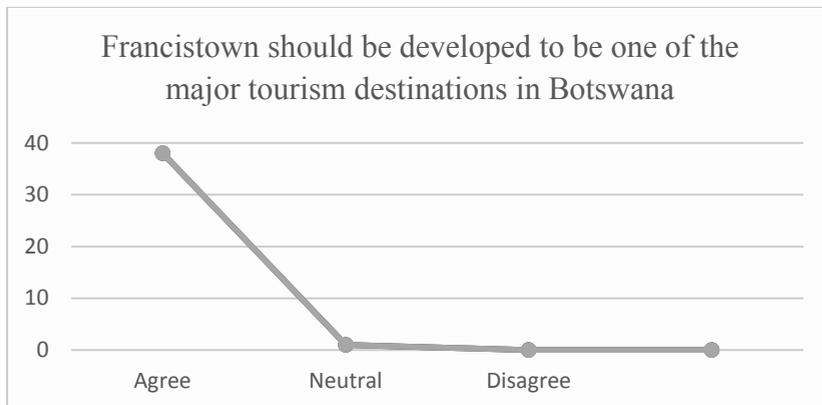
Most respondents (69%) as indicated in Figure 2 affirm that tourism creates employment in their locality. This shows that the development of Francistown as a tourism destination is an ideal strategy. Besides employment creation, tourism motivates host communities to be more conscious of the need to maintain and improve the appearance of the area. This includes keeping the environment clean and being environmentally friendly. The concept of responsible tourism cannot be over-emphasised in Francistown and in Botswana in general because it is a notion that the world has adopted. Tourism also plays a vital role not only in economic diversification but also in development as it fosters infrastructural development that improves the ambience of the host destination. When host communities recognise the importance of tourism for their location, they are likely to promote conservation strategies and practise sustainable tourism development. This, in return, provides quality of life for both current and future generations.

The contribution of tourism to host communities' quality of life varies and people often have varying perceptions on whether tourism positively contributes to their lives. Based on this research, 33 per cent of the respondents confirmed that the economic benefits of tourism to the communities are overrated, 31 per cent of the respondents were neutral, 18 per cent of the respondents disagreed with statement, and 18 per cent of the respondents did not answer the question. The fact that a significant number of the respondents indicated that the economic benefits of tourism to the communities are overrated could mean that the economic benefits of tourism do not accrue to the host communities, particularly those living in poverty. This means that there is a need for policy intervention to ensure that tourism benefits the host communities and to use tourism as a poverty alleviation strategy. Community involvement and benefit from tourism are some of the principles of sustainable tourism development. Furthermore, when host communities benefit from tourism, they are likely to support tourism developmental initiatives taking place in their localities, which in return will help the country to diversify the economy through tourism development.

In general, the tourism economic benefits accrue more to the minority than the majority and this results in many people being reluctant to support tourism developmental initiatives in their respective communities. In Botswana in particular, most of the tourism enterprises are owned by the foreign investors who are in most cases criticised for not being concerned about the host communities' socio-economic problems such as poverty. Tourism does indeed create employment but such employment is also criticised in terms of low wages which do not alleviate the poverty within the communities. To a large extent, some people working for tourism organisations do not necessarily hail from host communities but from elsewhere in Botswana or even from outside Botswana. Tourism generally comes with some socio-economic problems such as commercial sex work due to movement and interaction between tourists and host communities. The situation is worse in scenarios in which the host communities constitute people living in poverty who may opt to engage in commercial sex work as a survival strategy. Unemployment exacerbates poverty levels in various communities, including Francistown, and tourism has the potential to create employment which in turn may alleviate poverty.

Considering the socio-economic problems associated with tourism, it is imperative for policy makers, tourism developers and investors to consider how the host community will benefit from tourism and involve host communities in all the developmental stages of tourism. Host communities often perceive tourists as intruders in their lives and this is due to a lack of active community participation in tourism planning and development. Promoting host community benefits from tourism is imperative because tourism development has both positive and negative impacts on the environment. Such impacts as environmental degradation affect the host community. The other socio-economic impact of tourism is the escalation of prices, particularly in tourism destinations. The high price of certain commodities makes life difficult for many host community members, particularly those living in poverty. Developing Francistown into a tourism destination is imperative in addressing the poverty and unemployment problems. Figure 3 depicts respondents' views on developing Francistown into a tourism destination.

Figure 3: Perceptions of respondents on developing Francistown as a tourism destination



All the respondents agree that Francistown needs to be developed into one of the key tourism destinations in Botswana. This means that the government needs to allocate land for tourism enterprises and encourage investors to invest in tourism businesses in Francistown. The key challenge is the lack of land for tourism projects and the fact that the government of Botswana controls the land allocation throughout the entire country. Prior to developing the city of Francistown into a tourism destination, it is imperative to engage the host communities in the city and its surrounds in all stages of planning and implementation. As part of tourism development and to encourage the host communities to actively participate in tourism projects, cultural

tourism could be promoted and ordinary community members be given the opportunity to sell their artefacts such as basketry and traditional attire. There is a need for the government to allocate certain portions of the land to community projects for open markets in which the community members may operate.

Francistown indeed has the potential to become a tourism destination. Developing the city into a tourism destination is imperative for poverty alleviation, not only in Francistown but in Botswana in general because employment created by such initiatives is not only for people living in the city but elsewhere as well. Besides poverty alleviation and employment creation, the development of Francistown into a tourism destination is essential in diversifying the Botswana tourism product which is largely dependent on wildlife tourism. It is important to note that not all tourists, international or local, are interested in wildlife viewing. Some tourists visit a destination for other reasons other than wildlife viewing e.g. urban and cultural tourists.

CONCLUSION

Tourism has the potential to diversify the Botswana tourism sector which is largely dependent on wildlife tourism. Tourism also has the potential to diversify the country's economy which is largely dependent on diamond mining. Developing Francistown as tourist destination is essential in diversifying the tourism product in Botswana. Francistown is the second largest city in the country after Gaborone. The city is a transit location for people travelling to Zimbabwe, Zambia, Namibia and Maun. Like many towns in Botswana, Francistown experiences a high rate of unemployment and poverty. Developing Francistown as one of the Botswana's key tourism destinations is imperative in order to create opportunities for employment and small-scale entrepreneurs, particularly for members of the host community.

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POSSIBLE SCENARIOS FOR SOUTH AFRICA TOWARDS 2055

C.M. Adendorff¹, J.A. Jonker² & A. Roux³

ABSTRACT

The purpose of this article was to develop four scenarios for South Africa over the next forty years: Mandela's Dream in which positive elements come into function for South Africa's economy and governance; the Historical African Syndrome, in which the key driving forces unfold in an uneven pattern, or have a differentiated impact on South Africa's economy; the Good, the Bad and the Ugly in which less good governance prevails, but where a fortunate economy and firm national management allow South Africa to become competitive and benefit from satisfactory economic growth; and the Pyramid Syndrome scenario in which negative regional drivers of change corrode positive policies and initiatives in a manner which compounds the pre-existing threats to South Africa's growth. The goal of this article was not only to affirm what is already known and knowable about what is happening right now at the intersections of South Africa and its economy, but also to explore the many ways South Africa can strengthen judicial governance and the rule of law by scenario planning, a methodology designed to help researchers, nations and organisations alike through this creative process. This article begins by identifying selected forces of change, and then combines these forces in different ways to create a set of scenarios about how the future of South Africa could evolve towards 2055.

Keywords: Future studies; drivers for change; scenarios.

INTRODUCTION

There is widespread recognition that mankind is living in an era of rapid change in which new discoveries, philosophies and technologies play an ever more prominent part in shaping social and economic development (UN, 2007; World Bank, 2008). The world is becoming increasingly complex, more competitive and better connected. There is economic internationalisation on the one hand, and cultural decentralisation on the other (Moberg, 2012; UN, 2011).

Society has shifted from an industrial base to an information and knowledge orientation whereby advances in genetics, materials, energy, computing, robotics, miniaturisation, medicines, therapies and communication proceed apace (National School Boards Association, 2008; World Bank, 2002). The developed world, moreover, is now becoming smaller, older and wealthier, whilst the developing world grows bigger, younger and relatively poorer (UN, 2009; UN, 2011). A blurring of boundaries between disciplines, industries and social enterprises is taking place and as those boundaries fade, the lines connecting the constituent parts become more critical, so that network systems and holistic thinking are more meaningful (Mazarr, 2005; Ratcliffe & Saurin, 2007). Towards 2055, rapidly shifting trends and unforeseeable global crises will test any and all countries, leaving no power untouched (UN; 2001; Peters, 2011). Silke (2011) points out that there is a close relationship between human development, and global economic and political sense.

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For this reason, broader long-term strategies to foster human development will be the most important goals for countries in the future. Strategic positioning will increasingly promote a competitive environment, pitting nations against each other for the leading role.

Therefore, a more educated and globally aware generation paired with rising global challenges (often unforeseen) will force governments to let go of “narrow political and ideological” attitudes and policies (Bandurski, 2009; Silke, 2011; UN, 2011).

For international corporations, skills attract investment (UN, 2002; Bulgar, 2011). International corporations are attracted to countries that have proven themselves in realms such as “education, health care, infrastructure, security of tenure and combating corruption” (Silke, 2011; Bulgar, 2011; UN, 2011; World Bank, 2012). In a fiercely competitive world, the South African story of victory over its past and its evolving new democracy will be of little consequence to corporations which are looking for good governance in their search for possible investment opportunities (The China Post, 2011). In order to foster this kind of environment, government’s duty now becomes to foster a healthy entrepreneurial, innovative and knowledge-based population that can be conducive to business growth (Silke, 2011; UN, 2011; OECD, 2009; World Bank, 2011).

Faced with growing competition on the global market, research findings warn that if the Republic of South Africa does not “get its house in order”, it will be left behind in the wake of most other countries (World Economic Forum, 2010; Silke, 2011; Anderson, 2011; African Economic Outlook, 2011). Globally, countries have already shown and continue to indicate that the state can have a pivotal role in securing the confidence of the international community (OECD, 2009, Alberti & Bertucci, 2001; Banga, 2003). However, South Africa’s biggest competition might not hail from other continents, but may turn out to be the country’s neighbours. Researchers argue that South Africa’s political dynamics leave investors with doubt as to whether to invest (Seria, 2011). Countries such as Zimbabwe, which researchers identify as having no restrictive labour laws, can lure investors away from South Africa to elsewhere on the continent (Silke, 2011; Seria, 2011; Mamburu, 2011). The danger for South Africa is that it might lose out as Africa’s progress heats up competition between the African countries unless the South African government can act in an effective and adaptive way (Silke, 2011). IDISA (2011) points out that political events in North Africa during 2011 have raised concerns over whether South Africa will develop the same problems such as the ‘people’s protest’. The South African government’s inability to stem the increasing dissatisfaction with service delivery (which has been characterised to be ‘almost certainly violent’) adds to this perception (IDISA, 2011; Higgs, 2011).

PROBLEM STATEMENT

No one can predict with certainty how the future will develop, yet more than ever researchers and decision-makers alike need to think about the probable futures that might originate from the unstable conditions that persist, as well as the implications for human choice and action (Herbst & Mills, 2006). Countries are continually exposed to the fast-changing external environment of the 21st century. Political leaders and decision-makers are faced with daunting challenges associated with rapidly fluctuating regulatory and legal changes, macro-economic trends and risks, socio-political transformation, globalisation, technological innovation, increasing competition, environmental concerns, and societal pressures and expectations (Dess & Pickens, 2000; Geldenhuys, 2006; Meyer & Boninelli, 2004). It is therefore important for the Republic of South Africa to position itself in this rapidly changing, complex and global environment. The Republic of South Africa, in striving in the midst of a changing global environment, requires the application of scenario-based planning and, if possible, a change in navigation in some form or other. Integrating scenario-based planning and institutionalised change navigation may have a positive impact on the extent to which people buy into the stories resulting from scenario-based

planning and the leadership actions resulting from these scenarios (Geldenhuys, 2006; Moya, 2012; Yoe, 2004, 2012).

This article will attempt to indicate how different approaches to, or solutions provided by, the scenario process will lead to different outcomes. This article will also not attempt to predict the future, but rather to illustrate the plausible futures, taking into account the current prevailing and future forces and factors, both external and internal, that will make an impact on the Republic of South Africa. Future research studies indicate that too many forces work against the possibility of obtaining the right forecast (Caldwell, 2010; Hartmann, 2009; Herbst & Mills, 2006). Analysing the macro- and microenvironment assists this research effort by identifying the key factors that have an impact on South Africa, either positively or negatively. By identifying the drivers for change, this research strives to determine the risks and problems that prevent South Africa's progress and development.

DRIVERS FOR CHANGE AFFECTING SOUTH AFRICA

A definition of a driver involves the result of the transformation in an environment brought on by any natural or human-induced factor that directly or indirectly causes a change (Carpenter *et al*, 2006). A direct driver indisputably influences specific processes. An indirect driver operates more diffusely by altering one or more direct drivers.

Driving forces can be viewed as uncertain, as they are influenced by the rapidity of change. This makes it harder to anticipate the future (Kasperson, Kasperson & Turner, 1995). This uncertainty is not only influenced by the rapidity of change, but also by the new ways and values of looking at change (and the inherent conflicts of these new values and the existing and familiar ones) and of course, the driving forces of change (Bassanini & Scarpetta, 2001). Researchers and decision-makers will need to understand paradigm shifts and driving forces in order to combat this uncertainty (Caldwell, 2010).

Driving forces are adequately strong, enabling a direct course of expansion of the society and changes in the environment (Bassanini & Scarpetta, 2001; Nelson *et al*, 2006). Driving forces set the preliminary course for development, and their impacts are powerful enough to change the course of progress. Their effects can be short and sharp, or long lasting (Caldwell, 2010; Nelson *et al*, 2006). Driving forces function at various levels of intensity and scale, reverse direction, and appear or disappear as the case may be (Kasperson *et al*, 1995). The development of the scenarios is then based on the identification and articulation of the driving forces. Driving forces therefore are elements that can cause change to occur and their unfolding and interaction are responsible for the trends envisaged in each scenario (Hartmann, 2009).

ECONOMIC DRIVERS FOR CHANGE AFFECTING SOUTH AFRICA TOWARDS 2050

The international economic system as constructed following the Second World War will be almost unrecognisable by 2025 owing to the rise of emerging powers, a globalising economy, an historic transfer of relative wealth and economic power from West to East, and the growing influence of non-state actors (Grant, 2010). By 2025, the international economic system will be a global multi-polar one with continually narrowing gaps in national power between developed and developing countries (NIC, 2008). Concurrent with the shift in power among nation states, the relative power of various non-state actors including businesses, tribes, religious organisations and criminal networks is increasing (Fingar, 2009). The players are changing, but so too are the scope and breadth of transnational issues important for continued global economic prosperity.

BRIC countries have received a medium economic risk rating from Control Risks (2013); however, South Africa received a low rating for 2013 with regard to political and economic risk. A low political and economic risk rating implies that businesses are not able to operate without

any inconvenience. Political organisations are expected to be stable, although the possibility remains that adverse policy changes may occur. The possibility that regulatory or judicial insecurity can become an issue is unlikely, but non-government actors could obstruct business activities from time to time (Control Risks, 2009; Essel, 2012).

South Africa has been highly represented by its diverse cultures, which may be extremely valuable since terrorism has often been linked strongly to religious and cultural issues (Silke, 2010). The country's diverse cultures, however, have sometimes given rise to ethnic conflict (Venter, 2005: 39; Essel, 2012). Issues around Black Economic Empowerment (BEE) have often presented economic risk factors (Acemoglu, 2007). This has usually come in the form of potential government intervention. Employment in most instances has been hampered by affirmative action quotas whereby management is sometimes prevented from selecting the most suitable persons for particular positions and therefore the country's development has consequently been restrained (Venter, 2005: 40; Zaayman, 2003: 38; Essel, 2012).

In order for South Africa to achieve its national goals of eradicating poverty, lowering inequality, creating jobs and making the transition to a resilient low-carbon economy, foreign relations must be driven by the country's domestic economic, political and social demands, as well as by our regional, continental and global obligations (National Development Plan, 2011). Meeting these expectations and obligations can be achieved through a clear understanding of global shifts in power and influence from West to East, regional formations in Africa, and the emergence of powers such as Mexico, Turkey, Indonesia and Columbia, some of which are vying for a voice in early 21st century international relations (NDP, 2011).

Bobby Godsell, chairman of Business Leadership South Africa and a member of the high-powered government-sponsored National Planning Commission, argues that South Africa could become to Africa what Japan was to Asia in the 1950s and 1960s. Godsell (2010) makes the telling point that South Africa is leading the modernisation of a continent of a billion with huge unmet needs. The world is set to change; the decades to 2050 are likely to be the most dramatic and potentially testing for all humanity (NIC, 2008). Will South Africa cope and perform within such a competitive and demanding international climate? As with most countries, South Africa will move into an even more competitive environment where competing regions, cities and nation-states seek to alleviate the pressures of all these key question marks impeding economic growth (UNEP, 2012). Given that a second industrial revolution from the developed to developing world is now upon us and is likely to shape the future to 2050 and beyond, South Africa will be closely analysed by external players, investment houses and rating agencies. The use of key criteria to establish the propensity for a nation's success is a transparent process that can elevate smaller countries to fashionable investment destinations or relegate bigger names to a declining status (Anderson, 1993; Hill, 2008). This will be South Africa's most testing time as it pits domestic policy constraints against the relentless tide of global change (Ukwandu, 2009). And all the while South Africa has to provide for its people in one of the most competitive eras the world has ever experienced.

POLITICAL DRIVERS

The study of world politics now comprises a broad range of disciplinary and theoretical perspectives (Brasset & Bulley, 2007). Such breadth holds important implications for understanding ethics and "the ethical" in world politics (Sander-Staudt, 2011). Where once International Relations (IR) claimed a monopoly over the study of world affairs, there is now a plurality of capable observers from disciplines like Geography, International Political Economy, Futurology and Sociology.

Governance (local, national and regional) relies on values and principles that the public holds (Hartmann, 2009; Kennedy, 2003). The political relations between the state, civil society and the

private sector are heavily relied upon by governance, even though the purposes of these sectors vary depending on the priorities and principles of a set social system (Herbst & Mills, 2009). Governance is found within the political, economic and administrative sectors, and it can affect expansion, which includes the potential for sustainable environmental management, market efficiency and the understanding of basic rights. First-rate governance is able to develop economic development as well as the potential to produce fresh opportunities for improving human well-being as well as general development (Hartmann, 2009).

Some argue South Africa has made significant progress in the provision of basic services such as housing, water and electricity (UNDP, 2010). The foundations for a capable state have been laid, but there are major concerns about the weakness in how these structures function, which constrain South Africa's ability to pursue key development objectives (Edigheji, 2007; Adendorff, 2011; Silke, 2011). The uneven performance of the public service results from the interplay between a complex set of factors, including tension in the political administrative interface, instability of the administrative leadership, skills deficits, the erosion of accountability and authority, poor organisational design, inappropriate staffing and low staff morale (Grafton, 2010; NDP, 2011; Davis, 2012; Silke, 2011).

The temptation of quick fixes has diverted attention from more fundamental priorities, particularly the deficit in skills and professionalism affecting all elements of the public service (Governance, 2000). At senior levels, reporting and recruitment structures allow far too much political interference in selecting and managing senior staff (NDP, 2011; Silke, 2011).

The result has been unnecessary turbulence in senior posts in the public service and reduced confidence in the leadership, which undermines the morale of public servants and the confidence of citizens in South Africa (Hughes, 2003). Therefore, South Africa has struggled to achieve constructive relations between the three spheres of government. A lack of clarity about the division and coordination of powers and responsibilities together with the lack of coherent and predictable mechanisms for delegating or assigning functions has created tensions and instability across the three spheres (Heyns & Stefiszyn, 2006; Silke, 2011).

South Africa has yet to balance the need for public servants to be responsive to the priorities of the South African government of the day with the need for the public service to treat citizens equally and not discriminate on grounds of political allegiance (Hadley, 2002; Kalombo, 2005; NDP, 2011). There also has yet to be a clear demarcation between the roles and responsibilities of public servants and their political principles (Mafunisa, 2003; Greene, 2006; Essel, 2012). Where the public service is too insulated from political pressures, this is likely to lead to concerns that it is failing to serve the interests of the government and is therefore not fulfilling its democratic mandate. However, where the public service is insufficiently insulated, standards can be undermined in South Africa as public servants are recruited on the basis of political connections rather than skills and expertise, or access to state resources and services become defined by political affiliation rather than citizenship (Gounev, 2010; NDP, 2011; Sherwood, 2012; Silke, 2012).

Although South Africa is governed as a parliamentary democracy (Bureau of African Affairs, 2010; Essel, 2012), this democratic country has numerous identifiable political pressure groups such as labour. These groups have instigated strikes in the past during which the entire country has come to an economic standstill, which makes it obvious that these labour unions are crucial political pressure groups in South Africa (Pekeur, 2003; Essel, 2012). South Africa has been identified as one of the more stable economies on the African continent and it has been argued that South Africa has been the economic giant of Africa, and not only the leading producer of minerals, but also the country with the highest industrial output on the African continent (McKinsey, 2010; Essel, 2012). However, foreign investors also generally associate business in South Africa with corruption (Zaayman, 2003; Silke, 2011). South Africa has also constantly

faced threats of expropriation in the recent past, as issues surrounding land reform and the nationalisation of mines have been sensitive subjects in South Africa (Zaayman, 2003). However, the possibility that regulatory or judicial insecurity can become an issue is unlikely, but non-government actors could obstruct business activities from time to time (Control Risks, 2009). Issues around Black Economic Empowerment have often presented political risk factors (Acemoglu, 2007; Duffet, 2012) and this has usually come in the form of potential government intervention (Labonte, 2010; Essel, 2012).

RESEARCH METHODOLOGY

Scenarios are a way of producing alternative futures based on various mixtures of assumptions, facts, trends and areas where extra understanding is needed for a particular scenario project (Herbst & Mills, 2006). A very good set of scenarios should leave the reader questioning which option is more likely or probable, thus causing the reader to think more. That is the whole point of a scenario (Herbst & Mills, 2006). Researchers should therefore structure and develop their scenarios to arguably educate and not to postulate the preferred future (Carpenter, Bennett & Peterson, 2006). Researchers, however, assert that these scenarios attempt to help detect, avoid and overcome possible dangers that may lie ahead, and to inform individuals by considering fragments of possible developments, options and dangers that may arise. Such researchers also emphasise that exploring these alternative futures should be done with the goal of improving the welfare of humankind and the sustainability of the earth (Bell, 2001; Moll, 2000). Bell (2001) indicates that any future is a consequence of present actions of people and that the present day is constantly being reconstructed as people act, react and interact. Therefore, to understand how these consequences might unfold, the researcher must understand other's actions and reactions, and forces beyond control (Bell, 2001). As result of this, researchers contribute to informed and wise actions in our present day by studying possible future scenarios, distinguishing between possible, probable and preferable future scenarios (Bell, 2001).

This article presents four scenarios to better understand South Africa's future for the next 40 years: the 'Mandela's Dream Scenario' in which positive fundamentals come to function and are equally beneficial; 'The Good, the Bad and the Ugly Scenario' in which less good governance prevails, but where a fortunate environment and firm national management allow South Africa to become competitive and benefit from satisfactory economic growth; the 'Pyramid Syndrome Scenario', in which core driving forces unfold at an uneven pattern, or have a varied impact on South Africa; and finally, the 'Historical African Syndrome' in which negative regional drivers of change cause the decay of positive initiatives in a method which compounds the pre-existing pressures to South Africa's development towards 2055.

Figure 1: The Pyramid Syndrome



Source: Adendorff & Collier (2015: 134)

First scenario – Mandela’s Dream

Nelson Rolihlahla Mandela had a dream for South Africa. He dreamed of a South Africa “which is in peace with itself”. As the father of South African democracy and the pioneer of peace, Mandela yearned for a rainbow nation, where all South Africans were united. Mandela’s dream for the people of South Africa was to have an economically free nation, where democracy, peace and security were a way of life for all her citizens. Mandela’s biggest hope for South Africa was the creation of a literate youth. He emphasised good and possibly free education for all, as he believed that “...education is a powerful weapon that we can use to change the world”. He yearned for a nation that could read the Constitution of her country, one which included and protected all races, religions and genders who were blessed enough to see the dawning of a new South Africa.

Mandela’s Dream is therefore the idealistic hope of all nations around the world. It is a government modelled on all factors leading to a successful and self-sufficient world power. It is a nation which relies on good governance, sound economic policies and a favourable regional environment to produce strong economic growth. Under such conditions, South Africa can reap the benefits of a government that delivers social and judicial services everywhere, one that upgrades social and economic infrastructure and maintains security for all. It is a country which maintains high standards of democracy – a far cry from her dark and politically unstable past. With South Africa’s human rights, transparency, budget discipline and a tough stance against corruption, South Africa wins her people’s confidence. Carefully designed economic reforms are undertaken and foreign investment is sought, allowing for a more competitive economy where indigenous ownership and access to capital is encouraged.

By 2055, South Africa has known years of peace, where democracy has been the pride of her people. She has enjoyed a time of incorrupt governance, with a sound 5-6 per cent year on end economic growth in GDP and lower unemployment and poverty rates. South Africa is basking in her democratic glory, where a better quality of life is promised to all. South Africans no longer stand together in protest, but rather as a nation joined in unity on their journey towards forgiveness, healing and, most importantly, evolving into a country free from oppression.

By 2055, South Africa has enjoyed four decades of a new set of governance and values. South Africa is now a country which places great emphasis on the quality of life of all her citizens, solidarity amongst them and environmental protectionism - beliefs which are polar opposites to a country once governed by the creed of consumerism and individualism. South Africa is now a country which enjoys pro-environment and anti-poverty policies, galvanising sustainable economic development. The enhancement of a good quality of a life for all has become the foundation for growth in South Africa. As a nation, she has witnessed a departure from the old capitalist economic system, and is now a country which strives for the employment of moral and value-based politics. South Africa is now a beacon of light which leads by example and sets new standards as part of BRICS in promoting greater solidarity among developing countries.

Towards 2055, South Africa has seen many benefits and growth since her integration into global economics and part of the BRICS group of countries. In the past four decades leading up to 2055, there has been strong integration of the South African economy, a relatively benign political context and worldwide progress on tackling environmental risks. It is because of her involvement in global economics that strong institutions have emerged out of Southern Africa. This institutional strength has been welcomed by an ever-growing and strengthening South African economy. The emergences of these institutions have also enhanced international trade, allowing South Africa to join the ranks of other international trade powerhouses and to help establish the global agreements on the mobility workers. This ever-evolving and strengthening globalisation of South African corporations has helped increase the competition for both skilled and unskilled labour.

South Africa has become a much safer place to live in towards 2055, as government has taken precautions to strengthen our security, law and policing systems. South Africa is now a place free from the shackles of crime, corruption, illegal trade and trafficking. As a democratic country, South Africa's governance has drastically improved, allowing all her citizens to walk in South Africa's diverse and vibrant streets, free from the worry of crime. As is fitting of a democratic country, South Africa's law regulations have also been adjusted accordingly to protect and defend all South African citizens. South Africa has made provision for security and justice and her people are hopeful of political leaders, as they strive to maintain their country's law and order.

Towards 2055 in South Africa, a sustainable livelihood has been built, increasing the productivity of the increasing 56 million people living in South Africa. Many efforts were placed on the support and building of education, health, information and knowledge, as well as access to finance, and other means of living towards 2055. Citizens' food supply, assets and income became a concern of the then government during the 2010s.. It was because of this that specific lead programmes became prioritised. Amongst these programmes was the building of effective and qualified developmental local governments representing all culture groups, which has been discussed and argued to be the most important change needing to take place in order to reach the South Africa dreamt of by Mandela. Another programme of importance brought in by the ruling party was the redeployment of experienced senior public servants of all culture groups from provincial and national levels, as well as secondments from the NGO and private sectors. These experienced and qualified public servants were redeployed into this new developmental local government, set on the creation of a true new rainbow nation, capable of having her own footing on an international level. This developmental role of local government has then succeeded in its aim to improve, plan, and ensure integrated service delivery and insure participation by communities in identifying their own priorities in the planning process towards 2055.

The encouragement of global private investment in resourceful and current telecommunications, transport infrastructure and energy supply has enabled the upgrading of the economic infrastructure together with the social infrastructure. South Africa is now enjoying a lifestyle never dreamed of prior to 2013. She is now a country which supplies 80 per cent of her people with clean drinking water, as well as the upgrade of clinics, schools, classrooms, roads, police stations and other transport infrastructure. South Africa has become a place where her truly democratic, well-trained, productive and effective leadership is an example to the rest of the world.

In summary and towards 2055, South Africa will no longer have poverty traps in rural areas and urban townships; workers isolated on the periphery of cities; inner cities controlled by slumlords and crime; sterile suburbs with homes surrounded by high walls and electric fences; households spending 30 per cent or more of their time, energy and money on daily commuting; decaying infrastructure with power blackouts, undrinkable water, potholes and blocked sewers; violent protests; gridlocked roads and unreliable public transport; new public housing in barren urban landscapes; new private investment creating exclusive enclaves for the rich; fearful immigrant communities living in confined spaces; or rural communities dying as local production collapses. Instead, South Africa will have productive farms; well governed villages, towns and cities; tolerance; democracy; fairness and respect for the environment; citizen-centred services; secure water and food supplies; diverse and cleaner energy supplies; more walking and cycling; security barriers coming down in suburbs as people reclaim their streets; a mix of housing types and tenures to meet different needs; energy-efficient homes; fewer private cars on the roads and decent public transport; public spaces where people from different social groups mix; well-maintained infrastructure supporting dynamic businesses and vibrant economies; recycled waste generating renewable energy; young people actively engaged in local decision-making; immigrant communities making a contribution; rural areas fully integrated into the local

economy and new technologies used in buildings for infrastructure and government. Finally, South Africa is a place that our best leader, Mr Mandela, can be proud of, her people can rejoice in and her future citizens can look forward to.

Second scenario – The Good, the Bad and the Ugly

The second scenario which will be mapped out is titled ‘the Good the Bad and the Ugly’. In this scenario although the South African government benefits from reasonably sound governance, it is, however, less fortunate in regional environment and less resolute in economic growth. Recovery efforts are hampered by external forces, although the South Africa government adopts sound governance and economic policies. There is large room for improvement, yet all hope is not lost. A large portion of the government budget goes towards eradicating poverty; however, a cloud of civil unrest simmers above the head of the nation. Illicit mining and trade continue, and South Africa is hampered further by ethnic and cultural tensions and economic disparities. There is much work to be done in this South Africa, a place where the investment climate is seen as a high risk, and where the pendulum of peace can swing either way. The economy remains uncompetitive and investment potentials remain unfulfilled. The rejuvenation of a country once plagued by apartheid is slow, yet continues to move forward by investing in security enforcement, good and free education and well governed and balanced infrastructure development. There is a glimmer of hope for the nation, as she moves precariously and slowly upward towards 2055. However, in this scenario it is believed that the South African economy did recover a sufficient growth potential early, when people strengthened their expectations about their future through good governance. Implementing all structural reforms that aimed towards a competitive society thriving on global trends and putting the bubble economy completely behind South Africa were instrumental in enhancing this movement. Considering labour input capital stock, and technological progress (total factor productivity), the South Africa economy was still able to grow by around 2 per cent per year.

Towards 2055, South Africa also has a working and liberal economic system; however, it has failed to develop a differentiated production and service economy. The raw material-dominated industrial complex still constitutes a substantial part of the economy. The development of a strong middle class, something important in every economy, has been hampered by a lack of diversification of domestic industry. Regular economic downturns depress the globalisation, growth and social development throughout South Africa and, for that matter, in Africa. Whilst this has been happening within the economy, the demographic drivers in South Africa mean there is still a demand for in-migration in key sectors such as elderly care. The pressure for migration has increased, driven by lower growth, scarcity of critical resources, declining living standards and lower productivity. These pressures exist in a policy environment hostile to international cooperation that leads to tighter border policies and more control over migration-related matters.

Towards 2055, long-term domestic and foreign investments are important for South Africa, and therefore clearer strategies for obtaining both are needed. However, the difficult economic environment poised on the national and provincial investment agencies, from developmental funding to youth funding, make capital hard to come by. The inability to attract high levels of investment and the inefficiency of local funding insure that the wealth of South Africa remains with a few elites. The reason for this is that diversity in management has not been achieved anywhere in the economy, something South Africa has battled to achieve since 1994. The government and senior management have been predominately black, whereas the private sector remains in the hands of white South Africans, throwing much needed diversity off balance. The South African government has become more comfortable with outsourcing aspects of high priority services, such as social grant payments, hospital provision, and the running of prisons, housing, schools and universities to the private sector.

The problem experienced during this scenario is that education and health are highly privatised and therefore only the rich elite can afford education and health services. The majority of the citizens living in rural areas are left uneducated, and unhealthy with fearsome diseases, issues which remain unacceptable. Owing to the high levels of illiteracy towards 2055, the majority of the population lack basic skills. The consequence of such neglect is that rural communities lack access to basic needs such as water, food, education, health care, sanitation and security. The things which many South Africans take for granted are foreign concepts to the majority of the country, living mere kilometres away. It is owing to these horrific circumstances that South Africa suffers from low life expectancy levels and high infant mortality rates towards 2055.

These conditions, rightly considered unacceptable by the majority of rural dwellers, have been contested, resulting in higher crime rates, conflict and cultural differences. Despite a commitment to better government, and to the more effective redistribution of wealth, the reality of a slowing economy makes it difficult for South Africa to keep up with the expectations it has itself created. It is common for governments worldwide to promise things they are unable to deliver. In the case of South Africa, job and poverty targets have failed miserably. Weak physical infrastructure has also been a key factor that has prevented South Africa from successfully integrating into global trading systems. Poor infrastructure accounted for 40 per cent of transport costs for coastal provinces and 60 per cent for landlocked provinces. It can therefore be argued that South Africa has failed to expand services fast enough to keep up with rapid demographic growth and urbanisation owing to poor economic conditions. Perhaps one of the greatest reasons South Africa has not reached her true potential is the continuation of a few elite-sponsored BBBEE business agreements. Towards 2055, in most capitalist-driven nations the gap between the haves and have-nots is constantly expanding, a notion not foreign in South Africa.

In summary, towards 2055 a common platform of fairness, accountability, responsibility and transparency has been established with the view to effectively utilising public resources. However, low levels of openness and weak economic conditions have prevented South Africans from striking the partnerships with the rest of the world that would make a meaningful contribution to regional human capital development. In this scenario, there are few foreign and local joint ventures, with the result that local people are not exposed to best international practices. Low levels of openness have become a result of South Africa's failure in negotiating for market access to more developed and higher income communities. As a result of this, South Africa has not opened up enough quality of labour in the country. The export and import efforts of South Africa as a percentage of real GDP have eventually gone into decline towards 2055.

Third scenario – Pyramid Syndrome

In the 'Pyramid Syndrome', a less significant government than in that of 'the Good, the Bad and the Ugly' prevails, especially in the early years with a selected few corrupt government autocrats filling up their personal coffers, but a fortunate economic environment and firm national management have allowed the Republic of South Africa to become competitive and benefit from satisfactory economic growth. Initially, dissatisfaction crept in due to the ruling party's inability to deliver social rehabilitation and employment, or to eliminate corruption and nepotism. Towards 2055, the citizens of South Africa refused to live under such governmental rule and the weaknesses of this rule have led to widespread protest, backed by western interests. There is a new political arena fighting for a more disciplined regime whereby draconian measures can eventually be brought in to stamp out corruption and illicit operations, bringing back the rule of law and government authority, although civil rights, transparency and the social sectors backing security, education and infrastructure development receive lower priority. However, seeing that economic growth of around 5 to 6 per cent year on end could address poverty, the government has been forced to work with multinationals and international agencies to modernise infrastructure, to utilise natural resources, and to successfully stimulate much needed growth.

Towards 2055, South Africa's economy has reached prosperity without any political reform or an effective government. Despite favourable conditions and excellent economic growth, accumulated debt weighs heavily on South Africa's shoulders. Poor planning and coordination and bureaucratic inertia overlaid with startling levels of animosity among politicians have started to filter through to the still strong performing economy. This is largely because the divisive events of the black-dominated ANC and complex court cases due to poor governance result in continuing hostility and suspicion in the ruling party. Cracks within the government itself are beginning to emerge, which come with worrying effects for the South African economy and all its citizens. For a while, South Africa enjoyed the benefits of sound economic growth, driven by a more stable global economy. With the South African government not succeeding, it is clear that the failure has been due to negligible consequences of inefficiency, corruption, poor productivity and bad governance. Unions and political connections protect the poor performers. Cleverer but less productive staff take advantage of the uncertainties at senior management level. The key performance agreement is honoured mostly in the breach and eventually collapses towards 2055. South Africa is in desperate need of a new government and educated people to take over the reins of a nation in desperate need of guidance.

The South African government made a feeble effort to get corruption under control, as corruption has worked in their favour at all levels by letting tenders go to companies with overt connections to well-positioned individual and culture groups within the ruling party. The government celebrates vulgar displays of wealth and privilege while the majority of the country live without electricity, clean running water or inadequate sanitation. The power-hungry rule a nation plagued by poverty and heart-breaking issues such as HIV and AIDS, all the while taking tax money away from those who need it to survive. Thus the Pyramid Syndrome.

Towards 2055 the South African government no longer plays a significant role in managing the country's legislature. Law enforcement has been decentralised and is in many cases carried out by private crime fighters hired by individuals and corporations alike. The concept of the social welfare state is also a distant memory; individualism and materialistic gains are the main driving forces in the economy. South Africa is involved in African guerrilla war-type governance, where each citizen is forced to defend his or her best interests, as all faith in the South African government and the civil services, or lack thereof, has been lost. The demise of social and political justice has increased the polarisation of wealth, resulting in strong divides in society. Far behind in technological development, social and political mechanisms have hopelessly failed to cope with technological change. Politics, government, law and justice systems have been harder to update because they were highly based in strong cultural paradigms. Paradoxically, the globalisation has contributed by making national legal systems irrelevant and global legal systems impractical because it is impossible to reach agreements owing to the same cultural diversity.

Towards 2055, South Africa has become wealthier as global GDP grows but less happy as the differences between the haves and have-nots have become starker and increasingly immutable. South Africa is increasingly denned by two self-reinforcing cycles, one virtuous, leading to greater prosperity, the other vicious, leading to poverty and instability with political and social tensions increasing. Among South Africans there are clear-cut winners and losers. South Africa has splintered and eventually falters.

Fourth scenario – the Historical African Syndrome

South Africa fares less well in the fourth scenario, 'the Historical African Syndrome'. The country continues suffering from a one-sided bad government, continued personal greed and internal and external conflict, drifting from crisis to crisis, mostly of its own making. Unfortunately, South Africa is on the same path of destruction as some of the poorest countries in the world. Initial attempts at rehabilitation and stability do not work, worsened by an influx of

more refugees from countries with the same or worsened plight from all over Africa. The South African government cannot deliver non-corrupt, well-managed services; education is poor; humanitarian aid declines; food production does not recover; governance is inequitable; and civil unrest grows. Young men of all culture groups return to fighting; the brain drain thrives. Poor macroeconomic management brings inflation and a lack of public resources; investors avoid South Africa and donors withdraw. In the lawless environment HIV/AIDS and disease escalate. There are coups d'état and war, religious fundamentalism and cultural terrorism and continued links to international crime. The main losers are the desperately poor people, helplessly caught in a maelstrom of conflict and the ambitions of local and selfish leaders. They are the ones who are once again burdened by an ill-qualified and corrupt government. By 2055, with yet another civil war, the cycle of violence and despair repeats itself over, and over.

Towards 2055, several South African economically depressed cycles are in full swing and economic activity reaches an all-time low. This is the worst-case scenario with high inflation and unemployment figures, referred to as 'stagflation'. This leads to double-digit interest rates for several years until inflation goes down to most reasonable levels. While stocks suffer greatly, lands do even worse. Citizens feel the burn of an unstable economy. By 2055 South Africa has been predominantly shaped by long periods of economic instability, as economic growth stalls in South Africa. Instead of collaboration and mutual understanding between cultures, many South Africans are facing a breakdown within their own structures. It is a chaotic period for the South African country, as gated cities emerged. Citizens no longer felt safe in their cities, opting to live behind electric fences and high walls. By 2055, although there are many corporations in South Africa, they seem to behave like predators. Resources are used with no respect for the natural environment, as the land and her animals are abused, killed and squandered. There is a marked lack of cooperation between corporate and communities. Instead, there is a clash of interests and a general lack of understanding, or respect, on both sides. The people of South Africa have been struggling under the burden of economic hardships as they have been extremely despondent with the one-sided and black dominated political situation, since the country has been run by the few ruling elite who are exploiting it to serve their own needs. Government officials live in lavish homesteads while their people suffer. This picture of pathos will break many a heart internationally. Well-remunerated government appointments and top positions also seem to go to people who are well placed with the government, regardless of merit, qualification and experience. Government has failed to deliver on its promises of family support, refurbishment of schools, health facilities, housing or clean drinking water because of inefficiency, corrupt practices, arrogance and an influx of refugees.

Towards 2055, South Africa has become a lawless country where anger and violence are rife. South Africa is now caught in a downward spiral, fanning the flames of ethnic animosity and witnessing the formation of ethnic militias. Widespread corruption continues unabated. The youth of South Africa have no jobs – those who have survived the AIDS scourge, that is. The youth who stay at home all day become depressed and apathetic, turning to crime as the only alternative. Armed gangs emerge throughout the South African country, the Constitutional crisis deteriorates and regional conflicts escalate and threaten to spread. Enormous pressure is brought to bear on the South African country. The populace is no longer confident in the ability of the one-sided state's government to enforce the law and many South Africans are taking no account of it in the running of their affairs. Instead, they rely more and more on informal establishments, based largely on ethnic allegiances. To aggravate matters further, the South African government has lost its capacity to enforce the law – it can no longer hold together different groups in the delicate balance of power and rewards.

South Africa is in a no better position to where they were forty years prior, having learnt nothing from her many years of hardships. Meanwhile, national development and the delivery of services to citizens have lagged despite ANC leaders' earnest campaign promises. Health and education

systems especially have suffered from government neglect, and widespread dysfunction in local governments has prompted public demonstrations, which in most places have been countered with police violence. Peaceful protest is a thing of the past as citizens opt for a more violent approach in getting their pleas across. These problems have been compounded by the ANC's policy of 'deployment', whereby the selection of candidates for government jobs at all levels is inordinately influenced by the candidates' perceived loyalty to the ANC rather than by the possession of requisite professional qualifications. South Africa is not only being led by corrupt government officials, but by uneducated ones at that.

Although South Africans have celebrated the diversity of their cultures since 1994, there is no real substance to their traditional practices; as towards 2055 these have become perfunctory. The vital connection between the individual and insular race-based traditional cultures has forever been lost when South African society retreated into structured hierarchical racial lines. Towards 2055 as part of bad governance and poor economic conditions, the health system is struggling to cope with the collision of four excessive health burdens: communicable disease (especially HIV/AIDS); non-communicable disease; maternal, neonatal and child deaths; and deaths from injury and violence. These health problems are rooted in distinctive features of South Africa's poor governed strategic planning to cater for the poor. The migrant labour system has resulted in dispossession and impoverishment of the majority black population and has contributed too many of the major health problems through social changes which has led to the destruction of family life, alcohol abuse, and violence, particularly gender-based violence. Vast income inequalities have also resulted from the cumulative effects of wide-ranging discrimination and an array of racially-based BBBEE legislation.

Towards 2055 the South African country's infrastructure has also taken a catastrophic turn as more than 80 per cent of the country's citizens have no clean drinking water and sanitation is at its worst. The consumption of municipal potable water and the disposal of sewage into municipal systems have not been minimised and increased storm water runoff and water pollution have not been avoided towards 2055, causing greater risk of waterborne diseases. The government has neglected to improve the infrastructure of the roads and railways, leading to a high number of road deaths due to potholes and torn roads. The disastrous state of South Africa's roads has further been caused by poor management and unavailable funds to reconstruct and maintain them - the story of a country fuelled by governmental greed.

Medical services are also deteriorating rapidly and some South Africans have had to leave the country to seek medical treatment. Signs of the healthcare crisis have been obvious for some time to the few doctors still available in the country's hospitals. The international community that normally intervenes in situations like these are unwelcome now in South Africa, unless the underlying political problems can be solved. Hospitals have become seriously understaffed as nurses and doctors leave for more stable jobs abroad. Surgeons and anaesthesiologists have stopped doing any state-sponsored operations to protest about the poor working conditions and inadequate supplies. The surgeons say they are afraid of ruining their reputations by continuing to lose patients by going into theatre without adequate government supplies and equipment. While doctors and even members of parliament blame the government for the crisis, the government lacks political commitment and will.

In summary, it turns out that the majority of the government have absolutely no knowledge of economy and perceived good governance. They are totally incapable of satisfying even their own personal needs. As a result, the majority of enterprises have been closed and abandoned and South Africa has become like the rest of historical Africa.

RECOMMENDATIONS AND CONCLUSIONS FOR SOUTH AFRICA TOWARDS 2055

The proposed four scenarios above are multifaceted, and many more comparisons and messages can be elaborated. The proposed scenarios are not predictions, but merely four possible stories of how South Africa could develop, based on important variables and uncertainties. The significance of these scenarios is to learn from them in setting the strategic agenda for the future.

Humankind's understanding of what drives national prosperity has evolved over time. Natural resources, population growth, industrialisation, globalisation, geography, economics and productivity might all have played a role in the past. Researchers also know that the relative importance of these drivers has shifted over time, and that in recent decades, more importance has been given to the coherence and quality of policies and the development of supporting institutions (López-Claros & Mata, 2010). A relative newcomer to this debate, identified as perhaps one of the most important modern engines of productivity and growth, has been the innovation excellence of a country; that is, its industries, researchers, developers, creative thinkers, enlightened politicians, managers, and clusters (Ferguson, 2008; UN, 2012; World Bank, 2013).

As presented in the scenarios above, the future is, however, open to great potential, depending on South Africa's actions and inactions. It is the choice of South Africans to therefore choose which path to follow in terms of future development as a nation. If good policies are implemented and all work scrupulously, Mandela's dream should be achieved. If, on the other hand, bad policies are implemented, South Africa will persist in falling behind with the associated consequences of poor human and social development.

South Africa's leaders, professionals, entrepreneurs and decision-makers alike all owe its citizens aspects such as ethics, honesty, respect, trustworthiness and not doing harm to anyone or anything. Leaders should strive to implement moral obligations to improve the public welfare and to add additional moral burdens that apply specifically to carrying out one's role as a professional, as well as to serving the people of South Africa. Decision-makers therefore, have to maintain and improve the well-being of its current citizens, and those of the future, as well as the life-sustaining capacities of the earth. In South Africa, one of the most efficient prevention strategies of future unrest or even rebellion is jobs (Herbst & Mills, 2006). South Africa, a country rising out of conflict, has to ensure such jobs - to build on the basics to ensure firstly, that they are in place, including human and hard infrastructure such as roads, transport, medical facilities, electricity and ports; and secondly, that the traditional drivers of economic activity are completely restored. Since South Africa has been blessed with some natural resources, it will have to meet the challenge of investing these proceeds and diversifying its economic base.

South Africa has many obstacles to overcome before any developmental milestones are achieved. The country is not only limited by good governance standards, but still has elements of corruption, crime, low life expectancies, uneducated population, failed infrastructure and poor access to technology. This list still needs to be addressed in order to spark development for South Africa towards 2055. Economic well-being has the apparent potential to develop the health of the population, access to sanitation and clean water as well as access to technology. If South Africa can focus on improving its governance efforts, the chances of positive development will be greater (Gopal & Tyler, 2010).

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STIGMATISATION, SOCIAL SUPPORT AND HEALTH-SEEKING BEHAVIOUR AMONG PERSONS LIVING WITH HIV/AIDS IN A HEALTH FACILITY IN ILORIN, NIGERIA

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ABSTRACT

Quantum of studies has shown that the major set-back in HIV treatment is the issue of stigma and discrimination. This study examined the experience of stigmatisation by persons living with HIV/AIDS in a health facility in Nigeria as well as the relationship between social support and health care-seeking behaviour. A total of 210 respondents participated in the study. Data were gathered using questionnaires and in-depth interviews (IDI). Incidentally, 90 per cent and 87.5 per cent of the respondents indicated that they did not experience any form of stigma and discrimination among friends or at places of work respectively. Non-experience of stigma and discrimination was due to non-disclosure of HIV status. A total of 66 per cent of the respondents revealed that their participation in the group activities enabled them to receive social support needed to cope with their health conditions. The majority of the respondents (89.5%) revealed that the caring attitudes of care providers also encouraged them to comply with treatment. Thus, regression analysis shows a positive relationship between group support and group participation ($p < 0.05$) as well as group participation and health care seeking behaviour ($p < 0.05$). The study recommends effective group activities among PLHIV and by extension people with similar diseases.

Keywords: HIV/AIDS; group membership; social support; social capital; PLHIV.

INTRODUCTION

HIV/AIDS remains one of the major public health problems in Nigeria. More than 3 million Nigerians are still living with the virus with the prevalence rate standing at 4 per cent (National Action Committee on AIDS [NACA], 2012). In view of the incidence and prevalence of HIV/AIDS in Nigeria, Nigeria remains the second hardest hit by HIV/AIDS country in Africa and the third in the world (NACA, 2012). Activities to combat HIV/AIDS in Nigeria have been scaled up, especially in recent times. However, the fight against HIV/AIDS is believed to be suffering a setback owing to the problem of stigma and discrimination often experienced by the people who are living with the virus. In most Nigerian communities, people living with HIV/AIDS are still socially and structurally disadvantaged. In most of these communities, HIV/AIDS is still associated with promiscuity, evil and even death. In indigenous communities, persons living with HIV are still widely considered immoral and treated with disrespect. Sometimes they are ostracised and openly disgraced by their own people.

While immediate family members and friends are usually the first to discriminate against an infected individual, persons living with HIV (PLHIV) in Nigeria may also suffer what is called institutional discrimination from care providers in the health sector. Institutional discrimination may include deliberate neglect, differential treatment, denial of care, delivery of poor quality treatment, early discharge from the hospital, segregation of hospital wards, isolation, and the

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labelling of patients' beds, files and ward (Ehiri *et al*, 2005). Stigma and discrimination also take place at work places. Workplace discrimination may include retrenchment due to repeated sick leave, unfair dismissal on the basis of frequent absenteeism, lack of access to training and promotion opportunities and unfair rumours about employees suffering from infectious diseases (Abdullahi, 2014).

The consequences of stigma and discrimination against PLHIV are grave. Those subjected to stigma and discrimination may suffer some personal crises such as isolation, loneliness, low self-esteem and lack of interest in containing HIV/AIDS (Valdiserri *et al*, 1999). Suicidal ideation among depressed PLHIV in Nigeria has been documented (Shittu *et al*, 2014). The majority of the respondents in the study by Shittu *et al* (2014) sometimes wished they could commit suicide. Reported cases of suicide among people tested positive for HIV/AIDS in Nigeria occasioned by fear of stigma and discrimination have also been documented.

Incidentally, the past decade has witnessed a growing interest in the relationship between social capital, social support and health (Kreuter & Lezin, 2000; Putnam, 2002; Kawachi & Berkman, 2000; Whitehead & Diderichsen, 2001). For instance, a study among the Russian population showed that social capital is associated with both physical and emotional self-reported good health (Rose, 2000). In addition, Kim and Kawachi (2006) have measured the relationship between social capital and health. However, little is known about the relationship between social support and health care-seeking behaviour among PLHIV. This study examined the experience of stigma among PLHIV and the relationship that exists between group membership, social support and their health care-seeking behaviour. The study was carried out at the HIV Treatment Unit of the University of Ilorin Teaching Hospital in Ilorin, Nigeria.

REVIEW OF THE LITERATURE

The National Cancer Institute's Dictionary defines social support as "...a network of family, friends, neighbours, and community members that is available in times of need to give psychological, physical, and financial help" (www.cancer.gov). Albrecht and Adelman (1987: 19) define social support as "...verbal and non-verbal communication between recipients and providers that reduces uncertainty about the situation, the self, the other, or the relationship, and functions to enhance a perception of personal control in one's life experience." Gottlieb (2002: 28) sees social support more broadly as the "...process of interaction in relationships which improves coping, esteem, belonging, and competence through actual or perceived exchanges of physical or psychological resources."

Social support may consist of 'actual' and 'perceived' support. The actual support is the support an individual receives in terms of what is said, given, and done for the individual. Perceived support is referred to an individual's belief that social support is available; it is generally considered positive or negative and provides what is considered needed by that individual (Noris & Kaniasty, 1996; Sarason *et al*, 1990). Sources of support may vary from family, spouse, friend, co-workers, and doctors to community ties or affiliations. Long ago, House *et al* (1981) outlined the following four broad types of social support, which are still much more extensively used in research conducted today. These are informational, instrumental, emotional and appraisal types of support. Informational support involves the provision of relevant and adequate information, education, or guidance for use in managing personal health-related problems. Instrumental support is a tangible support. It involves the provision of tangible or real assistance in the form of financial aid, materials goods, labour, time or any direct help. Emotional support involves the provision of empathy, affection, love, trust, encouragement, listening, and love by members of an individual's social network. Lastly, appraisal support involves the number of social relationships an individual has with others that have mutual interests. It is also called affiliative support.

Social support not only helps people feel better or cope with challenges, but it also leads to improved health condition ranging from physical health, psychological health and, most importantly, overall well-being. Investigators have explored the ways in which social support may enhance mental and physical health. It has been argued that rich social networks may reduce the rate at which individuals engage in risky behaviour, prevent negative appraisals and increase treatment adherence (Rozanski *et al.*, 1999; Fontena *et al.*, 1989). These studies provide evidence that social support is associated with a decreased risk of mental and physical illness (Achat *et al.*, 1998; Holt-Lunstad *et al.*, 2010; Lyyra & Heikkinen, 2006; Seeman, 2000). Strine *et al.* (2008: 43) analysed data from a state-based surveillance system that collected data on social support, health-related quality of life and health behaviours. They discovered that those who reported lower levels of social support had increased obesity, physical inactivity, alcohol consumption and a higher prevalence of smoking. Dimatteo (2004) identified 122 studies published between 1948 and 2001 that correlated social support with patient medication adherence across multiple conditions. He concluded that patients were more than twice as likely to adhere if they had great levels of social support. This support may come from family members, friends, and neighbours. Social support also had effect on adherence in the case of patients who took more than one medication.

Furthermore, Mortimore, Haselow, Dolan, Hawkes, Langenberg, Zimmerman and Magaziner (2008) studied the effect of social support on the elderly recovering from hip fracture in the United States. They found that those who had less social contact and support were five times more likely to die within five years of fracture than those with more social contact and support. Similarly, another study found that people with the highest level of social support had the highest levels of self-efficacy in choosing and preparing the most nutritional foods; and the support of friends and family gave them both information about eating healthier and the confidence that they could choose healthy over unhealthy food (Anderson *et al.*, 2007).

However, it must be mentioned that not all studies on social support demonstrate benefits. Well and Vaughan (1989) found that some social relationships might actually encourage partaking in unhealthy behaviour, such as drinking alcohol, smoking and drug use among adolescents. In the same vein, findings from Bolger *et al.* (2000) also suggest that the actual receipt of social support can enhance stress. Taylor (2007) suggests that social support may be experienced differently across cultures. Given that much of the research on social support has been conducted in Western cultures which tend to value independence (Markus & Kitayama, 1991), many other cultures (Asian, South Europe, and Latin America) value interdependence, and so it is important to understand how and whether the protective factors associated with social support differ across cultures.

OBJECTIVES OF THE STUDY

The main objective of this research work was to investigate the correlation between social capital and health care-seeking behaviour among PLWHA at the University of Ilorin Teaching Hospital (UITH). To achieve the main objective, the following specific objectives were also formulated:

1. To examine how discrimination and stigma experienced by PLWHA among friends and family affected their response to treatment among PLWHA at UITH;
2. To examine how physical and emotional support received by PLWHA at UITH enhanced self-esteem and health-seeking behaviour;
3. To understand the extent to which information and ideas received from group members promote health-seeking behaviour of PLWHA at UITH;
4. To examine the relationship between group participation and health-seeking behaviour of PLWHA at UITH; and

5. To find out how group membership could enhance or undermine self-esteem and health-seeking behaviour of PLWHA.

RESEARCH METHODOLOGY

The study area

The study was conducted among registered PLHIV at the HIV/AIDS treatment unit of the University of Ilorin Teaching Hospital (UITH) in Ilorin, Nigeria. UITH is a tertiary health institution in Nigeria manned by the Federal Government of Nigeria. It was established on the 2nd May 1980 with a temporary facility at the then General Hospital. The permanent site of the hospital was opened in May 2007 while complete movement took place in April 2010. The permanent site is located along the old Jebba Road, Oke-Ose in the Ilorin East Local Government Area of Kwara State. The HIV/AIDS treatment unit is located in the health facility where PLHIV receive care and support. The facility provides free treatment for PLHIV and also provides health talks which are always centred around encouraging positive health-seeking behaviour among the people. Health talks are usually slotted between 8 and 9 o'clock every morning.

Data collection and treatment

Structured questionnaires and in-depth interviews (IDI) were used to collect data. The mixed-method approach adopted helped to offset the weaknesses associated with either of the quantitative or qualitative approaches (Blake, 1989; Greene, Caracelli & Graham 1989; Rossman & Wilson, 1991). Data were gathered during group interaction sessions between 8 and 9 o'clock throughout the period of study. On the one hand, the structured questionnaire was administered on 200 randomly selected respondents. The instrument was used to collect data on the socio-demographic characteristics of the respondents and the benefits derived from group membership. The respondents were allowed to fill in the questionnaires during regular health discussion and talks, without time pressure. Data cleaning was therefore less strenuous since the respondents responded very well to the questions posed in the instrument. Earlier discussions with potential respondents made data collection easier. This was coupled with the fact that the respondents had earlier been informed that information supplied would be for academic purposes only. Direct interaction with PLHIV was restricted at the facility. Health providers assisted in distributing questionnaires to respondents under the supervision of one of the researchers. On the other hand, the IDI was conducted among 10 purposively selected participants. This was handled by the lead researcher.

Data analysis

Descriptive and inferential statistics were used to analyse quantitative data with the aid of Statistical Products and Services Solution (SPSS). Regression analysis was used to examine the strength of relationships between group support and group participation as well as group participation and health care-seeking behaviour. Qualitative data were analysed manually to complement quantitative findings.

ETHICAL CONSIDERATIONS

An approval to conduct the study was obtained from the Ethical Review Committee of the University of Ilorin Teaching Hospital dated 9th September, 2014 with Ref. No.: UITH/CAT/189/VOL.17^A/780. Both verbal and written informed consents were also obtained from each of the respondents. No respondents were coerced to participate in the study: participation was voluntary. Respondents were allowed to skip difficult questions and questions that could make them uncomfortable. Confidentiality of participants was ensured throughout the study as the questionnaires did not carry the names of the respondents. The researchers complied with the guidelines and procedures of the Ethical Review Committee of the Teaching Hospital.

RESULTS

Socio-demographic profile of the respondents

Table 1 presents the socio-demographic profiles of the respondents. More females (67%) participated in the study than males (33%). This may confirm the gender disparity in HIV prevalence in Nigeria. The table also shows that the majority of the respondents were middle-aged people: 66 (33%) were between the ages of 28 and 37; 72 (36%) were between the ages of 38 and 47 years; while 44 (22%) were above the age of 47 years. Only 16 (8%) were between 18 to 27 years of age. The majority of the respondents were married (73%). Only 37(18.5%) were single. The level of education among the respondents was relatively high. From the table, it is clear that the majority of the respondents, namely 68 (34%), had tertiary education, including the Ordinary National Diploma (OND), Higher National Diploma (HND), National Certificate of Education (NCE), and university degrees. Only 27 (13.5%) had no formal education, 22 (11%) had primary education, 16 (8%) had dropped out of primary school, 49 (24.5%) had secondary education, while 15 (7.5%) were secondary school drop-outs. The majority of the respondents were therefore relatively educated. In addition, the majority were self-employed (60%), and 23.5 per cent were civil servants. Only 14% were unemployed and jobless.

Table 1: Socio-demographic profile of respondents

Categories	Number	Percentage
Gender		
Male	66	33
Female	134	67
Total	200	100
Age		
18-27 years	16	8
28- 37 years	66	33
38-47 years	72	36
47 above	44	22
Indifferent	2	1
Total	200	100
Marital status		
Married	146	73
Single	37	18.5
Indifferent	17	8.5
Total	200	100
Educational attainment		
No formal education	27	13.5
Primary certificate	22	11
Primary drop-out	16	8
Secondary certificate	49	24.5
Secondary drop-out	15	7.5
Tertiary education (OND, NCE, DEGREE)	68	34
Indifferent	3	1.5
Total	200	100
Employment status		
Self-employed	120	60
Civil servant	47	23.5
Unemployed	28	14
Indifferent	5	2.5
Total	200	100

Source: Field survey, 2014

Willingness and decision to undergo HIV screening

From Table 2, the awareness of being HIV positive was relatively recent among the majority of the respondents. 76.5 per cent disclosed that they had been diagnosed and become aware of their HIV status between 2005 and 2014. Of these, 70 (35%) disclosed they had been diagnosed with HIV between 2005 and 2009 while 83 (41.5%) revealed they had been diagnosed with HIV between 2010 and 2014. Less than 20 per cent of the total population had tested positive between 2000 and 2004. Only three (1.5%) revealed that they had been diagnosed before the year 2000.

Table 2 also presents information on respondents' decision to be tested for HIV. The majority of the respondents (74%) disclosed that they had become aware of their HIV status through voluntary testing. 10.5 per cent revealed that they had become aware of their HIV status under pressure after persistent sickness. Only 6.5 per cent disclosed that HIV tests had been carried out on them without their consent. Nevertheless, the majority of those who went for voluntarily testing (74%) had experienced some specific symptoms before they were advised by their health providers to undergo an HIV test. This was corroborated by a respondent during the IDI:

When I started feeling sick, I went to the hospital in town. As usual, I was treated for malaria. This continued for months. After sometimes, my doctor advised me to go for HIV test, which I did. That was when I knew I had the virus... (A respondent among PLHIV at UITH).

Table 2: Awareness of HIV Status

Categories	Number	Percentage
Year Tested for HIV		
Less than 2000	3	1.5
2000 - 2004	39	19.5
2005 - 2009	70	35
2010 – 2014	83	41.5
Indifferent	5	2.5
Total	200	100
Decision to be tested for HIV		
Voluntary testing	148	74
Under pressure	21	10.5
Without my knowledge	13	6.5
Indifferent	18	9
Total	200	100

Source: Field survey, 2014

Experience of stigmatisation and discrimination

Stigmatisation and discrimination continue to be major challenges to PLHIV and the broad fight against HIV. Both often constitute major barriers to how PLHIV seek help and medical care. However, the majority of the respondents in this study claimed they did not experience stigmatisation and discrimination, either at their place of work or at home. From Table 3, 180 (90%) of the respondents indicated non-experience of stigmatisation and discrimination among friends. Only 13 (6.5%) occasionally experienced stigmatisation and discrimination among friends. Similarly, 175 (87.5%) of the respondents disclosed that they were not experiencing stigmatisation and discrimination from relatives, 181 (90.5%) revealed they did not experience discrimination at their places of work. Only two (1%) claimed to experience discrimination at their places of work. The non-experience of stigma and discrimination by the majority of the

respondents was largely due to non-disclosure of their HIV status. This came to the fore during IDI sections. According to a respondent:

My friends don't know about my HIV status. If they had known maybe they would have. But the good thing is they don't know about my status. It is only my wife and myself that know about it (A married man among PLHIV at UITH).

Another respondent disclosed that:

None of my family members except my mother and my elder brother is aware of my health status. My brother got to know because he was taking me to the hospital when I was sick. I personally told my mother after my status was confirmed (A young unmarried adult among PLHIV at UITH).

Table 3: Stigmatisation and discrimination

Categories	Number	Percentage
Experience of stigmatisation and discrimination among friends		
Not at all	180	90
Not often	13	6.5
Often	2	1
Indifferent	5	2.5
Total	200	100
Experience of stigmatisation and discrimination among relatives		
Not at all	175	87.5
Not often	11	5.5
Often	2	1
Indifferent	12	6
Total	200	100
Experience of stigmatisation and discrimination at place of work		
Not at all	181	90.5
Not often	2	1
Indifferent	17	8.5
Total	200	100

Source: Field survey, 2014

Group membership, social support and health seeking

Table 4 presents the relationship between group membership, social support and health-seeking behaviour of the respondents. From the table it is clear that 71 per cent of the respondents disclosed that they regularly participated in group activities, which included health talks on how to live a positive life. Of these, 64 per cent were effectively and actively involved in group activities. One of the respondents said:

During the group interaction, we share experiences and encourage ourselves on how to live a positive life.

Also, from the table 78.5 per cent of the respondents intimated that group participation had been very useful to cope with their health conditions. The support received included emotional (77%), spiritual (65%), and financial (44%) support. The financial support received was echoed by a female respondent during the IDI section:

Few years ago, when I was pregnant and the doctors told me I needed blood, my friends here contributed money to get the blood for me. Today, my baby is living a healthy life courtesy of these people that I call my family. He is HIV negative.

In total, 66 per cent of the respondents revealed that group participation had provided the emotional, financial, spiritual and other social support needed to cope with HIV. These also included self-esteem, adherence and compliance with HIV treatment. From the table, it is apparent that 75 per cent of the respondents believed that group participation had enhanced perceived self-esteem and a positive feeling about life. A respondent confidently said during the IDI that:

I live a normal life like I'm not HIV positive. I can live longer than some people without the disease. This is part of what they tell us here at the facility. Believe me, there are people here who have been living with HIV for more than 15 years and they are living normal life.

Furthermore, from the table, 91 per cent of the respondents agreed that their participation in group activities had enhanced their compliance with HIV treatment. Consequently, 67 per cent believed that group participation had impacted positively on health-seeking behaviour. 89.5 per cent of the respondents mentioned that the attitude of the care providers at the facility had to a large extent impacted on their health-seeking behaviour. A respondent said during the interview that:

The kind of education and information provided at this health facility encourages me to comply with treatment. Health providers educate us on the need to use our drugs always and correctly and live positive life. They are good people.

Incidentally, inferential statistics conducted showed that a positive relationship exists between group participation and group support. The regression analysis as presented in Table 5 suggests that there is a significant statistical relationship between group participation (independent variable) and group support (dependent variable) when the value of the level of sig. (0.004) was found to be less than the p-value at 0.05. This shows that the higher the social support received by group members, the higher the tendency to actively participate in group discussion and the better for their health. The study also found a positive relationship between group participation and health-seeking behaviour, measured in terms of compliance with and adherence to HIV treatment. This was arrived at when the significant value of 0.031 was less than the p-value at 0.05 (see Table 6). This shows that group participation encourages compliance with HIV treatment and the general well-being of PLHIV. In other words, the more members participate in group activities, the more the social support they receive and the more likely they are to comply with HIV treatment. According to a respondent:

I was too afraid to be pregnant when I became aware I was HIV positive. When I talked to the health providers they advised me on what I could do. They assured me I would be pregnant and that my baby would be negative only if I followed instructions which I did. Apart from the group discussion, I was booked for counselling and ante-natal treatment under their close watch. After delivery my child was tested negative and that gave me the confidence to be pregnant again.

Table 4: Group membership, social support and health seeking

Categories	Number	Percentage
Compliance with ARV		
Yes	194	97
No	0	0
Indifferent	6	3
Total	200	100
Group participation		
Regularly	142	71
Not regular	32	16
Indifferent	26	13
Total	200	100
Group interaction		
Often	128	64
Not often	43	21.5
Indifferent	29	14.5
Total	200	100
Usefulness of group participation		
Useful	157	78.5
Not useful	18	9
Indifferent	25	12.5
Total	200	100
Group participation and social support		
Yes	132	66
No	38	19
Indifferent	30	15
Total	200	100
Group participation and impact on adherence to treatment		
Yes	182	91
No	4	2
Indifferent	14	7
Total	200	100
Group participation and self-esteem		
Yes	33	7.5
No	150	16.5
Indifferent	17	8.5
Total	200	100
Group membership and health seeking		
Positive	134	67
Negative	33	16.5
Indifferent	33	16.5
Total	200	100
Care providers' attitude and health seeking		
To a large extent	179	89.5
To a smaller extent	7	3.5

Not at all	0	0
Indifferent	14	7
Total	200	100

Source: Field survey, 2014

Table 5: Regression analysis showing relationship between group participation and group support

Model	Unstandardised coefficients		Standardised coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.593	.076		7.760	.000
Group participation	.242	.084	.224	2.889	.004

a. Dependent variable: Group support. Sig. 0.004 < p-value 0.05

Source: Field survey, 2014

Table 6: Regression analysis showing relationship between group participation and health-seeking behaviour

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.710	.066		10.811	.000
Group support	.160	.073	.174	2.182	.031

Dependent variable: Health-seeking behaviour. Sig. 0.031 < p-value 0.05

Source: SPSS output

DISCUSSION

Nigeria is a heterogeneous society with diverse and complex culture, beliefs, values and orientations (Abdullahi & Saka, 2007; Adebola & Oluwole, 2005). In most Nigerian communities, PLHIV are still socially and structurally disadvantaged. In most of these communities HIV/AIDS is still synonymous with promiscuity, evil or death, hence PLHIV are often discriminated against (Adebola & Oluwole, 2005:10). Thus, stigma and discrimination constitute important barriers to seeking effective care and treatment among PLHIV. Similarly, social capital has emerged as a safe haven for PLHIV all over the world, including Nigeria, to access the kind of social support needed to cope with HIV. This has become important against the background that compliance with anti-retroviral drugs (ARTs) can be influenced by the social relationships that exist among ART users and service providers. Such relationships may also facilitate treatment through supporting ART adherence. Thus, the current study attempted to examine the relationship between social support, group membership and health care-seeking behaviour of PLHIV in a health facility in Nigeria. This became important because most of the

research on social support and health has been conducted chiefly in Western Europe and North America, with a focus on disease management, physical and mental health (Achat *et al*, 1998; Holt-Lunstad *et al*, 2010; Lyyra & Heikkinen, 2006; Seeman, 2000). However, unlike any of the previous studies, the current study found that the majority of the respondents did not experience stigma and discrimination either among friends (90%), relatives (87.5%) or at their places of work (90.5%). This was attributed to non-disclosure of HIV status to friends and members of the family. This agrees with the claim that those who are HIV positive in Nigeria are secretive about their status in order to avoid the danger of stigma and discrimination (Adebola & Oluwole, 2005).

The study also found that the majority of the respondents often participated in group activities (71%), group interactions (64%) and many found group participation very useful (78.5%). According to the respondents, during group interactions alliances and networks are formed and ideas shared. Hence, 91 per cent believed that group participation and group activities had enhanced compliance with HIV treatment. A regression analysis further showed that a significant statistical relationship exists between group participation and group support ($p < 0.05$) as well as group participation and health care-seeking behaviour ($p < 0.05$). The results further showed that health care providers played a very significant role in ensuring PLHIV have a positive life, especially during group interaction. The study found that the attitude of health providers towards PLHIV at the facility was fair and that this had, to a large extent, impacted on the health-seeking behaviour of the majority of the respondents (89.5%). This finding agrees with Chen *et al* (2007) that healthcare workers who provide medical and emotional support are viewed favourably by HIV-positive patients and are regarded as critical to their ability to stay healthy.

Based on the views of House *et al* (1981), benefits derived from group participation included informational, emotional, instrumental and appraisal support. Informational support enjoyed by the respondents included the provision of relevant information and education about pregnancy in the face of HIV. Instrumental support comprised the provision of tangible or real assistance in the form of financial aid, materials goods, and other direct help. The emotional support received included the provision of empathy, affection, trust, encouragement. An appraisal support involved the number of social relationships an individual had with others that had mutual interests. These broad types of social support did not only help individual person feel better, but they led to improved health condition as reported during the interview sections. Some studies have equally shown that social support is associated with a decreased risk of mental and physical illness (Holt-Lunstad *et al*, 2010; Lyyra & Heikkinen, 2006; Seeman, 2000).

CONCLUSION

This study has investigated the relationship between social support, group membership and health care-seeking behaviour of PLHIV receiving care at the HIV unit of the University of Ilorin Teaching Hospital. Both quantitative and qualitative research instruments were used to collect data. The results showed that group activities and participation have a significant impact on the health-seeking behaviour of PLHIV. It was found that ideas shared during group interaction were helpful to individual members of the group in order to cope with their health challenges. Therefore group activities should be encouraged among people with similar health challenges so that ideas can be shared. The study confirmed that there is a positive relationship between social capital and health-seeking behaviour among PLHIV even though the exact means by which social support contributes to health and the factors that influence this relationship are not yet entirely understood (Vitaliano *et al*, 2001). It is concluded that social interaction among people with similar health challenges can provide the emotional, informational, instrumental and appraisal support required to cope with health conditions, thereby encouraging positive living.

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METHODS TO IMPROVE THE EFFECTIVE IMPLEMENTATION OF ORGANISATIONAL CODES OF CONDUCT

S.W.P. Engelbrecht¹, J.J. Pieterse² & *B.M.K. Robinson³

ABSTRACT

This research explores methods to improve code of conduct effectiveness. Misconduct is a common phenomenon in the current business environment, even in the face of increased regulation, and the adoption of codes of conduct by organisations. This impacts negatively on organisations' reputations, results in financial loss, and has a negative impact on the sustainability of businesses. While researchers suggest that codes of conduct should reduce misconduct and improve the ethical culture of organisations, mixed research results suggest codes of conduct are not always effective.

Adopting a grounded theory approach, the researcher investigated nine of South Africa's largest multinational organisations in order to understand the factors influencing their code of conduct effectiveness better.

The research makes a contribution to the understanding of codes of conduct by presenting nine formulae for an effective code of conduct.

Keywords: Code of conduct; code of ethics; business ethics; ethical culture.

INTRODUCTION

Codes of conduct have been a part of large businesses for some time, and their importance has not waned. The effectiveness of codes of conduct remains an urgent issue as unethical behaviour and corporate scandals are a continuing trend in the corporate world.

Misconduct in organisations is a global phenomenon, and can impair organisations' reputation; result in colossal fines and lawsuits; cost the organisation loss from fraud, and in some cases result in major corporate collapses such as that of Enron, WorldCom, Parmalat, and Lehman Brothers, while in South Africa, Fidentia, Regal Bank, LeisureNet, and Aveng have made headlines. Many of these companies have or had a code of conduct, yet these codes failed to avert unethical behaviour.

The damage resulting from unethical behaviour is significant and undoubtedly causes harm to a variety of stakeholders. In the example of behaviour resulting in corporate collapse, not only do shareholders forfeit their share equity, but employees lose their jobs, suppliers their contracts, creditors their payment, customers their after-sales service, communities their livelihood, and the economy, their revenue from taxes, while corruption hampers the ability of developing nations to improve the well-being of its citizens. Systematic unethical behaviour within the financial services industry during the recent global economic crisis, highlights how this behaviour can have far a reaching impact on not only the organisation, but also on the local and global economy.

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The reasons for misconduct are diverse and complex, and codes of conduct can be a valuable mechanism to address the problem. Kaptein & Wempe (1998: 854) suggest codes of conduct can improve the ability of an organisation to resist unethical behaviour; Schwartz (2001: 255) finds that codes of conduct can influence behaviour; and Manley (1991: 4) and Painter-Morland (2006: 352) confirm that they also have added benefits such as reputation enhancement, improved ethical culture, and increased morale amongst employees. Nonetheless, codes of conduct have been criticised for their ineffectiveness – and both Painter-Morland (2006: 354) and Sethi (2003: 82) suggest that this is a result of development and implementation practices – while Kaptein & Schwartz (2008: 114) found that past research into the effectiveness of codes of conduct had divergent findings with a high percentage being regarded as ineffective.

The fact that misconduct is prevalent, and codes of conduct often deemed to be ineffective, suggested that further research is necessary on codes of conduct and their effectiveness. As Bazerman & Tenbrunsel (2011: 65) contended, even with the increase in regulatory intervention and the adoption of codes of conduct, misconduct is still on the rise. Even with the plethora of research on codes of conduct, codes still fail on numerous occasions to prevent unethical behaviour.

The research makes a significant contribution to the understanding of codes of conduct, their effectiveness, and provides practical guidelines to improve their effectiveness. This is achieved through the presentation of a benchmarking framework, termed the formulae for an effective code of conduct, developed through a grounded theory methodological approach.

PROBLEM IDENTIFICATION

The effectiveness of codes of conduct has been extensively researched and commented upon. For instance, the important role codes of conduct play in corporate governance and business ethics; the reasons for their use and their limitations in combating misconduct; their structure and content; and analysis of factors that could influence their effectiveness, are topics that have received in past research. This historical research provides a theoretical foundation for the current research as well as providing valuable insight into gaps and potential research opportunities.

The role codes of conduct play in corporate governance

To understand the purpose and functioning of codes of conduct, they must be understood against the background of ‘corporate governance’ generally. Corporate governance reflects the accountability (Solomon 2007: 14) an organisation has towards internal and external stakeholders of the organisation. Within the set of arrangements and initiatives that allows for good corporate governance, one also finds codes of conduct.

Historically, there are two reasons why codes of conduct have been introduced into corporate governance frameworks. First codes were introduced in reaction to public pressure resulting from corporate scandals and statutory intervention such as the Sarbanes-Oxley Act of 2002 in the United States of America, the Cadbury Report in the United Kingdom and the King Reports on Corporate Governance and the Companies Amendment Act 3 of 2011 in South Africa (Barkemeyer *et al.* 2010: 381). Second, codes have been increasingly viewed as contributors to a better ethical environment within the organisation (Dubink & Van Liedekerke 2008: 275).

The role codes of conduct play in facilitating an ethical corporate culture

In order to facilitate an improved ethical environment, codes of conduct need to be recognised as a means for preventing misconduct. Contributing factors to misconduct include organisational characteristics; corrupt leadership; corrupt corporate cultures; job stress; bureaucracy; financial incentives and reward systems; inadequate control systems; and corrupt relationships between peers and between managers and subordinates (Davis, McMahan & Payne 2007: 319). Lawrence & Shadnam (2011: 382 – 383) similarly suggest that moral collapse within organisations can be

attributable to the benefits of misconduct outweighing the cost; lack of social constraints to inhibit unethical behaviour; a poor ethical culture; and various problematic networks; and that people can simply make mistakes resulting in misconduct. The value of codes of conduct in combating misconduct and moral collapse was demonstrated, amongst others, by Kaptein & Wempe (1998: 854) who suggest codes of conduct increase the ability of the organisation to avert unethical behaviour.

Effectiveness of codes of conduct

There is no easy prescription for an effective code of conduct. This is reflected in the smorgasbord of types of codes of conduct in existence. Codes of conduct can take numerous forms and contain a variety of information and prescriptions for behaviour. Preuss (2010: 478) distinguishes between sub-organisational codes of conduct and supra-organisational codes of conduct. Sub-organisational codes refer to the organisation's code of conduct, various policies and guidelines, and secondary codes of conduct (such as supplier codes of conduct), while supra-organisational codes of conduct refer to professional, industry specific, and global codes of conduct – all of which impact on the organisational code of conduct.

The content of codes of conduct was researched and detailed in a number of research documents (Bettcher *et al.* 2005: 125 – 131; KPMG Business Codes of the Global 200 2008: 3; Kaptein 2004: 19 – 24; Madden and O'Dwyer 2006: 224 – 225; and Kolk & Van Tulder 2002: 278 – 279) and reflected the wide array of content found in codes of conduct suggesting that codes of conduct are unique to the organisation, its members, its stakeholders, its industry and its external environment – factors that should be taken into account when developing and implementing codes of conduct.

Critique against codes of conduct and their effectiveness has revolved around inappropriate content; poor implementation; the continued increase in misconduct; and their inability to prevent large scale corporate collapses (De Bos & Lückerath-Rovers 2011: 465; Bazerman & Tenbrunsel 2011: 65). Sethi (2003: 82), Cludts *et al.* (2003: 65), Bauer (2009: 19), and Painter-Morland (2010: 353) describe some of the limitations of codes of conduct as their inappropriate use as 'window-dressing'; first world bias of multinational organisational codes of conduct; lack of oversight of code of conduct compliance; and poor formulation and implementation of codes of conduct. Schwartz (2001: 257) provides some reasons for non-compliance by employees towards code of conduct provisions, such as self-interest and greed; financial distress; dissatisfaction towards the organisation; peer pressure; pressure on the employee to reach objectives; and ignorance of the code of conduct provisions.

Attempts to better understand why some codes of conduct are perceived to be effective and others not, is complex. Perhaps the most significant attempt to address the varied and conflicting results of research into codes of conduct effectiveness was a study conducted by Kaptein & Schwartz (2008: 114). Kaptein & Schwartz (2008: 118) proposed a research model for the effectiveness of a code of conduct and suggest that effectiveness is dependent on corporate objectives; the development process; content of the code of conduct; the implementation of the code of conduct – the code of conduct's effectiveness would in turn be influenced by corporate characteristics and the external environment.

However, the findings by Kaptein & Schwartz (2008: 114) motivate further research into improving code of conduct effectiveness, as their meta-analysis of research on codes of conduct confirmed that there is substantial discrepancy in research findings on code of conduct effectiveness. In addition the purpose of their model is to provide a standardised framework for future research into actual codes of conduct effectiveness, rather than a model that can guide the development and implementation of codes of conduct to optimise effectiveness.

In order to understand how effectiveness could be improved, a number of intuitive factors need to be accounted for in the development and implementation of a code of conduct. For instance, alignment of the code to strategic objectives is supported by Rossouw & Van Vuuren (2010: 249), who suggest that institutionalising ethics is required on a strategic, systems and operational level. Kaptein & Wempe (1998: 857 – 860) submit that in order for a code of conduct to be effective, it needs to be carefully developed or revised to ensure that the content is suitable, relevant, and engenders support and understanding by those who are expected to uphold its provisions.

The influence of the organisation context itself, such as its size, age, and hierarchical structure, on the effectiveness of codes of conduct is reflected in the ethical work context in which decisions are made. The uniqueness of industries could influence codes of conduct in the range of ethical challenges faced by the organisation; the decision on content of codes of conduct; and the implementation of codes of conduct. A number of facets of the external environment also have an impact on the effectiveness of code of conduct – one of which is the influence of the regulatory environment on code of conduct adoption and implementation, and where legal compliance can have a direct bearing on code of conduct provisions and the necessity to report violations of the code of conduct.

The literature provides support for the opinion that codes of conduct are an integral part of corporate governance and that codes of conduct can inhibit unethical behaviour. However, their effectiveness in this regard is questioned. Models, such as the integrated research model of Kaptein & Schwartz (2008: 118), while valuable, sometimes lack relevance to the development and implementation of the code of conduct, or do not provide clear guidelines on improving the effectiveness of codes of conduct.

PROBLEM STATEMENT

While factors influencing ethical behaviour and codes of conduct effectiveness are described in the literature in some detail, they are complex issues. There is an opportunity, through research, to integrate these factors, and provide guidelines which could facilitate improved development of implementation of codes of conduct, thus improving their effectiveness.

In order to do this, a problem statement and guiding questions were drafted. The problem statement was worded as a question, namely, how can a code of conduct be more effective? Intuitively, a number of guiding questions were formulated, which dealt with possible factors that needed to be addressed to understand how codes of conduct could be better developed and implemented in order to be more effective. For instance, determining the influence of content on effectiveness; determining the influence of leadership and organisational culture (internal factors) on effectiveness; and determining the influence of industry and national context (external factors) on effectiveness.

AIMS OF THE STUDY

The limitation of existing research on codes of conduct is the inconsistency of results (Kaptein & Schwartz 2007: 114) regarding code of conduct effectiveness. This limitation is further accentuated by the proliferation of misconduct in the corporate world and the absence of practical guidelines for ethics practitioners and organisations to implement in their attempts to improve code of conduct effectiveness.

The primary research objective is therefore to develop a benchmarking framework (termed formulae), through grounded theory research, which will provide insight into factors that could influence code of conduct effectiveness, and provide guidelines on how these factors should be influenced and accounted for in order to improve code of conduct effectiveness.

RESEARCH METHODOLOGY

A number of research options were considered. These included the choice between a quantitative versus a qualitative methodology, research design, research instruments, sample determination, sample size, and research procedures.

Quantitative versus qualitative research

The first choice considered was the decision on whether quantitative, qualitative or a mixed methodology would be most appropriate.

The research objective of the development of a benchmarking framework (formulae) suggest a qualitative approach would be more suitable – qualitative research has the propensity to improve code of conduct understanding through theory development which the qualitative approach would allow. Yet there is potential to test such the benchmarking formulae and model through quantitative research methods. Ideally, research into code of conduct effectiveness should comprise a mixed approach combining quantitative and qualitative approaches. For example, structural equation modelling was considered as the ideal statistical tool to test and measure the causal relationship between the proposed factors and proposed amplifiers of effectiveness on the code of conduct's effectiveness. These results could further validate the qualitative research findings and support the theory development. However, as many organisations conduct their own internal surveys, and are wary of 'survey fatigue', it is difficult to conduct such research from an external position.

For this reason, the decision was made to utilise a qualitative research methodology.

Qualitative research options

Qualitative research is a useful approach to gain insight into phenomena, and in this case, the phenomena of codes of conduct and the influencing factors of its effectiveness. The qualitative designs that are available are case studies, ethnography, phenomenological study, content analysis and grounded theory.

Given the qualitative focus, grounded theory was determined the most suitable research design in order to achieve the research objectives of developing a benchmarking framework. This approach provides a distinct alternative to previous code of conduct effectiveness research. It is the ideal method to develop new constructs regarding code of conduct effectiveness. The application of grounded theory in this research is described in more detail below.

The advantage of grounded theory is its flexibility in facilitating new ideas and theory. Charmaz (2006: 9) further describes the process of 'constructing grounded theory'. The first step is gathering 'rich data' that is described as detailed data relevant to the situational and social context. Secondly coding the data and identifying common themes within the data. Thirdly, memo writing in order to identify ideas from the data. In this way emerging new ideas and theories are developed.

The most suitable 'rich data' collection method for grounded theory development is interviews. Interviews can be structured, semi-structured, or unstructured. Semi-structured interviews were opted for, which insured that relevant topics were covered, but allowed for flexibility in order to provide the interviewer and participants the opportunity to explore themes. Intensive interview questions were posed, which Charmaz (2011: 25) describes as asking "the participant to describe and reflect upon his or her experiences in ways that seldom occur in everyday life". Questions were open ended and the interviewer encouraged discussion, contemplation, voicing of opinions, all in a conversational manner.

The second stage of grounded theory development is coding the data. Initial coding codes line by line and labels the line. Focused coding follows identifying frequent themes, and using these

themes to organise the data. Various types of coding are available, namely word by word coding; line by line coding, and incident to incident coding. Incident to incident coding was opted for as a suitable means to code data within guiding question themes.

Memo writing occurs throughout the grounded theory development process, but is specifically prevalent during and after the coding process, and has the following benefits: “develop fresh ideas, create new concepts, and find novel relationships ... demonstrate connections between categories ... build whole sections of papers and chapters” (Charmaz 2011: 85). Through memo writing and its propensity to create new ideas, new theory or models can be generated.

The interview process and code of conduct content analysis allow for the gathering of valuable authentic data, and through the process of codifying the data and developing themes, can provide fresh insights into facilitating effective codes of conduct.

Sampling

Non-probability sampling was used in the determination of participant organisations. Grounded theory development relies on in-depth study of phenomena, and in this case, codes of conduct within organisations, and probability sampling are not requirements. Leedy & Ormrod (2005: 145) describe this type of sampling *purposeful*: “They select those individuals or objects that will yield the most information about the topic under investigation”.

Organisations were selected from the FTSE Top 40 listed organisations on the Johannesburg Stock Exchange (JSE), as they reflected the largest listed companies in South Africa, had codes of conduct, and were all multinational organisations. Participation was primarily determined by the willingness of these organisations to participate.

Validity and reliability

The grounded theory approach of collecting ‘rich data’, coding and memo writing would suggest that the results reasonably reflect the contributing factors to code of conduct effectiveness within participant organisations. It would have been beneficial to utilise multiple sources of data collection (triangulation) to provide stronger evidence of validity. However, as was previously detailed, quantitative structural equation modelling was considered, although rejected due to ‘survey fatigue’.

In terms of the results (theory or model) being relevant and suitable to non-participant organisations, the validity requirement is met with certain limitations. As participant organisations are reasonably representative (nine of the JSE FTSE 40 firms) of the largest South African listed organisations, all of which are multinational organisations, the results and conclusions drawn are likely to be relevant and useful to large scale multinational organisations internationally. A limitation of the study is that the results may not be applicable for smaller businesses, non-profit organisations, non-listed businesses, and dissimilar organisations to those participating in the research.

It would be likely that the reliability requirement would be reasonably met as the intensive nature of grounded theory development would generate results that are consistent and applicable in similar studies over time or within the population of large multinational organisations.

INTERVIEW PROCEDURE

Interviews were used as the primary data collection method in the qualitative research. To maintain confidentiality, participating organisations are referred to as organisations A, B, C, D, E, F, G, H, and I.

All interviews were conducted personally at the organisations’ offices. Interviews varied in duration between 60 and 90 minutes. Table 1 indicates the designations of persons interviewed.

They ranged from ethics officers, company secretaries, to those with functional responsibilities in the risk, legal and human resources divisions.

Table 1: Interview participant designation and functional responsibility

Organisation	Designation	Functional division / responsibility
A	Chief ethics officer	Risk
B	Fraud management	Risk
C	Forensic management	Risk
D	Chief ethics officer	Company secretary
E	Anti-bribery and corruption manager	Risk
F	Company secretary	Company secretary
G	Legal counsel	Legal
H	HR Manager	Human Resources
I	Company secretary	Governance

(Titles and divisions renamed to retain confidentiality)

Two pilot interviews were conducted with companies D and I. Company I was provided with the interview schedule prior to the interview, while company D was not provided with the interview schedule prior to the interview. The benefit of the interviewee seeing the interview schedule prior to the interview was that they would have an opportunity to consider the topics raised and gather additional information they might need to provide answers to the questions. The disadvantage though is that participants could lack spontaneity, providing prepared answers, and be prejudiced towards certain topics in the interview. It was found that the provision of the interview schedule to company I created anxiety for the participant who felt 'unsure' how to answer some questions. For example, she had not been involved in the development of the code of conduct and felt she was unable to provide detailed information on how this happened. The interview did not elicit as much reflection on the issues and topics raised as was the case in the interview with company D. The interview with company D was more dynamic with the participant discussing ethical issues on a more introspective level. Based on this all future interview participants were not provided with the interview schedule prior to the interview.

The interviews were structured as follows: The researcher, as interviewer, would detail the terms of the interview such as confidentiality and the right to withdraw; then describe the rationale for the research and process of the interview. The participants were asked to describe their organisation's ethics management programme and what role the code of conduct played in supporting this programme. General, open ended questions resulted in richer insights and perceptions from participants on ethics management within these organisations.

During discussions, participants were probed on specific topics and issues raised for a deeper understanding of their impact on ethics management and code of conduct analysis. The researcher then checked the interview schedule to ensure that all important and relevant topics had been covered, asking clarifying questions when needed. Finally, the researcher asked the participants whether they had any concluding comments on issues pertaining to the effectiveness of codes of conduct. During some interviews, certain supporting documents were discussed and, when suitable, the researcher asked permission to analyse these documents. In many cases the participants were comfortable with providing copies of these documents that were provided at the interview or emailed subsequently to the researcher. The participant was then thanked and the interview was concluded.

INTERVIEW DATA ANALYSIS

The first step in analysing the data was to review the transcripts of the interviews and allocate them to the guiding questions of the research, namely factors that impact code of conduct's effectiveness.

The second step was the initial coding of the interview on an incident per incident method. Each sentence and paragraph was analysed to determine themes. These were detailed in a spread sheet with the sentence content summarised and a theme ascribed to the sentence. The third step was to combine various themes identified into categories.

Once this initial coding was complete, a process of memo writing was conducted to identify emerging ideas and theories. Through this process, a key aspect to theory development was identified: Amplifiers of effectiveness, which will be discussed later in this article.

The amplifiers were then codified and actions required by organisations described that maximise the influence of the amplifiers on the effectiveness of codes of conduct. These were then further refined, resulting in a grounded theory based, approach to improving the effectiveness of codes of conduct – namely the proposed formulae for an effective code of conduct. The term formulae was selected to reflect the complex range of influencing factors (detailed in tabular format) that can be leveraged by organisations to achieve greater effectiveness of their codes of conduct

INTERVIEW RESULTS

Several consequences of effective codes of conduct were identified during the codifying of the data and are listed as follows: The code of conduct furthers the strategic objectives of the organisation; the content of the code of conduct is relevant; the code of conduct assists employees in making ethical decisions; the code of conduct encourages disclosure of misconduct; the code of conduct discourages misconduct; the code of conduct promotes an ethical culture; and the code of conduct advances good corporate governance;

For these consequences to be achieved, a number of amplifiers were identified from the interview results through the process of codifying the data. The term amplifier was chosen as a term to describe how certain organisational interventions have the propensity to improve the effectiveness of the code of conduct.

Initially the term 'doctrine' was going to be used, but a doctrine is a principle or rule that would indicate that certain activities must be actioned in order for a code of conduct to be effective. For example, a doctrine of engagement would imply that for a code of conduct to achieve the consequences of relevance, a process of consultation would be required. Yet most participating organisations did not consult with a very wide range of stakeholders in developing their codes of conduct. This does not necessarily imply that their codes of conduct are not relevant, as a doctrine would suggest. Rather the process of engagement could improve the relevance of the code of conduct. As such, engagement 'amplifies' the ability of the code of conduct to be relevant to its stakeholders.

The amplifiers detailed are as follows:

1. The amplifier of conscience

This amplifier refers to the values and mission of the organisation and how the code of conduct should closely reflect and be aligned to these values and mission.

2. The amplifier of inspiration

This refers to the ability of the code of conduct, through leadership, organisational culture, and the individual, to stimulate ethical behaviour amongst employees and stakeholders.

3. The amplifier of engagement

The importance of consultation, communication, educating, training in ensuring all stakeholders are taken cognisance of when developing, reviewing, and implementing codes of conduct.

4. The amplifier of relevance

Ensuring the content of the code of conduct is relevant to the individual, organisation, industry, and external environment: that the choice of the type of code of conduct (for example the choice between aspirational and directional code of conduct) is suitable for the context of the organisation; and that the implementation methods are fitting for the organisation's contextual environment.

There is a reciprocal relationship between the consequence of code of conduct content that is relevant, and the amplifier of relevance. The amplifier of relevance will be conducive to ensuring the content of the code of conduct, and its implementation, is suitable for the context of the organisation, thus enhancing effectiveness.

5. The amplifier of access

The amplifier of access refers to the ease of access and understanding employees and stakeholders have regarding the code of conduct.

6. The amplifier of structure

The importance of an ethics management structure to support the code of conduct is attributable to the amplifier of structure.

7. The amplifier of processes

Suitable processes need to be implemented to ensure consistency and reliability of training and education, communication, code of conduct review, consultation, whistleblowing, and sanction.

8. The amplifier of accountability

All levels of the organisation and stakeholders are accountable for code of conduct effectiveness and ethical behaviour.

9. The amplifier of sustainability

All levels of the organisation and its stakeholders are responsible for promoting the organisation's interests in a sustainable manner and acknowledging that unethical behaviour can negatively impact on this sustainability.

10. The amplifier of responsibility

This refers to an acknowledgement by all levels of the organisation of its responsibility towards employees, stakeholders, adherence to laws, the advocating of human rights and upliftment of society.

The interviews indicated significant support for codes of conduct to be aligned with strategic objectives. Special mention was made of the social and ethics committees recommended and required in South Africa by King III and the Companies Amendment Act 3 of 2011 and how it engendered a more strategic focus towards ethics by organisations interviewed.

Some of the participants reflected on the weaknesses of codes of conduct, such as being too legalistic, being inconsistent with values and policies, and not being properly communicated – hence the need for revision. The revision process by organisations were varied, but a common weakness identified, was the lack of broader consultation, especially consultation with lower level employees, raising the concern that these codes of conduct may not be relevant to the broad

range of employees and stakeholders to which they apply. The revision process sometimes raised the awareness of shortcomings in the ethics management infrastructure, and could facilitate the introduction of such infrastructure.

Contemplating their codes of conduct, a common concern was that their codes were too complex, bureaucratic and long. The rationale for codes of conduct were questioned, with some holding the view that codes were legalistic to protect the organisation and failed to educate and guide employees. The choice between a directional or aspirational code of conduct was examined, with a range of viewpoints highlighted, including the view that the choice is dependant of the type of organisation and the industry in which it finds itself.

While numerous provisions were discussed, provisions regarding bribery and corruption in the code of conduct were of special interest to most participants. Some described how they would not operate in certain countries due to the high levels of bribery and corruption, while others suggested their involvement in countries such as these, and in countries with poor human rights records, could in actual fact benefit these societies.

In terms of formal implementation concerns, only two of the organisations participating in the research had an ethics office and employed an ethics officer, one of which was a secondary function only. Furthermore, there seemed to be varied reporting structures with regards to ethics management, and these were sometimes vague or unclear. While training methods were varied with e-learning providing a useful platform to reach a wider audience, training on ethics and the code of conduct was limited and often not structured, and facilitation of training, was often relegated to functional areas within the organisation – this could again be a reflection of an inadequate ethics management programme and infrastructure being in place.

Few of the organisation's participating in the research included ethics in performance appraisals, although literature provides a strong argument for including ethics as a key performance indicator. While there are valuable arguments in favour and against rewarding ethical behaviour, the majority of organisations had no reward system in place to recognise ethical behaviour.

Auditing within organisations of aspects of their ethics management and code of conduct effectiveness was limited or non-existent. While this could be the result of the intrinsic difficulty in auditing code of conduct effectiveness, it is a concern that the organisations have not attempted to discern the effectiveness of the ethics management programme or the effectiveness of the code of conduct.

While one organisation had an existing social and ethics committee, the adoption of the social and ethics committee by the rest of the participating organisations was as a result of King III and the Companies Amendment Act 3 of 2011, signifying a change in the necessity of organisations to prioritise ethics. From a leadership perspective, it also encourages leadership involvement in ethics management including code of conduct development and implementation, although the concern is raised as to whether ethics management can be effective without a formalised ethics office to carry out the ethics agenda.

Individual characteristics were considered important in a number of ways. A participant regarded the selection process as the ideal opportunity to ensure people of the correct ethical calibre are employed – a valuable way to mitigate people risk. One participant suggested that the relationship with customers be evaluated – the “desirability of a client” – to ensure that business relationships do not result in problems such as theft and fraud.

It was clear from the interviews that organisations from different industries faced different risks, which necessitated unique code of conduct provisions and entailed unique implementation.

The challenges of communicating and training on the code of conduct in the multi-lingual environment in South Africa, Africa and globally were highlighted, as well as the challenges of communication within a range of educational and skill levels and wide geographic spread.

Interventions suggested to facilitate better understanding of codes of conduct included e-learning; industrial theatre; use of diagrams and examples; and translation of the codes of conduct.

The applicability of the code of conduct across cultural and national borders was another topic that perhaps requires further research. Participants were mostly of the view that employees and relevant stakeholders must apply their code of conduct irrespective of whether they are aligned to their personal social norms – suggesting that their codes of conduct may not have taken into account the global nature of their operations.

The research findings provide a valuable foundation for the proposed formulae for an effective code of conduct presented below.

FORMULAE FOR AN EFFECTIVE CODE OF CONDUCT

The process of codifying the interviews in accordance with grounded theory methodology has endorsed the view that a code of conduct is not in itself sufficient to ensure its effectiveness.

With regards to the formulae for an effective code of conduct, attention is drawn to the following issues:

- Not all amplifiers apply to each formula detailed in the tables in this chapter. Only amplifiers that are relevant to a particular formula are included. Necessary duplication or repetition will also be noted between some the amplifiers and formulae. For example, the provision of a code of conduct, training, and whistleblowing in languages spoken by members of the organisation receives attention from the perspective of the amplifier of access in the formula relating to content of the code of conduct; the formula relating to the formal implementation mechanism of training; and the formula accounting for the external environment. This is not a weakness of the formulae for an effective code of conduct, but rather a reflection of the wide range of interrelated influencing factors that need to be taken into account when developing and implementing codes of conduct.
- The formulae are classified similarly to the guiding questions, although this does not imply that data was manipulated to ‘fit’ into the guiding questions. The guiding questions were drafted at the research proposal stage of this thesis based on intuitive factors that could impact the effective impact of a code of conduct. These guiding questions were further developed during the literature review, for example, the question as to whether a code of conduct needs to be aligned to strategic objectives, was only introduced after the literature review was completed. The formulae uses the factors raised by the guiding questions as a framework to the classification of the formulae, and then through the amplifiers and data obtained from the interviews, describes how these factors can be positively influenced to facilitate an effective code of conduct and achieve the consequences of effectiveness.

The formulae are divided into the guiding question categories and are presented in tabular format as follows. The tables are self-explanatory in order to limit repetition, a brief discussion of the application of certain amplifiers are only discussed with regards to the first formula.

Formula 1: Alignment of the code of conduct with strategic objectives

The effectiveness of the code of conduct is dependent on it being regarded as a strategic document used to facilitate and enhance the ethical culture of the organisation. Table 2 below details this particular formula.

Table 2: Alignment of the code of conduct with strategic objectives

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	The code of conduct must be a “living document” that is relevant and the cornerstone to the organisation’s ethical values.

Inspiration	The code of conduct must be a strategic initiative driven by leadership and supported by the board of directors.
Engagement	Members of the organisation should engage, discuss and communicate on matters relating to the code of conduct to ensure the organisation learns and incorporates these lessons into the code of conduct and its implementation.
Relevance	The code of conduct should provide guidelines of ethical behavior that are aligned to the organisation, its values, and the personal values of members of the organisation.
Processes	The code conduct must be supported by an ethics management programme, and when possible, operational policies and procedures should incorporate code of conduct provisions. One particular recommendation is the requirement that members of the organisation sign an annual declaration signifying their support and understanding of the code of conduct.
Accountability	Accountability, sometimes termed “ownership” or “custodianship” of the code of conduct, should be specified. This responsibility could rest with the board of directors, a social and ethics committee, or the chief ethics officer.
Sustainability	Ethical standards espoused in the code of conduct should be applied with the view to ensuring and facilitating long-term profitability and sustainability of the organisation.

Application of the amplifier of conscience would entail ensuring the code of conduct becomes a “living document” – a document that is used and applied – and which espouses the organisation’s ethical values. The amplifier of inspiration, which refers to the ability of the organisation’s culture and leadership to stimulate ethical behaviour, requires board approval; the prioritisation of ethics and the code of conduct as a policy document; the revision process to be driven by leadership; and that the code of conduct should aspire to exceed simple legal compliance.

Formula 2: Structured and relevant development and revision process

A well thought out development and revision process can help ensure the code of conduct’s content is relevant, that it is understandable, and supported by members of the organisation and its stakeholders. Table 3 describes the amplifiers relevant to the development and revision process.

Table 3: Structured and relevant development and revision process

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	Organisational values should drive and underpin the development and revision of the code of conduct.
Inspiration	The development or revision of a code of conduct should be driven by executive management, incorporate consultation with various levels of management, and new and revised codes of conduct should have leadership approval to ensure that there is a clear mandate for its implementation.
Engagement	Broad consultation and benchmarking should be followed in developing and revising codes of conduct. Consultation could include external consultation with specialists in the field of business ethics or specific risk areas, various management levels, functions and divisions, representative employees at all levels of the organisation, and relevant stakeholders.
Relevance	The code of conduct should be reviewed on a regular basis and revised when necessary to ensure alignment with the organisation’s values, objectives, risks, legislative environment, global standards, and changing context.
Access	Awareness and interest should be aroused in the organisation regarding the code of conduct development and revision process to encourage participation and support of the process.
Structure	A social and ethics office (similar to that suggested by King III) or similar ethics management structure could be used or introduced to support the implementation of the new or revised code of conduct. Necessary time and company resources should be committed to such a structure, the review process, and the implementation of the

	new code of conduct.
Processes	Executive and senior management, as well as individuals involved in coordinating the code of conduct development or review, should be provided with training in order to better understand the revision process, and ethics management in general.
Accountability	The code of conduct development and revision process should determine the relationship and requirements expected from external stakeholders such as suppliers and customers.
Responsibility	Stakeholders should be involved or consulted in the development and revision of the code of conduct to ensure the code of conduct takes cognisance of the organisation's responsibility towards its stakeholders.

Formula 3: Suitable, relevant, recallable and understandable content in the code of conduct

The content of the code should be suitable, relevant, recallable and understandable. The Global Business Standards Codex developed by Bettcher *et al.* (2005: 125 – 131) is a valuable framework in benchmarking actual content of the codes of conduct. However, the research findings indicate that codes' of conduct content need to take cognisance of certain amplifiers detailed in Table 4 below.

Table 4: Suitable, relevant, recallable and understandable content in the code of conduct

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	The code of conduct must reflect the values of the organisation and these values should be incorporated into the code of conduct as an introductory section in the document.
Relevance	The code of conduct should be benchmarked against best practices of code of conduct content. The choice of a directional (rules based), aspirational (values based), or combination of the two, should be relevant to the organisation and the organisation's context. The code must provide flexibility to allow for interpretation and ethical decision-making. The code of conduct could refer to policies, procedures, guidelines for further assistance in ethical decision-making. The code of conduct should be user-friendly, visually appealing, and simple to facilitate understanding and recallability.
Access	The code of conduct should be readily available, provide ease of referral through a clear structure and index, be available in the languages spoken by members of the organisation and relevant stakeholders, and lower level employees should be provided with relevant code of conduct provisions in a format understandable to them.
Processes	The code of conduct must guide and educate employees regarding responsible behavior and ethical decision-making, detail consequences of misconduct, be suitable for use when disciplining employees for contravention of the code's provisions, and provisions of the code of conduct should be suitable for incorporation into the policies, procedures, employment contracts, and annual declarations of the organisation in order to facilitate compliance.
Accountability	The code of conduct should take into account regulatory rigour needed, the ability to enforce and discipline those for contravening provisions, while avoiding a too "legalistic" and complex code of conduct. If needed, the organisation should supplement the code of conduct with a supplier code of conduct to prevent conflicts of interest, bribery, human rights abuses, and contravention of international labour standards. Organisations in certain industries and geographical regions play a significant role in the community and unique conflicts of interest may arise which should be covered in the code of conduct. Accountability in specific risk areas can be covered in the code of conduct, such as prohibitions against the disclosure of non-public information, inappropriate gifts and entertainment, conflicts of interest, and fraud and corruption.

Sustainability	The code of conduct should contain provisions protecting the organisation.
Responsibility	The code of conduct should contain provisions protecting employees, the general public, and society. Codes of conduct could also include provisions to ensure adherence to human rights principles and international labour standards, protection against the abuse of their market dominance, and the restriction of their political involvement.

Formula 4: Implementing a code of conduct through suitable formal implementation mechanisms

The code of conduct should be effectively implemented through formal implementation methods. The amplifiers applicable to the various implementation techniques are detailed in Table 5 below.

Table 5: Implementing a code of conduct through suitable formal mechanisms

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	Trust in the commitment by leadership towards the code of conduct must be developed. The use of the whistleblowing line should be encouraged through training, ensuring the maintenance of confidentiality, and displaying a commitment to act on all reports.
Inspiration	Implementation of the code of conduct, with the backing of leadership support, should encourage members of the organisation to take an ethical stand. Employees who further ethical behavior and the spirit of the code of conduct should be celebrated.
Engagement	To ensure people consult and engage on the code of conduct, sufficient training and communication on the code of conduct should be facilitated. Various training methods should be used to ensure the greatest geographic scope, most relevance, and best understanding. Examples of misconduct and the ramifications of such activity should be conveyed to members of the organisation to learn from these experiences and understand the investigative, disciplinary and sanctions that may result. The effectiveness of the code of conduct should be audited and reported upon.
Relevance	Formal implementation should be relevant to the organisation's context and risk areas. Recruitment should ensure the organisation employs individuals who have the necessary skills and ethical strength of character to make the right decisions.
Access	Every member of the organisation and relevant stakeholders should be provided with a code of conduct and be required to verify on an annual basis their acceptance and understanding of the provisions of the code of conduct. Training should take into account language barriers and be adapted accordingly. Whistleblowing hotlines and mechanisms should be accessible in the language of members of the organisation.
Structure	An ethics management programme should be developed to provide the support for code of conduct implementation. An ideal management structure would include an ethics office with a chief ethics officer or similar designation supported by additional specialized staff if necessary. Systems and processes should be developed to support the ethics management structure. The reporting line should ideally be to executive management, or the social and ethics committee, and the ethics officer should engage across functional divisions.
Processes	Provisions of the code of conduct should be incorporated into strategic, tactical and operational levels of the organisation.
Accountability	Training should convey the consequences of employees' contravention of the code's provision, the importance of reporting misconduct, and reporting mechanisms. Adherence and promotion of the code of conduct provisions should be included in key performance indicators of performance appraisals. Contravention by suppliers of code of conduct provisions should result in fines or the discontinuance of the use of their services.

Sustainability	The organisation must operate within ultimate ethical boundaries. Whistleblowing and other control mechanisms should be implemented to protect the organisation from fraud, theft and a plethora of business risks.
Responsibility	Code of conduct implementation should be in line with regulatory requirements or guidelines.

Formula 5: Ensuring a facilitating ethical culture inspired by the organisation's leadership

The code of conduct's implementation should be supported through an ethical culture and be inspired by leadership. The amplifiers applicable to the ethical culture and leadership are detailed in Table 6 below.

Table 6: Ensuring a facilitating ethical culture inspired by the organisation's leadership

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	Values should be driven by leadership and permeate all levels of the organisation.
Inspiration	Leadership must show commitment and dedication towards an ethical organisation and should signify this support through a code of conduct introductory letter and regular communication on numerous levels reiterating this commitment. Management must set the example of good ethical practices. The code of conduct should contribute towards an ethical culture while acknowledging that an ethical culture is needed for a code of conduct to be effective.
Engagement	Leadership should lead the drive in encouraging members of the organisation and stakeholders to comply with the code of conduct provisions and report misconduct.
Structure	The composition of the social and ethics committee or similar structure should contain executive and non-executive directors as well as the chief ethics officer to ensure leadership's role in promoting the ethical agenda of the organisation.
Processes	The social and ethics committee or similar structure should play a custodian role which includes guiding policy-making, providing structural support through the ethics office, providing intellectual and operational support, and been involved in investigations of misconduct at a senior level or which could have reputational repercussions.
Sustainability	A social and ethics committee or similar overseeing committee should be established to not just comply with regulatory rules and guidelines, but as a business imperative to ensure the organisation is managed in a sustainable manner.

Formula 6: Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development and ethical decision-making capabilities

Insight into ethical decision making abilities are complex, and included circumstances affecting decisions, individual characteristics, cognitive moral development of the decision maker, ethical blindness (Hoffrage, Krings & Palazzo 2012: 333 – 334), the role of emotions (Gaudine & Thorne 2001: 177), mindfulness (Ruedy & Schweitzer 2010: 73), and the organisational context.

In terms of this formula, attempts should be made to employ members of the organisation who display the requisite moral calibre and they should be provided with the education and skills training to help them make ethical decisions. The amplifiers applicable to the individual decision making capabilities are detailed in Table 7.

Table 7: Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development and ethical decision-making capabilities

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	Values of individuals in an organisation are determined by both the individuals'

	personal values and the organisation's values that they adopt through its culture; therefore, the organisation should ensure they employ individuals with aligned values to the organisation.
Relevance	The code of conduct should provide guidelines for ethical individuals to conduct their activities in an ethical manner.
Processes	The organisation should provide the necessary training and education to assist members of the organisation in ethical decision-making.
Accountability	The organisation should avoid entering into a relationship with customers and clients who could pose a threat to the business due to their moral rectitude.
Sustainability	The organisation should protect itself from corrupt relationships between employees and customers or clients and guard against the threat of fraud and corruption.

Formula 7: Ensuring the organisation's context is accounted for in the development, content, and implementation of the code of conduct

The literature suggested that the context of the organisation could have a bearing on the ethical behaviour within organisations. These include the ethical work context, the organisational culture, organisational learning, organisational size, stage of the organisation's life cycle; structure of the organisation; influence of technology; perceived pressure for results; corporate strategy; and leader-follower dynamics (George & Jones 2012: 497; Ariño, Pastoriza & Ricart 2009: 479 – 485).

Cognisance of the organisational context should be accounted for in the development, content and implementation of the code of conduct. The amplifiers identified in the research that are applicable to the organisation's context are detailed in Table 8 below.

Table 8: Ensuring the organisation's context is accounted for in the development, content and implementation of the code of conduct

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	Well-established organisations tend to have entrenched values while younger organisations should take the time to develop, consult and promote their developing values.
Engagement	The large size of the organisation could require the organisation to develop various communication channels to promote understanding of their code of conduct provisions.
Relevance	Codes of conduct should evolve over time and be revised on a regular basis in order to be relevant to the organisation's business environment.
Access	The large size of an organisation could necessitate unique training methods to convey the principles of the code of conduct and technology such as e-learning should be embraced to provide a wide reach of communication.
Structure	Organisation's structures change over time and ethics management programmes and the code of conduct should be revised to take into account the changed organisation.
Accountability	The organisation's size could lead to potential dominance of a particular market or a dependence of suppliers, communities and other stakeholders on the organisation and the organisation should, therefore, guard against manipulation and protect those who are dependant on the organisation.

Formula 8: Ensuring the industry's context is accounted for in the development, content, and implementation of the code of conduct

The importance of the impact that the industry has on the development, content and implementation of codes of conduct must be evaluated. The amplifiers applicable to the industry's context are detailed in Table 9 below.

Table 9: Ensuring the industry's context is accounted for in the development, content and implementation of the code of conduct

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Engagement	The impact that the industry has on the environment and society should be taken into account in the code of conduct and its implementation.
Relevance	Industry risks differ and the code of conduct should contain provisions relevant to those industry risks.
Access	When an industry's workforce utilizes predominantly lower level employees, who are unlikely to read or understand the code of conduct, ethics training should be implemented which is relevant to their function and for which they are accountable.
Processes	When a wide range of languages is spoken in an organisation, it should endeavor to translate the code of conduct, and facilitate training and communication to ensure members of the organisation understand obligations in their regard.
Accountability	The code of conduct and its implementation should ensure accountability is entrenched for specific risks faced in the particular industry.
Sustainability	The code of conduct must be aligned and relevant to the industry in which it operates to ensure its sustainability in that particular industry.
Responsibility	Organisations in the information communication and technology industry should aspire to improve lives through technological advances in information and communications technology. When communities and societies are influenced, or are dependant on the organisation for survival, the organisation should embrace the responsibility and aspire to provide economic opportunities for community members and improve lives of community members.

While it would be outside the ambit of this research to detail the range of industries found in the global economy and the ethical risks they face, the research does indicate that the industry context be evaluated when developing and implementing codes of conduct. To reflect on some literature, in terms of specific risk areas, Canary & Jennings (2008: 273 – 275) found that there were few content and structural similarities of codes of conduct between industries. Uniqueness was found to be prevalent in codes of conduct in controversial industry sectors (Cai, Jo & Pan 2012: 468); the sales industry (Barnett & Valentine 2002: 193); sporting goods industry (Kolk & Van Tulder 2001: 278 – 279); mining industry (Emelianova & Sethi 2006: 232 – 234); tourism industry (Dimanche & Payne 1996: 999 – 1003) and the medical and energy industry (Montoya & Richard 1994: 714 – 715).

Formula 9: Ensuring the organisation's external environment is accounted for in the development, content and implementation of codes of conduct

Cognisance of the organisation's external environment including the political, economic, social, technological, legal and environmental factors should be taken in the development, content and implementation of the code of conduct. The amplifiers applicable to the organisation's external environment are detailed in Table 10 below.

Table 10: Ensuring the organisation's external environment is accounted for in the development, content and implementation of the code of conduct

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Relevance	Respect the cultures of societies in which the organisation operates and ensure the code of conduct is relevant to the countries in which it operates, without compromising the organisation's values.
Access	Take into account the different languages of employees within the organisation and aspire to provide translated versions of the code of conduct, provide training in a medium that is suitable to employees with different mother tongues, and explain the code of conduct in a way that is properly understood by employees.
Processes	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision-making.
Accountability	Embrace the greater level of accountability
Sustainability	Refrain from operating in countries where high ethical standard cannot be maintained and where the organisation faces financial risk due to political instability. Refrain from operating in economies where the regulatory environment compromises business objectives.
Responsibility	Be responsible towards all stakeholders. Obey the law. Ensure minimum compliance yet aspire to greater levels of ethical behavior. Advance human rights and international labour standards and endeavor to improve people's lives in countries in which the organisation operates.

The Formulae for an Effective Code of Conduct developed by the researcher as a result of the grounded theoretical analysis serve as a helpful and theoretically sound benchmarking framework when evaluating current codes of conduct and embarking on the development or revision of a code of conduct.

CONCLUSION

The formulae for an effective code of conduct, developed through a grounded theory methodological approach of coding the interviews and identifying themes, provide a valuable benchmarking framework for organisations, and ethics practitioners to develop and implement codes of conduct effectively.

It furthers knowledge on code of conduct effectiveness in a number of ways. For example, Kaptein & Schwartz' (2008: 118) proposed 'integrated research model for the effectiveness of business codes' provides a valuable visual conceptual framework of some of the influencing factors that can be taken into account when researching the effectiveness of codes of conduct. Some of these factors are similar to the researcher's guiding questions, or reflected in the research findings. For example, the external characteristics in the model could be compared to the political, economic, social, technological, legal and environmental influencing factors specified in the last formulae.

However, the integrated model was developed to provide suggested standardisation in research on code of conduct effectiveness, and was not meant to provide guidelines on methods to improve code of conduct effectiveness, which the formulae do. The formulae, through its tables provide more detailed guidelines on how these factors contribute to the effectiveness, and through the specification of the amplifiers of effectiveness, the formulae address what kind of impact the factor has on effectiveness.

The formulae for an effective code of conduct provides understanding of the valuable reciprocal link between the institutionalisation of ethics discussed by Rossouw & Van Vuuren (2010: 249) and the role the code of conduct plays in this regard. For example, the first formula reflects on the necessity for ethics to be institutionalised on a strategic level, with the code of conduct

becoming a strategic imperative and being treated as a 'living document'. Another example may be the formula on the formal implementation methods of a code of conduct, where processes are suggested that incorporate provisions of the code of conduct, therefore, institutionalising ethics on an operational level.

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A REVIEW OF THE IMPACT OF BILATERAL AGREEMENTS ON ZIMBABWE

G. Mugano¹

ABSTRACT

The study provides a quantitative assessment of the potential revenue, welfare and trade implications of the bilateral FTAs (free trade agreements) on Zimbabwe using the partial equilibrium model. The findings of the study reveal that the BFTAs (bilateral free trade agreements) will be beneficial to the country in terms of an increase in exports of US\$122.433 million and gains in consumer welfare to the tune of US\$16.689 million. However, the country expects a loss of revenue amounting to US\$89 million and an increase in imports as a result of trade creation effects by US\$104.573 million. The combined forces of trade creation and revenue loss pose a serious threat to Zimbabwe's economy which is still fragile. The immediate possible impacts are de-industrialisation and reduction in fiscal space. The implementation of a BFTA needs to be accompanied by steps to improve revenue collection from other sources, such as excise duties, VAT and income tax, and by expanding the tax income base by taxing the informal sector. A financial adjustment facility is necessary to mitigate the industries affected by trade creation.

Keywords: Bilateral; revenue; welfare; trade; Zimbabwe.

INTRODUCTION

Zimbabwe entered into bilateral trade agreements encompassing both preferential trade agreements (PTAs) and most favoured nation (MFN) with over forty countries across the globe. Some of the countries with which the country signed bilateral trade agreements include South Africa, Namibia, Botswana, Malawi, DRC and Mozambique (Ministry of Industry and Commerce [MOIC], 2012). These agreements are aimed at broadening the scope for market access on the basis of reciprocity, with the exception of the agreement with South Africa that is not reciprocal (MOIC, 2012).

Some of the agreements have proved to be deficient in respect of areas such as rules of origin and other trade support mechanisms to facilitate trade and foster economic co-operation (MOIC, 2012). Zimbabwe is in the process of reviewing the existing bilateral trade agreements with a view to assessing their relevance and accordingly accommodating developments at national, regional and multilateral trading systems (MOIC, 2012). This study therefore considers a possibility of the creation of bilateral free trade agreements (BFTAs) with top trading partners. Although this hypothesis looks abstract in nature, in reality the country has a number of BFTAs owing to its multiple memberships with the Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Africa Caribbean and Pacific Group of countries (ACP), the European Union (EU) and the World Trade Organisation (WTO). This is coupled with the fact that Zimbabwe's trade is concentrated in but a few countries (see Table 1).

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ZIMBABWE TRADE PERFORMANCE IN TOP TEN TRADING PARTNERS

Zimbabwe's trade with its top ten trading partners has been on a sustained upward growth from 2004 to 2010 (see Table 1). Exports to South Africa grew from US\$565.2 million in 2004 to US\$1.735 billion in 2010. Exports to other trading partners witnessed inconsistency in Zimbabwe exports performance. Zambia, for example, is one of the export destinations where Zimbabwe's export performance has been markedly inconsistent. Zimbabwe's exports to Zambia in 2004 stood at US\$71.6 million and increased to US\$77.4 million in 2005. However, in 2006, Zambia became Zimbabwe's major export destination, overtaking South Africa with exports amounting to a staggering US\$1.649 billion. In the succeeding year, the exports went down drastically to US\$124.4 million and continued to plummet to US\$74.2 million in 2010. This is a common phenomenon with the rest of the trading partners (see Table 1). This raises serious questions about Zimbabwe's trade performance and about the possibility of the country gaining from trade liberalisation.

Table 1: Zimbabwe terms of trade with top ten trading partners (US\$ millions)

DESCRIPTION	Period						
	2004	2005	2006	2007	2008	2009	2010
<i>Exports</i>							
South Africa	565.2	578.2	1,109.3	1,239.1	711.3	1,192.2	1,734.5
United Kingdom	131.3	73.4	266.4	245.4	57.8	56.7	96.4
Mozambique	19.5	39.2	366.5	431.4	41.1	98.2	91.9
Botswana	48.3	29.6	290.4	201.0	157.0	36.9	28.0
Zambia	71.6	77.4	1,649.0	124.4	70.1	82.7	74.2
Italy	62.9	17.7	25.9	26.6	48.3	46.5	76.9
Malawi	47.6	25.8	43.9	57.8	72.7	29.9	34.6
Spain	29.2	9.2	9.9	18.8	3.5	2.1	32.9
Germany	77.2	28.7	83.9	39.0	6.4	8.6	46.7
Netherlands	27.0	41.2	900.5	153.1	169.3	187.8	13.3
<i>Imports</i>							
South Africa	1,159.8	310.1	1,172.1	1,534.2	1,758.9	2,132.2	4,545.2
United Kingdom	83.2	34.4	91.6	106.6	67.4	70.7	254.9
Mozambique	49.7	204.5	198.3	125.0	81.7	145.1	257.0
Botswana	88.9	104.6	212.1	409.0	214.8	198.6	243.6
Zambia	74.4	846.8	45.3	109.8	61.9	91.3	220.6
Italy	9.0	11.2	8.2	12.3	16.4	14.5	90.1
Malawi	8.9	2.9	17.9	171.6	24.3	6.76	78.6
Spain	2.9	1.2	2.0	2.7	1.6	0.7	35.3
Germany	37.5	46.7	60.7	48.9	52.2	38.7	115.8
Netherlands	11.5	15.6	8.9	35.9	15.0	8.3	31.3

<i>Trade Balance</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
South Africa	-594.6	268.1	-62.1	-295.1	-1,047.7	-940.0	-2,810.6
United Kingdom	214.5	107.8	358.0	352.0	125.2	127.0	351.0
Mozambique	-30.2	165.3	168.2	306.4	-40.6	-46.9	-165.1
Botswana	-40.6	-75.0	78.4	-208.0	-57.8	-161.7	-192.6
Zambia	-2.8	769.4	1,603.7	14.6	8.2	-8.7	-146.4
Italy	54.0	6.5	17.7	14.3	31.8	32.0	-13.2
Malawi	38.7	22.9	25.9	-113.8	48.4	23.3	-43.9
Spain	26.3	8.1	7.9	16.1	1.9	1.5	-2.4
Germany	39.7	-18.0	23.2	-9.9	-45.8	-30.1	-69.1
Netherlands	15.5	25.6	891.6	117.3	154.4	179.5	-18.0

Source: Author's own calculations & UN COMTRADE statistics

With regards to imports, Zimbabwe's import bill maintained a sustained growth from 2004 to 2010. From this analysis, it is apparent that exports from South Africa (its major source) to Zimbabwe grew from US\$1.16 billion in 2004 to US\$4.545 billion in 2010. It is worth noting that in 2005, South Africa's exports to Zimbabwe fell sharply to US\$310.1 million and Zambia in this year became the major source of imports for Zimbabwe with an import bill hovering around US\$846.8 million. In 2005 Mozambique and Botswana also came to the party with US\$204.5 million and US\$104.6 million respectively (see Table 1).

When one takes a closer look at Zimbabwe's trade balance with its major trading partners, it is clear that Zimbabwe only managed to make a trade surplus with the United Kingdom with a staggering US\$351 million. In 2010 Zimbabwe registered a trade deficit with other trading partners. It is even more worrying to note that the trend in trade deficit has been increasing with time (see Table 1).

The implementation of BFTAs compels Zimbabwe to make massive changes in its tariffs since only 9.4 per cent of the tariff lines are imported duty free (Zimbabwe Revenue Authority, 2013)(ZIMRA). According to ZIMRA (2013), Zimbabwe's tariffs on some commodities are as high as 140 per cent although the significant contributors of customs revenue are duties in the ranges of 40 per cent to 80 per cent. Moreover, the country has other *non ad valorem* tax measures in force which represent 6.6 per cent of the total tariff lines which is quite significant (ZIMRA, 2013). The coming into effect of the EU FTA requires that these tariff and non-tariff measure will have to be abolished.

Zimbabwe's economy is still in a sorry state after going through a decade-long economic meltdown which saw it contracting by 50 per cent (Ministry of Finance, 2012). The move to liberalise trade has thus has a ripple effect on the country with respect to revenue loss, trade creation and trade diversion which may lead to de-industrialisation. However, the BFTA's framework provides market access for Zimbabwe which may have a positive impact on exports. In view of the above discussions, it is clear that the impact of trade liberalisation is not clear cut. Hence, the research questions emerging from the discussions are: Has trade liberalisation led to trade creation for Zimbabwe? Has trade liberalisation led to welfare gains? Has trade liberalisation led to loss of revenue in Zimbabwe? Has trade liberalisation led to an increase in

imports? Has trade liberalisation led to an increase in exports? The objectives that address these research questions are presented below.

OBJECTIVES OF THE STUDY

The study seeks to achieve the following main objectives:

- To examine the revenue and welfare implications of the proposed BFTAs on Zimbabwe;
- To examine the impact of the proposed BFTAs on Zimbabwe's imports and exports;
- To examine the impact of the proposed BFTAs on trade creation on Zimbabwe; and
- To come up with appropriate policy options for Zimbabwe that can be used in negotiations and policy formulation.

The rest of the article is organised as follows: The succeeding section reveals a theoretical and empirical framework on trade liberalisation. This is followed by a detailed analysis of the methodology used for partial equilibrium simulations as well as the data used. Finally, a fourth section presents and analyses the results of the simulations and highlights possible useful information for Zimbabwe policy-makers.

LITERATURE REVIEW

This section looks at selected literature on economic integration and specifically on the trade, welfare and revenue implications of free trade agreements (FTAs). The assessment covers both theoretical and empirical literature.

TRADE CREATION

Trade creation is defined as the increase in imports into a country in the same regional trade agreement (RTA) caused by dismantlement of tariffs (Viner, 1950). Trade creation occurs when more efficient or lower-cost producers in any country in an RTA displace the less efficient or higher-cost producers' country in the same RTA and consumers therefore benefit from lower prices (Viner, 1950). Bhagwati and Panagariya (1996) argued that an RTA is trade creating if, and only if, preferential liberalisation by a member country allowed it to replace the higher-cost domestic supply by the lower-cost partner-country supply. Before an RTA, domestic producers maintain market dominance due to high import tariffs which protect them from foreign competition. With an FTA, producers within the FTA will have additional market access which they will now penetrate if they are more efficient than the producers of the host country. FTAs that are trade creating enhance efficiency, result in fall in domestic prices and unambiguously increase welfare in the importing country (Bhagwati & Panagariya, 1996; Schiff & Winters, 2003). However, in some cases, RTA can lead to trade diversion.

TRADE DIVERSION

Trade diversion is an increase in imports into the member of the RTA but there are new imports coming from member states with preferential treatment. Bhagwati and Panagariya (1996) argued that RTAs are trade diverting if preferential liberalisation by a member country replaced the lower-cost supply from non-member countries by the higher-cost supply by the partner country. FTAs that were largely trade-diverting reduced efficiency and lowered the welfare of the union members as well as the world (Bhagwati & Panagariya, 1996; Schiff & Winters, 2003).

Viner (1950) indicated that trade diversion continues after the formation of a RTA. However, some research studies do not support the possibility of trade diversion as a result of a customs union (Meade, 1955; Ohyama, 1972; Kemp & Wan, 1976). Based on what is characterised as the Kemp-Wan Theorem, these studies tend to argue that trade diversion is averted in an FTA since there would be a set of most favoured nation rates (MFN) that is ineffective in altering the emerging trading bloc's trade with non-member countries.

This is particularly so if imports are coming from industrialised countries such as China with massive specialisation and economies of scale. These countries render MFN too low to effectively divert trade from them. Meade (1955), in particular, argues that when pre-arranged tariffs for member states of the RTA are high, the pressure for trade diversion may be great in the aftermath of RTA creation. On the other hand, the potential for trade diversion in the regional arrangement may be low since such external barriers offer less scope for the displacement of imports from third countries with regional production (Ammonsah, 2002).

From this foregoing argument, it is clear that trade diversion nexus trade liberalisation which comes into effect through a customs union is not automatic. It varies from case to case. Hence, this study fills the gap in literature on whether BFAs are trade diverting.

EMPIRICAL LITERATURE

In recent years a number of studies were undertaken to review the impact of several bilateral agreements on revenue, welfare and trade. In this regard, the bilateral agreements reviewed took many on forms, ranging from country to country to regional level.

Cernat (2003) used the gravity model to quantify the impact of nine regional trading arrangements on the trade flows among participants and with third countries for the period 1994 to 1998. COMESA is among the RIAs that were considered and this was after the establishment of the COMESA FTA. The results show significant trade creation effects with no evidence of trade diversion and moderate trade expansion effects for all the RIAs. For COMESA, trade between members more than doubled as a result of the trade creation effect. Trade expansion was also quite significant with imports from third countries increasing by an average of 30 per cent.

Karingi, Lang, Oulmane, Perez, Jallab and Hammouda (2005) analysed the likely implications of a COMESA FTA and of a COMESA customs union using the Global Trade Analysis Project (GTAP) model and the GTAP 5 database. The study involved five countries, namely Malawi, Tanzania, Uganda, Zambia and Zimbabwe. The welfare results of the COMESA customs union showed that all member countries would benefit in terms of real incomes from the customs union with Zimbabwe's real GDP expanding by 0.79 percentage points. On the trade front, the results showed that the customs union leads to significant changes in the total volume of trade.

Hallaert (2007) estimated the impact of EU FTA on Madagascar. The results show that Madagascar is likely to increase exports to the EU by 3.8 per cent owing to increased market access. However, the EU also stands to increase its exports to Madagascar by 4.9 per cent due to trade creation effects.

McKay, Milner and Morissey (2005) consider the likelihood of the establishment EPA between the EU and the EAC and observed that all three member states in EAC are likely to suffer large revenue losses. The results show that Uganda is likely to experience a net welfare gain and Kenya stands to lose some of its share in Tanzanian and Ugandan markets. Zgovu and Milner (2007) went on to provide a detailed analysis of trade and welfare effects of unilateral of trade within the EU context non-agricultural products on Tanzania. They found that an EAC EPA with the EU will increase imports from the EU by 84 per cent. According to Zgovu and Milner (2007), tariff revenue is likely to fall by 54 per cent and a Tsh35,659 million of welfare gains is anticipated.

Hamilton (2009) estimated the impact of EPAs on Kenya's revenue. In this regard the study assumed complete tariff liberalisation under the EPA on Kenya's trade revenue. According to Hamilton (2009), tariff revenue is projected to fall over the short-term by more than 20 per cent, leading to an overall reduction in trade revenue by 5.8 per cent. Imports are estimated to increase marginally by 0.4 per cent. Unlike in the case of Malawi, an exemption of 20 per cent of the sensitive products from the EPA is expected to have a significant impact on revenue. Kenya will expect a reduction in tariff revenue of 5.7 per cent and a fall of 1.5 per cent in total trade revenue

(Hamilton, 2009). According to Hamilton (2009), these revenue losses are substantially lower than those projected under the EPA without an exclusion list.

The Asian Development Bank Institute (2011) estimated the impact of bilateral agreements between Thailand, Australia, Japan and New Zealand as well as the ASEAN FTA with Thailand on welfare. The simulation results from the two studies show that among the bilateral FTAs, Thailand gains most from the Japan-Thailand Economic Partnership Agreement (EPA) as its welfare is anticipated to increase by about US\$1.2 billion if the tariff elimination process is finished. Among the alternative bilateral FTA scenarios, the Thailand-New Zealand Comprehensive Economic Partnership Agreement (CEPA) brings the least benefit to Thailand, increasing Thailand's welfare by only US\$11.3 million.

However, according to the Asian Development Bank Institute (2011), Thailand stand to gain more from a regional bilateral free trade agreement (Association of Southeast Asian Nations) (ASEAN), especially if such region-wide agreements are comprehensive and foster services and trade as well as reduce tariffs. The simulations show that an ASEAN plus three other Asian countries, that is Japan, the Republic of Korea, and China, will generate the largest welfare gains for Thailand of US\$26.7 billion in economic welfare by 2017 while the inclusion of just South Korea into the ASEAN gives only welfare gains of US\$2.6 billion.

The foregoing literature review demonstrates the range of empirical approaches that have been applied in analysing the welfare, revenue and trade effects of FTAs. It is apparent that the results of the studies vary slightly in some cases and widely in others. The general conclusion that can be drawn is that the implications of an FTA depend on a number of economic issues, the initial tariff structure of a country and its trade pattern, among others. The WITS/SMART model has been used extensively by previous researchers and has proved useful in trade policy analysis. Therefore, this study adopts this model to evaluate the impact of BFTAs on Zimbabwe.

MODEL FRAMEWORK

This study used the World Integrated Trade Solutions/Software for Market Analysis and Restrictions on Trade (WITS/SMART) model because of its strength in analysing the tariff effect of a single market on disaggregated product lines. The model also has the ability to analyse the effects of trade policy reforms in the presence of imperfect substitutes (Othieno & Shinyekwa, 2011). It is also more adequate than the homogenous goods model when examining tariff preferences, as it avoids corner solutions (Othieno & Shinyekwa, 2011). SMART, a static partial equilibrium model, was developed by the United Nations Conference for Trade and Development (UNCTAD) and the World Bank during the 1980s, mainly to assess the impact of General Agreement on Trade and Tariffs (GATTs) rounds. Its theory is borrowed from Laird and Yeats (1986).

In this study, the WITS and SMART model was applied in a partial equilibrium framework. The WITS brings together various databases ranging from bilateral trade, commodity trade flows and various and types of trade protection (Lang, 2006). WITS also integrates analytical tools that support simulation analysis. According to Lang (2006), the WITS/SMART model uses the Common Format for Transient Data Exchange (COMTRADE) – commodity trade statistics; Trade Analysis Information systems (TRAINS) - tariff, para-tariffs and non-tariff measures; an integrated data base (IDB) and consolidated tariff schedules (CTs) databases which provide simulated analytical tools to simulate trade policy analyses such as effects of multilateral tariff cuts, free trade agreement, preferential trade liberalisation and *ad hoc* tariff changes (Lang, 2006). According to Lang (2006), the SMART model runs on information contained in the UNCTAD-managed TRAINS database. SMART therefore uses TRAINS data for tariff (applied tariffs) and trade values. For trade values, TRAINS data is based on the data collected in the COMTRADE database.

The model has caveats which measure the effects of specific changes in tariffs on trade flows, revenue, and welfare effects at a given point in time (Lang, 2006). The SMART model assesses policy reform impacts on sectors that are directly affected, commonly referred to as first-round effects. Like any other partial equilibrium model, the SMART model fails to represent inter-sectoral links and interactions, as well as macro-level effects (Othieno & Shinyekwa, 2011). Unlike the general equilibrium (GE) model, they ignore the second round effects as the models do not consider the impacts of policy reforms on the macroeconomic effects (Lang, 2006). Nevertheless, GE models are criticised for their proneness to aggregation bias, numerous underlying assumptions and vast data requirement, among others.

However, in this study, the main focus is on the static effects of trade liberalisation. Hence, partial equilibrium models emerge as a best option. The partial equilibrium method is an adequate tool to address the principle of special and differentiated treatment (S&D) in a detailed analysis of trade data (Lang, 2006). Literature shows that the partial equilibrium model, mainly the WITS/SMART model, has been extensively and successfully used to quantify the static effects of various trade reforms such as an FTA.

SMART ASSUMPTIONS AND RELEVANCE TO ZIMBABWE

SMART relies on the Armington assumption in modelling consumer behaviour (Othieno & Shinyekwa, 2011). On the supply side, the SMART set-up is that, for a given good, different countries compete to export to a given country. The focus of the simulation exercise is on the composition and volume of imports into that country (Lang, 2006). SMART assumes infinite export supply elasticity (that is the degree of responsiveness of each foreign exporter's supply to changes in the price) with a value of 99 (Lang, 2006). In other words, the world price of each export variety is exogenously determined so that exporters are assumed to be price takers. This implies that changes in the level of demand in Zimbabwe do not affect world prices and exporters could continue supplying at any level of Zimbabwean demand. Considering the fact that Zimbabwe is a small player in the global trade arena, the assumption of infinite export supply elasticity is retained under this study.

On the demand side, SMART relies on the Armington assumption which is based on imperfect substitution between different import sources with different varieties. This means that goods, defined at the Harmonised System (HS) 6 digit level, imported from different countries, although similar, are imperfect substitutes. In this study, a value of 1.5 for import substitution elasticity was used for each good. The Armington assumption of imperfect substitution is retained for the purpose of this study. This assumption has a significant implication for preferential agreements since such arrangements will not result in a complete shift of import demands to beneficiary countries.

SCENARIOS

The purpose of this study is to analyse the impact of the BFTAs on Zimbabwe if 0 per cent is applied to all tariff lines for Zimbabwe and the top ten major trading partners (South Africa, Zambia, United Kingdom, USA, United Arab Emirates, Netherlands, Mozambique, Germany, China and Belgium).

In this study, 2007 was used as the base year since it is the most recent year for Zimbabwe in the WITS/SMART model. In this case, simulations are undertaken to evaluate the trade, revenue and welfare implications zero duties on all tariff lines against the MFN rate applied in 2007.

DATA SOURCES AND MANIPULATION

The following data was used in the SMART model in this study: import value from each foreign partner, tariff faced by each foreign partner, import demand elasticity for the commodity, export supply elasticity for the commodity, and substitution elasticity between varieties of the commodity.

This data was easily accessible as it is in-built in the WITS supported by the COMTRADE, TRAINs, IDB and CTs databases. These are real import figures reported by countries (in US\$) at customs points at different product levels. In periods where Zimbabwe national statistics failed to submit trade data, mirrored data was used. Mirrored data is data submitted by Zimbabwe trading partners which will be converted to represent Zimbabwe trade information. For example, South Africa imports from Zimbabwe reported to the International Trade Centre will be considered as Zimbabwe exports. The UN COMTRADE has all the trade information for Zimbabwe needed for this study, ranging from exports and imports to tariffs and non-tariff instruments.

WITS software which is hosted by the World Bank was used in this study. The WITS model linked to the UN COMTRADE has a high capability to demonstrate the effect of various trade policy instruments on Zimbabwe. These trade policy instruments range from tariff changes and the corresponding effect on welfare, to revenue loss, trade creation and diversion which are the objectives of this study.

SENSITIVITY ANALYSIS AND ROBUSTNESS TEST

SMART's results may be sensitive to the modelling assumptions and parameter values used. Although SMART does not provide a built-in sensitivity analysis, this study carried out a robustness test by manually by changing parameter values (elasticities) over a reasonable range as suggested by Plummer, Cheong and Hamanaka (2010) and Zgovu and Kweka, (2009).

The price elasticities of demand for Zimbabwe were obtained from Stern (1974) and the Armington elasticities from Tokarick (2010). The uncertainty as to the actual values for the Armington and demand elasticities implied that rigorous sensitivity analysis was required to ensure the robustness of the results (Thurlow & Holden, 2003; Zgovu & Kweka, 2009; Plummer, Cheong & Hamanaka, 2010; Waglé, 2011). Initially, a 'base-case' simulation was run using the elasticities described above. Table 2 shows various elasticities used in the study.

Table 2: Elasticities used in sensitivity analysis

Elasticity	Lower Bound	Base-case	Upper bound	Worst case
Substitution	0.5	1.44***	2	6
Export supply	89.1	99	99**	99**
Import demand*	2.7	1.5	3.3	6

* Stern (1976), ** Retained as it is infinite, *** Tokarick (2010)

RESEARCH FINDINGS

The study evaluates the impact of BFTAs on Zimbabwe, specifically the implication of the BFTAs on trade creation and trade diversion, revenue, welfare, imports and exports on Zimbabwe which are the objectives of this study are discussed in this section.

TRADE CREATION AND TRADE DIVERSION

Using simulations results from the WITS/SMART model, Table 3 shows the trade creation and trade diversion effects of the adoption of the BTFA by Zimbabwe.

Table 3: Trade creation effects of the BFTA on Zimbabwe (US\$ millions)

HS Code	Product Description	Value
87	Motor vehicles	12.634
85	Electric Motors	3.291
72	Iron and Steel	1.330
73	Tubes and Pipes	2.266
24	Tobacco	19.190
94	Furniture	8.982
31	Fertilisers	5.030
38	Artificial Graphite	2.719
Other		49.133.65
Total		104.573

Source: Author's own calculations based on SMART simulations

Bilateral free trade agreement is expected to enhance the competitiveness of efficient firms within the BFTA with Zimbabwe at the expense of Zimbabwe companies which were previously shielded by tariffs and non-tariff barriers. Foreign firms from the BFTA are expected to displace Zimbabwe products in what is known as result trade creation. Foreign firms from the BFTA are expected to increase their exports by US\$104.573 million (see Table 3). Major products which are expected to gain significant market access in Zimbabwe market from BFTA firms are tobacco and motor vehicles with an import value of US\$19.19 million and US\$12.634 million respectively. Currently, tobacco that is partly or wholly stemmed or stripped is currently attracting a duty rate of 100 per cent in Zimbabwe. The adoption of BFTA implies that it has to be levied at 0 per cent duty. In Zimbabwe, motor vehicles currently attract duty rates ranging between 60 and 80 per cent. The coming into effect of a BFTA will now mean that motor vehicles will attract a 0 per cent tariff rate. Trade creation, particularly from tobacco and motor vehicles, is expected to come as a relief to consumers in Zimbabwe as they are likely to make significant savings as prices of these commodities are expected to fall.

However, the effect of trade creation on local industry is negative. Firms in the production of motor vehicles and tobacco and related companies in the value chain will be threatened with closure of firms unless government comes up with a financial package to mitigate costs of foreign competition and also enhance the competitiveness of companies proposed by Lang (2006).

This outcome is consistent with the findings of other researchers. Hamilton (2009) carried out a study on the potential effect of a bilateral FTA between EU and Malawi and found that Malawi expects an increase in imports caused by trade creation effects by 0.4 per cent. Hallert (2007) estimated a 4.9 per cent increase in imports in Madagascar on the *ex ante* effects of EU FTA.

REVENUE EFFECT

Zimbabwe is among the countries that are supposed to undertake huge transformation of their national tariff structures in order to conform to the duty free rates, considering that only 9.4 per cent of the tariff lines are liberalised. Table 4.2 shows the revenue implications of the BFTA on Zimbabwe. The WITS/SMART simulations estimate that Zimbabwe will have a total fiscal revenue loss of US\$89.003 million if the BFTA is implemented. Major contributors for revenue loss in Zimbabwe are motor vehicles, tobacco, cranes, paper, central boilers and make ups oils

with US\$19.22 million, US\$11.131 million, US\$ 9.657 million, \$8.205 million, US\$5.319 million and US\$1.946 million, respectively (see Table 4).

Table 4: Revenue effect of the BFTA on Zimbabwe (US\$ millions)

HS code	Product Description	Revenue Loss	% of Total Loss
87	Motor vehicles	-19.220	21.59
24	Tobacco	-11.131	12.51
86	Cranes	-9.657	10.85
48	Paper products	-8.205	9.22
84	Central boilers	-5.319	5.98
33	Oils/Cream for make ups	-1.946	2.19
Other		-55.477	37.67
Total		-89.003	100

Source: Author's own calculations based on SMART simulations

Tobacco and motor vehicles alone represent 34.1 per cent of total loss in revenue. Traditionally, these commodities used to attract high import duties, for example, tobacco attracted a tariff rate of 100 per cent but the BFTA requires it now to be imported at duty free, hence the massive loss in revenue.

The expected loss in revenue coming into effect if Zimbabwe implements BFTA is significant since it represent 3.1 per cent of 2012 total tax revenue and 24.7 per cent of customs revenue. This outcome is consistent with the findings of other researchers in the region. Hamilton (2009) found that bilateral free trade agreement between the EU and Malawi may result in a 20 per cent decline in revenue. In Kenya, Hamilton (2009) found a modest loss of revenue of 5.7 per cent if the country signs bilateral FTAs with EU. Zgova and Milner (2007) found that bilateral FTAs between Tanzania and EU will give revenue loss of 54 per cent.

CONSUMER WELFARE EFFECT

One of the main arguments in favour of free trade is that consumers will benefit from lower prices. Whether or not this will occur depends on the extent of trade creation as against trade diversion. For Zimbabwe we have already seen that the total trade creation surpasses trade diversion which means that consumers will benefit from the implementation of the BFTA. Although this arrangement will lead to the loss of government revenue and impact negatively on some producers, individual households will benefit from lower prices. This will mean that households will be in a position to increase consumption, and hence their welfare will also increase. Welfare effect in the SMART model is measured in terms of improvement in consumers' surplus without considering effects on producers. As shown in Table 4.3, SMART simulation results reveal that by implementing the BFTA, Zimbabwe will experience a gain in consumer welfare valued at US\$16.689 million. Tobacco is the major contributor of welfare gains in Zimbabwe under the BFTA scenario, US\$5.119 million of savings accruing to households. Furniture and paper also contributed significant gains in welfare (see Table 5).

Table 5: Welfare effects of BFTA on Zimbabwe (US\$ million)

HS code	Product Description	Welfare Gain
87	Motor vehicles	3.33
24	Tobacco	5.12
85	Electric motors	1.01
48	Paper products	0.94
94	Furniture	1.87
Other		4.43
Total		16.689

Source: Author's own calculations based on SMART simulations

The impact of welfare in Zimbabwe after liberalising trade with top ten trading partners is expected to be insignificant, representing 0.17 per cent of 2011 GDP. This outcome confirms with empirical evidence. The Asian Development Bank Institute (2011) revealed that Thailand-New Zealand Comprehensive Economic Partnership Agreement (CEPA) brings about US\$11.3 million in welfare gains in Thailand.

THE IMPACT OF BFTA ON ZIMBABWE EXPORTS

One of the objectives on this study is to find the impact of BFTA on Zimbabwe exports. Exporters' evaluation from the WITS/SMART simulation model shows that Zimbabwe's exports are expected to increase by US\$122.433 million if the country undertakes an FTA with its top ten trading partners (see Table 6).

Table 6: The impact of BFTA on Zimbabwe exports (US\$ millions)

Trading Partner	Exports Before	Exports After	Change	% Share of Total Exports
Zambia	847.637	831.514	-16.124	49.17
South Africa	303.7	399.516	95.816	23.63
Mozambique	185.73	191.871	6.141	11.35
China	54.241	65.382	11.141	3.87
Germany	48.433	56.894	8.461	3.36
United Kingdom	41.676	47.58	5.903	2.81
United States	39.641	45.845	6.204	2.71
UAE	24.308	27.744	3.435	1.64
Netherlands	17.465	16.656	-0.809	0.98
Belgium	7.038	8.056	1.018	0.48
Total	1,569.87	1,691.06	121.186	100.00

Source: Author's own calculations based on SMART simulations

Zambia, South Africa and Mozambique are the major export destinations for Zimbabwe products with 83.8 per cent of total exports being absorbed by these three countries.

Major commodities which are expected to dominate Zimbabwe exports after joining BFTA FTA include copper expected to net US\$445.93 million, cobalt matters with export value of US\$145 million, iron ore with export receipts of US\$50.99 million and tobacco expected to net US\$16.51 million.

Table 7: Zimbabwe major exports in the BFTA (US\$ millions)

HS Code	Product Description	Value
9	Coffee	6.88
10	Wheat	16.51
17	Sugar	19.36
24	Tobacco	38.01
26	Iron ore	50.99
52	Cotton	47.04
56	Textile materials	7.00
74	Copper	445.93
81	Cobalt matters	145.56
84	Nuclear reactors	5.82
85	Electric motors	16.74
34	Soap	8.67

Source: Author's own calculations based on SMART simulations

This outcome is consistent with economic theory and empirical evidence. On economic theory, FTAs create market access as trade barriers are dismantled with an FTA. This is expected to propel exports of member states in the FTA. On empirical evidence from the region, Hallert (2007) found that Madagascar's exports are like to increase by 3.8 per cent if the country implements the EU FTA.

THE IMPACT OF BFTA ON ZIMBABWE IMPORTS

Conventional theory on trade suggests that trade a reform which comes in the form of FTA is expected to lead to an increase in imports due to a fall in prices. Does this BFTA lead to increase in imports in Zimbabwe? This one of the research questions posed by this study and is answered in this section. According to Lang (2006), trade creation and trade diversion make up significant stakes in a region/country's import basket. In this study, trade creation and trade diversion were significant, hence Zimbabwe's imports are strongly influenced by BFTA. Table 8 presents market views on the impact of BFTA on imports in Zimbabwe.

Based on SMART simulations, Zimbabwe imports are expected to increase by US\$104.573 million. The increase in imports is rationally as a result of improvements in economic agents' cash flows due to low cost of importing since tariffs would have been abolished.

Table 8: The impact of BFTA on Zimbabwe imports (US\$ millions)

HS Code	Product Description	Import Value
260300	Iron ore	100.19
271600	Coal products	185.88
480000	Paper products	48.19
520000	Cotton	50.08
810000	Cobalt matters	162.71
840000	Central boilers	142.34
850000	Electric motors	128.96
870000	Motor vehicles	105.98

Source: Author's own calculations based on SMART simulations

Zimbabwe major imports include coal products, motor vehicles, processed tobacco, copper products, paper and central boilers (see Table 8).

SENSITIVITY ANALYSIS AND ROBUSTNESS TESTS

Given that there was uncertainty on the actual values for the Armington, demand elasticities implied that rigorous sensitivity analysis was required to ensure robustness of the results around the main results presented in the study. Initially, a 'base case' simulation was run using the elasticities from Armington, Stern and Tokarick as discussed previously. Given the possible sensitivity of the models' results to the elasticity values, the researcher had to re-run the simulations under varying assumptions. Upper bound and lower bound were established for various elasticities (see Table 2). Finally, given that the aim of the study was to determine the largest likely impact of BFTA on Zimbabwe, a 'worst case' scenario was devised using the upper bound values by adding 4.

Reducing trade elasticity value to 0.5 shows no change of trade creation from the base case in Zimbabwe (see Table 9). Likewise, increasing trade elasticities to 2 and 6 brings no changes to trade creation. The outcome shows that Zimbabwe's total change in imports remains the same in value although its composition changes as economic agents substitute across various imports.

Table 9: Robustness and sensitivity analysis of EPAs on trade creation, revenue welfare, imports and exports (US\$ million and % change)

Effects/Indicators	Base Case	Lower Bound	Upper Bound	Worst Case
Welfare (US\$ million)	16.689	16.73	16.506	15.615
Revenue (US\$ million)	-89.003	-86.162	-91.198	-103.431
Trade creation (US\$ million)	104.573	104.573	104.573	104.573
Imports (% change)	5.18	5.18	5.18	5.18
Exports (% change)	7.72	7.04	8.16	11.15

Source: Author's own calculations based on SMART simulations

Reducing trade elasticity to 0.5 may reduce revenue loss by 3.19 per cent from base case (see Table 9). Increasing trade elasticity values to 2 and 6 will respectively increase revenue loss by 2.47 per cent and 16.21 per cent. The results in upper bound and worst case scenarios compared to the base case confirm that the responsiveness of imports to relative price changes is increasing

in substitutability which has an effect on revenue. A 5 per cent margin of error on the lower bound and upper bound can be argued to be conservative and sensible and the resulting deviations from the middle ground results are generally insignificant. Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticity to 0.5 may increase welfare gains by 0.25 per cent from the base case (see Table 9). Increasing trade elasticity values to 2 and 6 will respectively decrease welfare gains by 1.10 per cent and 6.44 per cent. The margin of error can be argued to be conservative and sensible and the resulting deviations from the middle ground results are insignificant. Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticity to 0.5 might increase exports by 7.04 per cent from the base case (see Table 9). Increasing trade elasticity values to 2 and 6 will respectively increase exports by 8.16 per cent and 11.15 per cent. The deviations of expected change in exports as a percentage on lower bound, upper bound and worst case scenarios from base case are -0.68 percentage points, 0.44 percentage points and 3.43 percentage points respectively. The resulting deviations from the middle ground results are generally insignificant. Accordingly, the middle ground estimates could be within sight of the potential sizes.

Reducing trade elasticity value to 0.5 shows no change in imports from the base case in Zimbabwe (see Table 9). Likewise, increasing trade elasticities to 2 and 6 brings no changes to trade creation. The outcome shows that Zimbabwe's total change in imports remains the same in value although its composition changes as economic agents substitute across various imports.

POLICY IMPLICATIONS AND CONCLUSION

This paper investigated the implications of BFTAs on Zimbabwe with respect to revenue, welfare and trade using SMART simulations. The BFTAs are expected to cause trade creation that will offset trade diversion, resulting in net welfare gains for Zimbabwe. A total trade expansion valued at US\$104.573 million is expected. Major contributors to trade creation are tobacco and motor vehicles with export receipts of US\$39.425 million and US\$7.472 million respectively.

For the importing country, in this case Zimbabwe, trade diversion is neutral. It does not affect the overall imported quantity but reallocates market shares among exporting partners based on the new relative prices. The increase in imports from the BFTA countries is balanced by a decrease in imports from the rest of the world which results in trade diversion being equal to zero. Thus, trade creation is the only influence on total social welfare. Although the trade creation effect of the BFTA on Zimbabwe is positive, its exact implications on the economy are difficult to ascertain in view of the fact that trade creation has some element of both positive and negative effects.

The WITS/SMART simulations estimate that Zimbabwe will have a total fiscal revenue loss of US\$89.003 million if the BFTA is implemented. Major contributors for revenue loss in Zimbabwe are tobacco, paper and copper.

SMART simulation results reveal that Zimbabwe will experience a gain in consumer welfare valued at US\$16.689 million by implementing the BFTA. However, the impact of BFTA on welfare was insignificant in Zimbabwe. Zimbabwe is expected to witness an increase in its exports of US\$122.433 million.

From the above analysis it is apparent that Zimbabwe will both lose and benefit by joining the EU FTA. On balance, from this analysis, it is clear that in Zimbabwe, the welfare benefits and increase in exports cannot compensate for the loss of trade liberalisation revenue and possible deindustrialisation effects which may be caused by trade creation effects. The policy implications that can be drawn from this study are:

The country needs to consider improving the collection of revenue from alternative sources such as VAT, personal and company taxes, and excise duty in order to cushion itself against the revenue loss impact of the BFTAs. The country could reconfigure the income tax bands so that they become more progressive, thereby raising more revenue. The government could also consider widening the tax base by taxing the informal sector which has been growing rapidly in the past years, as suggested by Othieno and Shinyekwa (2011), Zgovu and Kweka (2008), Alfieri, Cirera and Rawlinson (2006), Lang (2006) and Karingi *et al* (2005).

The agreement by member states to have a basket of sensitive products will help to reduce the revenue loss for Zimbabwe. In this regard, Zimbabwe's negotiators should push for sensitive products that will not be subjected to tariff reduction for some time. This is crucial as it gives member states the needed policy space to develop their sensitive industries before opening up to third countries' competition. Some of the products which should be considered on the sensitive list based on the findings from this study are iron and steel, motor vehicles, central boilers and electric motors.

To cushion the impact of tariff reduction on those industries that are currently enjoying tariff protection, there is a need for the government to come up with an appropriate timeframe and sequencing of tariff reforms to comply with the agreed BFTAs. In addition, Zimbabwe should set up an adjustment facility which is tailored at assisting sectors which are likely to be affected by trade creation effects such as motor vehicle, tobacco, electronic and heating boiler makers.

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EMERGING DEBATES ON BUGANDA'S INTERACTION WITH THE COLONIAL STATE: WAS IT BENEFICIAL?

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ABSTRACT

This article explores the colonial state in Uganda, the origin and tradition of the pre-Buganda Kingdom and its political structures. It examines how Buganda Kingdom was centrally governed before it was transformed into a state by the colonial masters. It had been ruled by a king who ruled supremely over the clans, appointing chiefs in the administrative hierarchy. In post-colonial Buganda, the powers of the king were dramatically reduced. It has been argued, however, that the British administration strengthened and consolidated Buganda's position politically and that the complex political structure of the past was incorporated into an agreement signed in 1900. Counter-arguments, however, condemned the colonial hierarchy as being destructive and dismissive of the former structures which had been based on the clan system and the preservation of the kingship structures. This article examines the opposing views, concluding that the colonial structures were focused on the subjugation of the kingship structures and the exploitation of the country.

Keywords: Colonial state; Buganda; political structure; kingship; clan system.

INTRODUCTION

As to whether the colonial state destroyed, changed or preserved, the pre-colonial political institution of Buganda remains a contested debate among scholars. Reid (2002) and Wrigley (1996) present the view that the colonial state, far from destroying it, preserved and strengthened the existing political institution of Buganda and further integrated Buganda's political structures in her colonial project. Richards (1960) argues that the changes that the British colonial administration introduced in the Buganda agreement never destroyed, but preserved the Buganda political institution. However, Mutibwa(1992) argues that the colonial conquest rendered the Buganda political agents useless and thus opted for the colonially appointed chiefs. This undermined the political position of Buganda. Mamdani (1996: 55) argues that the colonial state altered the political position of Buganda kings and their chiefs and that this undoubtedly destroyed the political institution of Buganda. To Mamdani, traditionally, kings were life-long rulers but after colonial penetration into Buganda's political structure, kings and their chiefs became subject to dismissal and appointment. Mamdani further argues that even the chiefs transferred their loyalty from the Buganda king to the colonial governors.

To contribute to this debate, this article will examine Buganda's political institution before and after colonialism. This will enable a debate as to whether the colonial state changed, destroyed, or preserved the political institution of Buganda. This article also examines whether the colonial state was an entirely external project in terms of its features or whether it borrowed from Buganda pre-colonial political structures. This article concludes with an assertion that the colonial state had no good intentions for pre-colonial Buganda and as such, Buganda lost from her interaction with it more than was gained.

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TRACING THE POLITICAL INSTITUTION OF BUGANDA

The origin and tradition of the pre-Buganda kingdom and its political structures raise more debates than it attempts to answer. Southall and Gutkind (1957: 1) argue that Buganda's political structure is deeply rooted in a loose and flexible kiganda bureaucratic tribal structural system. In agreement with Southall and Gutkind, Muwanga (2005: 1) observes that the *kabaka* (king) is the head of the entire Buganda tribe and clans, and as such as the kabaka enjoys a central political position in Buganda. Although Southall and Gutkind (1957) and Muwanga (2005) authoritatively write about the political structure of Buganda, Richard (1960: 41) observes that the political structure of Buganda is not comprehensively elaborate, because the roots of certain political structures cannot easily be traced. Indeed, the inability to trace the political structures of the Buganda society is deeply entrenched in the legendary origin of the traditional political system of pre-Buganda origin. (Richard, 1960: 43). This confusion, evidenced in the lack of a clear evolutionary origin of the Buganda political structure, owes its origin to the different themes which explain the mystery of the first king of Buganda, where he came from and how he died. It is also important to appreciate that the political structure of Buganda evolved from its social structure: this therefore means that to understand the political roots of Buganda, one needs equally to appreciate the cultural social roots of the Buganda community. This further suggests that to preserve the politics of Buganda is to preserve its culture; to destroy its politics is equally to kill the Buganda community. Any changes in Buganda's political structure, whether for good or bad, cannot leave Buganda the unaffected.

Roscoe (2011: 133) comprehensively traces the pre-Buganda political structure from its social structure. For one to understand the origin of Buganda's political structure, it is necessary to understand Buganda's first 36 clans and their respective political responsibilities in the Kingdom of Buganda. Roscoe argues that specific clans had specific responsibilities and there were specific clans with specific political functions. Out of the 36 clans, only the Lion Clan had the sole task of providing the political rulership of Buganda Kingdom. And within the same Lion Clan was a specific lion family. In support of his argument, Roscoe (2011:142) indicates that no Lion Clan member was eligible for the political throne of Buganda after the prospective prince to be king had been identified. Roscoe observes that if a boy was born to any of the king's brothers, he would be strangled to death at his birth. Roscoe (2011: 160) points out the Rat Clan as a special clan which was tasked with the responsibility of guarding the king, the head of the political institution. The king appointed private police and selected intelligence men from the Rat Clan members to spy on his generals and ensure that they did not exceed their political powers. To this end, Roscoe contends that Buganda had an intelligence system entrenched within the Rat Clan whose role was to provide political information to the king. What is not pointed out, however, is how effective and efficient it was. Roscoe further elaborates on the formal and structured political organisation of the Buganda community. His comprehensive elaboration, together with that of Southall and Gutkind, confirms that Buganda existed as a social-geographical entity with a political structure.

Although it is not known exactly when the Buganda political structure came into existence, there is general consensus that Buganda political structure existed, and was highly centralised and effective in terms of sustaining Buganda society. In this regard, Mamdani (1996: 42) observes that the king of Buganda was supreme, with control over land and administrative hierarchy. The king strengthened his political structure by appointing chiefs from among the commoners. In agreement with Mamdani, Richards (1960: 43) described Buganda as a centralised strong government with the king as its supreme ruler. Aseka (2005: 44) confirms the centrality of the Buganda political structure, and argues that the Buganda political institution was mandated to meet the demands and needs of its communities. The political rulership cared for its people as well as its political head. One point of agreement among the authors is that of the continuous existence of the Buganda people. This confirms that the political structure of the Buganda did not

only pose a political threat to its neighboring non-Bugandan community, but to the colonialists as well. Any colonialist intending to destabilise Buganda had to interface with her political might.

PRE-COLONIAL POLITICAL BUGANDA

There seem to be consensus among scholars that Buganda was originally a small geographical location which expanded through military conquest. It was small but its people were ambitious, aggressive, materialistic and politically minded. Richard (1960: 43) argues that the Buganda empire was originally composed of Busiro, Kyandondo and Mawokota. According to Aseka (2005: 47), the original nucleus had a complex traditional system of government and administration with a formal and unified political structure. Buganda's political structure was sustained and developed by the Buganda's military structure. In this regard, Aseka (2005: 47) further argues that "...war was a key instrument; *kubaga olutalo* ('to wage war') was undertaken if a tributary community refused to pay tribute to the Buganda kabaka." The military structure of Buganda was thus closely linked with its political structure. The military sub-structure thus gave credence to the political sub-structure.

Aseka (2005: 46) further submits that Buganda was an off-shoot from Bunyoro Kita. He argues that Buganda broke away from Bunyoro in the mid- 17th century. Karugire (1980: 21) traces the origin of the Buganda Kingdom to around 1500. In support of Aseka, Karugire further argues that the ruling house of Buganda was related to that of Bunyoro, that Buganda was originally very small compared to Bunyoro, and only expanded because of its ambitious military might, and that even Buganda's political and administrative system evolved around the royal household (Karugire, 1980: 22). An observation might be made that perhaps the Buganda political structure could also be an off-shoot of the Bunyoro-Bito dynasty. Reid (2002: 3) argues that Buganda emerged around the 15th century from the migrations of the western Nilotic Luo-speakers. Like Karugire, he also attests that Buganda was a very small insignificant kingdom. Richards (1960: 41) does not look at Buganda as an off-shoot of Bunyoro, but seems to suggest that Bunyoro and Buganda existed as independent political entities right from the very beginning. On the other hand, Richards seems to suggest that Buganda was the first of the interlacustrine states to exist. Fallers (1965: 38) argues that Bunyoro was an enemy state to Bunyoro.

This article, however, looks at establishing the origin of the Buganda political structure. If it is true that Buganda was an off-shoot of Bunyoro-Kitara, or of the Bito dynasty, then one can argue that the Buganda political substructure was organically grown from Bunyoro, germinated and consumed in Buganda. If it is not true, then one can argue that the Buganda political structure evolved from its own social structures. However, the unanswered question is: Did Buganda have its own independent separate political structure? Given the fact that Buganda expanded out of military conquests, even before colonialism, one cannot rule out the fact that Buganda's political structure could have borrowed more from her conquered territories, especially from Bunyoro. Can one then speak of Buganda's political institution?

The political king of Buganda was a sovereign who never shared political power with any one. Richards (1960: 45) argues that the king had the power to decide who could die and live; he had control of all the Arab guns; he was the head of the Buganda capital with a population of tens of thousands; and he maintained his authority through severe and brutal punishment to whoever disobeyed him. To demonstrate his supremacy, he passed harsh judgments ranging from selling his subjects into slavery, to mutilation, burying offenders alive and hacking them to pieces. This clearly demonstrates that the kabaka was in total control of Buganda, and no one contested his political power, not even questioning his decisions and actions. However, Mamdani (1996: 42) argues that the Buganda king did not have "sweeping" powers; the clans regulated the kabaka's powers and those of his appointed chiefs. In this, Mamdani seems to suggest that the king was not a dictator. Commenting on the king's political powers, Roscoe (2011: 232) maintains that the king of Buganda was an outright despot: the king consulted his chiefs and when the advice of his

chiefs was not in his interest, he would disregard it. The king summoned his chiefs when-ever he wished, without prior arrangement. According to Roscoe (2011: 232), “The king was despotic, under ordinary circumstances he took one or more of his chiefs into his confidence, and asked their advice, but if this was contrary to his wishes, he disregarded it, and followed his own desires....” The fact that he separately consulted his chiefs meant that he also exercised the colonial political policy of divide and rule among his chiefs. If the king was not a despot, what was he? Did his consultation have any political impact on his subjects? Did any of the king’s decisions mean any- thing positive to his subjects? What criteria did the king use to appoint his chiefs? Was the king’s decision meant to serve his subjects or himself? These, among other questions, call for further interrogation.

The political structure was hierarchical in nature. After the king was the *katikiro* (prime minister). Roscoe submits that Buganda had twelve chieftains who were called *bakungu*, and two chiefs who were *kimbugwe* and *katikiro*. These were higher in political ranking than the district chiefs. Buganda was divided into ten large districts called *amasaza*. Each chief ruled one district and was its political head. Buganda also had principal chiefs. These included the *katikiro* who also doubled as the prime minister and chief justice, the *kimbugwe* was in charge of the king’s umbilical cord; Kagos held the office of *sabadu*; Mukwenda of *sabagabo*; Sekibobo of *sabamali*; Kangawo of *mwogazi*; Mugema was the *katikiro* of the dead; Kaima was in charge of mamokola; Kitunzi governed Gomba district; Pokino governed Budu; Kasuja governed Busuju; and Katambala governed Butambala. (Roscoe 2011: 233) These pre-colonial Buganda and political structures demonstrated the highest level of the political organisation and order of the Buganda society. Most importantly, these respective political structures demonstrated the level of stability and how the close the king was to his subjects. However, what was not established was how the *Katikiro* and the respective chiefs were appointed, what their terms of office were in terms of remuneration, or whether were their services were *pro bono*. If so, what was their motivation? If not, what were the terms of their remuneration?

Richards (1960: 52) contends that there seemed to be no specific requirements or procedures for selecting political chiefs. Richards (1960: 51) cites an example of a young man who secured the king’s favour by working as a page at the court of a territorial ruler. The more the young man fulfilled the commands of the king, the higher the prospects of his political career were. In this regard, Richards (1960: 52) stated that it was a mobile system with constant chances of promotion from office to office. The key to success was invariably access to the king’s chief minister, the *katikiro*, and finally to the king himself. This implies that the qualification for appointment or promotion was about winning the king’s or the *katikiro*’s confidence. Therefore trust and proximity to the authority were important attributes to joining the political structure of Buganda. The fact that there were no procedures for selecting political chiefs demonstrates the unquestionable political powers of the king, for he did as he wished, and nobody would question his wishes.

Below the chiefs were sub-chiefs who were under the authority of the chief. These sub-chiefs were also chosen by the chief, especially from among his clansmen (Roscoe 2011: 246). Roscoe further indicates that district chiefs never interfered with sub-chiefs. The district chief held the sub-chiefs responsible for the misdeeds of those below them, just as the king held the district chief responsible for the entire district. However, although the chiefs had the mandate to select their deputies, Richards observes that upon their appointment, the territorial administrators paid homage to the *kabaka*, pranced before him, demonstrating their total allegiance, “...brandishing spears and shouting that they were his men” (Richards 1960: 51). This political hierarchy of promotion and appointment demonstrated a unique civilised patriotic form of rulership. It was a manifestation of a sense of belonging and allegiance between the chiefs and the king. Basing on this submission, one can observe that the Buganda political structure was deeply embedded in a

functional structural system which respected the culture of seniority. It is this political system that maximised stability and minimised instability

Richards (1960: 47) argued that political leadership in Buganda was not divine but hereditary and by birth. He observes that in the political theory of the Buganda, there was no royal clan, but they were a royal dynasty, composed of the sons of the ruling king and his grandsons. The royal dynasty consisted of descendants of the previous kings, known as princes (*balangira*). These princes could not qualify for the political throne but lived as commoners. However, they were respected, and sometimes referred to as “peasant princes” who had *Ssabalangira* as their leaders. The lesson learnt from this form of political organisation is that the old and new Buganda political regime came and went without clashes over political power, showing the link between the political past and political present: how the king exercised political power and how he sustained it, passed over it and shared it. This demonstrates the highest level of political organisation of the Buganda political structure, and how transitional democracy was exercised in the pre-political Buganda structural system.

Roscoe (2011: 258) observes that the *lukiiko* (‘council’) was the highest political court of Buganda. The *lukiiko* was presided over by the king. In this *lukiiko* were the chiefs, *katikiro* and *kimbugwe*. It was in the *lukiiko* that kingdom business was discussed. This *lukiiko* was summoned by the *katikiro* or the *kabaka* himself. The interaction between the king and his chiefs was that of respect and fear: respect in the sense that the king sent polite messages to the waiting chiefs, and when the king entered the *lukiiko* chambers (*bulange*) all their chiefs saluted him on their knees in chorus “*Gusinze*” meaning “May you overcome” and all bowed their faces to the ground. It was also a moment of fear in the sense that the king could order the death of any one chief for his personal pleasure. In this *lukiiko*, coughing and sneezing were not permitted. (Roscoe 2011: 259) One can therefore argue that the *kabaka* exercised his ultimate political authority. Although he was interested in establishing the welfare of his people through his representatives, this does not negate the fact that the king was an outright sovereign, whose meeting and consultation with his chiefs was conveniently exercised. In confirming and demonstrating the dictatorship of the *kabaka*, Karugire (1980: 23) said, “He could dismiss a clan chief and replace him with a member of the same clan thereby neutralising any possible resentment at any given time”. This confirms the dictatorship of the *kabaka*. The question that remains unanswered is how relevant the Buganda *lukiiko* was if the *kabaka* was at will to dismiss and appoint any chief of his choice.

Karugire (1980:23) argues that the pre-Buganda Kingdom had no standing army, and that an army was mobilised as or when an emergency occurred. He points out that when there was an invasion or a need for defence, all adult males could be summoned using a drum beat. Karugire further indicates that the Buganda kingdom took advantage of its sedentary agricultural population, adding it to her political system. To link land, agriculture and politics, he said, “Land holding and usage was intimately linked to the holding of political office.” Karugire (1980: 24) adds that “...economic interest and political authority were harmonized in the social system thereby giving the society political and social cohesion.” This illustrates Buganda’s political economy, its system and how it played out. It shows how the economic sub-structure influenced the political sub-structure of the pre-Buganda society. The pre-Buganda economic system sustained the political pre-Buganda society. Regarding Buganda’s army and its link to politics, Wrigley (1996: 57), contrary to the views of Karugire (1980: 23), argues that Buganda had a strong highly motivated army that protected the political institution of Buganda. Wrigley relates (1996: 57) that “When word of the strangers’ presence reached King Muteesa, he sent a military escort to fetch them to his court. This would have been a *kitongole*, one of the troops of young fighting men who made the king’s will to prevail throughout his domain”. This confirms that Buganda’s political institution had a standing army that was civilised and committed, whose preserve sustained the continuous survival of Buganda’s body politic. The fact that Buganda

expanded her political boundaries and sustained them against her neighbours proves that Buganda's standing army was strong enough to protect the political institution of Buganda.

Wrigley (1996: 64) describes Buganda's power political structure as complicated: he argues that besides the lukiiko with kabaka's appointed chiefs, there was a parallel hierarchy in which approval to ascendancy to power was through kinship, approval of clans and lineage elders. The *bataka* (clan heads) came to be known as men of the land. Along the same lines, Reid (2002: 3) states that "The single most important theme of Ganda political history over the 300 years before the 19th century began with the gradual shift of political and territorial powers from the *bataka* to the kabaka".

Reid (2002: 3) continued, "The *batongole*, the chiefs appointed directly by the kabaka, became the main agents of government in Buganda, while the *bataka* were increasingly marginalised from the political process. The position of the *bataka* thus grew more powerful....". One central observation in these two quotations points to the fact that Buganda's political system was not static; it kept on evolving over time and space. It was not complicated as Wrigley assumes, but dynamic. However, what is unclear are the circumstances that shaped its dynamism. Can it be assumed that it changed depending on the existing political circumstances? Which circumstances were these? Can we speak of a rigid conservative Buganda political institution? What informs Buganda's political changes? The answer could well be the political might of the kabaka and his institution.

THE POST-COLONIAL POLITICAL BUGANDA

There is an ongoing debate, constructed along three divergent planes. The first plane argues that Buganda's interaction with the colonial state destroyed its political structures; another plane is built on the argument that the colonial state did not destroy but rather improved or changed these structures. The third plane believes the colonial state interaction preserved Buganda's political institutions.

Even after colonialism, Kanyeihamba (2002: 49) observes that Buganda remained autonomous and unchanged. Although other kingdoms and societies were greatly affected by the colonial direct and indirect control, Buganda remained politically in charge of its own affairs. It is for this reason that the three kings, Bunyoro, Ankore and Tooro, wrote the following to the colonial governor on 10 July 1956: "We as rulers of independent kingdoms to which recognition has been made by Her Majesty's government.....wish to express our strong objection to the term 'district councils'Various ordinances do not apply to Buganda..."

One would thus argue that the Buganda political institution remained the same: the colonial administrative structures never interfered with the Ganda political structure. As such it was preserved. The question is: for how long was Buganda's political structure preserved? How valid was the three kings' complaint? Mutibwa (1992: 9) concurs with Kanyeihamba in that "In the 1930s direct colonial commissioners were removed from Buganda.....Buganda was ruled not by the British but by their kabaka through his chiefs". Mutibwa further reports that protests in Buganda were sparked off when the British attempted to re-introduce district commissioners in Buganda. This affirms that to a greater degree the Buganda political system remained autonomous and Buganda's political structure was preserved. However, its preservation was not out of colonial choice, but because of Buganda's political might and the fear it inspired. Therefore the colonial state never preserved the Buganda political institution, but the Buganda political institution preserved itself by its own might and zeal.

Wrigley (1996: 3) argues that the coming of Henry Morton Stanley preserved and protected the Buganda Kingdom against the Egyptian power that was threatening the political hegemony of Buganda. Reid (2002: 57) argues that Stanley's need to preserve the political institution of Buganda made him direct the Buganda commons to contribute back cloth for the burial of King

Sunna's dog. In support of Wrigley's version, Hansen (1984: 12) argues that the coming of Stanley and the missionaries invited by the king of Buganda was meant to strengthen Buganda in her encounter with the traditional rival of Bunyoro and the threat of Khedive Ismail from Egypt. Through Stanley, Muteesa acquired guns and ammunitions. The same guns were used by the Buganda when they marched with the British across Bunyoro. As a result of the Buganda invasion over Bunyoro, five counties were added to Buganda (Richards 1960: 43). This is an indication that Stanley together with the British did not only preserve Buganda, but helped it to expand and exercise its military-political might. The colonial support of Buganda against bunyoro was the common colonial policy of divide and rule: it was strategically political and not as honestly noble as Wrigley indicated. If anything, the coming of Stanley marked the beginning of Buganda's political loss of independence

Mamdani argues (1996: 55) that Buganda was never the same after the interaction with the colonial state. According to him, "The position of pre-colonial kings and native aristocracies was made subject to appointment and dismissal". Mamdani further argues that a rift ensued between the kabaka and the colonial state over the appointment of Baganda chiefs in 1926. Mamdani (1976: 43) contends that the Baganda chiefs and land lords shifted their royalty from the political institution of Buganda to the colonial state. The Buganda chiefs embarked on the mission of consolidating and promoting the colonial rule at the expense of the Buganda political structures. In essence, Buganda was never the same again, for the colonial state led to the Buganda loss of patriotism and sense of belonging. The subjects had now betrayed the king and the political structure of Buganda. It is equally an exaggeration that all the Baganda were against the colonial state. Some Baganda supported the colonial state, especially those who had been appointed and paid by the colonial agencies. On this point, Wrigley (1996: 5) agrees with Mamdani when he observes that the events from 1888 to 1892 reduced King Mwanga to a British prisoner. Mwanga was deported and with the support of the collaborating Christian chiefs, Buganda lost her political independence. However, it is argued that it was not solely the colonial state that destroyed the political institution of Buganda: Buganda's political chiefs collaborated for material reasons in the political destruction of Buganda. Political justice demands that the extent to which the British colonialists or the Buganda chiefs influenced the destruction of Buganda's political institution be established. It is therefore not plausible to argue that the colonial state destroyed Buganda politically without examining the share of the Buganda chiefs in the destruction of their own political institution. One can equally argue that perhaps without the Ganda collaboration and betrayal Buganda would have preserved her political institution. One must hold the Buganda chiefs responsible, for they aided the colonial destruction of Buganda's political institution. The primary objective of the colonial state was to conquer Buganda: the primary mission of the Buganda chiefs should have been to uphold, defend and, if need be, die for the preservation of Buganda.

The fact that the same British enthroned infant Sunna Daudi Cwa was testimony to the preservation of the political king. This partly explains why the Baganda never considered the British as bad settlers; they fought alongside the British to defeat the Sudanese. The Buganda portrayed their strong relationship with the British colonial state as one of collegial and equal partners. However, that Buganda regarded the colonial British as partners or equals was in itself an exaggeration of their status, forgetting the fact that they depended on the colonial state for survival. It is important to note that Buganda lost her political independence when the colonial state started interfering in the political affairs of Buganda. Buganda could not therefore remain the same. It is equally a weak argument to claim that the British maintained the Buganda political institution by enthroning King Cwa. The question remains as to who overthrew King Mwanga? Why was he dethroned by the British? How old was King Cwa? Did King Duadi Cwa pose any political threat to the British interests in Buganda?

Hansen (1984:49) argues that religious wars in Buganda greatly undermined the political leadership. These religious wars led to the exile of Kabaka Mwanga, and Mwanga only came back from exile on colonial terms. One of the colonial conditions was for King Mwanga to recognise the British protectorate over Buganda. Mwanga was under strict directive to recognise the supremacy of Lugard and the imperial British East African Company (IBEACO). When Mwanga attempted to rebel against the British, he was exiled as a political prisoner to the Seychelles (Roscoe 2011: 230). Reid (2002: 7) comments on the IBEACO agreement between Mwanga and the British, but does not regard the agreement as destructive: to him it was protective and harmonious, for it harmonised tensions between Buganda and Bunyoro. The fact that the British had earlier exiled King Mwanga, and the fact that the sovereign society of Buganda was formally under the British protectorate, prove that Buganda had not only lost her political independence, but had equally lost her prestigious political glory and might. The total destruction and erosion of Buganda's political system is clearly expressed by Kanyeihamba (2002: 4). He argues that the terms of the IBEACO agreement with King Mwanga reduced Buganda from something to nothing: the terms of the agreement were that Mwanga, without any negotiation, would accept the protection of the British; the kabaka was not to make any concessions, or sign any treaties with any European power without the consent of the British; and the British were to have *ex-officio* powers on Buganda's committee of finance and revenue. This meant that the previous powers of the kabaka and Buganda as a political entity were not only checked, but completely removed. All that then remained of Buganda was a geographical location with no more political might. One would therefore argue that the 1900 Buganda agreement was a major political landmark in the history of Buganda. It sealed Buganda's political fate and formally unveiled colonial Buganda in Buganda.

Richard (1960: 53) argues that the 1900 agreement between the British and Buganda chiefs never greatly affected the Buganda political structure. In a way Richards seems to suggest that the British improved, but never destroyed Buganda. His defence is based on the argument that the Buganda agreement continued to recognise the kabaka and his heirs as kings of Buganda, and continued to recognise the administrative authorities of Buganda. The few positive changes were the appointment of two new ministers: The minister of justice (*omulamuzi*) and the minister in charge of treasury (*omuwanyika*). The composition of the lukiiiko was fixed at 89 members, three ministers, 21 county chiefs, three notables from each county and other notables chosen by the Kabaka. These were not minor changes; neither were they improvements, as Richards wants us to believe. These changes destroyed the powers of the kabaka, particularly the financial and judicial powers. The kabaka became powerless: this marked the beginning of "divide and rule" and "divide and get". These political developments confirmed that the Buganda political structure had been torn apart. To confirm this, Richards (1960: 53) states that "...the kabaka's right to appoint all his chiefs remained nominally unchanged, except in so far as the protectorate governor had to approve appointments..." This indicates the reduced political power of the kabaka over his chiefs. The chiefs were thus meant to be loyal to the protectorate and not the king. This could be regarded as the final destruction of Buganda.

The British administration strengthened and consolidated Buganda's political position by arming the Buganda against her enemies. Reid (2002: 225) contends that in 1890 Buganda had approximately 10,000 fire arms, rendering Buganda not only strong but difficult to invade. Reid (2002: 201), however, observes that the same guns created political tension and posed a threat to the political kingdom of Buganda: "Muteesa feared what were feared to be growing pockets of alternative authority....armed with guns, the weapons which had come to symbolise power and freedom....." This proves one fundamental point: the existence of guns in Buganda played a positive part in the short run, but was negative in the long run.

The foreign religious factor proved a political menace to the kabaka of Buganda. The kabaka's failure to balance between the Protestants, Catholics and Muslims sparked off conflicts and religious wars in Buganda. Gukiina (1972: 48) argues that "The kabaka founded himself confronted with the worst civil conflicts. But the kabaka continued to play one religious group against the other". "The religious competition for influence resulted in conflict and religious wars which plunged Buganda into a state of social disorder" (Gukiina 1972: 49). This demonstrates how colonial religion greatly affected political stability in Buganda. From this point of view, one can equally argue that foreign religions were not merely faith-based moral appendages, but strong political tools that not only softened the Buganda hearts, but divided Buganda's unity. This is further supported by Hansen (1984:59) who closely linked the church missionary society with Captain Lugard's activities in Buganda. This proves that one cannot discuss the political system of Buganda independently of the imperial colonial Christian religions.

Mamdani (1976: 147) argues that the post-colonial state changed the political structure in Buganda drastically. To Mamdani, the start of the colonial regime in Buganda marked its demise as a traditionally and politically strong kingdom. Mamdani argues that the lukiiko ceased to be a strong political legislative body, and the leadership of the Buganda parliament was in the hands of colonial collaborators who had been trained and educated by the missionary colonial schools. This therefore meant that although the traditional lukiiko remained, the key actors had changed, and the new actors were more colonially-focused than Buganda-focused. One can therefore argue that Buganda's political structure was ineffectual after colonialism.

THE RELATIONSHIP BETWEEN THE COLONIAL STATE AND BUGANDA'S PRE-POLITICAL SYSTEM

Reid (2002: 7) argues that the colonial state was purely an internal political enterprise in Buganda. He fronts the view that the colonial system of administration was not foreign; rather, it was a traditional political system of administrative Buganda structure. Reid submits that the complex and highly bureaucratic political structure of Buganda was admired and used as a framework for the 1900 agreement. Reid (2002) observes that the conditions of service for the modern Ganda chief are very similar to those which apply to the protectorate government service. In fact, the one is obviously modeled on the other. These arguments seem to pre-suppose that the colonial state apparatus was an extension of the Buganda political system. Whereas the argument may make sense, an alternative argument would equally be that although the Buganda administrative structure could have had some minor common features constructed within their cultural heritage, the colonial state political apparatus was foreign-based and intent on subjugation and domestication.

Richard (1960: 73) argues that Buganda political structure that democratised councils at all levels, from the bottom to the top, were a common feature in both the pre-colonial Buganda lukiiko and the colonial administration. Therefore it has been argued that the colonial state never destroyed Buganda's political system, but preserved it. This view, however, is a simplistic one: one can make a distinction between the colonial state and Buganda political system. The Buganda political structure, method and implementation were based on family and clan system, in the interest of preserving the political king of Buganda. The colonial state hierarchy was purely about destroying the political structures and the eventual subjugation of the kingship structures. Therefore the statement that the colonial state borrowed or adopted the Buganda political administrative system yet the two had different agendas is unconvincing.

CONCLUSION

It is true that the Buganda Kingdom struggled to preserve her sovereignty through effortless resistance. It is also true that using the indirect soft rule, the colonial state appeared to be preserving, and at times seemed to be improving, Buganda's political system. However, the

colonial state was not by any stretch of imagination interested in preserving or improving the Buganda political institution. If anything, the mission and vision of the colonial state was purely exploitative. Such underlying colonial goals could only be achieved with the complete demise of Buganda's political legacy.

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BOOK REVIEW

By I.W. Ferreira

Tummala, Krishna K. 2014. *Politics of Preference: India, United States, and South Africa* (1st Edition). CRC Press. Pages 225. ISBN 9781466503892

The book, “Politics of Preference: India, United States, and South Africa” by Professor Krishna K Tummala reflects the essence of redressing past discrimination in an attempt at bringing all citizens in as active participants of their representative bureaucracies. The author, a distinguished public administration comparativist, brings together the uniquely large and complex relevant cases of United States, India, and South Africa.

The victims of discrimination, or those previously discriminated against (previously disadvantaged individuals (PDIs), based on whatever criteria, linguistic, religious, ethnic, tribal, racial, or otherwise, share a distinctive contextual and social experience. Their representation, in particular public service, is essential. This is indispensable where there have been public policies in the past that have historically dynamic discriminated against them.

The book presents a thorough analysis of the use of preference pertaining to human resources management in the public sector. It examines three distinctly different countries, India, the United States, and South Africa, as they deal with, respectively, the challenge of integrating several different PDIs into public service. The author chose these three countries—the most populous, the oldest, and the more nascent, yet each with a history of its own that had eventually led to equal employment and other contemporary governmental policies.

While literature exists that examined this issue from a comparative perspective, these three diverse nations have not previously been studied in terms of their individual managing of integrated organisational dynamics from the perspective, not of their differences, but also their similarities. The author of this book takes the view that it is not enough to study the environment but that the broader context for an appropriate public policy should also be explicated. He provides a comprehensive study on the subject that clearly elucidates how the three countries in question initiated, formulated and implemented policies aimed at functionalising previously dysfunctional socio politico and economic environments.

The book is presented in six chapters.

Chapter 1 depicts a prologue to introduce the reader to the three countries that are the subject of the book as well as explaining the rationale for writing the book.

Chapter 2 examines the pros and cons of affirmative action (AA), including explaining arguments for and against AA.

Chapter 3 elaborates on various forms of reservations in India, as well as those in public employment.

Chapter 4 places the focus of AA on the United States, historically as well as in a relevant policy context.

Chapter 5 expounds the question of equal employment in South Africa, apartheid, the black liberation struggle and the policy context of the “New Era” that followed the advent of political democratisation in that country.

Chapter 6 provides an epilogue as a summary of the preceding chapters with a proposed view on the future of politics of preference, as described in the book.

The book provides an insight into key aspects of employment relations in the three countries. The author has skilfully succeeded to establish and enhance an understanding of contemporary and relevant dynamics pertaining to affirmative action and ancillary matters. The book is recommended as enlightening reading for all those interested in the contentious matter of “politics of preference”, as sagely referred to by the author.

Reviewer: Professor I.W. Ferreira is Associate Professor in the Faculty of Business and Economic Sciences at Nelson Mandela Metropolitan University, Port Elizabeth, South Africa and Editorial Co-ordinator of the Journal for Development and Leadership.

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One author:

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(Brown, 2010: 54)

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Brown and Black (2011)

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Black, Brown and White (2013: 45)
Black *et al*/ (2013: 65)

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No author:

A manual of style. 2013. Palo Alto, CA: Jossey-Bass.

Journal article:

Black, P. P. 2009. Employment testing: old theories and new research findings. *Journal of Human Performance*, 9(1): 130-145.

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