

**Transformation of Wage Bargaining Systems in European Union.
Some Approaches**

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Abstract: In a global world, the industrial relations have become the strategic tool for economic development of the states. Our paper aim to emphasise the increasing role of wage bargaining systems in the industrial relations in European Union, going from the presumption that the labour market is changing every day and the European authorities must take the decisions with a high economic and social impact. Going from an extended literature review and using the data provided by Eurostat and Eurofound, reflecting the new European regulations concerning the employment relations, the findings of our paper reflect a dynamic transformation of wage bargaining systems at institutional level, labour market and collective bargaining. The results reflect the direct implications of wage bargaining systems on the labour productivity, on the political decisions considering the minimum wage and the real and nominal wage. Our findings are valuable for the academicians and practitioners interested in industrial relations and wage bargaining systems.

Keywords: industrial relations; wage systems; labour productivity; collective bargaining

JEL Classification: M54; J31; J52

1. Introduction

Industrial relations reflect the work and the relationships between employees and employers at work. Due to the fact that the industrial relations have had a numerous meanings for the employees and employers in accordance with the work facts (*sensational*, when the events are dramatic and have negative impact for the employees, *collectivist*, when the events implies the unions or employees representatives and *conflictual*, when the employees refuse to make their jobs and protest against the actions and decisions of the management boards), the term industrial relations has acquired a negative connotation. In fact, industrial relations

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supposed to take everyday decisions for the employees, to ensure the implementation of internal rules, rule of law, the rights and duties of the employees and employers, even if it is about public or private sector (Tofan & Bercu, 2014, pp. 10-17) . The industrial relations implies promotion and protection of the rights and duties of the employees, the wages, working conditions, safety and security at work, working time and rest time, grievance and the solutions, negotiations, collective bargaining, agreements. If the employees doesn't have an union or some representatives doesn't means that the industrial relation disappear, moreover all the working conditions being negotiated between employees and employers (managers, supervisors) and it happened all the days in all the organisations.

The theoreticians argue that the industrial relations means the study of trade unions and collective bargaining (Kaufman, 1993, p. 192) or as being part of structural changing as became a rise of non-unionism, increase the importance of HRM and reaffirm the quantitatively oriented of labor economics (Kelly, 1998). It should be notice that the common sense of industrial relations changes all the time, due to the dynamics of the workforce on the market, to the behaviours and needs of employees and must be discuss in terms of the employment relationships. For our work, the term industrial relations captures the broad realities of employees-employers relationships, as interactions between people and organisations at work, between the employees and their representative councils, between the unions and state authorities, discussing in terms of social dialog.

2. Different Approaches of Employment Relationship

To understand the complex issue of employment relationship it is necessary to reflect the different approaches in theory from ideological point of view and from analytical perspective offer by the researchers and scientific community. It should be notice that the complexity of employment relationship is done by the interdisciplinary studies (economic, social, politic, legal and juridical points of view).

The ideologies made distinctions between *pluralism*, *unitarism* and *radicalism* (Fox, 1974; Hyman, 1999). The *pluralist perspective* proposed to analyse the employment relationship through the potential conflict which can be manageable by rules and regulations; the *unitarism perspective* view the relationship between employees and employers as a state of harmony where the conflict is temporary and illegitimate; the *radical perspective* propose the control of the employees, the dominant being the stability of the system which assure the well being of the employers.

We must note that, in practice, could be find situations when the unitarism view is completed by a pluralist one, or with a radical dimension. It is difficult to

distinguish between these ideologies or to put boundaries between them, but, precisely these differences makes possible the deeper analyse of the industrial relations.

The theories of industrial relations ranges from *institutionalism* (neo and old-institutionalism) at *unitarism* and *radical* perspectives. The literature devotes old-institutionalism perspective on the beginning of the 20th century as a descriptive accounts of the collective bargaining and trade unions (Kaufman, 1993) and neo-institutionalism as a nuanced analyse of employment relationship which include rules and specific procedures and mechanisms. Pluralism suggested that employees from different organisations could have the same interests and they are able to create horizontal links with other groups (trade unions) and they could create commitment and loyalty with other leaders than their managers. Conflict is seen as inevitable and legitimate as an effect of different aims and interests at the workplace. Unions are the legitimate representatives of employees' interests and having the right to manage the conflict and with the responsibility to seek compromise. The role of management is to reconcile the conflict opinions and to maintain it in acceptable limits to not destroy the company. This ideology put the state as the impartial guardian of public interest and must protect the employees and restrain the power of the employers when increase too much. Alan Fox assume that that management must recognise other source of power within the organisation, the legitimate sources of leadership and share the decision-making authority with interests groups (representatives of employees, employees) (Fox, 1974, p. 408). The critics of pluralism perspective goes from the idea that it is difficult to balance the power between unions and the management of the company and that the power must be to the management part. This is the view of radicals which feel that the starting point of the relationship is between capital and labor (Hyman, 1999). Also, the pluralism is focused on the rules, regulations and mechanisms and from this point the social security and stability are seeing as a compromise and multiple concessions.

3. Overview on Legal Framework of the Industrial Relations in European Union

Employment, social progress, social protection, solidarity and cohesion are among the priorities contained in the Treaty on the Functioning of the European Union. Indeed, the Treaty provides that the Union must take into account in developing and implementing all its policies, requirements linked to employment at the highest level of employment, the guarantee of adequate social protection and combating social exclusion.

Fundamental social rights of citizens of member states of the European Union enshrined while both internationally by the EU instruments, the International

Labour Organisation and the Council of Europe, and nationally by Member States by adopting national legislation applicable in the field social law (Voiculescu, 2014, p. 96). The elaboration of rules on employment policy labor was necessary to achieve the purposes for which they were introduced European Communities and the European Union. First, it was found that the scope of national regulations stops at state borders, while many aspects of the employment relationship beyond these boundaries (eg. ratios related to labor mobility within the Union or restructure businesses affect employees in different Member States). Secondly, it was observed that in most of the Member States labor law is limited to regulating conditions of employment in the private sector, while employment in the European Union contains a uniform regulation of conditions of employment covering the private sector and the public sector (e.g. the rules on equality between men and women in pay and working conditions or regulations concerning free movement of workers). Thirdly, European Union rules governing the status of workers concern both individual labor relations and collective labor relations (e.g. information and consultation with employee representatives to collective redundancies or participation of employees in the European Committee of Enterprises) (Dima, 2012, p. 1). Thus, we can say that according to the Treaty on the Functioning of the European Union, the European Community is not just a free trade area (Popescu, 2006, p. 253).

The fundamental instrument used by social partners to regulate the employment relationship is collective bargaining. Using this process can improve the relationship between employers and employees and, through the negotiations process will result a useful agreement for both parties. The collective bargaining process has as aim protections of employees by setting comprehensive minimum standards and limiting unilateral decisions taken by the management. For the individual employers, the collective bargaining means a very important tool to reduce the conflicts concerning the rights and duties, to legitimate the power of hierarchy and, notably, to save the transaction costs (Crouch, 1999).

The European Union adopted important legislative acts considering the relationships between employers and employees. The European Commission evaluate and reviewed existing EU legislation in the area of health and safety at work, young persons in transition to work, in this regard developing a new Strategic Framework for the period 2014-2020. One of these steps is represented by the Directive 2014/74/EU regarding the enforcement of the Posting of Workers Directive which aim is to assure the adequate protection of worker's rights, fair competition and a level playing field between all service providers within the European Union. The Directives 2002/14/EC and 98/59/EC are directly linked by the information and consultation of workers at national level in order to keep regulation 'fit for purpose' (Report of European Commission, p. 150). These directives regard the workplace representation. It should be mention that in the

European member states the unions and non-union representation has established or increase the power over the last decade.

At the national level, the legal framework take into consideration the partnership between employers and employees through they representatives (unions or non-unions representatives - councils) establishing a set of minimum conditions at the workplace. For example, are some countries (Romania, Bulgaria, Cyprus, Latvia, Lithuania and Malta) where the workplace representation is mainly voluntary (Report of European Commission, p. 33).

4. The Wage Systems in European Union - Trends and Challenges

Wages are considered the most important and difficult collective bargaining issue. The literature shows that the wage systems are positively related with the employee's satisfaction (Berger & Schwab, 1980, p. 206). Wages and benefits are also a prime collective bargaining issue to the employer, representing the largest single cost factor on their income statement. The total economic package of wages and benefits are the subject of negotiations between employers and employees and should be based on pay equity, which, as being shown in literature "become a permanent morale factor" (Carrel, 1978, pp. 108-118).

Wages are considered as an important factor for the national and international competitiveness and internal demand and open the debates on the mechanisms to promote the competitiveness on the European labour market, taking into account the role of wages in sustaining the demand in the context of a low inflation and stagnant growth. Wage bargaining systems are a combination of various regulatory tools. The main elements of the regulatory mix are:

- a. *market forces* which exert the primary influences, making the differences between actual and basic wages;
- b. *state interventions* which with its authority implement a political regulation for wage levels establishing a minimum level or setting automatic indexation mechanism;
- c. *collective bargaining* which aim is to reflect the political regulation and market forces.

A form of policy intervention in wage setting processes is represented by the establishing of a statutory minimum wage which represents a limit for all the wages from the economy. The minimum wage is enforced by the legislation and could be established through multiple ways: consultation with social partners or tripartite agreements.

The Member States have a statutory minimum wage which protects the employees. Are some exceptions, where the statutory minimum wage is missing (Sweden, Finland, Denmark, Austria, Italy and Cyprus). These countries have some extent by the wide coverage of collective bargaining (Sweden, Denmark and Finland) and/or mandatory memberships of the employers association (Austria) and constitutional rules and jurisprudential practice (Italy). At European Semester, in 2014, Bulgaria, Germany, Romania, Portugal and Slovenia received specific recommendations on minimum wages. As a consequence, at the beginning of 2015, Germany adopted the regulation considering the minimum wage system.

Table 1. Monthly minimum wage in European Union Member States (EUR)

Country	Monthly minimum wage (EUR)
Belgium	1501.82
Bulgaria	214.75
Czech Republic	366.30
Germany	1473.00
Estonia	430.00
Ireland	1546.35
Greece	683.76
Spain	764.40
France	1466.62
Croatia	408.39
Latvia	370.00
Lithuania	350.00
Luxembourg	1922.96
Hungary	353.05
Malta	728.04

Netherlands	1507.80
Poland	431.24
Portugal	618.33
Romania	233.16
Slovenia	not available
Slovakia	405.00
United Kingdom	1529.03

Source: Eurostat, accessed on 21 of Mars 2016.

As we can see in the Table 1, the 21 EU Member States have a minimum national wage and could be divided into three main groups. In January 2016, ten Member States had minimum wages below 500 Euros/month: Bulgaria (214.75 Euro), Romania (233.16 Euro), Lithuania (350 Euros), Hungary (353.05 Euros), Czech Republic (366.30 Euros), Latvia (370 Euro), Slovakia (405 Euro), Croatia (408.39 Euro), Estonia (430 Euro), Poland (431.24 Euro). Another four states have the minimum wage between 500 and 1000 Euro/month: Portugal (618.33 Euro), Greece (683.76 Euro), Malta (728.04 Euro), Spain (764.40 Euro). The third group of states has the minimum wage below 1000 Euro/month: France (1466.62 Euro), Germany (1473 Euro), Belgium (1501.82 Euro), Netherlands (1507.80 Euro), United Kingdom (1529.03 Euro), Ireland (1546.35 Euro), Luxembourg (1922.96 Euro).

Another important issues is about collective wage and the impact of labor productivity. Between increase of collective wages and labor productivity exist a correlation, explained by the productivity index per hours worked. In accordance with the data provide by the Eurostat, labour productivity per hour worked is calculated as a real output per unit of labour input. The real output is measured as chain-linked volumes from GDP, with year 2005 as reference and labour input is calculated as total number of hours worked. Data provided by Eurostat shows that labour productivity per hours worked increase in EU Member States, with exception of Spain which has a different pattern, with the gap between productivity and collective wages, Greece, Italy, Lithuania, Portugal where the labour productivity per hour decrease in 2015. For Romania, the data show that the labour productivity per hour increase with 0.23% due to the increases of minimum wage in public sector. At European level, the average for all the 28 member states reflect the direction of development, the ascendant trend being a results of political

decisions taken by the European and states authorities after the major economic crises (Table 2).

Table 2. Labour productivity per hour worked (ESA95)

Country	2011	2012	2013	2014	2015
Belgium	99.5	99.3	99.8	100.7	: ^c
Bulgaria	103.9	106.8 ^P	108.6 ^P	110.0 ^P	112.8 ^P
Czech Republic	101.9	102.2	102.1	103.1	:
Denmark	99.9	101.6	99.9	100.3	100.4
Germany	102.1	102.6	103.3	103.6	104.2
Estonia	98.6	103.9	105.3	107.9	106.5
Ireland	104.4	105.0	103.5	106.6	:
Greece	96.7 ^P	94.9 ^P	94.9 ^P	97.2 ^P	94.3 ^P
Spain	101.4	103.9 ^P	105.5 ^P	105.8 ^P	106.5 ^P
France	101.1	101.4	103.1	103.1	:
Croatia	103.8	106.3	108.7	106.4	110.3
Italy	100.5	100.2	101.1	100.7	100.5
Cyprus	99.9	101.0	100.9	101.3 ^P	:
Latvia	103.7	107.3	108.4	111.9	115.5
Lithuania	107.0	109.2	112.6	114.2	113.0
Luxembourg	99.7	96.9	100.0	101.1	:
Hungary	102.1 ^b	101.4 ^b	102.7 ^b	101.1 ^b	101.4 ^b
Malta	102.4	104.2	105.4	106.3	109.8
Nederland	100.7	100.5	100.8 ^P	101.7 ^P	102.8 ^P
Austria	100.8	101.9	102.7	102.6	103.2
Poland	104.7 ^b	106.5 ^b	108.1 ^b	109.4 ^b	111.7 ^b

Country	2011	2012	2013	2014	2015
Portugal	101.4	102.4	103.6	102.8 ^e	102.7 ^e
Romania	100.1	110.6 ^b	115.9	118.2 ^p	123.1 ^p
Slovenia	103.4	103.2	102.4	103.5	105.1
Slovakia	101.7	103.5	106.8	108.7	110.8
Finland	101.6	100.0	100.6	100.6	:
Sweden	100.7	100.5	101.4	102.2	104.7
United Kingdom	100.6	99.8	100.2	100.4	102.1
European Union 28	101.5	102.4	103.4	103.6	104.5

Note: :=not available; c=confidential; p=provisional; e=estimated; b=break in time series.

Source: Eurostat, accessed on 22 of Mars 2016.

Another point of interest for our research is the importance of real and nominal compensation of employees. The collective bargaining is a tool which establish a preliminary set wages for a period of time and not correspond with the compensation paid to employees for their work. It is necessary to complete the basic wage with compensations as bonuses, performance-related and variable pay. These compensations are variables on time and depends a lot from the evolution of market. We will take into discussion the Romanian situation in comparison with Bulgaria, Czech Republic and Cyprus. The criteria taking into consideration were the level of wage bargaining (for all choose countries - intermediate) and the degree of coordination (low coordination). We can observe a negative trends in Czech Republic and Romania for the real compensation being linked by a large reduction in employment for the employees with low skills and low productivity. This means that a negatively compensation it is accompanied by a significant decrease in the number of employees (Table 3).

Table 3. Real and nominal compensations in Bulgaria, Czech Republic and Cyprus (%)

Country	Nominal compensation per employee (2012/2007)	Real compensation per employee (2012/2007)
Bulgaria	60%	27%
Czech Republic	10%	-0,4%
Romania	25,1%	-9,5%

Source: Eurofound, accessed on 22 of Mars 2016. Authors' calculation.

4. Conclusions

The decisions taken by the companies' boards of management have a great impact at individual and collective levels in terms of work satisfaction. All the work conditions are the subject of negotiations between employees and employers and, if we take into account the necessity to be reported at the regulation systems, then it can be discuss about a tripartite dialog, where the state authority have the power of balance. The European industrial relations have changing in the last year, due to the movements produced on European labour market and under the pressure of economic crisis. For the EU member states, to resist at the challenges caused by social and economic slippages and by economic crisis, means a strong cooperation with all the social partners.

Considering the wage bargaining systems, the EU was focused on a high flexibility in the countries with internal or external imbalances on labour market. The reforms in the wage systems were required as a measure of protection and stability support. The transformations in collective bargaining and labour productivity were made by the EU member states in order to sustain the economic and social development. Our findings show that the state implication in establish the minimum wage which reflect the social dialog (an important tool for political decisions for many countries from European Union; eg. Germany adopted the regulation in the field in 2015). States as Bulgaria and Romania received in 2014 some recommendations fro European Commission on wage settings to adjust statutory minimum wage taking into consideration the impact on competitiveness and employment relationships. For other states, the recommendations relate to the reduction of labour market segmentation (eg. Spain, Italy, Portugal). The data reflect a wider relation between wage systems and labour productivity. The real collective wage doesn't reflect the fact that the increasing of salaries suppose all the time also the increasing of labour productivity (eg. Romania and Cyprus). The results reflect the impact of economic crisis on the wage systems and put pressure on the European

decadence to support for wages as a driver of competitiveness (European Commission, 2014b).

Our research results are not without limits due to the wide range of data, but the future work will develop the new assumptions and connections between collective bargaining and economic performance of companies and of public sector in European Union.

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The Unique Role of the Survivalist Retail Entrepreneur in Job Creation and Poverty Reduction. Implications for Active Stakeholder Participation

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Abstract: This is an applied study endeavour with the aim of exploring the specific role of survivalist retail entrepreneurship in job creation and poverty reduction. Two hundred (200) subjects were sampled using snowballing technique. Structured questionnaires as well as semi-structured interviews were employed to collect data. 182 usable questionnaires were analysed with the help of SPSS version 23. The results indicate that retail entrepreneurship is evolving in Khayelitsha, especially when one does not only focus on spaza shops, but looks at the entire survivalist retail industry. This sector is capable of creating jobs, reducing poverty and aiding economic growth of the country even more, should measures to boost motivation levels and self-efficacy of the entrepreneurs emerge. These measures, among others could include support programmes for survivalist entrepreneurial ventures that present greater potential for growth and job creation. Part of the support programmes should include business skills training (such as simple bookkeeping practices and human resource management). Importantly, this study is the first of its kind in the community of Khayelitsha; an emerging black-populated township in South Africa, indicating a new vista for retail entrepreneurship research.

Keywords: survivalist retail entrepreneurship; survivalist entrepreneurship; survivalists; employment creation and poverty reduction; entrepreneurship education; spaza shops; South Africa

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1. Introduction and Background

The exclusions of Black South Africans from freely engaging in the country's economy during Apartheid brought about some serious socio-economic challenges that have continued to plague economic development till date. To reduce the imbalance requires the effective and efficient implementation of proper measures (Human, 2006), which can come in the form of well-thought out policies for redressing the imbalances, thereby placing South Africa in a positive competitive stance in the world economy. Encouragingly, new and amended policies aimed at improving the business environment, particularly for small, medium, and micro enterprises (SMMEs) (Nieman & Nieuwehuizen, 2009, p. 197), have been announced since 1994. These interventions are no doubt intended to help create more job opportunities and reduce the poverty levels of the average Black South African.

Disappointingly, regardless of South African government's presumed commitment to supporting SMMEs, not much positive change has occurred regarding the latter's performance (Ligthelm, 2013, p. 58; Mago & Toro, 2013, p. 19). Ample evidence of this can also be found in the 2012 Global Entrepreneurship Monitor report (Turton & Herrington, 2012, pp. 6-9). Several studies have been carried out to unravel this phenomenon with most (for instance Co et al., 2006) calling for a total review of the policies that supposedly support socioeconomic development. Furthermore, literature suggests that South Africa's government should pay extra attention to the key aspects that affect the SMME sector, such as access to proper education and training (including vocational skills and business training) and access to business funding. Many studies in the past, and currently, highlight access to business funding as a major hindrance to business success. However, funding an individual with no business skills may be risky. Hence, training for the essential knowledge and business skills should precede other factors, including access to finance.

Whether a business venture operates within the formal or informal sector economy, most challenges in the business environment are similar, depending on the capacity (size and needs) of each business. Nonetheless, research reveals that large amount of business support services are directed towards growing small, macro enterprises (SMEs), excluding the micro and informal survivalist enterprises. Could Banerjee and Duflo's (2011) assertion that most informal businesses are established primarily for the purpose of survival be the reason for such exclusions? Or is it because, as stated in the Statistics South Africa's First Quarterly report (2012), survivalist entrepreneurs are unable to create more job opportunities, sustain growth and alleviate poverty? If the answer to both questions is yes, would that constitute fair discrimination against the micro and survivalist entrepreneurs?

Perhaps unfair, judging from Rolfe, Woodward, Ligthelm and Guimaraes' (2010, p. 1) admission that despite the discouraging impediments against the informal sector economy, potential for growth and prospects for job creation opportunities exist, but need inspiring measures of motivation, especially from government's side. Choto *et al.* (2014, p. 100) add that survivalist retail entrepreneurs significantly contribute to the economic development of a country, including South Africa as most communities depend on the goods and services provided by them.

But who are survivalist (informal) entrepreneurs? Survivalist entrepreneurs are involved in business activities which are undertaken informally i.e. without any formal registration protocols. Essentially they operate outside legal and institutional regulatory frameworks (Charman, Petersen & Piper, 2012) and are found in sectors such as construction/manufacturing, retail (buy/sale of goods), and services (clothing, beauty). Choto, Tengeh and Iwu (2014) further propose that survivalist retail entrepreneurs should not be discriminated against with regard to entrepreneurship development programmes and support services. Rolfe *et al.* (2010, p. 1) expand on this by affirming that some survivalist retail entrepreneurs may actively pursue available opportunities to transit their businesses into the formal economy, although others in the informal economy represent an unreliable, momentary means of survival among the country's poor citizens. Moreover, the fact that the informal sector entrepreneurs are not registered and ultimately untaxed (Rolfe *et al.*, 2010, p. 1) should not diminish government's confidence in supplying them with the necessary resources that they need in order to be able to contribute to improving the poverty conditions of a country.

Given the foregoing, this study seeks to explore the specific role of survivalist retail entrepreneurship on employment creation and poverty reduction.

Problem Statement

After the fall of Apartheid in South Africa interventions directed at paving the way for previously disadvantaged individuals to amply engage in the country's economy, whilst at the same time redressing the historical imbalances, emerged. These included new and amended policies such as the National Small Business Act of 1996, which laid grounds for the Department of Trade and Industry (DTI) to manage SMME development in the country (Nieman & Nieuwenhuizen, 2009, p. 196). In fact, this Act was born just a year following the publication of the White Paper on national strategy for the development and promotion of small businesses in South Africa.

Nonetheless, research seems to suggest that survivalist retail entrepreneurs in South Africa are severely neglected in terms of small business development initiatives and support services. This could be linked to the negative performance of survivalist entrepreneurship in the country, which also affects job creation opportunities, growth and poverty alleviation (Statistics South Africa, 2012). It

could also be linked to Nieman and Nieuwenhuizen's (2009) assertion that the motivation behind the start-up of most survivalist businesses is to “simply survive” thereby persuading many to ignore their unique contribution. This is somewhat disheartening, particularly when one looks at the essence of informal businesses, especially “spaza¹ shops”. The difference between now and then is that spaza shops are not as cagey. According to Choto et al. (2014, p. 100), survivalist retail entrepreneurs are contributing considerably to the economic development of South Africa as most communities depend on the goods and services that they provide. It is also worth noting that most research on the role of SMMEs as far as job creation is concerned has always excluded micro-sized enterprises. Would the results of these studies change if micro-enterprises were distinguished as a separate component of the SMME group with unique characteristics? Additionally, it is assumed that in recent years the informal sector economy in South Africa is gradually growing, in particular the retail trade industry (South Africa Provincial Treasury, 2012, p. 3). Therefore, it is important for South Africa’s government and other business stakeholders to recognise and value informal micro and survivalist entrepreneurship as a credible source for economic growth and sustainability.

Research Question

What is the specific role of survivalist retail entrepreneurship in job creation and poverty reduction in the township of Khayelitsha in South Africa?

The relevance of the research question can also be found in Hutchinson and de Beer’s (2013, p. 237) study where the authors stated that across the globe, including South Africa, informal micro and survivalist retail entrepreneurs have been identified as the cornerstone for recuperating socio-economic challenges such as joblessness and poverty. Munyaradzi’s (2011) report also indicated that the contribution made by informal micro and survivalist retail entrepreneurs in the national gross domestic product (GDP) of South Africa was estimated at approximately nine percent. This could be very low in comparison to other developing economies in the African continent, such as Nigeria (Ogbuabor & Malaolu’s (2013, p. 100). Hence, exploring the unique role of survivalist retail entrepreneurs in job creation and poverty reduction is important.

Objective

To understand the specific role of survivalist retail entrepreneurship in job creation and poverty reduction in Khayelitsha, South Africa.

Delineation of the Study

¹ An isiZulu concept, which was used to define informal businesses that were secretly operated from home [during Apartheid] by Black South Africans selling petty goods/groceries to make a living (Bear *et al.*, 2005).

Although this study focused on informal retail entrepreneurs (namely producers and distributors), informal service providers were also included. This strategic approach assisted the researchers in exploring the different business activities that are carried out in the selected township, namely Khayelitsha. This township was selected for a number of reasons. Firstly, because it is among communities that are still developing in the Cape Flats¹. It is also dominated by survivalist entrepreneurs that the study focused on. And thirdly, this community has a rich history, which dates back to the early 1980s while Apartheid was at its peak. 200 hundred subjects were selected for the study. Typically, the subjects of the study did not necessarily have to be affiliated to any business organisation, since they operate in the informal sector economy. Survivalist businesses that operate on a very small scale such as hawkers (those who sell petty goods such as sweets) on the train or near the train/bus stations were excluded as they were perceived to be highly unlikely to transit to the formal sector economy. Evidence of this is that some have been hawkers for more than a decade. Furthermore, foreign nationals/immigrant entrepreneurs were also excluded from this investigation.

Significance of the Study

The impact of SMMEs in improving not only the lives of entrepreneurs themselves but also their employees and by so doing alleviate poverty and contribute to a country's economic growth is considerable. Therefore, SMMEs (including survivalist retail entrepreneurs) should be treated fairly and without prejudice (Choto et al., 2014, p. 100). Given this, exploring the specific role of survivalist retail entrepreneurship in job creation and poverty mitigation is vital, particularly since Statistics South Africa (2012) declared that survivalist entrepreneurship in the country is not doing much to create more employment opportunities, improve the economy and alleviate poverty.

2. Literature

Survivalist retail entrepreneurship gained some limelight with its inclusion in the business lexicon of the informal sector in the 1970's after a publication of the International Labour Office/United Nations Development Programme (ILO/UNDP) report, which was launched in Kenya (Nieman & Nieuwehuizen, 2009, p. 40). Charman et al. (2012, p. 49) describe the informal economy as the existence and activities of informal business (including their employees) outside legal and institutional regulatory framework. Rolfe *et al.* (2010, p. 5) describe informal business sector as the business environment in which informal businesses that are non-taxed and unregulated carry out economic activities. Essentially,

¹ A large area in the Cape Town metropole where people of colour were forced by the Apartheid regime to reside.

informal survivalist retail entrepreneurs have been identified as the backbone of socio-economic development of a country (Hutchinson & de Beer, 2013; p. 237).

Theoretical Framework

This study was anchored on two prime theoretical frameworks namely the seminal work of Albert Bandura (1997) as well as Locke and Latham's (1990) Goal-setting theory.

Albert Bandura's self-efficacy model is characterised as an individual's self-belief that he has the capability to perform a particular task (e.g. certain entrepreneurial activities) to attain the set (business) goals. Research indicates that individuals with low self-efficacy could sell-out to self-doubt and as a result discontinue efforts to do what is required. Alternatively, such individuals may stop trying because they are anxious that their efforts will not produce the right output due to indifference, prejudice, or a challenging environment (Bandura, 1982, p. 140). People who are uncertain about their self-efficacy envision failure scenarios, and with such negative contemplations, many things are likely to go wrong in their setting, and vice versa (Bandura, 1993, p. 118). This could also be observed as a fear of failure. These remarks suggest that entrepreneurs with a high sense of self-efficacy are likely to put in greater efforts to their entrepreneurial activities to ensure that their businesses achieve goals that are set high, as opposed to those who possess a low sense of self-efficacy who may set easier goals. Again, it may be argued that individuals who lack capabilities (in terms of proper education and skills training) are most likely to have low self-efficacy as opposed to those who have proper education and or skills training. Hence, personal goal setting is influenced by one's self-efficacy.

With respect to goal-setting, whether in a personal or managerial capacity, one should consider Edwin Locke and Gary Latham's (1990) goal-setting theory, as it carries greater relevance. Lunenburg (2011, p. 1) asserts that goal-setting theory reveals a significant link between goals and performance. Essentially, the higher the predetermined goals, the higher the level of task performance (Locke & Latham, 2006). We define goal setting as a plan indicating what needs to be done, when and how much effort needs to be put in to perform a particular task. Even though goal-setting theory can be used by natural persons within their respective settings, Yeara *et al.* (1995, p. 237) affirm that it is highly applicable in the business/organisational setting. In this regard, performance can be achieved if the following features are considered in the organisation: goals are clear and specific; goals are accepted by members; goals are realistic and challenging; goals are used to evaluate performance; employees participate in goal setting; and feedback on results is provided to employees. It is assumed however that goal setting has a few limitations, which may be challenging. For instance, difficult goals may stimulate

riskier behaviours, or employees may lack the skills to perform certain essential tasks.

Survivalist Entrepreneurship: South African Perspective

Entrepreneurship in the informal sector economy is much broader than might be viewed by many. This is because it comprises two categories of the SMME sector, namely micro and survivalist entrepreneurs, which also have different levels of entrepreneurial sophistication, based on the nature of their entrepreneurial activities (Nieman & Nieuwehuizen, 2009, p. 30). The two categories also differ according to the size of the business, i.e. the turnover it is likely to generate per month and the number of employees the business has. Informal sector businesses that have a labour legislation turnover, which is below VAT registration level of R300 000 per year and have about five employees, are regarded as micro-entrepreneurs (Entrepreneurstoolkit, 2015). On the other hand businesses that generate any amount that is below the predetermined threshold mentioned above are regarded as survivalist entrepreneurs. Hence, there is a notion that their income levels are below minimum poverty lines and require minimal capital to start or expand as they normally lack training and experience. Ligthelm (2013, p. 60) maintains that these sub-categories of entrepreneurs are mainly dominant in developing communities, where several small-scale business activities take place. Generally, retail entrepreneurs operate in the informal sector economy, where they are non-taxed and unregistered (Rolfe et al., 2010, p. 1).

Interestingly, while others prefer to differentiate these two kinds of informal economy entrepreneurs despite their loose characterization as micro-enterprises, Jesselyn Co (2006) regards them as “survivalist entrepreneurs”. Therefore, for the purpose of this study, Jesselyn Co’s concept of ‘survivalist entrepreneurs’ is adopted to refer to both micro and survivalist retail entrepreneurs. This concept is categorised thus:

- (i) Producers - shoemakers, dressmakers, tailors, and subsistence farmers.
- (ii) Distributors - hawkers, vendors, street traders and shebeens.
- (iii) Service providers - repair of goods and backyard mechanics.

The most commonly identified motivation in the emergence of informal businesses is the inability to secure employment in the formal sector economy (Morris et al., 1997 in Rolfe et al., 2010, p. 1; Jesselyn, 2006). Many of these informal businesses operate in the form of spaza shops (Bears et al., 2005). In the context of this study, spaza shops are described as small grocery shops/convenience stores that are mainly located in the developing communities/townships, but may vary in size.

The dominance of retail spaza shops in the informal economy of South Africa

It is assumed that the informal sector economy in South Africa has experienced a persistent growth in the retail trade industry over the past few years (South Africa Provincial Treasury, 2012, p. 3). Evidence can also be traced in Spaza News (2010), which cited an approximation of more than 100 000 spaza enterprises with a collective turnover of about R7 billion in the country. The drivers of this industry include entrepreneurs and businesses that trade finished goods either directly or indirectly to end-users/consumers. Therefore it is safe to say that informal survivalist businesses share a larger slice of the market than other informal entrepreneurs such as service providers.

According to Chebelyon-Dalizu *et al.* (2010, p 3), the informal sector economy has recently become the topic of debate among scholars. Could this be as a result of the so-called xenophobic attacks by the indigenes against foreign nationals/immigrant entrepreneurs who operate spaza shops? Interestingly, Liedeman, Charman, Piper, and Petersen (2013, p. 1) believe this is indeed the key reason that has recently triggered researchers' attention to the informal retail economy. They add that the fierce competition between foreign and indigenous spaza entrepreneurs in South Africa started a decade ago. The acrimonious relationship between foreign and indigenous spaza owners often degenerate into physical clashes which mostly affect spaza shop owners who are from Somalia, Egypt, Ethiopia, Rwanda, Tanzania, Pakistan and Bangladesh (Charman *et al.*, 2012, p. 48). Somali entrepreneurs are considered the ones who dominate the informal economy and who are making most incursions into South African townships and presenting fiercer competition to local spaza shop owners. This bears enough testimony that their entry into South African townships is effective, besides attacks which occur occasionally, from indigenes. Apparently, their capabilities to operate successfully are attributed to their clan-based social networks, which design and implement a more competitive business model than locals (Liedeman *et al.*, 2013, p. 4).

Liedeman *et al* further point out that these clan-based social networks yield the following business catalytic aspects in their businesses:

- Access to cheap labour, which is recruited from their country of origin;
- Facilitating micro-finance by organising investments and business partnerships;
- Contractual agreements by the network with clan elders who oversee the business deals;
- Strategic moves into geographical areas such as Khayelitsha to establish Somali strongholds;
- Group/bulk purchasing to secure discounts and operational economies of scale, hence they charge lesser prices than local businesses.

In contrast, the local retail (spaza) entrepreneurs are characterised by poor socio-economic backgrounds (Nieman & Nieuwehuizen, 2009, p. 41) and have little or no access to business support, as opposed to their counterparts (who have access to funding, cheap labour, business networks, coordinating purchases with others, and so on). Therefore, they are likely to be wrestled out of business by immigrant businesses that use 'sophisticated' strategies such as clan-based networks. On the basis of South Africa's historical socio-economic atmosphere, one can say that government is failing local informal entrepreneurs. Strategic measures to equip those who are taking the initiative to create self-employment; escaping the army of the unemployed should emerge, through skills development and business funding. The fact that the South African informal sector environment is characterised by poor people who are less-literate and lacking skills and training (Charman et al., 2012, p. 50), as well as the fact that immigrant businesses have yet to reduce the depressing unemployment in the country should trigger the government to do more to reverse the situation.

Do survivalist entrepreneurs face unique impediments as opposed to those who operate in the formal economy?

Disturbingly, the fact that in spite of the heightened relevance of the informal economy's survivalist entrepreneurs across the globe, including South Africa, there is a number of impediments that limit their long-term survival and development (Hutchinson & de Beer, 2013, p. 237). Choto et al. (2014, pp. 94-95) highlight the following as general entrepreneurial hindrances in South Africa: access to finance, education and training, government regulations, and so on. In the case of obtaining financial support, survivalist entrepreneurs experience a hard time from financial institutions such as banks, mainly because they lack collateral and therefore are perceived as risky (Hutchinson & de Beer, 2013, p. 238). Also as mentioned earlier, competition, especially from immigrant entrepreneurs is very high. Nonetheless, The Business Place (2009) identified lack of skills development as the major problem that minimizes chances of survivalist entrepreneurship from becoming a sustainable vehicle of wealth creation in the country.

Similarly, Banerjee and Duflo (2011) argue that most informal survivalist entrepreneurs have no talent and/or necessary skills and eagerness for risk-taking, which are some of the essential qualities that are needed to successfully transit an informal business into a well-established formal one (Ligthelm, 2013, p. 60). This position seems to connect with that of Turton and Herrington (2012, p. 12) who contend that South Africa's education system is unable to effectively develop individuals with skills and confidence that are needed in the competitive and dynamic business world. Perhaps these are some of the reasons why Statistics South Africa (2012) avowed that survivalist entrepreneurship in the country was not doing much to create more employment opportunities, and alleviate poverty. McGrath (2005, p. 59) and Skinner (2005, p. 42) also identified business support

and training programmes for encouraging the sustenance and development of survival entrepreneurs as lacking in South Africa.

Therefore, in brief, the impediments that are depressing the survivalist entrepreneurs include the following:

- Ineffective education system;
- Inadequate skills development;
- Lack of talent/necessary skills and eagerness for risk-taking;
- Government regulations such as business registration and taxes;
- Inadequate access to business support and training programmes;
- Insufficient access to business finance from financial institutions;
- High competition, especially from immigrants, in the case of spaza shops;
- Lack of collateral to secure business funding from financial institutions.

These kinds of hindrances seem to be relatively similar to those of other entrepreneurs who operate within the formal sector economy. Evidence can also be found in Nieman and Nieuwenhuizen (2009, p. 35; 2011) as well as Choto et al. (2014, p. 95-96). The emergence of better strategic interventions to address some of these hindrances are of utmost importance, particularly considering that the impoverished socio-economic landscape of South Africa is owed to the exclusions and imbalances of the Apartheid regime, which prevented Black South Africans from freely engaging in mainstream economy. Should this not be tackled correctly, the poor shall remain poor, while poverty will reproduce itself from one generation to the next among Black South Africans.

Summary

An improved informal sector - specifically survivalist retail entrepreneurs - will no doubt alleviate poverty and contribute to South Africa's economic growth. Rolfe *et al.* (2010) and Guimaraes (2010, p. 1) affirm that survivalist entrepreneurship thrives in a number of endeavours, yet the potential for growth and generating more job opportunities is visible. Literature reveals that there are positive prospects for growth and development in survivalist retail entrepreneurship, which should be enticing enough to engage in endeavours that will see the sector prospering. The unique role of the survivalist entrepreneurship in job creation opportunities in the informal sector economy needs to be explored.

3. Methodology

This study is both descriptive and exploratory in nature. Mixed methods (quantitative and qualitative) were employed to gain a profound understanding of the subject matter. The employed mixed methods comprised structured questionnaires and semi-structured interviews. Jointly, these methods are capable of attaining responses from different angles. Choto et al. (2014, p. 97) briefly expand on this by saying that, whilst a questionnaire may be limiting and therefore fail to present an extensive opportunity for explanation, interviews on the other hand are able to close such gaps.

Research Population and Sample

The target population for this study comprised informal survivalist entrepreneurs who operate businesses within different industries in the informal sector economy of the township of Khayelitsha.

Given that the subjects did not necessarily have to be affiliated to any organisation since they operate in the informal economy, a sample was drawn. 200 subjects were selected with the help of snowballing method (one of the nonprobability sampling methods). Fox and Bayat (2007, p. 59) stress that in this method of sampling the researcher approaches one subject of the study who in turn refers the researcher to another suitable subject. For instance, this suitable subject could be a relative, friend, acquaintance, competitor, and/or anyone else who may be known to the subject and considered to be capable of adding value to the research process.

This sampling approach was considered appropriate for this study because of the following reasons. The subjects did not need to belong to any organisation to become a participant; survivalist entrepreneurs from different industries could be found in the research setting; while the location was more accessible to the researchers using most transportation modes.

Data Collection and Analysis

Apart from the use of secondary sources relevant to the subject matter, primary sources were utilized to collect data. Owing to the assumption that most of the survivalist entrepreneurs in the research setting were not well educated, the researchers initially briefed the subjects about the study and also explained the questionnaire in isiXhosa¹. Afterwards, the researchers asked the subjects to do skim-reading in their presence before leaving the questionnaire with the subject, or alternatively would fill out the questionnaire while the subject responded to the questions/statements from the survey. This was useful to the study as discussions were arbitrary and free form, on the basis of the business activities/industry, and

¹ isiXhosa is one of the official languages of South Africa. Most of the participants in the study were isiXhosa speakers.

business size. The data collection process took a period of about one month. Repeat visits were made more than twice in some instances. Two major difficulties were experienced during data collection. Firstly, some subjects could not complete the questionnaire owing to time pressures; and secondly, some were simply reluctant to participate in the study because of their negative perception of ‘government and their business’ and wondered what they would benefit from the exercise. While 3 questionnaires were unusable and 15 not returned, 182 usable questionnaires were obtained.

The questionnaire used for this study was developed primarily using two procedures namely literature review (to determine, from studies of a related nature, qualifying elements for a study of this kind) and secondly by relying on a pilot study of the instrument. It must be noted that pilot studies enable the fine-tuning of a data collection instrument to suit the purpose of a study (Bless, Higson-Smith & Kagee, 2006). Participants in the pilot study consisted of academics (to provide advance warning of feasibility or otherwise) and a fraction of the sample of a related study that was on-going at the time of this study. These steps helped us in adjusting the initial questionnaire owing to the identification of certain ambiguities and likely difficult questions.

To statistically analyse the data collected, the Statistical Package for Social Sciences (SPSS) version 23 was employed with the help of a statistician. In endeavours to help draw constructive conclusions from the data collected and electronically captured, tables, charts and other descriptive statistic methods were used. Nuzzo (2014), Asendorpf et al. (2013), and Nosek et al. (2012) encourage the use of descriptive statistics when presenting research findings, whilst they criticise inferential statistics for a lack of reproducibility effect and hypothesis testing methods.

4. Findings and Discussion

The following sections highlight the findings.

Types of survivalist entrepreneurial ventures studied

The different survivalist retail entrepreneurs that participated in the study are listed in Table 1; along with their rankings (for instance rank 1 represents the type of businesses that received the most responses among other types).

Table 1. Types of survivalist businesses

Type of product/industry	Rankings
Spaza shops	1
Restaurant/food business	2
Braai-meat (barbecue) seller	3
Fruit & vegetable	4
Butchers	5
Taxi operators	6
Shebeens	7
Clothing stalls	8
Fisheries	9
Furniture upholstery	10
Barber shop	11
Hair salon	12
Beds - manufacturing	13
Motor mechanics	14
Hardware timber & used building materials	15
Bath and kitchen materials and corrugated metals	16
Car wash	17
Tailor	18
Sub contractor	19
Welding gates & burglar proofs; tents for hire; mini scrap yard; and car trailer manufacturing	20

Gender

The results of the study show that men (55.5 percent) are more entrepreneurially active than women (44.5 percent), which is contrary to popular belief that female entrepreneurs are predominant in the informal sector economy (Nieman & Nieuwehuizen, 2009, p. 37; Mandipaka, 2014, p. 127). Even though this finding was not contemplated, we consider the difference to be insignificant.



Figure 1. Gender

School Level and Skills Training

Assuming that primary school education and not completing high school can be described as limited education, it can be drawn from Figure 2 that the majority (59%) of survivalist entrepreneurs have limited education and training. This finding synchronizes with Nieman and Nieuwehuizen’s (2009, p. 41) view that most survivalist entrepreneurs have a low level of education.



Figure 2. School level

This weakness needs extra attention especially because subjects aged between 36 and 45 years constituted the larger sample (at 42.9%), while the youth – between 23 and 35 years – were at 19.2%. A particular significance of this result is the emphasis it places on education and training as critical to the growth of survivalist entrepreneurs. To this end we are concerned that their lack of education and training may significantly restrain creativity and innovation potential. This is against the backdrop that education and training, as well as previous experience, is seen as factors that can enhance one's self-efficacy (Hollenbeck & Hall, 2004). Lower self-efficacy may reduce an entrepreneur to self-doubt and succumbing to a challenging environment (Bandura, 1997). The other finding of the study on skills training indicated that a substantial proportion (63.7 percent) of the subjects lack formal skills training.

On the qualitative side, the owner of a car-trailer manufacturing business was asked how and where he learnt to assemble car-trailers, and his answer was:

"...I took a welding course. Afterwards I used my good skills to design my first car trailer and now I make and sell them to my customers. And I am working with my son and his two friends now." This subject's industry is rare to find. Another business owner (furniture upholstery), was asked how he obtained such skills, he said:

"I took a short course at Learn-to-Earn in iLitha Park, Khayelitsha. Now I have six guys that I work with. ... What I need now is a place with more space."

Number of employees in the business

Table 2 carries a list of means, standard deviations and individual sample size of each mix, on the number of employees in the business.

Table 2. Range of employees in the sampled businesses

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Nil	84	2.43	.471	.051	2.33	2.54	1	4
1 - 5	88	2.65	.512	.055	2.54	2.76	2	4
6 and above	10	3.13	.586	.185	2.71	3.54	2	4
Total	182	2.58	.523	.039	2.50	2.65	1	4

This is one of the most important findings of this study, as it shed some light on whether survivalist entrepreneurship is capable of creating jobs and by so doing help in reducing poverty for both entrepreneurs and their employees. 46% of the subjects indicated that they do not have employees. These entrepreneurs get assistance from their family members when their businesses are very busy. Their types of businesses include spaza shops, fisheries, fruit & vegetable kiosks, shebeens, clothing stalls, and hair salon. Businesses that have between one and five employees accounted for almost 49 percent, the largest of the sample. These types of businesses indicate reasonable potential in absorbing more jobs, should they access growth opportunities in the market. These entrepreneurial ventures include such businesses as braai-meat (barbecue) sellers, restaurant/food business, motor mechanics, taxi operators, and car trailer manufacturing. 5.5 percent (6 and above) was the smallest sample, but with a noticeable impact in terms of employing a large number of employees. This sample consisted of business ventures such as furniture upholstery, bed manufacturing and restaurants/food businesses, which operate in busy areas such as taxi terminals. As few as they are, they are able to employ more than six employees. It can be argued that with some tangible support

(in the form of funding, book-keeping), these businesses can grow bigger and employ more people.

Management of business finances

Research suggests that poor management of business finances may result in liquidation of the business, which commonly happens to new entrepreneurial ventures that are managed by individuals with inadequate knowledge and experience (Co et al., 2006, p. 210). This underlines the huge responsibility of the survivalist entrepreneur (as s/he may be a single point of responsibility in the business) in ensuring that cash flows in and out of the business, in order to meet the business goals.

Table 3. Business finances

Response category	Frequency	Percent	Valid Percent	Cumulative Percent
Always	15	8.2	8.2	8.2
Often	28	15.4	15.4	23.6
Occasionally	50	27.5	27.5	51.1
Rarely	23	12.6	12.6	63.7
Never	66	36.3	36.3	100.0
Total	182	100.0	100.0	

Of interest in these findings in Table 3 is that, 12.6 % of the subjects confirmed that they rarely encounter financial management issues in the running of their businesses, while 35.7% further indicated that they never encounter such financial management issues. Approximately twenty-eight percent (27.5%) admitted to occasionally experiencing some problems with managing the business finances. Furthermore, while 15.4 percent of the subjects affirmed that they always encounter such challenges, 8.2 percent said they often face financial management issues in their businesses. In a conversation with one of the subjects (a spaza shop owner) as to how she had coped with managing her business, she said:

“...Eish, to be honest with you I am not doing well in managing money for my business. I wish I can get a proper training, maybe a short course and learn how to manage the business finances.”

Again, the fact that most of these survivalist entrepreneurs have dependants at home to support with the little they earn from the business brings a different spectre of challenge, which seems to encourage them to bounce back each day.

Regular Payday Issues between Employers and Employees

A payday in an organisation/business is probably one of the most exciting days for employees, and a taxing one for the employers as they must pay what is due to their employees.



Figure 3. Payday issues

The result in Figure 3 can be likened to the results in Table 3, as it focused on whether survivalist businesses encounter financial difficulties to cover their costs, including staff pay. Given this, this variable was a necessity in the study. Only a few subjects (for instance 5.5 percent indicated always; and 5.0 percent said often) admitted that they do experience some financial problems that affect their employees on a regular basis. While 14.3 percent admitted to experiencing financial difficulties occasionally, 13.2 percent of the subjects indicate that such financial issues seldom transpire. Encouragingly, the overwhelming 61.5 percent of the subjects say that they never struggle to pay their employees on time. This signals that most of the survivalist businesses are capable of making enough income to cover business costs, including paying wages.

The Business Goals

Of interest is that almost all the entrepreneurs share a common goal, which is to make more profit and grow their businesses. Some even have a vision of creating job opportunities for the unemployed in the township. Other entrepreneurs' goals included acquiring more assets such as bakkies (mini trucks), more inventory, and equipment, finding a secure and bigger place from which to operate, and so on. In fact one of the car-trailer manufacturers said: *"I want to create my own car brand one day."* For a survivalist entrepreneur who resides in a poor township such as Khayelitsha to have this kind of skill and have such vision is quite inspiring.

The study shows that business goals may vary from one another, depending on the size, type of industry and resources needed to convert inputs into outputs. Nonetheless one cannot ignore the fact that the main goal of a business is to find ways to reduce costs and capitalise on productivity to generate more profits repeatedly. In the current study motivation is seen as a personal drive in achieving

a certain goal. This seems to connect with Ufuophu-Biri and Iwu's (2014) assertion that motivation activates and directs one's behaviour to perform a particular activity. Without the motivation to perform certain tasks, goal-setting would not be as effective. Edwin Locke and Gary Latham's (1990) goal setting theory links goals and the level of performance. Locke and Latham (2006) further add that the higher the set goals, the higher the level of task performance to achieve such goals, and vice versa. Personal goal setting is no doubt influenced by self-efficacy of an individual (Bandura, 1993), and judging from the results of this study, one can say that there is evidence of the keenness of the subjects to push for higher performance in their businesses. In fact, one can further argue, on the basis of McClelland (1965) that the subjects have a high need for achievement and could go to great lengths if appropriate support systems are in place. Therefore, it appears that the level of an entrepreneur's self-efficacy enhances the level of goal-setting, and subsequently his performance to achieve such goals.

5. Conclusion and Recommendations

Survivalist retail entrepreneurship is more evolving and capable of creating jobs. This way, both the entrepreneurs and employees are able to provide for themselves. Unfortunately, the study has revealed that despite the motivation to improve their businesses, there is a lot more they need to do to transit to a significantly stable business. No doubt, these entrepreneurs are able to provide for themselves and their families, while some are able to create job opportunities indicating the unique role of survivalist entrepreneurs in providing self-employment and reducing poverty. Of interest though is that some are progressing to the upper level of the pyramid (the growth needs stage). Evidence can be observed from the results (the range of employees, pay day issues, and business goals). Goal-setting is important, as it affects the level of performance in the business. Literature hints that the trick is to set higher goals that are clear, specific, accepted by teams and realistic. The high need for achievement is also linked to individuals who dare to take calculated risks in business. Also, the level of entrepreneurs' self-efficacy influences their level of motivation and goal-setting, and subsequently determines the level of performance needed to achieve their goals. As Tengeh (2013) puts it, the primary goal of a survivalist entrepreneur is to provide an income for himself and immediate family. As such, providing work for others becomes a bonus: something that could be easily generated if entrepreneurs are provided with access to vital resources.

Overall, the informal sector economy of Khayelitsha is rich in diversity of entrepreneurial activities, but requires vigorous interventions from stakeholders of business development, particularly from government's side. That could increase their levels of self-efficacy and subsequent achievement of goals.

Without proper education or skills training, and short courses on fundamentals of business management competencies, actualising the noble intentions will be difficult. Also, the survivalist retail entrepreneur's level of motivation, self-efficacy, goal-setting and performance can be negatively affected. To turn this around requires a mix of interventions. We recommend the government working together with the communities to set up supportive infrastructural facilities which should provide the survivalist entrepreneurs with the knowledge and skills they need to make their business a success. Beyond setting up facilities, it is important that business support centers are made visible so that local entrepreneurs can be aware of their existence (Gwija et al., 2014).

Survivalist entrepreneurs do not operate in a vacuum. South Africa's government and other private stakeholders should also establish business support platforms to address the business needs of the informal sector economy. This is a very important point as the traditional means of conducting business are no longer of much value today. Furthermore, this could help all informal survivalist entrepreneurs to achieve their goals, and subsequently create more jobs in the community of Khayelitsha. Moreover, this study is the first of its kind in the community of Khayelitsha indicating a new vista for retail entrepreneurship research.

Scope for Future Research

The researchers recommend that future research should look at the influence of level of education on the survivalist retail entrepreneurs' propensity to transition to a formal (micro) business. The limitation of this research can be attributed to the fact that it only focused on informal survivalist entrepreneurs in Khayelitsha, and excluded those entrepreneurs who were operating on a very small scale (majority of which seems to be female entrepreneurs), as well as immigrant informal businesses. Future research could also include such very small businesses in other geographic areas, wider than just Khayelitsha.

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ICT and Stock Market Nexus in Africa: Evidence from Nigeria and South Africa

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Abstract: Several studies have examined ICT in relation to stock market development, economic growth and development and other macroeconomic variables. Most of the studies have been on the developed and emerging economies. Studies have been relatively scanty for the developing economies, especially Sub-Saharan Africa. Thus, knowledge gap has been identified in the literature for the African Continent. Pooled data were used in this paper to spur further studies on financial markets in Africa. This paper employed data on functional models adapted from Gompertz curve model for technology diffusion to investigate the effects of ICT on market outcomes of two leading stock exchange markets in Africa during the 1995-2015 periods. Results showed mixed effects of most ICT metrics and moderating variables in the study. Specifically, the effect of mobile telephone on all market indicators was positive and significant. Further, aggregate effect of the ICT proxies and moderating variables on all market indices was statistically significant. The ICT proxies accounted for positive dynamics in market outcomes, market operations and, thus, sine quo non to growth and development of the markets and financial sectors in the Continent. Therefore, more investments in ICT wares and innovation by the stock exchanges and financial sectors in Africa were recommended.

Keywords: ICT proxies; Market indices; Gompertz curve; Functional models; Sub-Saharan Africa

JEL Classification: C12; C23; D53; E43; G23; O55

1. Introduction

Information and communication technology (ICT) has affected virtually every aspect of human activities and interactions in recent times. In Africa and the world over, ICT has tremendously affected financial market operations. ICT has enhanced the liquidity, efficiency and competitiveness of the markets; and fostered the need for regional cooperation, integration and cross-border listings of stock markets in Africa. Irving (2005) noted that a well implemented regional cooperation and, at a later stage, integration, holds more benefits by way of cross-border listings, technology and information sharing. This, among others,

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underscores the relevance of ICT in operations of the stock exchanges in particular and the financial markets in general. Johannesburg Stock Exchange (JSE) and the Nigerian Stock Exchange (NSE) have similarities in terms of reforms timings and innovations. For instance, the exchanges went through significant reforms in the 1990s, which culminated to unrestricted foreign interests in locally quoted companies; and replacement of open outcry trading system with fully automated trading system. Recently, both exchanges have undergone further restructuring and reformation, which include moves to electronic system, amendments of listing requirements and existing laws relating to capital market as well as market segmentation (Irving, 2005; Ezirim et al., 2009; Obiakor & Okwu, 2011; Onyema, 2013a). At one time or the other, foreign investment inflows to the exchanges increased substantially. However, while the exchanges have benefited from the inflows, each has become more vulnerable to external shocks induced by volatility in international financial markets. For example, while the JSE's overall share index fell by 30 percent in August 1998 owing to the financial crises in Russia and Brazil in 1998 (Irving, 2005), the NSE crashed ten years after owing to the global financial meltdown of 2007/2008 (Okwu & Obiakor, 2011). The NSE and JSE were among the top performing exchanges globally in 2012 (Onyema, 2013b; Okwu, 2015).

Since 2002, trading on the JSE has been carried out via its Stock Exchange Electronic Trading Services (JSE SETS) - a version of the London Stock Exchange's SETS technology tailored specifically for the needs of the JSE under a business agreement between the two exchanges (Irving, 2005). In December 2003, the JSE launched its Alternative Exchange (AltX) as a specialised tier for high-growth potential SMEs. Similarly, the NSE recently segmented its market in a bid to streamline the markets and industry sectors, conform to global standards and introduced market capitalisation and stock classifications to drive deeper understanding and inform investor portfolio construction (NSE, 2011). The NSE's ASeM is the counterpart of JSE's AltX. In 2012, the NSE executed a number of key strategic initiatives, among which were Primary Market Making, a suite of value-added services (*X-Value*), and investment in two trading plating platforms (Onyema, 2013a). Interestingly, while JSE which was set up in 1887 is sub-Saharan Africa's oldest stock market and, according to Irving (2005), the most highly developed in sub-Saharan Africa, the NSE which was founded in 1961/1977 is poised to champion the acceleration of Africa's economic development, and to become "The Gateway to African Markets" (NSE, 2011). Obviously, the processes and outcomes must be measurable using relevant indicators. The working proposition was that ICT had no significant impacts on market outcomes both in specific and aggregate levels. The paper has five sections. Section two which is the review of relevant literature comes after the introduction. Methodology of the paper is discussed in section three. Data are analysed and discussed in section four. Conclusion and recommendations are done in section five.

2. Literature Review

2.1. Conceptual Issues

ICT is an umbrella term that includes any communication device or application like radio, television, cellular phones, computer and network hardware and software. Others are satellite systems and devices associated with them such as videoconferencing and distance learning. ICT is about the application of computers, telecommunications equipment and infrastructure to generate, process, store, retrieve, transmit and manipulate data or information in the context of business or other transactions. It falls within the framework of computer wares, networks and other information dissemination channels like television, radios and telephones. Several industries like computer hardware, software, electronics, semiconductors, Internet service providers, telecommunications equipment, e-commerce and computer services are associated with the ICT concept (Chandler & Munday, 2012). The business value of ICT is to automate business process: provide information for decision making, connect businesses with their customers or clients, and render flow of services to increase efficiency and productivity (Hossein, Fatemeh & Seyed, 2013). Global economy has been fuelled by a greater assimilation of world markets and impressive growth of ICTs (Bhunia, 2011). Computer-facilitated trading processes have increased short-term price volatility and risks even as the stock markets become excessively volatile, and very few investors can have access to Central Securities Clearing System (CSCS) and online trading system (Shiller, 1989; Summers, 1988; Porteba, 1988) as in Ezirim et al. (2009). The markets are expected to leverage on ICT accelerate economic activities via domestic savings, quantity and quality of investment (Hossein et al., 2013). This has some implications for market outcomes of the stock exchanges. Stock exchanges are the markets where firms and governments can raise long-term capitals for productive ventures. It is a network of specialised financial institutions which brings together suppliers and users of long-term capital fund (Ologunde, Elumilade & Asaolu, 2006). They serve to reduce investment risk (<http://www.businessdictionary.com/definition/stock-exchange.html>). Information technology necessitates changes in the way transactions are negotiated, executed and settled (Mohanney, 1997). ICT infrastructure in the exchanges involves four essential elements – dematerialization, e-trading, centralised trade processing and centralised clearing and settlement (World Federation of Exchanges, 2014). In this paper, stock exchange market is considered as an ICT-driven regulated mechanism through which providers and users of new long-term funds interface and existing financial securities are traded at market prices. The concept of ICT-stock market-outcome nexus is illustrated in figure below.

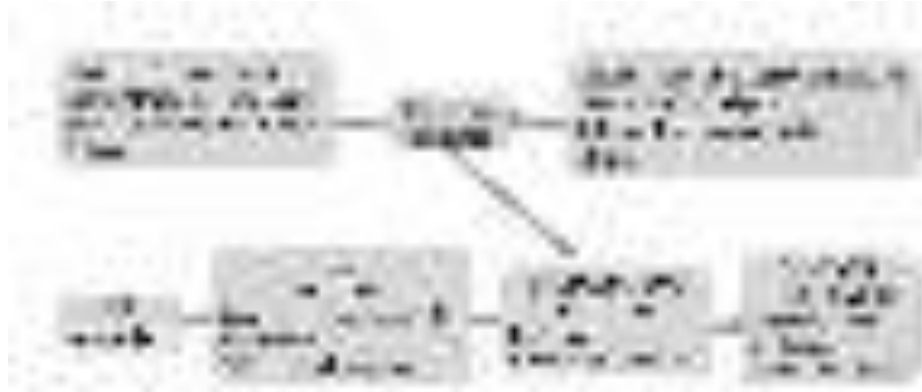


Figure 1. ICT-Stock-Market-Outcome Nexus

Source: Own Conceptual Model (2016)

The model shows that ICT innovations transmit through the proxies (personal computer ownership, Internet use, and telephone subscriptions), with deposit and lending rates of banks and market capitalisation relative to size of the economy exerting moderating exogenous influences, to ultimately influence the outcomes (securities listed, market capitalisation and shares value traded) of the stock exchange markets. Analytical equations emanate from the conceptual model. Most of available studies have not specifically examined ICT in relation to stock market outcomes in Africa (Oyelere & Kuruppu, 2012; Mihasonirina & Kangni, 2011; Bankole et al., 2010; Ezirim et al., 2009).

2.2. Theoretical and Empirical Review

The development, application and spread of ICT have motivated some studies in attempts to test and validate relevant theories for better understanding of the diffusion and use of ICT (Richardson, 2009; Yi et al., 2006; Venkatesh et al., 2003, Rogers, 2003). ICT-induced efficiency of the stock exchanges, measured in terms of market outcomes, is the driving curiosity for this paper. Therefore, theoretical underpinning in this paper is the Roger's (2003) innovation diffusion model. The model has been applied in many disciplines, and researchers who study the adoption of innovations often use it to explain the technology innovation process (Oliver & Goerke, 2008; Tabata & Johnsrud, 2008). The model has effectively been used in various studies in such areas as sociology, communications, economics, marketing and technology (Meyer, 2004). The idea in this paper is that stock market operators, participants and other stakeholders are among the adopters of technology innovation, adoption and use. Efficiency and the desire for optimality in market outcomes are the core drivers of the choice to innovate, adopt and apply ICT in activities of the stock markets.

Venturini (2008) examined the impact of digital capital on GDP growth in the United States and the European Union 15 (EU-15), and found that ICT capital significantly spurs GDP growth in the long-run. Esteban & Navarro (2011) found that the economies of the European Union 27 (EU-27) countries have achieved different levels of productivity, economic and human capital development owing to ICT use. Zagorchev et al. (2011) studied the dynamic relationship among financial development, ICT and per capita GDP in a sample of 86 countries, and found that ICT and per capita GDP increase liquidity, size and activity of the financial systems. Shahram (2014) examined the relationship between ICT diffusion and economic growth in Russia, and showed that new industries emerge as a result of the spread of ICT. Menzie and Fairlie (2010) investigated the determinants of cross-country disparities in personal computer and Internet penetration in developed and developing countries, and found disparities in income, telephone density, legal quality, and human capital to be among the main factors responsible for low rates of technology penetration in developing countries.

Hosseini, Fatemeh and Seyed (2013) studied the impact of ICT development on stock market development in the world's leading capital markets, and found that some market indices had direct relationship with the ICT use. Kehbama (2005) examined the role of ICT in the economic development of South Africa, and found that ICT has both positive and negative contributions to developmental changes. Bankole, Irwin and Osei-Bryson (2010) studied the impact of ICT on trade in Africa, with emphasis on intra-regional trade and economic development. They found ICT infrastructure to be the launch pad that landlocked countries in Africa need to develop knowledge-based economies. Adejola (2011) analysed the impact of ICT on earnings of selected banks in Nigeria. The results showed that while contributions of ICT to profitability of the banks were not significant, the contributions to other assets were significant.

3. Methodology

3.1. Study Design, Data Sources, Hypotheses and Analytical Framework

Pooled data were used to examine the ICT-stock-exchange market nexus in Africa. ICT and market indices were sourced from the World Bank's World Databases, Annual Reports of the stock exchanges, United Nations Conference on Trade and Development (UNCTAD, 2014), Development Indicators of South Africa, Central Bank of Nigeria Annual Reports among others. Some data sets were derived. Market indices were securities listed on the exchanges (SLEs), market capitalisation (MCAP), shares value traded (SVT) and market capitalisation-GDP ratio (RMCAP) - stock market relevance. ICT proxies were personal computer ownership (PCO), Internet use (IU), fixed and mobile telephone subscriptions (FMTS). Bank deposit rates (BDR), bank lending rates (BLR), and credit to private

sector-GDP ratio (RCPS) were taken to be moderating variables. No oversight of the inverse relationship between bank rate and stock market returns. Hypotheses tested were: H₀₁: Use of ICT did not significantly affect securities listings on the stock exchange markets. H₀₂: Use of ICT did not significantly affect capitalisation of the stock exchange markets. H₀₃: ICT use had no significant effects on shares value traded on the stock exchange markets. H₀₄: ICT did not significantly account for size of the economies. To test the hypotheses, estimated coefficients of the analytical models were evaluated at the conventional 5% level of significance. Analytical framework adapted was the model suggested by Chow (1967, 1983) for technology diffusion, which was modified by Rogers (2003). The model assumes that the use of technology tends to an equilibrium level over time along an S-shaped path. Chow specified the model as: $\log \eta_{i,t} - \log \eta_{i,t-1} = \theta_{i,t} [\log \eta_{i,t}^* - \log \eta_{i,t-1}]$ where $\eta_{i,t}$ is ICT in country [stock exchange market] i during time period t , $\eta_{i,t-1}$ is ICT usage in country [stock exchange market] i in the immediate preceding time period, $t-1$, $\eta_{i,t}^*$ is post-diffusion [use] equilibrium level in country [stock exchange market] i during time period t , $\theta_{i,t}$ is the speed of adjustment in country [stock exchange market] i during time period t .

ICT is the dependent variable; factors that cause changes in ICT use are the independent variables. Thus, the model expresses ICT variable as responding to the determinants of its intensity of use. But in this paper, stock market outcomes are treated as responding to dynamics in ICT proxies. This necessitated adapting the model for this paper. For convenience, we juxtaposed η with Z . Thus, the model become: $\log Z_{i,t} - \log Z_{i,t-1} = \theta_{i,t} [\log Z_{i,t}^* - \log Z_{i,t-1}] \dots\dots\dots (1)$

where $Z_{i,t}$ is ICT use in stock exchange market i during time period t , $Z_{i,t-1}$ is ICT use in stock exchange market i during the immediate preceding time period $t-1$, $Z_{i,t}^*$ is post-ICT use equilibrium for market outcomes of stock exchange market i , $\theta_{i,t}$ depicts speed of adjustment to equilibrium outcomes in stock exchange market i .

Next, we substituted the market outcome and ICT proxies as the dependent and independent variables, respectively. We also introduced autonomous component, β_0 , sensitivity coefficient, α_1 , and stochastic term, μ , such that we specified a variant of the model as: $\log SMO_{i,t} - \log SMO_{i,t-1} = \beta_0 + \alpha_1 ICT_{Use_{i,t}} + \mu \dots\dots\dots (2)$

where $\log SMO_{i,t} - \log SMO_{i,t-1}$ is one period-lagged value in market outcomes responding to ICT use by the respective stock exchange markets. $ICT_{Use_{i,t}}$ comprises the proxies of ICT use in the respective stock exchange markets during the time periods. The autonomous component, β_0 , is the measure of market outcome without the use of ICT. The sensitivity coefficient, α_1 , aggregates the effects of ICT use on market outcomes. It indicates the direction and magnitude of

the effects of ICT use on market outcomes. Therefore, it is a measure of how the proxies for market outcome respond to changes ICT use by the stock exchange markets. The stochastic variable, μ , accommodates the influences of other factors that determine market outcomes of the exchanges but which we have not identified and directly included in the model. However, given changes in market outcomes as implied in equation (2), we introduce same in the equation for ICT use as well as the influences of the moderating variables (MV). Accordingly, we transform equation as follows:

$$\Delta SMO_{k,i,t} = \Delta[\beta_0 + \alpha_{k,i,t} \sum_{p=1}^3 ICT_{Use_{k,i,t}} + \beta_{k,i,t} \sum_{m=1}^3 MV_{k,i,t} + \mu] \dots\dots\dots (3)$$

Given that the autonomous component, β_0 , is constant but the effects indicated by the sensitivity coefficients, α_k and β_k , vary over time; and considering the property of zero variance assumption about μ over time, equation (3) becomes:

$$\Delta SMO_{k,i,t} = \beta_0 + \alpha_{k,i,t} \Delta \sum_{p=1}^3 ICT_{Use_{k,i,t}} + \beta_{k,i,t} \Delta \sum_{m=1}^3 MV_{k,i,t} + \mu \dots\dots\dots (4)$$

where $\Delta SMO_{k,i,t}$ is change stock in outcome of stock market, k , in country i during time period t , $\Delta \sum_{p=1}^3 ICT_{Use_{k,i,t}}$ and $\Delta \sum_{m=1}^3 MV_{k,i,t}$ respectively are matrices of changes in ICT use proxies, p , and the moderating variables, m , $\alpha_{k,i,t}$ and $\beta_{k,i,t}$ respectively are the sensitivity coefficients (size of the effects) of changes in ICT use on outcome of stock exchange market, k , for country i , during time period t , β_0 is the model intercept, and μ is the model error term. k and i are merely identifier descriptors.

By implication, changes in market outcomes over time depend on changes in ICT use as well as the moderating variables, given the long-run mean value β_0 and error term μ . However, since observed values of the variables that made up the data sets were taken at specific points in time, we ignored the dynamism of equation (4), and assumed a static composite model. Consequently, equation (4) becomes:

$$SMO_{k,i,t} = \beta_0 + \alpha_{k,i,t} \sum_{p=1}^3 ICT_{Use_{k,i,t}} + \beta_{k,i,t} \sum_{m=1}^3 MV_{k,i,t} + \mu] \dots\dots\dots (5)$$

Within a panel data environment, we disaggregated equation (5) to enable us determine the partial and overall effects of the ICT use proxies as well as the moderating variables on each of the indicators of the stock exchange markets outcomes. We deduced the following models for analysis in this paper:

$$SLES_{i,t} = \alpha_0 + \alpha_1 PCO_{i,t} + \alpha_2 IU_{i,t} + \alpha_3 FMFS_{i,t} + \alpha_4 BDR_{i,t} + \alpha_5 BLR_{i,t} + \alpha_6 RCPS_{i,t} + u_{i,t} \dots\dots\dots \text{Model 1}$$

$$MCAP_{i,t} = \beta_0 + \beta_1 PCO_{i,t} + \beta_2 IU_{i,t} + \beta_3 FMST_{i,t} + \beta_4 BDR_{i,t} + \beta_5 BLR_{i,t} + \beta_6 RCPS_{i,t} + u_{i,t} \dots \dots \dots \text{Model 2}$$

$$SVT_{i,t} = \theta_0 + \theta_1 PCO_{i,t} + \theta_2 IU_{i,t} + \theta_3 FMST_{i,t} + \theta_4 BDR_{i,t} + \theta_5 BLR_{i,t} + \theta_6 RCPS_{i,t} + u_{i,t} \dots \dots \dots \text{Model 3}$$

$$RMCAP_{i,t} = \lambda_0 + \lambda_1 PCO_{i,t} + \lambda_2 IU_{i,t} + \lambda_3 FMST_{i,t} + \lambda_4 BDR_{i,t} + \lambda_5 BLR_{i,t} + \lambda_6 RCPS_{i,t} + u_{i,t} \dots \dots \dots \text{Model 4}$$

where *SLEs*, *MCAP*, *SVT* and *RMCAP* are stock market outcome ($SMO_{k,i,t}$) indices; *PCO*, *IU*, *FMST* are proxies for ICT use; *BDR*, *CLR* and *RCPS* are moderating variables (MV). Each is as previously defined. The subscripts *i* and *t*, are the identifier descriptors for the respective stock exchange markets and time periods respectively. α_0 , β_0 , θ_0 , and λ_0 , respectively, are intercepts of the respective models. The sensitivity coefficients α_i , β_i , θ_i , and λ_i , and (*i* = 1, 2, 3) depict the size and direction of the effects of ICT use as well as the moderating variables on stock market outcomes ($SMO_{k,i,t}$); $\mu_{i,t}$ (*i* = 1, 2; *t* = 1, 2, 3, ..., 20) are model error terms for possible disturbances from assumed normal behaviour.

Given a normal investment behaviour on the part of investors in the stock markets, we expected outcomes of the markets ($SMO_{k,i,t}$) to respond positively to the proxies of ICT use as well as RCPS, but negatively to BDR and BLR, respectively. Such disaggregated models have been previously employed (Okwu, 2015; Adesola et al., 2013; Bhunia et al., 2011; Obiakor and Okwu, 2011; Ezirim, 2009; Choi & Cook, 2005).

4. Results and Discussion

Table 1. Partial Correlation Coefficients

SLEs	MCAP	SVT	RMCAP	PCO	IU	FMST	BDR	BLR	RCPS	
SLEs	1									
MCAP	0.3483	1								
SVT	0.1773	0.9369	1							
RMCAP	0.6362	0.8808	0.7441	1						
PCO	0.6144	0.8857	0.8406	0.9073	1					
IU	-0.1871	0.4573	0.4608	0.1671	0.2620	1				
FMST	-0.0383	0.8048	0.8400	0.5234	0.6193	0.8546	1			
BDR	0.0610	-0.5467	-0.5382	-0.3945	-0.4278	-0.6590	-0.4013	1		
BLR	-0.2214	-0.7718	-0.7373	-0.6704	-0.7116	-0.6064	-0.5845	0.8896	1	
RCPS	0.6586	0.8029	0.7252	0.8826	0.9100	0.1844	0.6665	-0.3710	-0.6414	1

Source: Own computations using EViews8

SLEs had positive correlations with PCO, BDR and RCPS; but negative correlations with IU, FMTS and BLR. MCAP had positive correlations with PCO, IU, FMTS and RCPS; but negative correlations with BDR and BLR. SVT and RMCAP had positive correlations with PCO, IU, FMTS and RCPS; but negative correlations with BDR and BLR. There were more positive among the market outcome and ICT proxies; but more negative correlations among the market indices moderating variables. Pairwise ICT proxies were not highly linearly correlated – coefficient exceeded (Agun, 2009; Iyoha, 2004) or showed squared value in excess of 0.80 (Kennedy, 2008). Thus, the data series were appropriate for cause-and-effect regression analysis.

Table 2. ICT and Operational Outcomes of the Stock Exchange Markets

Method: Panel Least Squares Sample: 1990 2015 Periods Included: 26
Cross-Sections Included: 2 Total Panel (Balanced) Observations: 50

Operational Outcomes of the Stock Exchange Markets								
	Model 1		Model 2		Model 3		Model 4	
	Dept.	Var:	Dept.	Var:	Dept.	Var:	Dept.	Var:
	Log(SLEs)		Log(MCAP)		Log(STV)		Log(RMCAP)	
ICT Proxies	Coefficient (α_i)		Coefficient (β_i)		Coefficient (θ_i)		Coefficient (λ_i)	
PCO	0.4831	(0.1251)**	1.5127	(0.3125)**	2.4063	(0.4018)	0.8975	(0.2574)**
IU	-0.0784	(0.0639)	0.0215	(0.1582)	0.3264	(0.2204)	-0.0698	(0.1315)
FMTS	0.0624	(0.0282)**	0.0969	(0.0333)**	0.3598	(0.1516)**	0.1452	(0.0068)**
BDR	-0.2940	(0.2539)	0.3503	(0.6724)	-0.1923	(1.1151)**	0.3118	(0.5222)
BLR	1.8158	(0.2677)**	0.4967	(1.1122)	2.5280	(0.7062)	0.4175	(0.5506)
RCPS	0.1524	(0.00607)	0.1807	(0.2617)**	-0.5076	(0.3387)	0.1108	(0.2147)
	Adjst. R ² =		Adjst. R ² =		Adjst. R ² =		Adjst. R ² =	0.8553
	0.7876		0.8932		0.8914		F-stat =	41.3078**
	F-stat =		F-stat =		F-stat =		DW-Stat =	1.8844
	26.9558**		59.5254**		49.2551**			
	DW-Stat =		DW-Stat =		DW-Stat =			
	1.9534		1.8203		1.7423			

Standard errors (SEs) are in parentheses. **Significant at 5%; p -value < 0.05.

PCO had significant positive effects on market outcomes, except shares values traded on which it had positive but not significant effect as evidenced by the respective standard errors (SEs) which are less than half of the associated

coefficients. IU had positive but not significant effects on MCAP and SVT; negative and insignificant effect SLEs and RMCAP, as proved by the SEs relative to the associated coefficients. FMTS had significant positive effect on all market indices, as evidenced by significance of the positive coefficients and SEs. This suggests negligible use of the Internet for stock market activities by investors, and that equity holders' indirect participation in the stock market through stockbrokers. The SEs proved that BDR had positive but not significant effects on MCAP and RMCAP, respectively; insignificant negative effect on SLEs, significant negative effect on STV. BLR had positive and significant effect on SLEs, but insignificant positive effects on MCAP, STV and RMCAP, respectively. RCPS had significant positive effect on MCAP; but insignificant positive effects on SLEs and RMCAP, respectively. The effect on STV was negative and insignificant. ICT use had mixed effects on market outcomes of exchanges during the 1990-2015 periods. Similarly, the moderating factors (BDR, BLR and RCPS) had somehow mixed effects. The ICT proxies and the moderating factors jointly had significant effect on the each of the market outcome indices at the 5% level of significance, as shown by F-statistics of 26.9558, 59.5254, 49.2551 and 41.3078 for the respective models. The independent variables explained high variations in market outcomes, as shown the adjusted R^2 values of 0.7876, 0.8932, 0.8914 and 0.8553, respectively. They explained approximately 79%, 89%, 89% and 86% of the total variations in the market outcome indices, respectively. The Durbin-Watson statistic values of 1.9534, 1.8202, 1.7423 and 1.8844 provided empirical evidences that the independent variables were not highly linearly correlated and, thus, free from the problem of serial autocorrelation.

5. Summary, Conclusion and Recommendations

This paper has analysed the effects of some ICT proxies on operational outcomes of the leading stock exchange markets in Africa, Johannesburg and Nigerian Stock Exchanges (JSE and NSE). The analysis showed that the moderating factors had mixed effects on the market indices considered in this paper. FMTS positively affected all market indices. PCO positively affected most market indices. The reverse was the case for the moderating variables. However, ICT and moderating variables had overall significant effects on and strongly explained variations in explaining variations in, each of the market index. Thus, the paper concludes that use of ICT has significantly improved performance outcome of the two stock exchange markets and, by extension the stock exchange markets in Africa and, therefore, is *sine quo non* to the growth and development of Africa's stock exchange markets in particular and financial sectors in general. Therefore, the paper recommends more investments in ICT wares, innovations and use need to be considered by all relevant authorities in stock exchange markets and financial sectors in Africa.

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Constraints to Strategy Implementation and their Influence on Business Performance: the Case of a Waste Management Logistics Company

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Abstract: Waste management companies in developing countries often have to contend with a plethora of factors that inhibit their business performance. The primary objective of this study was to investigate the influence of constraints to strategy implementation on the business performance of a waste management logistics company in South Africa. The study was triggered by the lack of previous research focusing on constraints to strategy implementation in the waste management sector. The study employed a quantitative approach using the cross sectional survey design in which data were collected from 309 employees of a waste management logistics company based in Gauteng Province. Seven constraints to strategy implementation; namely, management practices, human resource capabilities, customer service, external orientation, internal communication, innovation and employee motivation were identified through Exploratory Factor Analysis. Pearson correlations showed that business performance is negatively affected as and when each constraint becomes more prevalent. Regression analysis showed that all constraints were statistically significant. To academics, the study provides current insights on factors impacting on business performance in waste management organisations. Management practitioners may improve the levels of business performance through structural adjustments of the seven constraints identified in this study. The study may be used as a reference point in the diagnosis of business performance related challenges in companies operating within the waste management sector.

Keywords: Strategy implementation; waste management logistics; management practices; human resource capabilities; customer service

JEL Classification: M –Business Administration and Business Economics

1. Introduction and Background

The purpose of this study was to examine the influence of constraints to strategy implementation on the business performance of a waste management logistics company based in Gauteng Province, South Africa. According to Trois and Simelane (2010), the transformation of Johannesburg, which is the largest city and economic hub of South Africa into a world-class city would begin with presenting a clean and hygienic environment to all city residents and visitors. Traditionally,

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South Africa followed an “end of pipe” waste management philosophy that resulted in a small percentage of waste being recycled, with the remaining bulk of the waste stream being disposed of at landfill sites (Bhagwandin, 2013). However, with urban real estate at a premium, and the natural resource base facing growing pressure, a new national waste management strategy was needed (Bernstad, Jansen & Aspegren, 2012). This strategy emerged in the form of the new integrated Waste Management Policy and the National Waste Management Strategy, which sought to minimise the waste stream going to landfills, while extracting maximum value from the waste stream at all stages of the collection and disposal process (Worku & Muchie, 2012). The strategy also introduced various rigorous environmental regulations, designed to bring South Africa’s waste management in line with the Best Environmental Practices in the world (Bhagwandin, 2013). Thus, it was envisaged that this initiative would be a lasting solution to waste management challenges facing most parts of South Africa.

One of the solutions originating from the new waste management strategies in South Africa was the founding of the waste management logistics company in January 2001, with the City of Johannesburg as its sole shareholder (Swanepoel, 2008). This company easily took its place in a society recovering from the mistakes of the past but energised by hope for the future (Nahman, 2009). It was an era of comprehensive change at all levels of national and local government, and not least in the waste management sector (Swilling & Hutt, 2004). The company grew to be the biggest waste management company in Africa, and not only operates entirely within the strict new regulations stipulated by law, but has managed to formulate and commence the implementation of its own sustainable integrated waste management strategy to turn Johannesburg into one of the cleanest cities in the world (Swanepoel, 2008). Current world Best Practice standards dictate that only 10% of the waste stream should end up in landfills (Worku & Muchie, 2012). In light of this, the broad goal of the waste management company’s business strategy is to support the national vision of “Zero waste to landfills by 2022” (Nahman & Godfrey, 2010). While it is a practically unattainable goal since some waste will always have to be disposed of at landfills, it nevertheless remains an ideal and focused goal.

A cursory glance at the numbers reveals the enormity of the challenge facing the waste management company. According to Fuggle and Rabbie (2009) the company’s services are restricted to the geographical area of the City of Johannesburg. The 1625 square kilometre area of the City of Johannesburg is home to 2, 8 million people and approximately 787 000 residences, with the city generating a total of 1, 4 million tons of waste per annum (Institute of Waste Management of Southern Africa, 2015). Apart from collecting and disposing of the domestic refuse generated by the residents of Johannesburg, the waste management company also offers commercial services to some 17 000 businesses in the city and

litter picks and sweeps approximately 9 000 kilometres of streets within Johannesburg's eleven regions (Statistics South Africa, 2012). In order to meet Johannesburg's waste collection and disposal demands, the company employees approximately 2 700 people, operating from 12 depots, with its fleet of around 350 vehicles that facilitate logistical operations, its five landfill sites, incinerator and 52 garden refuse sites across the city. The waste management company managed to modernise and improve waste collection systems by constantly upgrading its fleet and also delivering 472 000 new 240 litre wheeled bins in the phased replacement of the old refuse bag system (Snyman & Vorster, 2011). Yet the challenge lies not just in the mere act of collecting and disposing of the city's waste, but also in how this is accomplished (Lauridsen, 2008).

It is against the aforementioned background that this study investigated and undertook an empirical exercise within the waste management logistics company. The aim of the study was to investigate how constraints to strategy implementation influence the business performance of the company. The company has been facing an avalanche of operational problems that include, *inter alia*; 1) entrenched lack of proper planning by management teams, 2) the failure by management to generate and develop proper management operating systems to ensure uniformity and efficiency in the running of the company, 3) the absence of guidelines on most of the procedures within the company, which has supposedly led to the creation of a negative company culture, leading to a low morale among employees at the company, and 4) general instability as different administrations generated different strategies within the short period of the company's existence (Institute of Waste Management of Southern Africa, 2015). By 2015, the company had been posting massive financial losses for several years and had employed six successive managing directors since it was formed (Olivier & Patten, 2015). These negative developments serve as the enduring indicators of the challenges that the company faces. It is important that these challenges are addressed, lest the company will not be able to sustain its operations any longer. It also appears that currently, there is scant evidence of empirical studies that have focused on the operational challenges at the waste management company. This study was intended to occupy this gap.

2. Theoretical Considerations

2.1. Business Performance

Generally, the concept of performance describes how individuals as well as groups reach a conclusion to achieve an aim (Wales, Plarida & Patel, 2013). The notion of business performance is demonstrated through the fulfilment of tasks by an organisation's prominent employees (Shin, Lee, Kim & Rhim, 2015). This explains why organisational success is directly proportional to collective employee performance (Ledwith & O'Dwyer, 2014). Business performance describes the

level of fulfilled tasks of the business's aims or targets as determined by outputs obtained at the end of a particular business period (Yıldız, 2010). Business performance can be measured by either subjective or objective scales (Darwish & Singh, 2013). However, in most previous studies, both subjective and objective methods were used in combinations in order to offset the shortcomings of either method (Muduli, 2015). It has become evident that while profitability, sales and market share are the most used criteria in subjective criteria, Return On Assets (ROA) and return on earnings (ROE) are the most used ones in objective method (Yıldız & Karakas, 2012). Although various measurement methods of business performance have been developed by scholars and practitioners, there is still no single universal valid method that is applicable in all contexts.

2.2. Constraints to Business Strategy

In this study, business strategy is considered to be the unfreezing of an organisation's assets, both tangible as well as intangible, re-aligning and refocusing these assets to a methodology used to realise the future goals set by that organisation (Mullaly, 2006). In view of this, business strategy may be considered to be related to actions, tactics, methodologies, plans as well as steps that are utilised to accomplish organisational goals (Acquaah & Yasai-Ardekani, 2008). As argued by Aneđ and Alya (2013) the implementation of business strategy is hindered by various constraints or bottlenecks. To a large extent, success in strategy implementation depends on the ability of management to deal effectively with these constraints (Zhang & Lin, 2012). Constraints to strategy implementation at all levels in the organisation can be classified into numerous categories, and no single category is superior to others (Ainon Nisa, Wan Mohd Naim & Noraini, 2012). Some constraints are discrete, while others stem from either the behaviour of organisational members or from the lack of resources (van Donselaar, 2012).

Ineffective implementation of strategy is a major constraint in itself, and is a major failure of most companies (Platt & Platt, 2012). In agreement, Harrison, Bosse and Phillips (2010) advocate that the conventional functional mentality that was prevalent during the industrial revolution is still manifested in many organisations today and tends to promote counterproductive mind-sets and attitudes that inhibit strategy implementation in the present-day business environment. In addition, factors such as organisational culture, power and politics, employee motivation, organisational structure, learning organisations and management and leadership typically influence the success of strategy implementation (Gavetti & Rivkin, 2007). Wang and Wong (2012) acknowledge that top managers face challenges related to internal critical issues such as the need to cut complexity; poor cultural as well as structural adjustment. Blettner, Chaddad and Bettis (2012) further identifies organisational structure, power and politics, whether the organisation is learning or is stagnant, organisational culture and employee motivation as critical internal concerns. Still, scores of businesses with good and practical strategies fail to

implement these strategies due to a deficit in the available resources (Seibert, Wang & Courtright, 2011). Thus, strategic capability is strengthened by the available resources (personnel, working capital, management information systems and intellectual resources) since it is these resources that are employed into the activities of the organisation to create competency (Ployhart & Moliterno, 2011).

2.3. Research Hypotheses

Based on the review of literature, the following propositions are put forward for testing in this study;

H₀: The strength and quantity of constraints to strategy implementation exert no influence on business performance at the waste management company

H₁: The higher the strength and quantity of constraints to strategy implementation, the lesser the business performance at the waste management company

3. Methods

3.1. Sample

Since this study was within the cause and effect paradigm, a quantitative approach using the cross sectional survey design was adopted in order to test the hypotheses. A total of 309 employees were conveniently recruited from 12 depots of the waste management logistics company in Gauteng Province, South Africa. The demographic profile of the final sample is reported in Table 1.

Table 1. Demographic Profile of Respondents

Variable	Categories	N	n	%
Gender	Males	309	222	72.0
	Females	309	87	28.0
Number of years employed	Less than 2 years	309	137	44.0
	2 -5 years	309	95	31.0
	6-9 years	309	53	17.0
	More than 9 years	309	24	8.0
Age group	18-25 years	309	26	9.0
	26-35 years	309	153	49.0
	36-45 years	309	86	28.0
	46-55 years	309	33	11.0
	Over 56 years	309	11	3.0
Race	Black	309	137	44.0
	White	309	95	31.0
	Indian	309	53	17.0
	Mixed Race	309	24	8.0

Type of Employment	Permanent	309	104	33.66
	Contract	309	148	48.89
	Part-time	309	57	18.45
Highest Academic qualification	Matric (Senior certificate)	309	138	44.7
	Certificate	309	87	28.2
	Diploma/professional qualification	309	54	17.5
	First degree	309	21	6.8
	Postgraduate	309	9	2.9
Current position	Executive Manager	309	4	1.29
	Senior Manager	309	23	7.44
	Middle Manager	309	29	9.39
	Line Manager	309	53	17.15
	Specialist	309	79	25.57
	Clerical/Admin	309	75	24.27
	Other, e.g. general duty, security/trainees	309	46	14.89
		309		

Source: Author

As indicated in table 1, a majority of the respondents (72%; n=222) were male. A greater number of respondents (75%; n= 232) had been employed in the department for less than five years. After collapsing the age groups, at least 58% (n= 179) of the respondents were less than 35 years of age. With respect to racial distribution, the largest group of respondents (44%; n=137) were blacks. Most respondents (82%; n= 252) were either employed permanently or on a contract basis. With regard to academic qualifications, all respondents had passed through the Senior Certificate level, which is the highpoint of secondary education in South Africa. The majority of respondents (50%; n=154) were employed in either a specialist or clerical/administration positions.

3.2. Instrumentation

Measurement scales were operationalised using previous scholarly literature (Delarue, Van Hootegem, Procter & Burridhe, 2008; De Jong & Hartog, 2007; Harrison, Bosse & Phillips, 2010; Mafini & Pooe 2013, Palcic & Reeves, 2010; Saa-Pere & Garcia-Falcon, 2002). Response options were presented in the Likert Scale configuration anchored by 1=Strongly Disagree and 5= Strongly Agree.

3.3. Statistical Analysis Procedures

Data were analysed using the Statistical Packages for the Social Sciences (SPSS version 23.0). The demographic characteristics of respondents were analysed using descriptive statistics. Pearson's correlation coefficient was used to analyse the association between constructs. Multiple regression analysis using the enter method was used to test predictions between dependant and independent constructs.

4. Research Results

The results section is divided into four sub-sections: namely, reliability and validity, factor analysis, correlation analysis and multiple regression analysis.

4.1. Reliability and Validity

In this study, reliability was examined using the Cronbach alpha coefficient. The reliabilities of all the constructs used in this study ranged from 0.722 and 0.922 (Table 2). The scales were considered to be reliable, since these values were greater the 0.7 minimum acceptable alpha value (Malhotra, 2010). Measurement scales were tested for face, content, convergent and predictive validity. In order to determine face validity, the physical appeal of the questionnaire, word ordering, clarity of the questions and time demand, the first version of the questionnaire was examined by a panel of faculty members whose line of expertise lies in strategic management. Minor adjustments were made to the questionnaire, based on the feedback from the panel of experts, after which a pre-test was conducted using 20 conveniently selected respondents in order to assess reliability and content validity. After further modifications, the final instrument was deemed more appropriate to be administered to respondents because all questions were clearer and accurately captured the required data. Convergent validity was ascertained through the computation of Pearson's correlations. The existence of positive correlations between the dependant and independent variables (Table 3) ascertained that convergent validity was adequate in the study. Predictive validity was measured through multiple regression analysis. The results of the study indicate that all seven independent constructs were statistically significant, which illustrates that predictive validity was satisfactory.

4.2. Factor Analysis

The aim of this study was to determine the influence of constraints to strategy implementation on the business performance at a South African waste management logistics company. The constraints to business strategy identified in the study consisted of seven factors that were extracted through the factor analysis procedure. In accordance with the recommendations by Malhotra (2010), it was deemed necessary to conduct two tests first; namely the Bartlett's test of Sphericity

and the Keiser-Meyer-Olkin (KMO) measure of sampling adequacy in order to establish whether the available data were suitable for a factor analysis procedure. The results of the two tests were acceptable at $p=0.001$; <0.05 for the Bartlett's test and 0.912 for the KMO, which gave the green light for factor analysis. In the extraction of the factors, constant reference to the percentage of variance explained, the scree plot and eigen values of the items in the measurement scale was made, as prescribed by Bradley (2010). Consequently, seven constraints to strategy implementation were extracted; namely, management practices, human resource capabilities, customer service, external orientation, internal communication, innovation and employee motivation. A summary of the factors, their operational definitions and the accumulative percentage of variance is reported in Table 2.

Table 2. Constraints to strategy implementation dimensions and their description

Factor	Label	Percentage of Variance Explained	Cronbach Alpha	Description
CO1	Management Practices	41.812	0.736	This pertains to the manner in which company authorities initiate and implement the key activities of planning, directing, organising, and controlling
CO2	Human Resource Capabilities	6.386	0.812	This relates to the availability of people who have the right skills in the company
CO3	Customer Service	4.113	0.790	This refers to the advice and assistance provided by a company to people who purchase its products or services, in order to meet their needs
CO4	External Orientation	3.771	0.764	This involves interactions with external stakeholders such as government, the community, customers, competitors and suppliers
CO5	Internal Communication	2.658	0.891	This refers to the existence of open multi-lateral and vertical communication in the company

CO6	Innovation	3.962	0.876	This refers to the creation of more effective products, services, processes and technologies as well as or new (fresh) ways of operating
CO7	Employee Motivation	3.347	0.727	This refers to the inclination by individuals to exert high levels of effort toward organisational goals, as conditioned by that individual's desire to satisfy some internal or external need
	Business performance	N/A	0.922	This refers to level of fulfilled tasks of the business's aims or targets as determined by outputs obtained at the end of a particular business period

Source: Author

As indicated in Table 2 the seven factors accounted at least 66% of the explained variance in constraints to strategy implementation. The value of explained variance was considered to be adequate because it exceeds the 60% minimum threshold prescribed by Malhotra (2011). By implication, approximately 34% of the total variance explained is accounted for by other extraneous factors (constraints) that were not included in this study. Amongst the seven factors, management practices made the highest contribution of nearly 42% of the variance explained, whilst internal communication made the lowermost contribution of approximately 2.7% to the variance explained.

4.3. Correlation analysis: constraints to strategy implementation and business performance

The degree of association between the seven constraints to strategy implementation and business performance was measured using Person's Correlation Coefficient. The results of the correlation analysis are reported in Table 3.

Table 3. Correlation Analysis, Means and Mean-Score Ranking: Constraints to Strategy Implementation and Business Performance

CONSTRUCT	CO1	CO2	CO3	CO4	CO5	CO6	CO7	BP
BP	-0.782**	-0.734**	-0.650**	-0.611**	-0.473**	-0.647**	-0.568**	1.000
Mean	3.91	3.65	3.57	3.48	3.23	3.52	3.29	3.64
Mean Ranking	1	2	3	5	7	4	6	N/A

Note: ** Correlation is significant at the 0.01 level; * Correlation is significant at the 0.05 level. CO= Constraints to Strategy Implementation; BP= Business Performance

Source: Research results

Table 3 reports that mean score values computed for all constructs ranged between 3.23 and 3.91, which represents and leaning towards the 'Agree' position on the Likert Scale. This result implies that in general, respondents generally acknowledged the existence and impact of the seven constraints at the waste management company. In tandem with the each constraint's contribution to the percentage of variance explained management practices ($\bar{x} = 3.91$) emerged as the most dominant constraint while internal communication ($\bar{x} = 3.23$) emerged as the weakest constraint to business performance.

With reference to correlation analysis, Table 3 reveals significant negative relationships between business performance and constraints to strategy implementation, with resultant coefficients ranging between $r = -0.473$ and $r = -0.782$ (all with p -values < 0.01). All seven constraints to strategy implantation were factors of market orientation were negatively and significantly correlated with business performance. Based on these results, the decisions reported in Table 4, as regards the proposed hypotheses were made:

Table 4. Hypotheses Tests Results

Hypothesis	Description	Decision
H ₀	The strength and quantity of constraints to strategy implementation exert no influence on business performance at the waste management company	Rejected
H ₁	The higher the strength and quantity of constraints to strategy implementation, the lesser the business performance at the waste management company	Accepted

Source: Author

Decisions were made to reject the null hypothesis (H₀) and to accept the alternative hypothesis (H₁), given that there were significant negative correlations between all constraints to strategy implementation and business performance. Thus, it can be

deducted that business performance decreases as each constraint becomes more extensive, and improves as each constraint weakens.

4.4. Multiple Regression Analysis

Multiple regression analysis using the enter method was conducted to determine prediction between business performance and constraints to business performance. Constraints to strategy implementation were entered into the regression model as the independent variables while business performance was entered as the dependant variable. The results are reported in Table 5.

Table 5. Regression Analysis: Constraints to Strategy Implementation and Business Performance

Independent Constraints to Strategy Implementation	Variable: Strategy	Dependent variable: Business Performance				
		Beta	T	Sig	Collinearity Statistics	
					Tolerance	VIF
C01		-0.355	5.373	0.000	0.851	5.874
C02		-0.434	0.488	0.004	0.723	2.279
C03		-0.394	5.102	0.001	0.715	6.163
C04		-0.291	2.649	0.073	0.543	3.482
C05		-0.131	0.444	0.003	0.623	2.647
C06		-0.208	4.317	0.000	0.727	4.281
C07		-0.227	1.992	0.046	0.587	3.235
R= 0.714 Adjusted R² = 0.517 F=75.284						

Source: Research Results

The regression model reveals that the seven constraints to strategy implementation (adjusted R² = 0.517) explained approximately 51% of the total variance explained. Multicollinearity statistics did not signal any significant risk, since all Variance Inflation Factor (VIF) values were less than the recommended maximum threshold of 10 (Field, 2005) and all tolerance values were less than the recommended minimum of 0.5 (Dennis, 2011).

5. Discussion

The discussion focuses on the interaction between each extracted constraint and business performance.

5.1. Management Practices and Business Performance

An analysis of the correlation matrix reveals a significant and strong negative correlation ($r = -0.782$; $p < 0.01$) between management practices and business performance while the regression model indicates that management practices were statistically significant ($\beta = -0.355$; $t=5.373$; $p=0.000$). The result of the correlation

analysis depicts that the more widespread the constraints arising from management practices, the poorer the performance of the company, and vice versa. The result of the regression analysis demonstrates that constraints originating from management practices predict business performance, *albeit* negatively. As suggested by Snowden and Boone (2007), management is all about influence and leadership in the sense that it involves mobilising the entire human element for shared organisational aspirations. The modern business world requires managers who are able to keep internal focus, alter the status quo and centres of gravity, help the employees and the company to adapt to the changing times and to perform well while concurrently sustaining the importance of customers and external perspective (Hè, 2009). This implies that management style is instrumental in shaping the implementation of programs and their intended outcomes. Therefore, management malpractices are breaking the waste management company apart and should be monitored and adjusted consistently in order to ensure that they are aligned to the mission and vision of the company.

5.2. Human Resource Capabilities and Business Performance

In the correlation analysis, there was a significant negative association between human resource capabilities and business performance ($r = -0.734$; $p < 0.01$). In the regression analysis, human resource capabilities were statistically significant, although in the negative direction ($\beta = -0.434$; $t = -0.488$; $p = 0.004$). The results of the study indicate that more commonplace the constraints emanating from human resource capabilities become, the lesser the business performance. Human resource capabilities perform an important role in the functions of every department in an organisation in the sense that it influences all the people working there. As stated by Bernadin (2007) companies that perform well are characterised by effective human resource practices that include selective hiring of talent, extensive training, self-managed teams, decentralised decision making and reduced status distinction. Changes in pay and promotion policies can be used to improve employee perceptions of reward orientation and possibly of equity and fairness (Combs, Liu, Hall & Ketchen, 2006). As suggested by Mani (2010) human resource practices foster employee's wellbeing and motivation and this in turn leads to enhanced performance since organisational performance is influenced through a favourable work climate which is the atmosphere in an organisation. In addition, Unite, Sullivan, Brookman, Majadillas, and Taningco (2008) suggest that properly trained employees are ready to meet requirements for their jobs and that healthy practices can enable the organisation to maintain good relations with labour unions. Therefore, contrary to what is happening at the waste management company, human resource capabilities have to be prioritised in order to stimulate superior business performance.

5.3. Customer Service and Business Performance

The results of the correlation analysis reveals a significant negative association ($r = -0.650$; $p < 0.01$) between customer service constraints and business performance. As regards regression analysis, customer service constraints significantly predicted business performance ($\beta = -0.394$; $t = -5.102$; $p = 0.001$). By implication, the more dominant the customer service constraints become, the lesser the business performance, while the reverse is also true. Disgruntled customers usually respond to poor service by switching to alternative service providers. Customers frequently deliberate upon and scrutinise the type of service delivered to them. As a result, the understanding of customer service becomes an essential priority for service providers (Tahir & Baker, 2007). It therefore becomes obligatory for companies such as the waste management company that operate in the service industry consider the views of customers in terms of standards of products and services and consistency in their provision.

5.4. External Orientation and Business Performance

In the correlation analysis, there was a significant negative association ($r = -0.611$; $p < 0.01$) between external orientation constraints and business performance. With reference to regression analysis, external orientation constraints significantly predicted business performance ($\beta = -0.291$; $t = -2.649$; $p = 0.0073$). These results demonstrate that ineffective interactions between a company and its strategic constituencies in the external environment have a detrimental effect on the business performance of that company. As mentioned before, external orientation is concerned with the extent to which the company establishes linkages with various strategic constituencies in its external environment with the intent to reach a desired common goal (Kim, Ryoo & Jung, 2011). These formal arrangements with stakeholders across organisational, industry and national boundaries are important in that they bring together resources or assets, both tangible and intangible with the result being mutually added value (Craighead, Patterson, Roth & Segars, 2006). This implies that both inputs and outputs are formally shared by the different independent partners involved in the relationship (Ranaei, Zareei & Alikhani, 2010). This makes it pragmatic for business entities such as the waste management company to expedite their environmental orientation in order to reap the benefits associated with such activities.

5.5. Internal Communication and Business Performance

The results of the correlation analysis indicate a moderate negative correlation between internal communication and business performance ($r = -0.473$; $p < 0.01$). In terms of regression analysis, internal communication was statistically significant ($\beta = -0.131$; $t = -0.444$; $p = 0.003$). These results illustrate that ineffective communication within the organisation has a negative impact on business performance. There is evidence in previous studies which reiterates the influence of

organisational communication processes on the implementation of operational strategy. For instance, a study conducted by Koza and Dant (2007) found that financial performance in a company is influenced by the type of communication strategy adopted by that company. In support, Paulraj, Lado and Chen (2008) found higher levels of gross revenues, net operating income and extensive growth in net revenues amongst companies that emphasised strong internal communication. A previous study by Sinickas (2001) found that communication is a strategic mechanism that promotes supportive and effective dispute resolution behaviours in addition to enabling organisations to interact effectively. In another study conducted by Rapert, Velliquette and Garretson (2002) it was discovered that frequent two-way vertical communication has the effect of improving both strategic consensus as well as organisational performance. Furthermore, effective internal communication also stimulates information asymmetry and greater behavioural transparency, both of which are important in lowering costs associated with transactions and enhancing transaction value (Kotler, 2004). Smircich and Calas (2007) also suggest that there exists a positive connection between effective communication and organisational performance. Thus, it is best that communication be considered as a strategic tool in terms of its implications for business performance at the waste management company.

5.6. Innovation and Business Performance

The association between innovation and business performance was significant and negative ($r = -0.647$; $p < 0.01$). Regression analysis showed that innovation significantly predicted business performance ($\beta = -0.208$; $t = -4.317$; $p = 0.000$). These results imply that limited innovation in a company inhibits business performance while unrestricted innovation promotes improved business performance. When innovation improves in the organisation, overall performance of the organisation itself is bound to improve. As shown in a study by Jiménez-Jiménez and Sanz-Valle (2011) organisational innovation tends to contribute positively to business performance depending on the size as well as age of the firm, industry and stability in the environment. Camisón and Villar-López (2012) further validate that innovation in organisations leads to the development of technological capabilities and that both organisational innovation in addition to technological capabilities for products, services and processes lead to superior company performance. Additionally, García-Morales, Jiménez-Barrionuevo and Gutiérrez-Gutiérrez (2012) support that organisational innovation affects organisational performance positively, as determined by the type of leadership style in that organisation. Innovation is also one of the primary approaches to differentiate a company's product from the offering of the competition (Autant-Bernard, Fadairo & Massard, 2013). For example, if the waste management company cannot compete on price, it can create innovative services or products and ideas that enable it to outperform its competition. When a company is failing to innovate and

transform as needed, its customers, employees and the community at large will all be affected (Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi & Rezazadeh, 2013). As such, the ability to promote and manage innovation and change should be regarded as an essential part of the competencies of every manager and employee at the waste management company. Therefore, it is important to develop and maintain a culture of innovation in order to optimise business performance in the company.

5.7. Employee Motivation and Business Performance

In the study, employee motivation significantly and negatively correlated business performance ($r = -0.568$; $p < 0.01$), while regression analysis exhibited that employee motivation significantly predicted business performance ($\beta = -0.227$; $t = -4.317$; $p = 0.000$). These results validate that typically, business performance will be depressed when the morale of employees is low and is likely to flourish when the morale of employees is high. It is important for organisations to ensure that their employees are motivated. According to Du and Choi (2013) highly motivated employees positively influence organisational performance through increasing the quality of products and services. McGregor and Cutcher-Gershenfeld (2006) advocate that in organisations with a focus on motivating their human capital, the quality of their outcomes is much higher than in organisations without a progressive human resource management policy. In agreement, Stumpf and Tymon (2012) state that motivation is an important driver of service quality in the service industry where the products are intangible, inseparable and highly dependent on the employees that deliver. Ryan and Haslam (2007) uphold that motivated employees are highly committed to the organisation and are likely to exhibit organisational citizenship behaviours. Wagner and Harter (2008) noted that there is lower absenteeism, employee turnover and incidences of industrial action in organisations that are committed to motivating their employees. Mani (2010) further stresses that in modern day organisations, motivated employees tend to be more loyal to the organisation than those who with a low morale. In addition, Ambrose and Schminke (2009) argue that knowledge is practically used to a maximum in organisations that possess the ability to motivate their employees. It is evident that it is better for the waste management company to ensure that its employees are motivated, as this is associated with a wide array of benefits. Without motivated employees, it is unlikely that the company will be able to turnaround its business performance.

6. Limitations and Implications for Future Research

Although this study provides some valuable information about the influence of constraints to strategy implementation and business performance, caution is warranted when considering the results because the study has some inherent limitations. Firstly, the findings of the study are based on one organisation, which

is based in a single geographic location (Gauteng Province) and a small sample (N=309) was used. This makes it difficult to generalise the results of the study to other contexts. Future studies on similar topics could be conducted using an amplified geographic scope and sample size. Secondly, since a structured questionnaire was used, it was possible that the depth of information that was received from respondents was restricted to what was asked in the questionnaire. In view of this, a mixed method approach could be used in future studies, in order to capture those insights that were excluded from this study. Finally, the study was susceptible to common method bias since all the response items were assessed using a single instrument that was administered to respondents in the same period of time. In the future, data could be collected at different time periods so that variations in responses can be captured.

7. Conclusions and Managerial Implications

The aim of this study was to investigate the influence of constraints to strategy implementation on business performance, using data collected from a sample of employees in a waste management company based in Johannesburg, South Africa. The study identified seven constraints; namely, management practices, human resource capabilities, customer service, external orientation, internal communication, innovation and employee motivation, that obstruct strategy implementation. Among these constraints, management practices emerged as the most dominant while internal communication emerged as the weakest. The study found that business performance is likely to decrease as each constraint becomes more prevalent. All constraints significantly predicted business performance, suggesting that business performance is dependent upon the strength and volume of constraints to strategy implementation.

The study has theoretical and managerial implications. Theoretically, the study provides current insights on constraints to the implementation of strategy and their impact on business performance within the context of publicly-owned waste management companies in developing countries such as South Africa. In view of this, the study becomes an important source of literature for future scholars who intend to conduct similar researches. To management practitioners the study acts as a diagnostic mechanism for business performance-related issues within the waste management industry. More precisely, structural adjustment of each of the seven independent factors considered in this study can lead to significant improvements in business performance.

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Labour Market Trends in Transition Economies with Emphasis on Gender Inequalities

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Abstract: Main purpose of this research paper is to show the recent trends of labour market issues regarding gender inequality in the countries that are still in the transition to the market oriented economy. Transition to competition has effected in increasing the level of unemployment to economically active population, with the higher consequence for females than for males, from which some females have left labour market and they became inactive in job searching. In this paper we analyze and compare gender gaps through the main components of labour market trends as level of education, active participation in labour market, occupational segregation, employment and unemployment for both genders of the countries that are still in transition like Albania, FYR of Macedonia and Kosovo in comparison with EU countries. Given that closer are these countries in joining the EU; higher are the requirements for increasing the level of employment targets and in approving and implementing social policies on gender equality in labour market according to the EU legislations. Methodology used in this paper is through case studies by using secondary data from the most recent labour force surveys (LFS) of transition countries in South East Europe and comparing them with the EU targets. Also regarding occupational segregation by gender the Duncan & Duncan Index is calculated. The study shows that depending on the stages that countries are in transition earlier or latter, the labour market components regarding gender are more comparable and closer with the targets of the EU countries, and that occupational segregation is higher in the transition countries where the unemployment level of females is in the higher range.

Keywords: Labour Market; Gender Equality; Transition; employment; unemployment

JEL Classification: J16; J7; E24

1. Introduction

Research and exploring labour market is a subject that is important for each economy in general. Gender inequality in labour market is still present in EU countries, although gender gaps are narrowing in most of the countries, but this issue is more evident in the economies that are still in transition. This research paper is mainly important, since there are just a few analyses of the gender issues in labour market in countries that are still in transition in Europe.

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On an equity basis, gender equality in labour market is important for sustainable growth and appropriate use of the human capital. This is a reason why exploring gender inequalities in labour market are important, especially in transition countries where labour markets, have experienced major changes.

Labour markets with the changes and the higher competition in transition process has effected in increasing the level of unemployment to economically active population. This has had higher consequence for women than men, from which some have left the labour market. Since, gender gaps are not always a consequence of discrimination in labour market the aim of this paper is to analyze and compare the main components as level of education, active participation in labour market, occupational segregation, employment, and unemployment for both genders in some of the SEE countries that are still in transition. Albania, FYR of Macedonia and Kosovo, are the transition countries that have been selected for this research, these countries have different macroeconomic policies, but they have the same targets as policies to create new jobs and creating more sustainable labour market. Since, closer the countries are in joining the EU, higher are the requests for approving and implementing social policies and employment policies. Which also include equal opportunities for men and women, and also coordination of social security schemes and other policies. Labour market is a very dynamic issue since it is dependent on different factors that have a direct influence in it like; competition, investments, economic development, competition in human capital and the activity of labour force. Therefore we can say that labour market is very dynamic and information's that reaches the labour market often are not available so we can say that sometimes the information's are asymmetric. Given that labour market is not dependent only from supply and demand of the human capital but also from: legislation, employment policies, development policies, system of education and so on.

The transition to the market economy, determines changes of using human capital from both genders. From the high level of employment in the previous system, unemployment reached very high level in the early stages of transition, with women being more affected than men by employment cuts. Also women previously had high participation rates in full time employment in exclusively formal labour market in which the state was primary, and often the only employer, which has been replaced by a broader mix of more flexible employment opportunities (Casez & Nesporova, 2002). The situation at the beginning of the transition process reflected the past system unemployed prevailed men counterparts mostly because industry enterprises, where many women worked as a secondary workers were closed or transformed. In view of the fact that most of the women, before the transition were employed in the secondary sectors they had less trainings on the job therefore it was more difficult for them to find jobs when the transition started.

It is well known that care-giving and household work has been disproportionately allocated to women while men have specialized in “productive activities”. In most societies and economic systems, the rewards to the men far exceed those to women. In addition, the returns to men’s “productive activities” have historically been higher than those of women’s, worldwide (Paci, 2002).

The persistence of gender disadvantage is the evidence that females even though if they increased the level of their participation in paid job, it is not accompanied by the gender participation in the unpaid job in the caring activities of the family. (Kabeer, 2012).

Transition period puts countries in front of a lot of challenges, it imposes the need to invest in human capital, increasing the efficiency of human resources, which also sets the need for professionals, and greater level of education for labour forces, which is considered as the vital part of the economies oriented to competition and labour.

This paper will also aim to demonstrate that like every part of economy that has the influence in economic development; decrease in gender inequality in labour market will have a positive effect in the economy. Since this an important part of economy and income, and especially where formal economy is limited, and system of social protection is very low. Labour market, creating of new jobs and gender inequality should be treated with special interest during the whole time in order to have stability in the economy.

2. Literature Review

Gary Becker (1957; 1971) is given credit for being the first economist to think about labour market discrimination in a systematic way. Becker assumed that minority workers (women, blacks, etc.) and majority workers (white men) are equally productive.

He hypothesized that labour market discrimination is based on personal prejudice, or “tastes”. Therefore, the only reason that a profit-maximizing employer would treat equals unequally is if he, the other employees, or the customers dislike members of the minority group.

Human capital theory links occupations and wages to lifetime labour force participation and the division of labour within the family, thus the effect of lower lifetime labour force participation and intermittency is to lower gains from human capital investment. Hence, individuals expecting labour force intermittency will choose occupations in which penalty or depreciation of human capital is lowest (Polachek, 2004; Polachek, 1999).

Neoclassical non-competitive theories are the ones that are more used to explain discrimination in labour market. By using non-competitive theories we can explain gender gaps in most of the transition economies, in which unemployment is a greater problem than gender wage gaps since the competitive theories do not explain the persistence of the minority group discrimination, non-competitive approaches have become more popular. Non-competitive models use monopsony problem in to the problem of discrimination. A monopolist is able to pay wages below the competitive level, since monopolist are not threatened by lower cost non-discriminatory firms penetrating their markets, hence they can exercise discriminatory prejudices without any constraint. The lack of alternative employment opportunities potentially also gives monopsony the ability to “wage discriminate” that is to pay each individual their reservation wage. If women have greater immobility compared to men, than they may also have higher search costs due to poorer contacts with the informal networks providing labour market information, subsequently they maybe more subject to monopsony power (Adnett, 1998). Alternative approach which explains a permanent gap in inter group outcomes, begins with weaknesses of competitive forces assuming that the firm’s labour market policies are independent of market conditions where “insiders” can resist competition of job by “outsiders”. Non-competitive group theory was advanced by W. Arthur Lewis (1979) and initially explained by Darity and Mason (2004); Lewis starts with an inter-group challenge in the positions of hierarchal occupational structure.

Early stages of transition from the centralized economy in the open economy brought also the recession and redistribution of jobs and capital; therefore there was a high level of unemployment, from their very low level before the transition in the double digits in most of the transition countries. Nevertheless what is surprising is that the level of unemployment did not decrease in later stages of transition although they had a high increase of economic development with attracting Foreign Direct Investments and higher integration of the economy (Mynih dhe Svejnar, 2007). Another explanation might be that with the lack of convergence of unemployment, is that qualified and unqualified person’s response differently when there is a very huge change in their labour market such as transition to the market oriented economy. When there are such considerable changes employers with the lower skills as there were females in transition countries, have lower possibility for mobility for job search therefore they have more chances to leave the labour market, while for the qualified persons opportunity costs for leaving the labour market is higher therefore they work or continue searching for jobs . This gives the higher consequence and disproportion on the unskilled workers and females, which also have their outcome in unemployment (Jurajda & Terrell, 2009). According to Boeri et al. (1998) regional disparities in the level of regional unemployment exist in all the countries that go through transition. While according to (Vanhala, 2009) most of the countries in

Europe have low changes in unemployment rates, therefore than they provide greater increase and persistence in unemployment

3. Gender Labour Gaps in Transition Countries and Comparison with EU

Gender gaps in employment, unemployment, wages and in representation are specifics that are also aim of the countries that are in European Union, and they are part of the requirements for the countries that are planning to be part of the European Union. One important issue is the decision made at the Lisbon's summit held in June 2000 where EU governments declared that they will aim to reach an employment rate target of 70% by the year 2010. Hence, by reaching that target maybe the gender employment gap will be narrowed even further. According to statistics from Eurostat from the labour force survey's (LFS) the level of employment of women was 58.2% compared to 70,1% men , during this 10 years the level of employment of women increased for approximately 7 %, so the level of unemployment decreased but it did not reach the Lisbon summit target. The new Strategy for Europe 2020 regarding labour is encouraging its members to make measures for the three main targets in the EU;

- “75 % of people aged 20 to 64 to be in work”;
- “rates of early school leaving to reduce below 10 %, and for at least 40 % of 30 to 34-year-olds to have completed a tertiary education”;
- “At least 20 million fewer people to be in or at-risk-of-poverty and social exclusion”.

The European Strategy for a smart, sustainable and inclusive growth (Europe-2020) aims to reach 75 % the employment rate target for both genders for the EU as a whole¹.

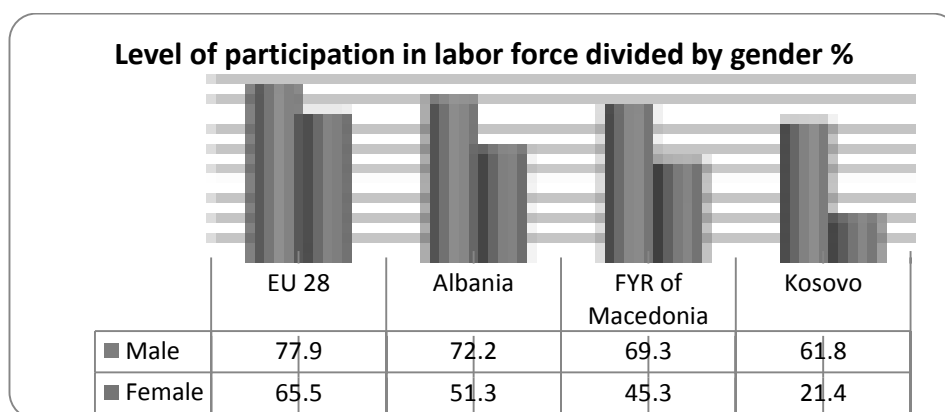
As we can see gender inequality in labour market is still an issue also in the western economies. Even though different trends of gender inequality: employment, unemployment and pay gaps have variation between different countries in the EU, some have a higher level of equality some are still far below the targets set. Since gender gaps are not always a consequence of discrimination in labour market the aim of this research paper is to analyze and compare the main components as level of active participation, level of unemployment and occupational segregation, for both genders in countries that are still in transition in South East Europe such as; Albania, Kosovo and FYR of Macedonia.

¹http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics.

3.1. Labour Market Participation in Transition Countries, Comparison with EU

The starting point when we want to analyze the labour market is the level of activity of the working age population in the country, and the level of participation of both genders. As part of the enlargement process in the EU all of the future candidates are trying to modify and adapt their legislation according to the EU legislation. Nevertheless there are some differences regarding gender in the indicators between the EU countries and countries that are still in transition. In most of the transition countries participation of females was very high before transition, and have declined in the early stages of transition. According to international standards, level of activity of the labour force in some countries that are still in transition and part of our research is very low, which can contribute to a lower level of employment and very high level of unemployment. As we can see from the table below activity rate of females in transition countries is very low in comparison with EU countries. According to the data for 2013 in EU the level of participation for EU countries was 65,5 percent for females and 77,9 percent for males, whereas in Albania according to the latest labour force survey (LFS) the rate of participation is 72,2 percent for males and 51,3 percent for females. Therefore it results for approximately 15 percent difference of participation for females. The difference is even higher if we compare FYRoM and especially Kosovo with EU countries, there is a difference in female participation of 20 percent for FYRoM and for more than 40 percent for female participation in Kosovo which is in the level of only 21,4 percent. Although, also the level of participation of males is low according to the EU standards for Kosovo with around 15 percent difference.

Table 1. Level of participation in labour force by gender, transition countries and EU



Source: Eurostat 2013, and LFS 2014 Kosovo, Albania, FYRoM.

The stage in which the countries are in the transition process early or late influences also the indicators of the labour market, as we can see Albania and

FYRoM have considerable improvement in labour force participation in general and also divided by gender in their labour market. If we compare Kosovo, with the other two countries of the region the level of participation of females is much lower even though the transition started later in Kosovo than in the other regional countries, this results are very low and they should be the main focus of consideration from the local government and policy makers.

In FYRoM according to some recent research conducted, one of the reasons of low participation of population in labour market is the remittances inflow, this can also be one of the reasons of low participation of active population in labor market in Kosovo since the level of remittances is high here as well. One other reason is the low level of education especially in the rural areas, lack of the skills that are needed for the job search in the labour market. In Kosovo the population is the youngest in Europe, which can also be one of the reasons of low participation in labour market since they might be still participating in education. Also the evidence shows that most of the unemployed persons are unemployed for more than a year, which is very present in all of the three countries, and which leads to discouragement of labour market participants and job searching.

3.2. Unemployment Level in Transition Countries and Comparison with EU

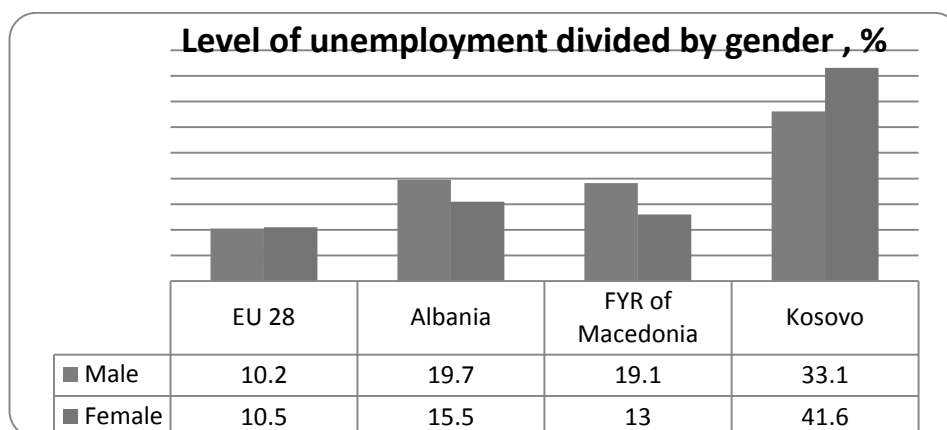
Unemployment is usually persistent and it continues process. Possibility of keeping in control unemployment from the governments in each country is important since it reflects directly in sustainability and development of the economy. In urban areas usually the level of unemployment is lower than in rural areas. The studies that have been done until now show that the main reason is the mobility issues of the labour force, and high prices of transport.

According to the table 2, below level of unemployment differs from one country to another, but is still much higher in transition countries than the average of the EU countries for both genders. In EU countries the level of unemployment is 10,5 percent for males and 10,7 percent for males , in Albania we have higher level of unemployment for males with 19,7 percent and 15,5 percent for females , from this results we can say that Albania has been a lot of improvement regarding gender issues in unemployment . While in Kosovo the level of unemployment is much higher for females with the level of 41,6 percent and 33,6 percent for males, which is much higher than EU countries and also in comparison with Albania . In FYRoM we have similar results as in Albania with males having higher level of unemployment than females, those results we can say that are comparable with some of the EU countries.

If we refer to some earlier studies for Kosovo (Riinvest, 2003; Hoti, 2003). There are two indicators that influence in opposite sides the level of unemployment in Kosovo, a high level of young population and therefore high level of inflows in labour market, and high level of emigration. First issue has the impact on

increasing the level of unemployment, the other decreases the level of unemployment. As we can see from the data of 2014 more than 10 years after the conclusion of these studies, pressure was much higher with labour inflows than it was with the level of emigration.

Table 2. Level of unemployment divided by gender, EU & Transition countries



Source: Eurostat 2014, and LFS 2014 Kosovo, Albania, FYRoM.

According to the World Bank indicators there are just a few countries in the world that have the level of unemployment higher than 25 percent, and from the table 2 above we can see that Kosovo is one of them.

Groups that are mostly influenced from unemployment in Kosovo are persons with no education which consist of approximately 60 percent of the unemployed, and the lowest level is for persons which have university degree with almost 15 percent. Education improves the chances of getting a job especially for females since the level of unemployed females with the university education was 20 percent and for females with no education is more than 68 percent. In Kosovo It is also very important to address related issues to education, since the unskilled females have the higher level of unemployment, therefore there is a need for the vocational trainings in developing skills matching the market needs (Beira, 2014). In Albania the highest level of unemployment is for persons with secondary education.

In FYRoM the highest level of unemployment is for persons who finished professional secondary education following for persons with only primary education, it is interesting that females with tertiary education have much higher levels of unemployment compared to males. (Women and Men, 2014).

3.3. Level of Employment in Transition Countries, Comparison with EU

Employment is also one of the main indicators of sustainability and growth in general which is also linked with educational system and the skills that are needed

in the labour market. If we compare the level of total employment and the level of education in Eu with transition countries from the latest data we have as follows:

In EU countries employment by the level of education with university degree were 83,4 percent and with secondary education 52,1 percent.

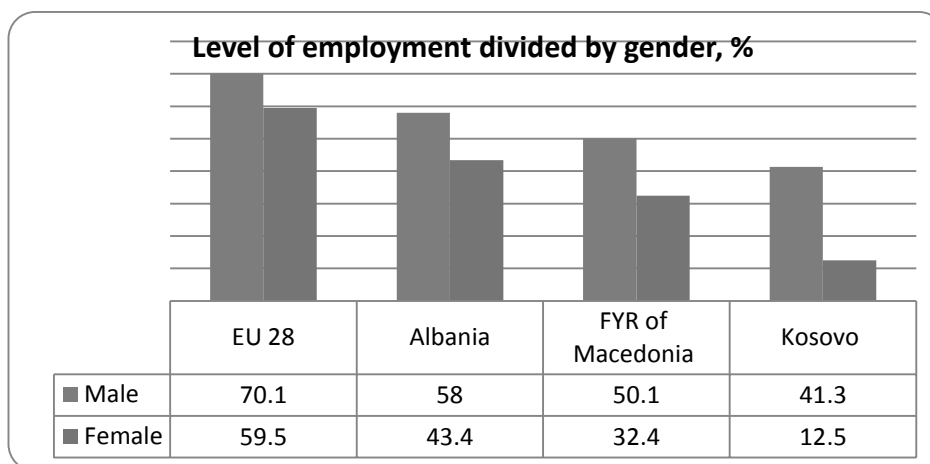
In FYRoM the level of employment for persons with tertiary education is 71,4 percent compared to 35,4 percent for persons that have secondary or primary education .

In Kosovo the highest level of the people employed is with secondary professional education with 42,5 percent and with tertiary education approximately 25 percent.

In Albania we have only cumulative data which might not be comparable, but if we use those data the highest level of employed persons is with secondary education.

If we compare the EU countries with transition countries in South East Europe, from the table 3 below, Albania is most comparable with the average of the EU countries with the difference in the level of employment of females of 15 percent, followed by FYRoM with the difference of 25 percent, while Kosovo has the lowest level of employment for females of only 12,5 percent. Some of the reasons are very low participation rate which than might have a consequence on a very low employment especially for Kosovo.

Table 3. Level of employment divided by gender, transition countries and EU 1



Source: Eurostat 2014, and LFS 2014 Kosovo, Albania, FYRoM

In Albania employees with paid wages are 42 percent of the employees, the others are self employed and also employees without a pay that work for family are around 35 percent from which the higher percentage is those of females, by having 1.8 higher chances to be employed in the family without a pay compared to males.

This indicates that it is a high level of informal employment in Albania. Also in FYRoM from the study of the World Bank (2008) there is a higher level of informal economy, and there are a lot of workers which work without any contractual agreement. From those there is a higher possibility for males to work in their own unregistered firms and females are mostly employed in agriculture without a payment.

In Kosovo there is a similar level of informal economy where females are mostly employed in the microbusinesses as sales personnel without contracts and with minimal wage.

4. Occupational Segregation in Transition Countries

Occupational segregation is also an important indicator that reflects the gender gaps in labour market. Also in the transition countries as in the western economies females are more concentrated in the professions that have the lower payment. Mainly its role is regarding gender inequality in wages, because it reduces chances for female workers to aspire for the jobs that are in the higher range in labor market (Beqiri & Selimi, 2015). In Albania females are more concentrated agriculture and trade services, public administration and health workers are mostly occupied by females. In FYRoM females are concentrated in agriculture health and caring activities but In Albania employees with paid wages are 42 percent of the employees, the others are self employed and also employees without a pay that work for family are around 35 percent from which the higher percentage is those of females, by having 1.8 higher chances to be employed in the family without a pay compared to males. This indicates that it is a high level of informal employment in Albania. Also in FYRoM from the study of World Bank (2008) there is a higher level of informal economy, and there are a lot of workers which work without any contractual agreement. From those there is a higher possibility for males to work in their own unregistered firms and females are mostly employed in agriculture without a payment.

In Kosovo also informal economy is present, where females are mostly employed in the microbusinesses as sales personnel without contracts and with minimal wage.

4.1. Duncun & Duncun Index of Gender Occupational Segregation

Occupational segregation is also an important indicator that reflects gender gaps in labour market. Also in the transition countries as in the western economies females are more concentrated in the professions that have the lower payment. In Albania females are more concentrated agriculture and trade services, public administration and health workers are mostly occupied by females.

In FYRoM females are concentrated in agriculture health and caring activities

Duncan and Duncan index of segregation (St) is defined as:

$$I = \frac{1}{2} \sum_{i=1}^n |M_i - F_i|, \text{ where; } M_i \equiv \frac{m_i}{m} \text{ and } F_i \equiv \frac{f_i}{f}$$

Where M_i and F_i is the proportion of males or females employed in profession I .

When $i = 0$, There is no segregation in that job category $M_i = F_i$ when $i = 1$ means that there is a total segregation in each professions, and when $M_i > 0$, and $F_i = 0$ and there are segregations in those professions and vice versa. M_i and F_i are the percentages of persons in a group Males or Females that are working in that job category i .

$$\sum_{i=1}^n M_i = 1, \text{ dhe } \sum_{i=1}^n F_i = 1$$

Table 4. Duncun & Duncun Index of occupational segregation FYRoM, Kosovo and Albania

Structure of professions by gender, FYRoM, Kosovo, Albania	male	female	FYRoM	male	female	Kosovo	male	female	Albani
Armed forces	96,2	3,9	0,134954						
Managers	72,7	27,3	0,030926	19,9	3,8	0,026632			
Professionals	45,2	54,8	0,091151	30,6	23,5	0,185416			
Technicians and associate professionals	54,5	45,5	0,049867	17,4	9,5	0,055910	13,8	19	0,0552
Clerical support workers	48,1	51,9	0,078277	9,6	5,5	0,034162	19,8	14,5	0,4835
Service and sales workers	60,1	39,9	0,025008	45,9	12,6	0,426923			
Skilled agricultural and fishery workers	80,9	19,1	0,067327	7,4	2	0,023786	57,2	59,4	0,0354
Craft and related trades workers	86,6	13,4	0,09263	47,3	8	0,076534	7,8	4,0	0,0361
Plant and machine operators and assemblers	59,2	40,8	0,118849	24,1	13	0,075413	3,2	3,0	0,0012
Elementary occupations	53,9	46,1	0,05253	61,5	11,9	0,080302	
Total	657,4	342,7	0,741518	264,1	78	0,985082	102,4	100	0,6116
Percentage									
$I = \frac{1}{2} \sum_{i=1}^n M_i - F_i $			0,370759			0,492541			0,3058

Source: Calculations by Author¹

From the table 4, above we can see that occupational segregation by gender is highest in Kosovo, where 49 percent of the females should change their professions in order to have the equally distributed professions among males and females followed by FYRoM where 37 percent of females should change their professions and in Albania approximately 30 percent of females should change their professions to have equally distributed professions among males and females.

5. Conclusions

Research and exploring gender inequalities in labour market in transition economies is the main subject of this research paper. Transition to market economy, has influenced the labour market outcomes with the high unemployment and increase of informal market which has had their influence in the gender inequality. We find that the level of participation of females in the labour market in the transition countries is very low according to international standards and especially if we compare them with the average in EU countries. The lowest participation rate of females in labour market is in Kosovo with only 21, 4 percent participation rate followed by FYRoM with 45 percent participation rate and Albania with 51 percent participation rate compared with an EU average of 65 percent. The reasons for low participation might be the discouragement from job searching since most of the unemployed is long-term unemployed, employment in informal economy or attending the education which might especially be true for Kosovo since it has the youngest population in Europe as well as the gender discrimination in existing labour market. Another reason for high level of unemployment of females might be due to the caring activities for families that are usually carried out by females for children and family, also might be a subject of prejudice and traditional families although the recent education data show that the participation rate of females in Kosovo is increasing, as well one important issue is lack of social security benefits. The low level of participation rate has the direct influence in high level of unemployment for females which is in the highest level for females in Kosovo with the level of unemployment of 41, 6 percent, the other two transition countries are comparable with the EU countries. In EU countries the Labour Laws, Laws against discrimination are implemented therefore there is a higher stability in the labour market. In transition countries these Law's and policies are set with main basic rules, or they are in the process of updating with the EU legislation and policies. From our research we find also that the gender segregation in professions is also present in transition countries, with the highest level of segregation in Kosovo where 49 percent of the females should change their

¹ Secondary data derived from LFS 2013 Kosovo, Albania, FYRoM.

professions in order to have the equally distributed professions among males and females followed by FYRoM where 37 percent of females should change their professions and in Albania approximately 30 percent of females should change their professions to have equally distributed professions among males and females. Since, the highest consequence of gender segregation is that it also contributes in gender wage gaps. Segregation in professions is also important for the efficient allocations of human resources.

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Doing Business in Romania between Hopes, Realities and Risks

Gabriela Marchis¹

Abstract: After a decade of economic turmoil, emerging from globalization, the entrepreneurship can be seen as an opportunity for overcoming the impact of the crisis. This article highlights the main aspects regarding Romanian entrepreneurship, as a potential source of revitalization of the economy, in line with the evolution of European business environment. It tries to familiarize the readers with the environmental characteristic of businesses in Romania. Hence, it is divided in two main parts. The first one highlights the economic and social dynamics, describing the general framework for doing business in Romania, which represent the “fertile soil” for developing entrepreneurial activities and the second part tries to identify the most important environmental variables that characterize Romanian business environment, emphasizing the opportunities but also the challenges for business activities. The results of this study should not be generalized but considered as indicative.

Keywords: entrepreneurship; SMEs; Europeanization; strategic judgments

JEL Classification: L26; M21

1. Introduction

The European business environment was strongly affected by the world economic downturn, but the impact of global recession was perceived differently by entrepreneurs, depending on the phases of their business process and also on their type of national economy: *factor-driven*, *efficiency-driven* or *innovation driven*. Accordingly with Global Entrepreneurship Monitor (2015÷2016), Romania is classified in *efficiency-driven* group, together with Bulgaria, Croatia, Estonia, Hungary, Latvia, Poland and Macedonia. Figure 1 reflects the general feeling of Romanians toward entrepreneurs and entrepreneurship.

GEM 2015/16 Report indicates also the extent to which people think there are good opportunities for starting a business and their capabilities to do so, and also, the level of risk individuals might be willing to assume and their fear of failing. This information is very important because people that have the necessary skills to recognize and to explore business opportunities are central for business

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environment development, and as a consequence, a positive attitude towards entrepreneurship should be sustained by integrated policy responses from different policy areas.

As it may be observed in figure 1, even if the fear of failure in starting a new business little increased in Romania, in 2016 comparatively with 2010, all the other indicators improved in the last years and starting a business is being perceived more like an opportunity. Thus, the option of being an entrepreneur is becoming slowly more attractive than being an employee.

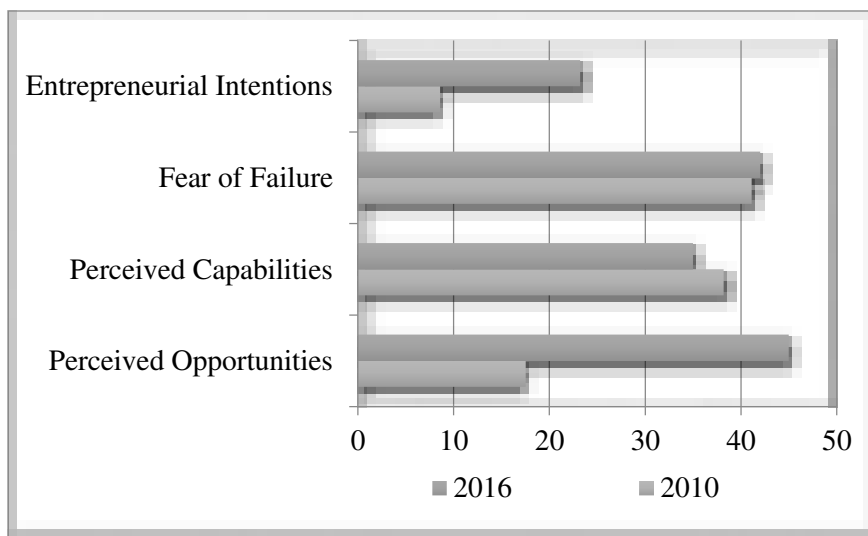


Figure 1. Transition of Entrepreneurial attitudes and perception in Romania 2016 vs. 2010

According to Forbes' list "*Best Countries for Business*", Romania ranks 44 of the most attractive economies in terms of business. Forbes (Forbes.com LLC TM, n.d.), which analyzes 145 countries, is conducted according to 11 criteria, namely free trade, a category in which Romania 9th place, the monetary freedom (67) property rights (54), innovation (74), technology (46), bureaucracy (40), investor protection (57), corruption (62), personal freedom (41), the tax burden (50) and market performance (30).

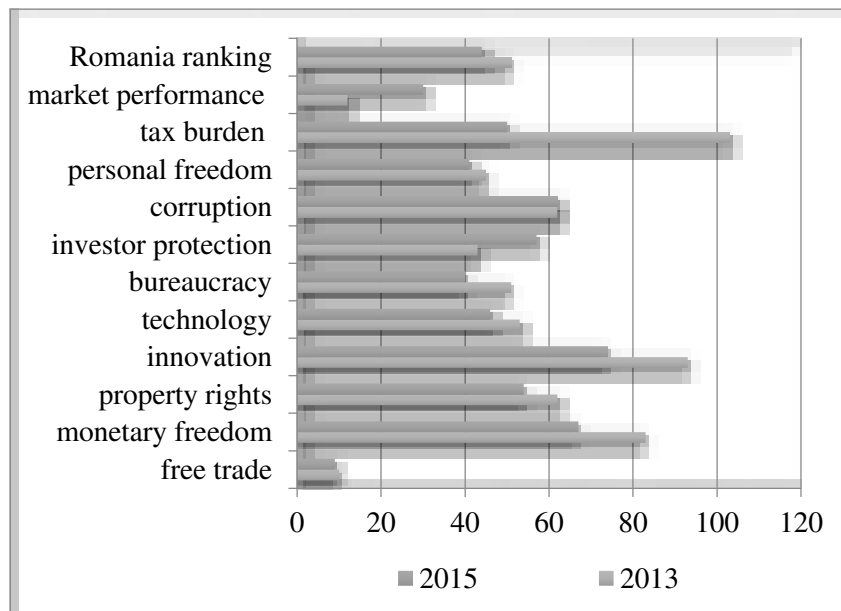


Figure 2. Romania ranking according to Forbes' list 2015 vs. 2013

As it may be observed in figure 2, most of the indicators improved in 2015 comparatively with 2013, but corruption and investor protection are still affecting the business environment.

Romania ranks 37 of 189 countries in the annual ranking of business conducted by the World Bank: “*Doing business 2016*” (International Bank for Reconstruction and Development / World Bank, 2016).

Nevertheless, Romanian entrepreneurship still remains “*under construction*” and the business climate is characterized by greater caution, reduced liquidity, reduced flows of foreign capital, more stringent regulations and actions in order to minimize the risk, which are considerably reducing the capital invested. Trust in business has diminished substantially and will take a long time to return to the previous level of 2009 because the costs of recovery are still important, the remedy of negative effects of the crisis is difficult to implement, and prevention of further similar turbulence is an object on which policymakers still deliberates.

2. Doing Business in a Globalized World

There are a **multitude of factors** that play a great influence over entrepreneurial environment. Among of these, the *political factors* represents the greatest influence on business environment development. Mainly, because the political regime in a

particular country and/or geographical area is responsible for managing the entire process of planning, implementation and evaluation of integrative strategies of development. Moreover, the degree of centralization and/or decentralization in terms of legislations, decisions and also funding, plays an important influence on entrepreneurship environment. The less is done at higher levels, the more local political actors must find their own solutions for spurring the business environment. Withal, an entrepreneur should be aware of the market conditions on which his/her business operates. Thus, the *legislative framework* is another important factor with a great influence on entrepreneurship development. It includes a wide range of normative documents, from *local-authorities decisions*, *national legislation*, *European regulation, guidelines and directives*, and also to *international agreements*. Entrepreneurs are invited to participate in the process of setting up the legislative and normative documents, both on national and communitarian level, but their active involvement in this consultation phase depends mostly on their education as active-citizens and also of the usage and mentality of the society they live in. The *inter-related challenges in the world*, emerging from local, regional, national and global realities are also affecting the business environment. Even if the economic turnover is the lightest example, this category of factors that bring pressure on the life of European companies includes: armed conflicts events; international agreements; trade embargos; the influx of migrants; the politics of states that have a market monopoly; climate change effects and etcetera. *Technological transformation* and the velocity of spreading abroad put pressure on companies' activity and their productivity. Furthermore, the process of *population ageing* is an important challenge for business environment.

Also, other *social factors* are also very important, because they can be found both in the external environment (suppliers, customers, officials, investors, business partners) and the internal environment of the company (employees). Last but not the least, the *financial factors*, which include financial and banking institutions (National Bank policy, Stock Exchange) and their policies and instruments (loans, loans from the state, European funds, etc.) have an important influence on business environment evolution.

These factors manifest themselves differently and with a vary level of intensity in accordance with the specific framework of a country.

Europeanization is a very complex process that involves three types of interaction forces, between EU citizens, among EU member states, and between EU and the rest of the world. The synergic effect of these interactions requires an integrated strategic approach of economic and social development because without a common vision there is the risk that EU become a chaotic world. Achieving the full potential of economic and social development requires a perfect integration among different policies and their delivery mechanisms, which may be obtained only by European

governance. The integrated strategic evolution of EU-28 will ensure stability and predictability of business environment.

3. Is the Fear of Entrepreneurs for Developing Business in Romania Founded or Not?

First of all, let's have a look at the country profile. Situated in the geographical center of Europe, in the south-east part of Central Europe, Romania has a various *geographic characteristics* that may represent an opportunity for any business activity, whatever the field is: agriculture, industry, construction, tourism and etcetera. These geographical characteristics can spur business development because of the great potential of natural resources which can be used in different economic activities, from agriculture to industry or services.

The status of EU member states, achieved on January 1st 2007, even if by definition represents a positive aspect for business environment development, in reality because of the absence at national level of an integrative strategic behavior; the advantages of EU membership could not be felt. A study regarding the entrepreneurs' perceptions about the effects of EU accession showed that even if the majority considers that EU membership represent an opportunity for doing business, 42% of Romanian entrepreneurs consider that EU accession cannot bring "by default" a development of business environment. (Consiliul National al Intreprinderilor Private Mici si Mijlocii din Romania - CNIPMMR, 2015) Also, the study revealed that the perceptions of entrepreneurs vary in accordance with the branch of activity of their business (table 1). Moreover, knowing that business planning and forecasting represent "a must" for business success, it is very difficult to act as veritable entrepreneur in Romania where "change" is a commonplace.

As the theory teaches us, a good entrepreneur makes *smart decisions* identifying potential challenges and involving the right people who will address different problems that arise in the evolution of the business. But, *right strategic judgments*, may occur only if entrepreneurs fully understand what kind of business works and what business models make sense on the market.

The algorithm for strategy implementation consists of the following steps:

1. setting a "target" of long-term development (*vision*);
2. setting measurable *strategic objectives* in the medium term;
3. defining ways of action to achieve the objectives set out above (*development strategies*)
4. determining the *activities* to be undertaken in order to implement the strategies defined in the previous step.

Having established these elements, the entrepreneur will focus on the planning of the following restrictions: *time, cost and resources*.

Table 1. Entrepreneurs’ perceptions on the implication of EU accession on their business activity

Branch of activity:	Romania accession into EU is considered to be:		
	Major opportunity	Major threat	No significant influence
Industry	49.20%	6.20%	44.6%
Construction	63.41%	7.32%	29.27%
Trade	46.23%	3.46%	50.31%
Transport	68.66%	1.49%	29.85%
Tourism	72.73%	2.60%	24.68%
Services	60.98%	2.54%	36.48%

But between theory and practice seems to be a huge gap. *How can entrepreneurs predict the future of their business activity, if there is no vision of development of economic activities at national level?*

According with the “White Paper of SMEs” (Consiliul National al Intreprinderilor Private Mici si Mijlocii din Romania - CNIPMMR, 2015) the activity and performance of Romanian SMEs are negatively influenced by *unpredictable economic development* as a consequence of international crisis (55.85% of all SMEs), *insufficient capacity of the Government and Parliament to adopt a coherent anti-crisis program* (33.16%), *instability and inconsistent legislation* (43.71%), together with *proliferation of bureaucracy* (28.51%) and *a great intensity of corruption* (42.25%). In addition to this, the *insufficient predictability of the environment for companies* (21.31%), *political changes in the state leadership* (12.58%), the *banks’ lending policies* of companies (16.65%), the *climate and social tensions* (13.45%) adversely impact on business development.

Permanent changes of rules, legislation, decision-makers, involve a continuous state of transition and require entrepreneurs to have a strong capacity to adapt.

The risk for business environment arises from the fact that changes in Romania are addressed from the “candle” perspective. (A candle illuminates your path but only for a very short distance without allowing you to see the entire road. So, you need to adapt continuously without knowing the direction you are going to.) This might be the reason why 44.93% of Romanian entrepreneurs consider the accession into EU as a *major opportunity*. (Consiliul National al Intreprinderilor Private Mici si Mijlocii din Romania - CNIPMMR, 2015). Being a part of European Union, Romania is forced to act in a more organized manner, respecting the communitarian calendar in designing its strategies of development, and receiving, where the case is, technical assistance, from the EU partners.

Thus, Romania's accession to the European Union represents a major opportunity to modernize our economy and address the deficiencies of economic development so as to increase the quality of life and reduce the gap with the rest of EU member states. Moreover, the European financial assistance may substantially contribute to economic and social progress, major changes being possible through European grants in order to overcome the recession's effects. It is essential to point out that even if the economic downturn passed, the effects are still strongly felt. In front of this economic turmoil, entrepreneurs have expressed *mixed attitudes*. Thus, passivity has manifested by a lack of response on the "*wait and see what happens*" principle, while active attitudes aimed to drastically reduce the spending, evidenced by lower costs, postponing investments, holidays without pay, slowdown of current activities. Basically, reducing expenditures aims to *re-energize economic activity* going through three stages: **repositioning - reorganization - redirection**. Strategies for recovery from the crisis have focused equally on market share growth, but also the innovative placement of products on the market. Thus, the main actions of the entrepreneurs were: price competition, increased marketing efforts, entering new markets, and offering new products.

But this *adaptability* to new economic realities can be ensured only through **targeted funding**. At first glance, the chart of financing sources available to SMEs seems very diverse¹, but efficiency and effectiveness of these financing mechanisms is determined by how they are managed by national and/or regional authorities. The economic turmoil has negatively influenced *the supply of credit addressed to SMEs*, the descending trend in lending being felt in the entire Union not only in Romania. SMEs need *support and financial incentives* to face the pressures of countering the effects of economic crisis, which has caused a drastic reduction in sales and therefore profits, with particularly strong effects in the short term. Therefore, the crisis has affected the competitiveness of SMEs but also their access to finance.

The impact of economic and financial crisis revealed the need to implement structural instruments, their significant contribution consisting in *setting up the essential conditions for investments*.

Investments in basic infrastructure are a priority because they can generate a modern economy. Also, the investment in human resources development is a necessity in the current demographic context at the European level, one of the main challenges of 2020s stage being demographic change.

In order to address this challenge, the entrepreneurs should invest in trainings of their employees and in innovative projects. *Human resources investments* are central because, only with trained and well-educated personal, a business will

¹ For example: private loans, commercial loans, bank loans, leasing operations, micro-credits, European financial assistance, securities issues on capital market, etc.

flourish and will become more competitive on the market. It is already known that the success of any enterprises is generated mainly by dynamic, confident and creative personal. *Innovative projects investments* represent another area on which entrepreneurs should focus their attention in order to improve their manner of doing business by bring the best practices and technologies in their company and, also to discover new opportunities for doing business in accordance with the market demand.

The dimension of entrepreneurial environment in Romania is presented by a study in the field, entitled “Romanian Entrepreneurship – Collection of success stories” in the form of the *SWOT Analysis of Romanian Entrepreneurship*.



Figure 3. SWOT Analysis of Romanian Entrepreneurship
 Source: Adapted from (Fundatia CADI Eleutheria, 2011)

4. Final Remarks

Even if the entrepreneurship can be seen as a potential opportunity to revive the Romanian economy, the framework under Romanian entrepreneurs operates is still very unsafe and unpredictable. As a consequence, the required qualities for an entrepreneur who wants to start a business in Romania are: *ingenuousness*, highly *motivated*, extremely *resistance*, *tenacity* and *veritable courageous*. From this short radiography of Romanian business environment it is obviously that it is constantly changing and, as a natural consequence, the business success is determined by the *ability of the entrepreneur to anticipate and adapt to changes*. In addition, the entrepreneurs must be kept focused on the challenges of 2020s stage: globalization, climate change, ageing, and scarcity of energy supply. Meeting these challenges implies the transition to an economy based on *knowledge and services* and this process is supposed to be as revolutionary as the preceding reorganization of the economy, from *agriculture to industry*.

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The Driving Forces for the Practice of Strategic Planning in SMEs: Evidence from Harare Metropolitan Province, Zimbabwe

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Abstract: Despite Zimbabwe sharing with the rest of the world, the notion that SMEs are the impeccable engines to economic revival, growth and development, many of the nation's SMEs are plagued with high failure rates. Previous studies carried out in most foreign countries suggested that the high failure rate of SMEs was attributable to lack of strategic planning among a host of other factors. Against this backdrop, the purpose of this study was to examine the driving forces for the practice of strategic planning in SMEs. A quantitative cross sectional study was conducted among active SMEs who are registered with the Ministry of Small and Medium Enterprises and Cooperative Development in Zimbabwe. The study revealed that globalisation, business ownership motivations, environmental dynamism and innovation & technological advancement have a positive and statistically significant influence on the adoption or practice of strategic planning among SMEs. The study has important implications for the practice and implementation of strategic planning among SMEs especially in the context of a developing country such as Zimbabwe.

Keywords: Strategic planning; driving forces; economic revival; growth; development

JEL Classification: P50

1. Introduction

The quest for factors that facilitate the success, growth and sustainability of SMEs continue to be on the rise considering that these small business entities are increasingly threatened by low profit margins and also plagued with high failure rates. Findings have shown that most Zimbabwean SMEs die within their first five years of existence, a smaller percentage encounter extinction between the sixth and tenth year while only five to ten percent survive, thrive and grow to maturity (Tsikirayi, 2014). Previous studies have attributed the high failure rate of SMEs to a host of factors amongst them failure to strategically plan. Existing literature has established that lack of strategic planning may thwart SMEs from achieving their potential of sustained growth and survival.

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2. Research Problem

Strategic planning is conceived to be an essential management tool that buffer SMEs from the highly unstable business environment which is characterised by the heightened pace of technological change, volatile business cycles and stiff competition. Considering the growing importance and significance of SMEs in the socio-economic structure of Zimbabwe, entrepreneurs within this sector need to understand the value of strategic planning to their business operations. The players in the SME sector also need to appreciate the efficacy of strategic planning practices as these could be key pillars to their success, growth and sustainability. However, there is little evidence indicating whether Zimbabwean SMEs practice strategic planning and which factors drive these firms to engage in strategic planning yet the subject underscores the success of these small business entities. Therefore, the catch for this research is on the need to gain an understanding of the factors that drive the adoption of strategic planning in Zimbabwean SMEs.

Furthermore, it appears that there is paucity of research on small firms particularly for developing countries in respect of strategic planning practices and their impact on business performance (Dubihlela & Sandada, 2014). In addition, there is lack of evidence of extensive studies that were conducted to determine the strategic planning practices of Zimbabwean SMEs. Conspicuously, one can hardly find studies on strategic planning of SMEs in the Zimbabwean context and it may be insensible to assume that findings from previous studies which were done in different nations of the world can apply in the Zimbabwean context. The assertion of this study is that if strategic planning practices of Zimbabwean SMEs remain unknown and unchecked, this will continue to undermine the overall business performance of these enterprises which will consequently cripple the performance of the nation's economy.

Against this backdrop, the study sought to determine the driving factors of strategic planning among SMEs operating within the Harare Metropolitan Province.

3. Significance of the Study

The study is valuable to SMEs in that it extends the knowledge of strategic planning practices, techniques and processes, which may result in enterprise growth, sustainability and competitiveness. The results of the research study should be able assist SME owners and managers in understanding the strategic path through which a business can achieve the desired performance. In particular, the current research provides important and invaluable insights for SME owners and managers about how strategic planning activities can provide an enabling mechanism to improve business performance. In essence, this research, combined with the results of the previous studies, serves as a tool for SMEs in improving the

effectiveness of strategic planning as well as their sustainability.

This research study also provides academicians with knowledge on the factors that influence the adoption of strategic planning among Zimbabwean SMEs. The result of the study provides room for academicians to further focus on other strategic planning factors of SMEs which could have been omitted by this research.

The rest of the paper is structured as follows: It presents a critical analysis of literature on the drivers of strategic planning. This will be followed by the research design, data presentation, analysis and interpretation of the research findings, and the paper concludes by providing the main conclusions and recommendations for management decision.

4. Literature Review and Hypotheses Development

Strategic Planning

Similar to the definition of an SME, strategic planning is also a relative concept among scholars, academicians and researchers such that there is no one size fit all definition. Huang (2005) defines strategic planning as a complex and a participative management technique by an organisation that involves scanning of the environment and formulation of vision, mission and strategies in an endeavour to enhance business performance. Desai (2000) opines that strategic planning creates a viable link between a business' mission, vision, goals, objectives, strategic choices, and resources. Fraser and Stupak (2002) suggested that strategic planning support the clarification of business objectives, systematic gathering of information, prioritization of projects, teamwork, environmental alertness, communication of strategic intent to all stakeholders and enhanced performance. O'Regan and Ghobadian (2006) further postulated that strategic planning involves the aligning of long-term business objectives, and the formulating and implementing of formal plans to achieve these goals. Consequently, strategic planning being the essential instrument for strategic management enables practitioners to identify the essential conditions as well as the scope for future business activities (Kraus, Reiche & Reschke, 2008). There is evidence from the existing literature to suggest that strategic planning can be viewed as a controlled attempt by organisations to produce essential decisions and actions that profile the firm's operations and its future intended activities (Walker et al, 2008). Therefore, it is apt to view strategic planning as an attempt to prepare for all future eventualities by abstraction and thus to account for the complexity and the dynamics of the environment.

Evidence from previous studies suggest that different scholars concur that environmental analysis, business mission and vision statements, formulation of long-term goals, formulation and implementation of strategies together with

controlling of performance are among the key components of strategic planning. Dincer, Tatoglu, and Glaister (2006), reiterates that the key aspects of strategic planning include the formulation of a mission statement of the enterprise, establishing the objectives, crafting and implementing the strategies, and monitoring and controlling the progress in strategy implementation. In a South African study carried out by Sandada, Pooe and Dhurup in 2014, eight strategic planning aspects that were identified included sources of information, environmental scanning, business mission and vision, employee participation, time horizon of strategic planning, formality of strategic planning, strategy implementation incentives, and evaluation, and control. The review of the available literature has shown that strategic planning is a unifying theme that gives coherence and direction to the actions and decisions of an organization as it guides managerial decisions toward superior performance.

Drivers for the Adoption of Strategic Planning

The adoption of strategic planning by SMEs in their operation is driven by different factors. A review of the evidence from the literature suggests the salient key motivating factors or drivers for SMEs to engage in strategic planning include environmental dynamics and uncertainty, business ownership motivations, globalisation, and advent of new technology. Meers and Robertson (2007) affirm that globalisation, new technology, emerging new markets and deregulation are among a host of factors that are constantly causing challenges for today's firms. They further suggest that firms need to be proactive in formulating sound strategies in order for them to overcome these challenges. Similarly, Al Ghamdi (2005) opines that globalisation, technological advancement, deregulation, emerging of new markets and industries, and economic restructuring are some of the factors that increasingly driving organisations to engage in strategic planning.

Environmental Dynamism

The fact that the current business environment is volatile, complex and uncertain is driving firms of all sizes to search for innovative ways of conducting business and improving their profit margins (Stopford, 2001). However, SME owners and managers perceive the importance of the business operating environment differently (Mezias & Starbuck, 2003). Bertrand and Schoar (2003) further support the fact that SME owners and managers address their business opportunities and threats in a different manner. According to Miliken as cited in Geissler & Krys (2013), environmental dynamism causes uncertainty which in turn lead managers to make inaccurate predictions. Geissler & Krys (2013) further posit that three core dimensions of uncertainty are volatility, complexity and ambiguity. The success of a company is dependent upon its environmental and market conditions such that it is important for an organisation to make a comprehensive assessment of market complexity and market turbulence when developing strategies.

Business Ownership Motivations

Despite ownership motivations and strategic planning being generally treated as independent areas of study in small business literature, the two concepts are intricately linked (Wang, Walker & Redmond, 2006). Individuals are motivated to be in business by different factors and more often than not, small business ownership is inextricably attached with the personal lives of business operators and their families (Culkin & Smith, 2000). The existing literature on small business ownership suggests that individuals are either pushed or pulled to get into business (Hughes, 2003; Singh & DeNoble, 2003). Small business ownership occurs from the combination of both pull and push forces. With respect to small business ownership, operators are largely motivated by the expectations of a positive change that owning a business will bring to their personal circumstances.

Although business entities are mainly focused on profit margins and growth opportunities that ensure viability and continuation of operations, small business operators might not necessarily prioritise the business financials as their motivation to get in business could have been primarily affective or based on a non-financial will (Beaver & Jennings, 2000; Shepherd & Wiklund, 2005). As such, Wang et al (2006) opine that operators who were motivated to get into business as a result of achieving financial gains are more likely to engage in strategic planning compared to operators who were motivated by pursuing non-financial objectives.

Globalisation

One of the challenges of the 21st century for SMEs is global competitiveness due to the fact that the world is becoming “smaller” and more of a global marketplace (Geissler & Krysz, 2013). This means that customers need to be provided with constant and reliable products and services of a recognized quality, while the market environment is characterized by global competition (Kesidou & Demirel, 2012). As a result of increasing competition, companies everywhere are more or less producing the same products or are offering a similar offering (substitute). However, the inescapable reality is that organisations need to clearly understand and strategically manage the forces, complexities and interdependences associated with global economy integration. As an aftermath of globalisation buyers today are used to a wide range of choices and the complexity of product portfolios contribute to the many challenges facing strategic planning as companies are constantly launching new products and line extensions. Therefore, organisations regardless of their sizes have to take into account many different factors in their strategic planning.

As business institutions continue to move in to the 21st century the realities associated with globalisation can be expected to become more prevalent and

consequently the dialogue between the organisation and the environment will become more strategically complex. Koutsouks et al (2000), opine that such strategic complexity has led to more recent investigations of strategic planning models that are able to hedge against uncertainty and respond to events as they unfold in time. A business entity might be able to cope with the global challenge if it realizes reliable, balanced and high standard operation in its business. Govindarajan & Gupta (2000), postulated that globalisation would further increase in the coming decades as exports and foreign direct investments will grow significantly faster than GDP as companies are supplying goods and services to an ever wider range of international markets. The accent of organisations for increasingly engaging in cross-border flows is on capturing economies of global scale, exploiting cost reduction or quality enhancing potential of optimal locations, tapping technological advancements, realising advantages from special skills, labour advantages or the availability of natural resources within specific geographic locations (Govindarajan & Gupta, 2000).

Wheelan and Hunger (2006), attest to the role of strategic planning by placing emphasis on the need for business institutions to develop business intelligence in order to remain competitive within a global context. The intricacies and complexities associated with doing business on a global basis can be expected to increase, as more business institutions both large and small enter the arena resulting in stiffer competition. According to Geissler & Krys (2013), organisations need to regularly re-examine their strategic options on an informed basis especially that they are existing within a constantly changing context with so many strategic variables that need to be considered.

Innovation and Technological Advancement

The advent of new technology in the world has affected the manner in which people now communicate and the way firms do business (Geissler & Krys, 2013). Self-scanners and video displays at stores, ATMs, the Internet, and mobile phones are a few examples of how technology is affecting businesses and consumers. Sterling & Kittross (2001) opine that firms in many industries had to embrace a wide range of changes in communication capabilities as a result of the development on improved telecommunications systems. The integration of information and communication technology together with the new applications of technology has led to fundamental changes in structures, purposes, and capabilities of 21st century firms (Picard, 2004).

According to Kammerer (2009), firms have strong incentives to engage in innovation and technologies that are congruent with customer benefits. In support of the same view Kesidou and Demirel (2012) argue that business entities initiate innovation and utilise up to date technology in order to satisfy minimum customer and societal requirements. Horbach (2008) opines that environmental

consciousness is a relevant parameter for innovative organisations especially in environmentally sensitive industries.

The evidence suggests that small firms seeking to grow will need to focus on innovation in the form of new product development, and this will be contingent on the firm's ability to understand the importance of strategic planning especially in marketing in order to achieve success (Huang, Soutar & Brown, 2002). As a result, organisations have to revise their strategic planning in tandem with the prevailing innovation and technologies, for instance, the organisation can allocate more of their promotion budgets to online advertisements and mobile marketing and not just rely on traditional print media such as newspapers and magazines (Geissler & Krys, 2013).

The fast spread of new technology causes market volatility and it is for this reason why innovation together with technological advancement is regarded as one of the key drivers that influence an organisation to engage in strategic planning. The convergence of the underlying technologies of telephone, computers, and media production are thus creating enormous opportunities for firms, challenging existing products and services, and creating a wide variety of potential strategic responses by companies.

Therefore, where firms are engaged in innovation and market growth, there is also need for more strategic level planning (Mazzarol, 2008).

The conceptual framework for this study is presented on Figure 4.1 overleaf.

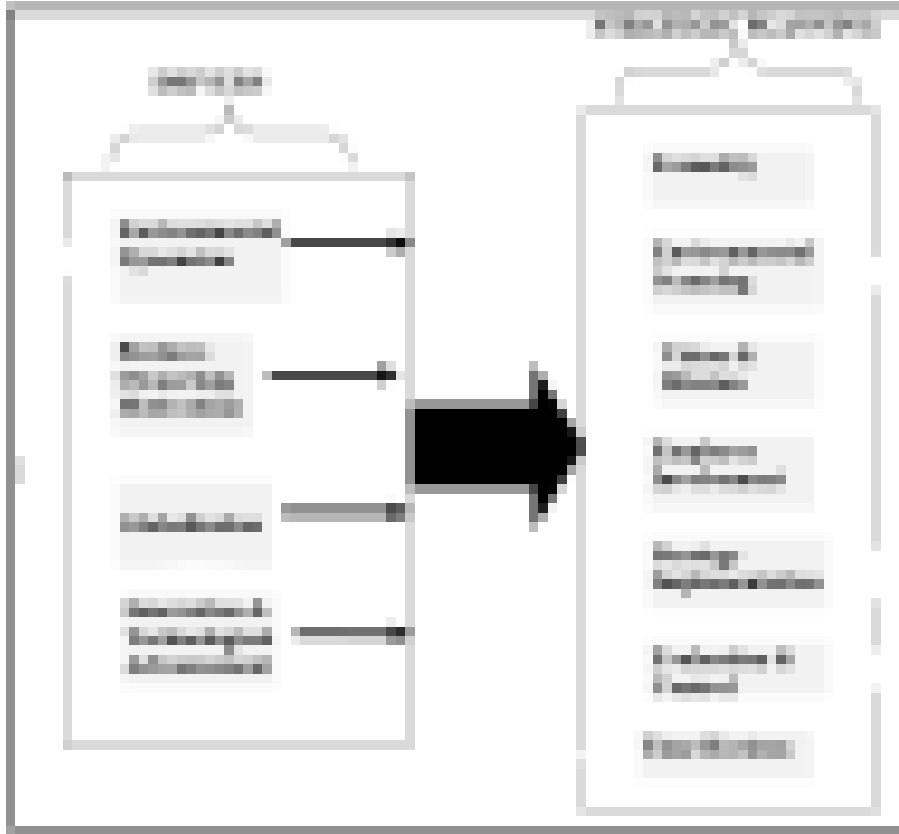


Figure 4.1. Conceptual Framework

Source: Own compilation

Figure 4.1. above illustrates the relationship amongst the perceived drivers and strategic planning practices of SMEs. The current thinking as elaborated in Figure 2.1 is that perceived drivers (environmental dynamism, business ownership motivations, globalisation and innovation & technological advancement) have a positive influence on the adoption or practice of strategic planning among SMEs. Furthermore, strategic planning practices (formality of strategic planning, environmental scanning, vision & mission statements, employee involvement, strategy implementation, evaluation & control and time horizon) are also considered to have positive impact on the business performance of these SMEs. Based on the foregoing discussion, the study formulated the following hypotheses:

H1: There is a positive relationship between environmental dynamism and strategic planning practice.

H2: There is a positive relationship between business owner aspirations and strategic planning practice.

H3: There is a positive relationship between GLOBALISATION and the adoption of strategic planning.

H4: There is a positive relationship between technological advancements and strategic planning adoption.

5. Research Methodology

The study employed a cross-sectional survey design to investigate the drivers to strategic planning. The quantitative research design was used as it is regarded as an effective way to determine conclusive results (Hair et al., 2010). This study adopted a quantitative, cross-sectional research design. The study population for this research consisted of the SMEs within Harare Metropolitan Province that employed between 6 and 75 full time paid employees and with a maximum total annual turnover of \$1 million (Government of Zimbabwe, 2011). This research study focused on SMEs operating in all other sectors of the Zimbabwean economy except for those within construction as well as mining and quarrying where maximum total annual turnover should be \$2 million and \$3 million respectively (Government of Zimbabwe, 2011). The target population for the study was SME owners and managers in Harare Metropolitan Province. The study focused on SME owners and managers because these are the incumbents responsible for strategic planning in small organisations and hence possess the appropriate information on strategic planning practices of these enterprises. The sampling frame of the study comprised of 250 registered and operational SMEs within Harare Metropolitan Province as provided by the database which was obtained from the Ministry of Small and Medium Enterprises and Cooperative Development in Zimbabwe.

Probability sampling techniques in the form of stratified random sampling and simple random sampling were used. Stratified random sampling was chosen because the technique ensured inclusion in the sample, of sub-groups (stratum) which otherwise would have been omitted by other sampling methods due to their small number in the population. The researcher adopted the survey method to which self-administered structured questionnaires were used to gain insight into strategic planning practices of SMEs. In an endeavour to enhance the response rate, the questionnaires were either hand delivered or send via e-mail to the targeted respondents of the selected SMEs (owners/managers).

5.1. Data Collection Procedures

A structured questionnaire, which included closed ended questions, was used. The total number of questionnaires distributed to respondents was 153. The

questionnaires were either emailed and hand delivered to mainly the SME owners/managers who had no access to email, in endeavor to stimulate a better response rate. The questionnaires were accompanied by a cover letter which detailed the purpose of the study as well as the instructions on how to respond to the questions. The overall response rate was 117 giving a response rate of 76.47%.

5.2. Measurement Scales

The components of the dependent variable (strategic planning) were formality of strategic planning, environmental scanning, vision & mission statements, employee involvement, strategy implementation, evaluation & control and time horizon. O'Regan and Ghobadian (2006) postulated that strategic planning involves the aligning of long-term business objectives, and the formulating and implementing of formal plans to achieve these goals. The scale developed by Sandada (2013) informed the development of the scale for this study. Environmental Dynamics and Uncertainty was measured by items including market changes, turbulence, and complexity and the scales developed by Fourie (2007) and Zhang, Majid and Foo (2012) were adapted to develop the scale for the current study. Business owner aspirations were defined by Hughes (2003) as the pull and push forces driving someone to own a business, and were measured using aspects motivations, desires of SME owner and Zahir's (2012) scale was adapted to develop a scale for the current study. On the other hand, the scales developed by Fourie (2007) and Waihenya (2014) were used to develop the scale for this study. Waihenya's (2014) scale was also used to develop the technological advancement scale.

5.3 Data Analysis

The data analysis for this study consisted of inspecting the questionnaires for completeness and correctness of information captured. Data was then captured into SPSS and an examination of descriptive responses according to frequency distributions and descriptive statistics was performed. Correlation analyses were performed to assess the degree of association between variables under study. Multiple regression analysis was also conducted so as to identify the extent to which the variables under study influence firm performance.

5.4 Reliability and Validity Measures

To test for reliability the Cronbach's Alpha (α), which is a measure of internal consistency between measurement items, was computed. As shown in Table 4.1, the Cronbach's alpha values ranged from 0.763 to 0.847, thereby surpassing the minimum threshold of 0.6 recommended by Malhotra (2007). The Pearson's product-moment correlation coefficients were computed to assess convergent validity. The study reported significant positive correlations ranging from $r = 0.018$ to $r = 0.472$ (at $p < 0.01$) signifying the attainment of convergent validity. The construct correlation matrix is reported in Table 4.2. Regression analysis was used

to assess predictive validity. Causality was shown by all independent variables, that is, environmental dynamism, owner aspirations, globalisation and technological advancement, as shown in Table 4.4, thus demonstrating the attainment of predictive validity.

Table 4.1. Reliability test table

	Cronbach's Alpha	N of Items
Strategic Planning	.819	19
Drivers of strategic planning	.763	9
Overall alpha	.847	18

6. Results of the Study

6.1. Sample Composition

The gender profile of the participants in the study indicates that the majority of the respondents 79 (67.5%) were males and 38 (32.5%) of the respondents were females.

In terms of age, the majority of respondents 49 (41.9%) were in the age category of 30-39 years, followed by two other age categories, 40-49 and 20-29, which accounted for 35 (29.9%) and 23 (19.7%) of the sample, respectively. In addition, only 10 respondents (8.5%) indicated that they were in the age category of 50-59 and there were no respondents that fell in the age category of greater than 60 years. The data shows that SMEs are mainly driven by the “economically active group”. In Zimbabwe, government policies such as the Indigenisation and Economic Empowerment Policy together with the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) have been championing the “economically active group” to be involved in the SME Sector as SMEs are deemed to be the engine for the nation’s economic growth. With regards the highest level of education, university graduates have a considerable presence in the SME Sector. This is justified by the fact that 43 (36.8%) of the respondents have an Undergraduate degree as their highest qualification, closely followed by 34 respondents (29.1%) with Post-Graduate degrees.

6.2. Correlation Analysis

Pearson’s product-moment correlation coefficient was adopted in testing the correlations amongst the above mentioned perceived drivers and strategic planning. Table 4.2 illustrates the correlation analysis between the four perceived drivers and strategic planning of SMEs.

Table 4.2. Correlation analysis – perceived drivers and strategic planning

		Planning	Dynamism	Motivations	Globalisation	Innovation
Planning	Pearson Correlation	1	.276**	.472** ¹	.429**	.395**
	Sig. (2-tailed)		.003	.000	.000	.000
	N	117	117	117	117	117
Dynamism	Pearson Correlation	.276**	1	.102	.146	.018
	Sig. (2-tailed)	.003		.272	.117	.851
	N	117	117	117	117	117
Motivations	Pearson Correlation	.472**	.102	1	.172	.521**
	Sig. (2-tailed)	.000	.272		.063	.000
	N	117	117	117	117	117
Globalisation	Pearson Correlation	.429**	.146	.172	1	.103
	Sig. (2-tailed)	.000	.117	.063		.270
	N	117	117	117	117	117
Innovation	Pearson Correlation	.395**	.018	.521**	.103	1
	Sig. (2-tailed)	.000	.851	.000	.270	
	N	117	117	117	117	117

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

As shown in Table 4.2 Business Ownership Motivations; Globalisation and Innovation & Technological Advancement) proved to be positively correlated with Strategic Planning and all the four associations were also statistically significant.

6.3. Regression Analysis

To examine the relationship between the independent and dependent variables, regression analysis was conducted. Regression analysis was deemed to be an appropriate statistical approach due to the existence of significant associations amongst the variables. Prior to conducting regression analysis, key assumptions were verified. The adequacy of the sample size was assessed since regression

analysis is susceptible to sample size. Tabachnik and Fidell (2007) proposed a sample size of $N > 50 + 8m$ (where m = number of independent variables) as adequate to perform multiple regression analysis. The sample size considered in the study is 153 respondents, which is above the minimum of 82 respondents when four independent variables are involved.

Table 4.3 below presents the model summary of the regression analysis between the four perceived driving factors and strategic planning.

Table 4.3. Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.642 ^a	.413	.392	.32536

Predictors: (Constant), Innovation, Dynamism, Globalisation, Motivations

Table 4.3 shows a value of R-square (0.413) which means that the model consisting of Environmental Dynamism, Business Ownership Motivations, Globalisation and Innovation & Technological Advancement explain 41.3% of the variation in strategic planning among SMEs. The remaining 58.7% is explained by other factors that were not included in the study focus. The effect of each driver on strategic planning is indicated on table 4.4.

Table 4.4. Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.846	.238		7.761	.000		
Dynamism	.109	.041	.195	2.658	.009	.971	1.030
Motivations	.120	.036	.287	3.338	.001	.709	1.411
Globalisation	.154	.035	.329	4.439	.000	.953	1.049
Innovation	.119	.049	.208	2.448	.016	.727	1.375

a. Dependent Variable: Planning; F=19.675; p=0.000

As depicted in Table 4.4, the value F-value of 19.675, and a p=0.000 shows that the regression model was a good fit for analysing the effect of perceived drivers on strategic planning of SMEs. The results showed also show that Globalisation makes the most significant contribution to Strategic Planning of SMEs [$\beta = 0.329$, $p < 0.05$ ($p = 0.000$)]. Business Ownership Motivations make the second most significant contribution to Strategic Planning of SMEs [$\beta = 0.287$, $p < 0.05$ ($p = 0.001$)]. Innovation and Technological Advancement make the third most significant contribution to Strategic Planning of SMEs [$\beta = 0.208$, $p < 0.05$ ($p = 0.016$)].

($p=0.016$)]. Environmental Dynamism makes the least significant contribution to Strategic Planning of SMEs ($\beta = 0.195$, $p<0.05$).

Multi-collinearity was assessed by inspecting the inter-correlation matrix, tolerance value and the variance inflation factor for each independent variable. Multi-collinearity refers to a high degree of inter-correlation between constructs (Shen & Gao 2008). As shown in Table 4.4 all reported correlations are below 1 or -1, signifying the absence of perfect multi-collinearity within the data set. According to Cooper & Schindler (2014), when the tolerances tend towards 0 than to 1, there is high multi-collinearity amongst the variables and the standard error of the regression coefficients will be inflated, but in this study, all the tolerances tended towards 1 than to 0 thereby demonstrating that there was no problem of multi-collinearity.

7. Discussion of Findings

The first hypothesis (H1) predicted that environmental dynamism positively influence the adoption of strategic planning. The results demonstrated that the more the business environment is dynamic and uncertain [$\beta = 0.195$, $p<0.05$ ($p=0.009$)] the more likely it is for SMEs to adopt strategic planning practices. This evidence is also in line with a study conducted by Stopford (2001) who found that the degree and complexity of a changing business environment is driving firms to engage in strategic planning. Kraus et al (2006) were also in support of Stopford's (2001) study when they noted that increasing environmental dynamism, complexity and uncertainty are compelling almost every organisation to adopt strategic planning.

The second hypothesis (H2) predicted a positive relationship between owner aspirations and strategic planning. The results demonstrated that business ownership aspirations [$\beta = 0.287$, $p<0.05$] had the second most contributing influence on the adoption of strategic planning by SMEs. From the findings of this research it can be inferred that strategic planning among SMEs is a direct spin of how the owners of these enterprises are motivated to strategically plan. This is also supported in the study carried out by Wang, Walker and Redmond (2006) which confirmed that business ownership motivations had a significant influence on how organisations strategically plan.

The third hypothesis (H3) stated globalisation leads SMEs to adopt strategic planning. The results confirm the hypothesis ($\beta= 0.329$, $p<0.05$) and revealed that globalisation posed the greatest positive influence in compelling SMEs to practice strategic planning. This finding is consistent with Govindarajan & Gupta (2000) who confirmed that globalisation and its associated growing competition is heavily contributing in pushing organisations to engage in more strategic planning.

The fourth hypothesis (H4) stating that technological advancement positively force strategic planning practices is also confirmed. The outcome of this research revealed that innovation and technological advancement $\beta = 0.208$, $p < 0.05$) play a significant part in compelling SMEs to engage in strategic planning. This outcome is supported by Mazzarol (2008) who argued that the fast spreading of new technology require firms to engage more strategic level planning.

The study corroborated the findings from other researches concerning the validity of four perceived driving factors of strategic planning among SMEs. The four driving factors of strategic planning whose validity was confirmed are environmental dynamism, business ownership motivations, globalisation and innovation & technological advancement. Furthermore, the research advanced a conceptual framework based on the context of Zimbabwean SMEs. The conceptual framework illustrated the strength, statistical significance and the relationships amongst the perceived driving factors and strategic planning practices of Zimbabwean SMEs.

8. Managerial and Policy Recommendations

The SME sector is deemed the engine for economic growth and a major source of employment in Zimbabwe such that this study has useful implications for business owners, professionals and academicians. This study examined the influence of the perceived driving factors on the adoption or practice of strategic planning among SMEs.

The study established that business environment is continuously being engulfed with volatility, turbulence and uncertainty a condition now requiring owners and managers to judiciously scan the environment. Environmental scanning will assist business entities to gather relevant information that is useful in strategic planning (Karami, 2008). The nation's high attrition rate of SMEs has been regarded retrogressive by various sectors of the economy such that there is now growing importance on entrepreneurship towards the socio-economic development of Zimbabwe. It is against this backdrop that the government of Zimbabwe is being recommended to assist SMEs by providing training on basic strategic planning education which will consequently improve the skills and knowledge of SME owners and managers. This can be realised through funded or subsidised workshops, short courses, flexible university or college courses. Policy makers and academicians are also recommended to assist SME owners and managers through drafting education programmes that will train this targeted group on strategic planning.

9. Research Limitations

Despite the fact that the current research study offers fruitful insights in respect of the strategic planning practices and business performance of SMEs, it is not devoid of its own limitations. The study only focused on Zimbabwean SMEs operating within the Harare Metropolitan Province and this could present a potential drawback in terms of generalising the results to other SMEs in the country as they could have different views about strategic planning and business performance. Furthermore, the study only utilised owners and managers of SMEs as the key informants during data collection and this is regarded a limitation in that the research could have yielded biased results.

The fact that quantitative approach was adopted for this study also present some limitations in the form of the research instrument (structured self-administered questionnaire) that was used to solicit the required information from respondents. Although the researcher had attempted to design the study questionnaire in such a way that each variable under investigation had as much information or questions as possible, structured close-ended questions inevitably restrict the researcher to further probe for in-depth information from the respondents.

10. Areas of Further Study

From the findings and research limitations, it is recommended that future researches should conduct a similar study in other provinces within Zimbabwe or in other countries in order to examine the similarities and differences. Replication of this study is therefore warranted within the SME industry in order to test the validity and reliability of the scales which were adopted.

This study examined SMEs within different sectors such it will be an interesting extension of the study if future research is conducted to investigate the relationships among strategic planning practices and business performance of SMEs within a specific sector as the findings will be more focused and specific to a particular industry. In addition, future research may also consider conducting comparative studies in respect of strategic planning practices between Zimbabwean SMEs and SMEs from another developing country.

11. Conclusion

This research study examined the relationships amongst the perceived driving factors and strategic planning practices of Zimbabwean SMEs operating within Harare Metropolitan Province. The results indicate that the four main driving factors of strategic planning in their order of importance are globalisation, business ownership motivations, innovation & technological advancement and

environmental dynamism. Therefore, it is important for SMEs to prioritise scanning of the environment in order to keep abreast with environmental forces. Through the adoption or practice of strategic planning, Zimbabwean SMEs may continue to play an increased economic role as they will be cushioned from the dynamic, highly competitive and unstable business environment.

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Tourist Profile and Destination Brand Perception: The Case of Cape Town, South Africa

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Abstract: Tourists pay for destination brands. This study checked for the relationships between tourists' profile and how they perceived the destination brand of Cape Town. A questionnaire survey of 220 tourists visiting Cape Town was done. This study found that repeat visit, age of tourist, length of stay, and tourist origin, have significant influences on how tourists visiting Cape Town perceived the destination. The top three destination attributes of Cape Town (cognitive images), which enhance visitor experience satisfaction are (1) the overall level of service quality at facilities in Cape Town, (2) the city being one of the best places the tourists have visited, and (3) the destination's good value for money. The top three emotional valuations of destination attributes (affective images) which enhance visitor experience satisfaction in Cape Town include (1) memorable visit, (2) valuable visit, and (3) friendly and hospitable population. It is therefore recommended that tourism businesses in Cape Town develop relationship marketing tools to attract and retain its tourists segments of loyal, advanced in age, long-staying and domestic tourists. Results from this research could be compared with related findings in the international arena and have related implications, especially for developing economies

Keywords: Tourist demographics; tourist experience; destination perception; sub-Saharan Africa

JEL Classification: 055; R11; Z32

1. Introduction

The tourism industry has been recognised as a major contributor to global economies and serves as a source of income generation for many developing countries (Wijethunga & Warnakulasooriya, 2014), including South Africa. In 2014 the South African tourism industry had contributed over 9% to the country's

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Gross Domestic product (GDP) through its direct and indirect impacts as well as providing over 1.4 million employment opportunities (South African Tourism, 2015).

Wesgro, the official Destination Marketing, Investment and Trade Promotion Agency for the Western Cape (one of South Africa's nine provinces, having Cape Town as the capital city) defines the brand promise of the Western Cape as "be inspired and discover new experiences" (The Western Cape destination marketing, investment and trade promotion agency of South Africa, 2013). In 2014 Cape Town topped the list of New York Times' '52 top places to go in 2014' (New York Times, 2014) and welcomed an 8.2% increase in visitor arrivals to the city in January 2015 in comparison to the previous year (The Western Cape Destination Marketing, Investment and Trade Promotion Agency- South Africa, 2015). Cape Town remains South Africa's second most visited city, after Johannesburg, with an estimated 389 012 visitor arrivals at the Cape Town International Airport in July 2015 (Airports Company of South Africa, 2015). The main motivators for travel to Cape Town have been identified as nature, culture and heritage purposes (City of Cape Town, 2013). Cape Town is also emerging as a leading business and events destination in South Africa.

Many authors worked recently on tourism destination brand perception (such as Artuğer, Çetinsöz, & Kiliç, 2013; Beerli & Martin, 2004; Bertan & Altıntaş, 2013; Ezeuduji, 2015; Ezeuduji, Lete, Correia & Taylor, 2014; Gursoy, Chen & Chi, 2014; Hosany, Ekinci & Uysal, 2007; Ibrahim & Gill, 2005; Jraisat, Akroush, Alfaouri, Qatu & Kurdieh, 2015; Kiliç & Sop, 2012; Lopes, 2011; Molina, Gómez & Martín-Consuegra, 2010; Nel & Strydom, 2004; Prayag, 2010; Puh 2014; Qu, Kim & Im, 2011; Rajesh, 2013; Tasci & Gartner, 2007). These aforementioned authors did study the impacts of tourist perceptions, tourists' satisfaction, destination brand, destination image, destination personality and destination loyalty, mostly outside Africa. Research with a perspective on destination brand perception in Africa is limited; hence this study will provide more insight into tourists' perception of a popular South African tourism destination (Cape Town). This study will focus on tourist profile and how they perceive different brand descriptive variables (brand essence, brand image and brand loyalty). Studies by Nel and Strydom (2004), and Prayag (2010) were done in Bloemfontein and Cape Town respectively in South Africa, focussing on brand image perceptions of international tourists. This study however will compare domestic and international tourists' perceptions in Cape Town. This study can also assist tourism business owners in Cape Town to evaluate and improve tourism offerings in order to meet the expectations of visitors, which will contribute to visitors forming a positive perception towards Cape Town as a destination.

2. Literature Review

2.1. Destination Brand Essence

Brand essence can be described as a single phrase that captures the core spirit of a brand. It identifies the brands competitive advantage as well as the benefits received when choosing a brand over its competitors (Light, Kiddon, Till, Heckler, Mathews, Hall & Wacker, 2012).

The benefits (functional and emotional) received when travelling to a destination is communicated through the brand essence of a destination. The functional benefits can be described as the primary reason for travelling to a destination. This includes the tangible attributes of a destination that can be observed or measured, while the emotional benefits received are concerned with the intangible attributes of the destination experience (Pawitra & Tan, 2003).

Functional benefits can be described as the primary purpose for travelling to a destination. Depending on the tourists' motivation to travel, this includes visiting attractions and sight-seeing, attending business events and conferences, for medical care or to visit friends and family. In addition, the functional benefits sought include tangible elements of the tourist experience. This consists of the destinations' physical attributes, which make up a destination. The quality of the physical infrastructure and facilities of a destination such as accommodation and transportation network systems form the foundation upon which tourism services are produced in a destination, while the variety of attraction and activities of a destination serves as a pull factor during the decision making of potential tourists (Vengesayi, 2003).

The emotional benefits can be described as the intangible benefits received during the visitor experience while at a destination. These are the additional benefits that a tourist did not expect to receive when deciding to travel to a destination. These benefits include self-development, health and relaxation as well as the ability of the destination to provide tourists with new experiences (Chen, 2012). As tourism offerings are consumed and experienced outside of a tourists usual environment (Wijethunga & Warnakulasooriya, 2014), this contributes to the cross-cultural experience between the local people and tourists. The cross-cultural interaction between locals and tourists results in the breaking down of stereotypes and misconceptions from both sides. It also contributes to the knowledge development of tourists to learn something other than what they are exposed to in their usual environment.

The relationship between the functional and emotional benefits that a destination projects through its brand essence need to match the expectations of tourists as this could influence their overall destination experience (Prayag, 2003). Destinations that can offer tourists with these benefits that exceed their cost of travelling to these

destinations will have tourists with increased levels of satisfaction and revisit intention.

2.2. Destination Brand Image

Keller (2003) referred brand image as the sum of brand perceptions as reflected by the brand association retained in consumer memory. Brand image is focused on the way in which a group of people or an individual perceives a product or service, a brand, an organisation or a destination. Brand image has therefore been recognised as one of the most important elements of a destination (Lopes, 2011) as it has a strong influence on a tourist's motivation, preferences and behaviour towards tourism product or services that contributes to the pull factor for an individual to visit a destination. Destination image is one of motivators in the travel and tourism industry. The attitudes and perceptions customers have towards a particular tourism product or destination influences the buying power of an individual (Nel & Strydom, 2004). The competitive nature of the tourism industry has provided potential tourists with a broad range of destinations and tourist activities to choose from. Therefore the attitude and images that tourists have towards a destination can strongly influence an individual buying decisions.

Brand image plays a role in creating the satisfaction of the customers and the characteristics of the product or services are influenced by the consumers' perception of the brand (Lopes, 2011). Brand image is a multidimensional construct as it is influenced by a number of factors from the tourist's perspective, such as cognitive images (destination attributes), affective images (emotional evaluation of destination attributes) (Rajesh, 2013; Lopes, 2011), external information sources (Tasci & Gartner, 2007), socio-demographic characteristics (Beerli & Martin, 2004), as well as by the direct experience of the tourist (Lopes, 2011). The tourist combines all of these factors in order to form an overall image of a destination.

2.3. Destination Loyalty

Rajesh (2013) developed a "holistic model for destination loyalty". The model, suggests that overall destination loyalty is influenced by the perceptions that tourists have before traveling to the destination, the perceptions that tourists have towards the destination image as well as the overall satisfaction of experience received while at the destination. Hence destination loyalty comes from tourist perception, destination image and tourist satisfaction.

The attitudes that a tourist has towards a destination are considered to be a key determinant when deciding to return to the destination. The results of a study conducted by Artuğer et al (2013) revealed that the cognitive image a tourist has of a destination had a higher impact when establishing destination loyalty in comparison to the affective images of a destination. Further results indicated that

tourists with a perceived positive image towards a destination showed a higher intention to return as well as to recommend the destination to others (Artuğer et al., 2013). The results of a study conducted by Oom do Valle, Silva, Mendes and Guerreiro (2006) on tourists' satisfaction and destination loyalty intention in Arade, Portugal, revealed that tourist satisfaction had a significant influence on destination loyalty, as tourists with a higher level of satisfaction were more determined to return and recommend the destination to others in comparison to tourists that had a lower level of satisfaction. The attitudinal dimension of destination loyalty was evident in the study conducted by Artuğer et al (2013) in Alanya, Turkey, as results revealed that satisfied tourists, who are not able to return to the destination, indicated that they would still recommend others to visit the destination through the spread of positive word-of-mouth. Destination loyalty is therefore largely influenced by the perceived level of satisfaction that tourists have towards their overall destination experience (Rajesh, 2013), as a positive tourist experience enhances the intent to return as well as ensures that a positive word-of-mouth is spread about the destination (Artuğer et al., 2013).

It can then be said that tourists that have a positive image towards a destination have a higher intention to return and willingness to encourage others to travel to the destination. In addition, destination loyalty is also influenced by the perceived satisfaction of the overall experience received, as this could influence the willingness of tourist to return to the destination as well as to recommend others to travel to the destination.

3. Research Design and Methodology

220 tourists in Cape Town were surveyed using a structured questionnaire (respondent-completed, mostly close-ended and few open-ended). Tourists were surveyed at the sites of the three most visited attractions in Cape Town: Victoria and Alfred Waterfront, Table Mountain National Park and Kirstenbosch National Botanical Gardens (The Western Cape destination marketing, investment and trade promotion agency- South Africa, 2015). Contemporary tourism is a mass phenomenon that requires much involvement from governmental, not-for-profit and for-profit organisations, as well as tourists, relying on quantified information for important aspects of decision-making (Ezeuduji, 2013; Veal, 2011). Questionnaire survey is an ideal way of getting some of this information (Veal, 2011); including tourists' perception. Questionnaires were administered using non-probabilistic convenience sampling of tourists, based on key attractions' selection, availability and willingness of tourists to take part in the study. Two hundred (200) usable questionnaires were returned, yielding a 91% response rate. The research was focused on domestic and international tourists visiting Cape Town. A screening question was asked by the researchers in order to identify the desired respondents. The screening question asked was "Are you living and/or working in Cape Town?" This ensured that local residents of Cape Town were not included in

the study. The exclusion of local residents who may be day visitors ensures that only “actual tourists” were targeted.

The questionnaire battery included respondents’ profile, level of visit satisfaction, activities done in Cape Town, brand essence perception, brand image perception, and brand loyalty. Questionnaire design used variables emanating from previous research:

- Tourists’ perceptions towards brand essence of Cape Town (Chen, 2012; Quintal & Polczynski, 2010);
- Tourists’ perceptions towards the brand image of Cape Town (Nel & Strydom, 2004; Prayag, 2010);
- Tourists’ brand loyalty towards Cape Town (Artuğer et al., 2013; Oom do Valle et al., 2006; Rajan, 2015); and
- Level of overall experience satisfaction in Cape Town (Oom do Valle et al., 2006; Rid, Ezeuduji, & Pröbstl-Haider, 2014).

Brand essence, brand image, brand loyalty and satisfaction items were measured along a 5-point Likert scale (ordinal variables). The scale ranged from 1 (strongly disagree/highly dissatisfied) to 5 (strongly agree/highly satisfied). Respondents’ profile questions were sorted into categorical variables.

IBM’s SPSS version 23 software was used for statistical analysis (IBM Corporation, 2015). The first stage of analysis used descriptive statistics to derive frequency of respondents’ profile (in percentages), mean and standard deviation of brand essence, brand image and brand loyalty variables. Multivariate analyses of the data collected were done at the second stage of data analysis, to reveal the consistency of items in brand essence, brand image and brand loyalty sections. Cronbach’s Alpha was calculated as reliability parameter to check the internal consistency of the variables within each section. Commonly, a cut-off point of 0.5 - 0.7 is used for Cronbach Alpha values (Buehl & Zoefel, 2005; George & Mallery, 2003), therefore we can confidently say that a Cronbach Alpha coefficient of 0.7 and above indicates internal consistency of items, hence we can rely on those items to explain a common feature such as brand essence, brand image and brand loyalty. Finally, at the third stage of analysis, Pearson Chi-Square test was used to check for relationships between categorical variables (in this case, ordinal variables were recoded into categorical variables), and Spearman’s Correlation tests was used to check for relationships between ordinal variables (Cessford, 2003; Veal, 2011; Zondo & Ezeuduji, 2015).

4. Results and Discussion

4.1. Visitor Profile

Table 1 shows the profile of the tourists surveyed in Cape Town. The sample consists of more females than males. The respondents are relatively young, with 70% of the sample being younger or 40 years of age. International tourists dominate the sample, where European tourists make up almost half the sample.

Table 1. Profile of the respondents (*n* = 200)

Variable	Category	Frequency (%)
Gender	Male	42.0
	Female	58.0
Age group	Less than 20	11.5
	21 – 30	36.0
	31 – 40	22.5
	41 – 50	10.5
	51 – 60	12.0
	61 – 70	5.5
	More than 70	2.0
Origin	South African	35.5
	Non-South African	64.5
Continent of origin, if not South African	Africa	8.6
	Asia	11.7
	Australia/Oceania	12.5
	Europe	46.9
	North America	16.4
	South America	3.9
Repeat visit	Yes	43.5
	No	56.5
Source of information about Cape Town	Word of Mouth	39.3
	Internet	33.3
	Media (TV, magazines, books)	13.7
	Travel Agency	12.0
	Other	1.6
Group travel	Yes	50.8
	No	49.2
Length of stay in Cape Town	1 – 3 days	16.6
	4 -7 days	37.2
	8-11 days	13.6
	12 days or longer	32.7
Purpose of visit to Cape Town	Holiday	70.6
	Business (attending conference /seminar/event)	12.2

	Business (importing/exporting goods)	1.7
	Visiting friends and relatives	12.8
	Medical care	1.1
	Academic exchange	1.7
Level of experience satisfaction	Highly or mostly satisfied	92.4
	Moderately satisfied	6.1
	Mostly or highly dissatisfied	1.5

This study has some good news for Cape Town tourism, as more than 40% of sampled tourists are repeat visitors, and “word-of-mouth” was the most popular information source for tourists visiting Cape Town, showing not only the popularity of this city in the world, but also the loyalty of its visitors. More so, more than 92% of tourists surveyed reported being mostly or highly satisfied with their experience in Cape Town. About 46% of the tourists stayed more than 7 days in Cape Town, mostly on holidays. This study found that tourists who got their information about Cape Town through the media (TV, magazines, books) showed the lowest level of experience satisfaction than the other tourists who got their information from other sources (Chi-square, $p=0.004$). Cape Town tourism should then be careful that the information being supplied to tourists through TV, magazines and books corresponds with what Cape Town has to offer, promising exactly what Cape Town can deliver, to reduce dissatisfaction. A destination’s brand essence, wherever and however it is communicated, needs to match the experience of tourists to create a positive perception of that destination among the tourists (Perović, Stanovčić, Moric, & Pekovic, 2012).

4.2. Visitor Brand Perception

Respondents were asked to indicate how they agree with some brand essence, brand image and brand loyalty items in the questionnaire. Reliability statistics (Table 2) of the brand statements show that there is an internal consistency, within the items used in measuring brand essence, brand image and brand loyalty for Cape Town tourism, with Cronbach’s Alpha scores of more than 0.7 (Buehl & Zoefel, 2005; George & Mallery, 2003), hence we can rely on those items to explain common features of brand essence, brand image and brand loyalty. Results also show that Cape Town tourists in the study sample generally agree that the city has strong brand essence and image, and they are loyal to Cape Town as a destination. The lowest overall mean score of the brand image section of the questionnaire, due to a safety item, needs some attention from Cape Town tourism. This will be discussed briefly later in this paper.

Table 2. Brand statements' reliability tests (n =200)

Brand essence	Mean	Standard deviation	N
Cape Town provides tourists with authentic visitor experience	4.14	.801	192
My visit to Cape Town has been valuable to me	4.28	.795	192
My visit to Cape Town will be memorable	4.50	.752	192
I have gained new knowledge and experience during my visit to cape Town	4.26	.833	192
The local people in Cape Town are friendly and hospitable	3.94	.944	192
Reliability Statistics, Cronbach's Alpha =.812, N of Items = 5 Valid cases = 192(96%), Excluded cases = 8(4%), Total = 200; Overall mean= 4.22 Scale: 1(strongly disagree); 2(disagree); 3(neutral); 4(agree); 5(strongly agree)			
Brand image	Mean	Standard deviation	N
I feel safe while travelling around Cape Town	3.61	1.024	184
Cape town has unique and diverse attractions	4.38	.766	184
The price of facilities and services (food & beverages, accommodation, entry fees, souvenirs) in Cape Town are reasonable	4.02	1.002	184
The overall service received at facilities (restaurants, accommodation, attractions) is of high quality	4.07	.744	184
Cape Town provides tourists with good value for money	4.11	.870	184
Reliability Statistics, Cronbach's Alpha =.765, N of Items = 5 Valid cases = 184(92%), Excluded cases = 16(8%), Total = 200; Overall mean = 4.04 Scale: 1(strongly disagree); 2(disagree); 3(neutral); 4(agree); 5(strongly agree)			
Brand loyalty	Mean	Standard deviation	N
Cape Town is one of the best places I have ever been to	3.94	.927	198
Cape Town would be my preferred choice when choosing a destination to visit	3.88	.879	198
I would consider visiting Cape Town in the future	4.26	.878	198
I would recommend Cape Town to my family and friends	4.43	.693	198
I would say positive things about Cape Town to my family and friends	4.39	.751	198
Reliability Statistics, Cronbach's Alpha =.861, N of Items = 5 Valid cases = 198(99%), Excluded cases = 2(1%), Total = 200; Overall mean = 4.18 Scale: 1(strongly disagree); 2(disagree); 3(neutral); 4(agree); 5(strongly agree)			

4.3. Brand Statements versus Level of General Experience Satisfaction

Results shown in Table 3 regarding brand essence statements show respondents' strong agreements with statements: "my visit to Cape Town will be memorable", "my visit to Cape Town has been valuable to me", "Cape Town provides tourists with authentic visitor experience" and "I have gained new knowledge and experience during my visit to Cape Town". Memorable experience, valuable experience, and friendly and hospitable population seem to enhance tourists' level of general experience satisfaction.

Table 3. Brand statements versus level of general experience satisfaction ($n = 200$).

Brand essence	Strongly disagree or disagree (%)	Neutral (%)	Agree or strongly agree (%)	Compared with level of general experience satisfaction
Cape Town provides tourists with authentic visitor experience	4.0	8.6	87.4	NS
My visit to Cape Town has been valuable to me	4.0	4.5	91.5	**
My visit to Cape Town will be memorable	2.5	3.0	94.5	**
I have gained new knowledge and experience during my visit to Cape Town	4.0	10.1	85.9	NS
The local people in Cape Town are friendly and hospitable	5.6	20.8	73.6	*
Brand image				
I feel safe while travelling around Cape Town	11.0	34.2	54.8	NS
Cape town has unique and diverse attractions	2.5	5.0	92.5	NS
The price of facilities and services (food & beverages, accommodation, entry fees, souvenirs) in Cape Town are reasonable	10.0	18.0	72.0	NS
The overall service received at facilities (restaurants, accommodation, attractions) is of high quality	2.6	16.3	81.1	**
Cape Town provides tourists with good value for money	5.2	13.8	81.0	*
Brand loyalty				
Cape Town is one of the best places I have ever been to	6.5	20.5	73.0	**

Cape Town would be my preferred choice when choosing a destination to visit	6.0	24.0	70.0	*
I would consider visiting Cape Town in the future	5.0	10.5	84.5	NS
I would recommend Cape Town to my family and friends	2.0	5.5	92.5	NS
I would say positive things about Cape Town to my family and friends	2.0	5.5	92.5	*

Notes: Spearman's Correlation test significance. *, $p < 0.05$; **, $p < 0.01$; ***, $p < 0.000$.

NS, no significant results.

Interpretation of results: Where result is significant, the more tourists are satisfied with the general experience, the more they agree to the corresponding brand statements.

Results regarding brand image statements show respondents' strong agreements with statements: "Cape town has unique and diverse attractions", "The overall service received at facilities is of high quality", and "Cape Town provides tourists with good value for money". Service quality and good value for money seem to enhance tourists' level of general experience satisfaction.

Attention however, should be paid to the relatively low score of the safety item in the brand image section of the questionnaire "I feel safe while travelling around Cape Town", with only about 55% of respondents agreeing to this statement. It brings to fore, the negative perception of South African destinations by tourists, in terms of crime. Hence, Ezeuduji (2013) advised that strong police presence and proper policing in South Africa (such as, instilling the values of zero-tolerance for crime and responsiveness within the South African Police service) will be effective in dealing with crime in South Africa, and reducing the negative perception of tourists towards South African destinations. Local community collaboration with the police can also help to curb crimes in South Africa.

Results regarding brand loyalty statements show respondents' strong agreements with statements: "I would recommend Cape Town to my family and friends", "I would say positive things about Cape Town to my family and friends", and "I would consider visiting Cape Town in the future". Cape Town as an outstanding destination, as a preferred choice, and its positive image seem to enhance tourists' level of general experience satisfaction.

Generally speaking, based on frequency of agreement and statistical relationships of questionnaire items, the top 3 destination attributes of Cape Town (cognitive images), which enhance visitor experience satisfaction, are (1) the overall level of service quality at facilities in Cape Town, (2) the city being one of the best places the tourists have visited, and (3) the destination's good value for money. The top 3

emotional valuation of destination attributes (affective images), which enhance visitor experience satisfaction in Cape Town include: (1) memorable visit, (2) valuable visit, and (3) friendly and hospitable population.

The relationship between the functional and emotional benefits that a destination projects through its brand essence need to match the expectations of tourists as this could influence their overall destination experience (Prayag, 2003). Also, brand image is a multidimensional construct as it is influenced by a number of factors from the tourist's perspective, such as cognitive images (destination attributes), affective images (emotional evaluation of destination attributes) (Rajesh, 2013; Lopes, 2011), external information sources (Tasci & Gartner, 2007), socio-demographic characteristics (Beerli & Martin, 2004), as well as by the direct experience of the tourist (Lopes, 2011). The tourist combines all of these factors in order to form an overall image of a destination.

4.4. Tourist Profile Relationships with Brand Statements and Activities

Table 4 shows the tourist profile relationship with brand statements and activities the tourists were involved in while visiting Cape Town. Some of these results are quite interesting and worth discussing.

Table 4. Tourist profile relationships with brand statements and activities ($n = 200$)

Brand essence	Compared with tourists' profile
Cape Town provides tourists with authentic visitor experience	*51 -70 year olds disagree most.
My visit to Cape Town has been valuable to me	*Females disagree more.
My visit to Cape Town will be memorable	**Domestic tourists disagree more. *61 -70 year olds disagree most.
I have gained new knowledge and experience during my visit to cape Town	**Domestic tourists disagree more.
The local people in Cape Town are friendly and hospitable	**Tourists staying 12 days or longer disagree most. *Business tourists (conference/seminar/event) disagree most. ***European tourists agree most.
Brand image	
I feel safe while travelling around Cape Town	**Repeat visitors disagree more. *Tourists staying 12 days or longer disagree most. *61 -70 year olds disagree most.
Cape town has unique and diverse attractions	***61 -70 year olds disagree most.
The price of facilities and services (food & beverages, accommodation, entry fees, souvenirs) in Cape Town are reasonable	** Repeat visitors disagree more. ** WOM as information source, disagree most. *Tourists staying 4-7 days disagree most.

	***Domestic tourists disagree more.
The overall service received at facilities (restaurants, accommodation, attractions) is of high quality	NS
Cape Town provides tourists with good value for money	*Single travellers disagree more. ***Domestic tourists disagree more. *North American tourists agree most.
Brand loyalty	
Cape Town is one of the best places I have ever been to	*First-time visitors disagree more. *51 -70 year olds disagree most.
Cape Town would be my preferred choice when choosing a destination to visit	*North American tourists disagree most. *21 -30 year olds disagree most.
I would consider visiting Cape Town in the future	*Internet as information source, disagree most. **Single travellers disagree more. **61 -70 year olds disagree most.
I would recommend Cape Town to my family and friends	**Internet as information source, disagree most. *Domestic tourists disagree more. **South American tourists disagree most.
I would say positive things about Cape Town to my family and friends	**Internet as information source, disagree most. ***Domestic tourists disagree more. *<20 year olds disagree most.
Activities	
Nature and outdoors	* Repeat visitors had less enjoyment. **Group travellers had less enjoyment. **VFR tourists had least enjoyment.
Food and wine	*Domestic tourists had less enjoyment.
Beaches	*51 and above year olds disagree most.
History and culture	NS
Shopping	** WOM as information source, had least enjoyment.

Notes: Pearson Chi-Square test significance. *, $p < 0.05$; **, $p < 0.01$; ***, $p < 0.000$.

NS, no significant results.

Results show that most of the tourists are generally satisfied with their experience in Cape Town, however there are few complaints emanating from some tourist segments.

In terms of age, the older tourists (51 to 70 years old) disagree mostly that “Cape Town provides tourists with authentic visitor experience”. Authenticity of experience is quite subjective, and may be eroded with urban development and evolving modern lifestyle and attitude. The older generation who grew up in pristine and very traditional environments may have negative perception to the

present developments in Cape Town or the lifestyle of the youthful population who serviced them. Hence the same older tourists felt unsafe and reported more that their visit will not memorable, etc. Cape Town therefore needs to pay more attention to the older tourists, addressing their “dissatisfiers”.

As regards, repeat or first-time visitors, repeat visitors seem to have more complaints than the first-time visitors, such as in areas of safety issues and prices of facilities and services. First-time visitors only reported more that Cape Town is not one of the best places they have visited. Repeat visitors can therefore be said to be more concerned with Cape Town as a destination than first-time visitors, based on the loyalty. Arguably, there is more emotional intensity in a relationship than in a once-off contact; hence repeat visitors are more sensitive to safety issues and pricing, in Cape Town. First-time visitors agreed more on safety in Cape Town, probably due to safety and security issues being addressed just before and after FIFA World Cup 2010. Similar results apply to tourists who stayed longer in Cape Town, where many of them disagreed that the local people in Cape Town are friendly and hospitable, and also reported feeling more unsafe while travelling around Cape Town.

Domestic tourists are used to Cape Town as a destination (where Cape Town is similar to their origins), so had less appreciation of Cape Town than international tourists. For example, domestic visitors disagree more with Cape Town offering a memorable experience, gaining new knowledge and experience while visiting Cape Town, reasonable prices of goods and services in Cape Town, good value for money, etc. Most of these tourists are coming from other towns and cities in South Africa, and Cape Town is perceived the most expensive city in South Africa.

This study therefore agrees with the research conducted by Bertan and Alvintas (2013) on the perception of visitors towards Pamukkale, Turkey, which show that the socio-demographic variables of tourists had a significant influence on the way tourists perceived the destination. This study mostly found that age of tourist, repeat visit, length of stay, and tourist origin, have significant influences of how tourists visiting Cape Town perceived the destination.

5. Conclusions

This study presents some good news for Cape Town tourism. More than 40% of sampled tourists are repeat visitors, and “word-of-mouth” was the most popular information source for tourists visiting Cape Town, showing the loyalty of its visitors. More so, more than 92% of tourists surveyed reported being mostly or highly satisfied with their experience in Cape Town. The top three destination attributes of Cape Town (cognitive images), which enhance visitor experience satisfaction are the overall level of service quality at facilities in Cape Town, the

city being one of the best places the tourists have visited, and the destination's good value for money. The top three emotional valuations of destination attributes (affective images) which enhance visitor experience satisfaction in Cape Town include memorable visit, valuable visit, and friendly and hospitable population. This study found that repeat visit, age of tourist, length of stay, and tourist origin, have significant influences of how tourists visiting Cape Town perceived the destination. It is therefore recommended that Tourism businesses in Cape Town develop relationship marketing tools (with strong emphasis on communication capabilities linked to tourists' demographics) to attract and retain its tourists segments of loyal, advanced in age, long-staying and domestic tourists. While all these segments need to be recognised and appreciated, specific marketing tools are needed to keep them "happy and loyal visitors".

Dual pricing (for local and international tourists), discounts, and gifts (such as souvenirs), are deemed some of the several promotion tools to attract, appreciate and keep visitors. All these market segments may appreciate gifts. Older, long staying, and loyal tourists may also be attracted with discounts due to their retirement age, length of stay and loyalty, respectively. Domestic tourists may also want to be offered the advantages of dual pricing, to enable affordability and increased numbers of visits. As regards the low score of the safety of Cape Town as a tourist destination, local community collaboration with the police, strong police presence and proper policing in Cape Town will likely be effective in dealing with crime in Cape Town, and reducing the negative perception of tourists towards this city.

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The Determination of Spatial Interdependencies in the European Union

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Abstract. The article deals with neighborhood ties to European Union countries in terms of graph theory. It is determined the minimum distance between states - the number of links in a graph and then their degree of connectivity to the Union. It also studied the link between the degree of connectivity with low GDP per capita considering that the development of the relatively isolated states can not grow without the development of communications infrastructure.

Keywords: graph; globalization; Bellman

1. About Globalization

The concept of globalization emerged in a more serious form somewhere at the end of World War I, is one that arises heated arguments for it or against it. The current period governed by the existence of the Internet (with all that it implies – e-mail, social networking sites, sites with statistical data more than enough etc.), a ready means of locomotion, a television increasingly more aggressive, a culture of increasingly standardized, but more pervasive, all of this born discussions leading to hopes or fear.

Benefits of globalization consists, according to the authors, in the faster spread of scientific achievements, faster implementation of new technologies and, especially, the rapid exchange of information. If until the 9th decade of the last century the information circulated through personal and scientific journals, symposia, exhibitions, media (as they addressed the public), since that time, the Internet has produced it almost instantaneous propagation.

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As disadvantages, globalization brings, primarily uniformity. In terms of cultural, influence of powerful nations is to the full felt. Importing a way of life, often a foreign to the receptor, leads to paradoxical situations and sometimes frictions which generating pain. The best example in this respect are American cinema (with superheroes who struggle alone with armies, preferably Russian ...), Spanish (the passion for a beautiful lady lead to violent crimes) or Indian (in which, this time, the noble evil is defeated by a pair of beautiful singing and waving their hands gracefully behind a tree).

The Anglo-Saxon rhythms are already indisputable masters of modern music, despite symptomatic poverty or feelings expressed lyrics. It can thus continue to analyze other areas of arts (literature phenomena of Harry Potter or Dan Brown's writings, sculpture, painting, etc.). Also, information flows faster, a bit too quickly, the planet's population no longer having time to think, taking it in pure form, being at the same time led by superficiality and, not incidentally, to manipulation.

On the other hand, globalization is a very effectiveness phenomena especially for educated man. Information that is rapidly distributed nourishes him with data and/or allowing new ideas, in turn, disseminate their own results.

A problem that the authors face it is that if the European Union (obviously this study could easily extend to the entire earth) globalization extends through modern methods or classics that include the displacement of populations between regions and, once with them, the transmission of information.

To study this, the authors turned to the graph theory.

2. Bellman-Kalaba Algorithm

Considering a graph whose set of nodes is $A=\{x_1, \dots, x_n\}$, $n \geq 2$ and arches - U subset of Cartesian product $A \times A$, assign each arc $(x_i, x_j) \in U$ the effective distance from x_i to x_j .

Let $D_1=(d_{ij}) \in M_n(\mathbf{R})$ the matrix where, if there isn't an arc between x_i and x_j (or edge in non-orientate graphs) are considered $d_{ij}=\infty$ (on implementation on computer, a great value), and $d_{ii}=0 \quad \forall i=\overline{1, n}$.

The problem will be to determine the minimum length of roads from one node to all other nodes fixed x_k .

Bellman-Kalaba algorithm consists of several steps:

Step 1: We note with $v^{(i)} \in \mathbf{R}^n$ the vector containing the minimum lengths of roads from x_k nodes $\{x_1, \dots, x_n\}$ at most "i" arcs. How D_1 column matrix "k" contains lengths of roads formed with a single arc of the x_k to x_i , $i=\overline{1, n}$, follows that $v^{(1)}$ will

have the components of column k of the matrix D_1 .
 Step 2: Assume that were determined $v^{(i)}$, $i=\overline{1,s}$ with $s \geq 1$ and the matrix $D_s = (\tilde{d}_{ij}) \in M_n(\mathbf{R})$ where $c = d_{ij} + v_j^{(s)}$, $i, j = \overline{1,n}$ is constructed. Practically we add the distance from the node x_i to any node x_j with at most "s" arcs with those from x_j to the reference node x_k . The amount \tilde{d}_{ij} represents the minimum length of the road with most (s+1) arches from the x_i to x_k , necessarily passing through x_j . It is then determined, $v_i^{(s+1)} = \min_{j=\overline{1,n}} \tilde{d}_{ij}$, $i=\overline{1,n}$ which represents the minimum length of the roads with most than "s+1" arcs from x_i the node reference x_k , thus generating the vector $v^{(s+1)}$.

Step 3: The algorithm is repeated until for $t \geq 1$: $v^{(t+1)} = v^{(t)}$ that is the minimum length of not more than "t" arcs may not decrease at the addition of an additional arc. What should be noted is that the actual determination of the minimum length of the road is quite difficult to obtain (but not impossible) the road itself, but that did not influence the present approach.

3. Determination of Minimum Length of Roads Between EU Countries

In this section we will determine the minimum lengths of the roads between EU countries for the purposes of considering only the existence arcs (actually the edges, since this is an undirected graph) between them, and not the actual distance (which would involve determining the "center" of a country - otherwise a complicated endeavor even if mathematically it is possible). So either graph links between countries:



Figure 1.

Note: 01 – Austria, 02 – Belgium, 03 – Bulgaria, 04 – Croatia, 05 – Cyprus, 06 - Czech Republic;

07 – Denmark, 08 – Estonia, 09 – Finland, 10 – France, 11 – Germany, 12 – Greece, 13 – Hungary;

14 – Ireland, 15 – Italy, 16 – Latvia, 17 – Lithuania, 18 – Luxembourg, 19 – Malta, 20 – Netherlands;

21 – Poland, 22 – Portugal, 23 – Romania, 24 – Slovakia, 25 – Slovenia, 26 – Spain, 27 – Sweden;

28 - United Kingdom.

Edges between nodes (figure 1) indicates the existence of common borders between countries (usually on land, the only exceptions being made for linkages United Kingdom, Malta, Cyprus with other neighboring countries - because of their insularity and pairs Denmark- Sweden, Finland-Estonia, Greece-Italy to nearby maritime each other). The length of each edge is unitary. The matrix of the graph in figure 1 (symmetrical because it is non-oriented) where in the rows and columns there are countries with relevant coding above:

Table 1.

	Country	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
01	0	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	1	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	1	∞	∞	∞	
02	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	1	1	∞	∞	∞	∞	∞	∞	1	∞	1	∞	∞	∞	∞	∞	∞	∞	1
03	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞
04	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞
05	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞
06	1	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	1	∞	∞	∞	∞
07	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞
08	∞	∞	∞	∞	∞	∞	∞	0	1	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞
09	∞	∞	∞	∞	∞	∞	∞	∞	1	0	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞
10	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	0	1	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	1
11	1	1	∞	∞	∞	1	1	∞	∞	∞	1	0	∞	∞	∞	∞	∞	∞	1	∞	1	1	∞	∞	∞	∞	∞	∞	∞
12	∞	∞	1	∞	1	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞
13	1	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	1	1	1	∞	∞	∞	∞
14	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1
15	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	1	∞	∞	0	∞	∞	∞	1	∞	∞	∞	∞	1	∞	∞	∞	∞
16	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	0	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞
17	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	0	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞
18	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	1	1	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞
19	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	∞	∞
20	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	∞	∞	∞	1
21	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	1	∞	∞	∞	0	∞	∞	1	∞	∞	∞	∞	∞

22	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	1	∞	∞
23	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞	∞	∞	∞
24	1	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	0	∞	∞	∞
25	1	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	0	∞	∞
26	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	0	∞
27	∞	∞	∞	∞	∞	∞	1	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	0
28	∞	1	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	1	∞	∞	∞	∞	∞	∞	∞	∞	∞	∞	1	∞	∞	∞	∞	0

Applying the Bellman-Kalaba algorithm, finally gives the matrix of minimum distances between countries:

Table 2.

Country	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
01	0	2	3	2	3	1	2	5	4	2	1	2	1	4	1	4	3	2	2	2	2	4	2	1	1	3	3	3
02	2	0	4	4	4	2	2	5	4	1	1	3	3	2	2	4	3	1	3	1	2	3	4	3	3	2	3	1
03	3	4	0	3	2	4	5	7	7	3	4	1	2	5	2	6	5	4	3	5	4	5	1	3	3	4	6	4
04	2	4	3	0	4	3	4	6	6	3	3	3	1	5	2	5	4	4	3	4	3	5	2	2	1	4	5	4
05	3	4	2	4	0	4	5	8	7	3	4	1	4	5	2	7	6	4	3	5	5	5	3	4	3	4	6	4
06	1	2	4	3	4	0	2	4	4	2	1	3	2	4	2	3	2	2	3	2	1	4	3	1	2	3	3	3
07	2	2	5	4	5	2	0	3	2	2	1	4	3	4	3	4	3	2	4	2	2	4	4	3	3	3	1	3
08	5	5	7	6	8	4	3	0	1	5	4	7	5	7	6	1	2	5	7	5	3	7	6	4	6	6	2	6
09	4	4	7	6	7	4	2	1	0	4	3	6	5	6	5	2	3	4	6	4	4	6	6	5	5	5	1	5
10	2	1	3	3	3	2	2	5	4	0	1	2	3	2	1	4	3	1	2	2	2	2	4	3	2	1	3	1
11	1	1	4	3	4	1	1	4	3	1	0	3	2	3	2	3	2	1	3	1	1	3	3	2	2	2	2	2
12	2	3	1	3	1	3	4	7	6	2	3	0	3	4	1	6	5	3	2	4	4	4	2	3	2	3	5	3
13	1	3	2	1	4	2	3	5	5	3	2	3	0	5	2	4	3	3	3	3	2	5	1	1	1	4	4	4

14	4	2	5	5	5	4	4	7	6	2	3	4	5	0	3	6	5	3	4	2	4	4	6	5	4	3	5	1
15	1	2	2	2	2	2	3	6	5	1	2	1	2	3	0	5	4	2	1	3	3	3	3	2	1	2	4	2
16	4	4	6	5	7	3	4	1	2	4	3	6	4	6	5	0	1	4	6	4	2	6	5	3	5	5	3	5
17	3	3	5	4	6	2	3	2	3	3	2	5	3	5	4	1	0	3	5	3	1	5	4	2	4	4	4	4
18	2	1	4	4	4	2	2	5	4	1	1	3	3	3	2	4	3	0	3	2	2	3	4	3	3	2	3	2
19	2	3	3	3	3	3	4	7	6	2	3	2	3	4	1	6	5	3	0	4	4	4	4	3	2	3	5	3
20	2	1	5	4	5	2	2	5	4	2	1	4	3	2	3	4	3	2	4	0	2	4	4	3	3	3	3	1
21	2	2	4	3	5	1	2	3	4	2	1	4	2	4	3	2	1	2	4	2	0	4	3	1	3	3	3	3
22	4	3	5	5	5	4	4	7	6	2	3	4	5	4	3	6	5	3	4	4	4	0	6	5	4	1	5	3
23	2	4	1	2	3	3	4	6	6	4	3	2	1	6	3	5	4	4	4	4	3	6	0	2	2	5	5	5
24	1	3	3	2	4	1	3	4	5	3	2	3	1	5	2	3	2	3	3	3	1	5	2	0	2	4	4	4
25	1	3	3	1	3	2	3	6	5	2	2	2	1	4	1	5	4	3	2	3	3	4	2	2	0	3	4	3
26	3	2	4	4	4	3	3	6	5	1	2	3	4	3	2	5	4	2	3	3	3	1	5	4	3	0	4	2
27	3	3	6	5	6	3	1	2	1	3	2	5	4	5	4	3	4	3	5	3	3	5	5	4	4	4	0	4
28	3	1	4	4	4	3	3	6	5	1	2	3	4	1	2	5	4	2	3	1	3	3	5	4	3	2	4	0

The data in Table 2 shows the minimum number of arcs necessary for the transition from one country to another. For example, on line 1 and column 9 we have a value of 4 which means that the shortest path (not necessarily unique) from Austria to Finland passes through four countries (except the one starting): Germany-Denmark-Sweden-Finland .

Because the effect of one state against another is inversely proportional to the distance (reasonable assumption), we shall reverse matrix values above (replacing 1/0 with 1 – because we shall assume that the effect of one country on itself is maximum). So we get:

Table 3

	12	11	10	09	08	07	06	05	04	03	02	01	Country
0.5	1	0.5	0.25	0.2	0.5	1	0.333	0.5	0.333	0.5	1	0.5	01
0.333	1	1	0.25	0.2	0.5	0.5	0.25	0.25	0.25	0.25	1	0.5	02
1	0.25	0.333	0.143	0.143	0.2	0.25	0.25	0.5	0.333	1	0.25	0.333	03
0.333	0.333	0.333	0.167	0.167	0.25	0.333	0.25	0.25	1	0.333	0.25	0.5	04
1	0.25	0.333	0.143	0.125	0.2	0.25	1	0.25	0.25	0.5	0.25	0.333	05
0.333	1	0.5	0.25	0.25	0.5	1	0.25	0.333	0.25	0.5	0.5	1	06
0.25	1	0.5	0.5	0.333	1	0.5	0.2	0.2	0.25	0.2	0.5	0.5	07
0.143	0.25	0.2	1	1	0.333	0.25	0.25	0.125	0.167	0.143	0.2	0.2	08
0.167	0.333	0.25	1	1	0.5	0.25	0.25	0.143	0.167	0.143	0.25	0.25	09
0.5	1	1	0.25	0.2	0.5	0.5	0.5	0.333	0.333	0.333	1	0.5	10
0.333	1	1	0.333	0.25	1	1	0.25	0.333	0.333	0.25	1	1	11
1	0.333	0.5	0.167	0.143	0.25	0.333	0.333	1	0.333	1	0.333	0.5	12
0.333	0.5	0.333	0.2	0.2	0.333	0.5	0.25	0.25	1	0.5	0.333	1	13
0.25	0.333	0.5	0.167	0.143	0.25	0.25	0.25	0.2	0.2	0.2	0.5	0.25	14
1	0.5	1	0.2	0.167	0.333	0.5	0.5	0.5	0.5	0.5	0.5	1	15
0.167	0.333	0.25	0.5	1	0.25	0.333	0.143	0.2	0.2	0.167	0.25	0.25	16
0.2	0.5	0.333	0.333	0.5	0.333	0.5	0.167	0.25	0.25	0.2	0.333	0.333	17
0.333	1	1	0.25	0.2	0.5	0.5	0.25	0.25	0.25	0.25	1	0.5	18
0.5	0.333	0.5	0.167	0.143	0.25	0.333	0.333	0.333	0.333	0.333	0.333	0.5	19
0.25	1	0.5	0.25	0.2	0.5	0.5	0.2	0.2	0.25	0.2	1	0.5	20
0.25	1	0.5	0.25	0.333	0.5	1	0.2	0.333	0.333	0.25	0.5	0.5	21
0.25	0.333	0.5	0.167	0.143	0.25	0.25	0.25	0.2	0.2	0.2	0.333	0.25	22
0.5	0.333	0.25	0.167	0.167	0.25	0.333	0.333	0.333	0.5	1	0.25	0.5	23
0.333	0.5	0.333	0.2	0.25	0.333	1	0.25	0.25	0.5	0.333	0.333	1	24
0.5	0.5	0.5	0.2	0.167	0.333	0.5	0.333	1	0.333	0.333	0.333	1	25
0.333	0.5	1	0.2	0.167	0.333	0.333	0.333	0.25	0.25	0.25	0.5	0.333	26
0.2	0.5	0.333	1	0.5	1	0.333	0.167	0.2	0.2	0.167	0.333	0.333	27
0.333	0.5	1	0.2	0.167	0.333	0.333	0.333	0.25	0.25	0.25	1	0.333	28

26	25	24	23	22	21	20	19	18	17	16	15	14	13
0.333	1	1	0.5	0.25	0.5	0.5	0.5	0.5	0.333	0.25	1	0.25	1
0.5	0.333	0.333	0.25	0.333	0.5	1	0.333	1	0.333	0.25	0.5	0.5	0.333
0.25	0.333	0.333	1	0.2	0.25	0.2	0.333	0.25	0.2	0.167	0.5	0.2	0.5
0.25	1	0.5	0.5	0.2	0.333	0.25	0.333	0.25	0.25	0.2	0.5	0.2	1
0.25	0.333	0.25	0.333	0.2	0.2	0.2	0.333	0.25	0.167	0.143	0.5	0.2	0.25
0.333	0.5	1	0.333	0.25	1	0.5	0.333	0.5	0.5	0.333	0.5	0.25	0.5
0.333	0.333	0.333	0.25	0.25	0.5	0.5	0.25	0.5	0.333	0.25	0.333	0.25	0.333
0.167	0.167	0.25	0.167	0.143	0.333	0.2	0.143	0.2	0.5	1	0.167	0.143	0.2
0.2	0.2	0.2	0.167	0.167	0.25	0.25	0.167	0.25	0.333	0.5	0.2	0.167	0.2
1	0.5	0.333	0.25	0.5	0.5	0.5	0.5	1	0.333	0.25	1	0.5	0.333
0.5	0.5	0.5	0.333	0.333	1	1	0.333	1	0.5	0.333	0.5	0.333	0.5
0.333	0.5	0.333	0.5	0.25	0.25	0.25	0.5	0.333	0.2	0.167	1	0.25	0.333
0.25	1	1	1	0.2	0.5	0.333	0.333	0.333	0.333	0.25	0.5	0.2	1
0.333	0.25	0.2	0.167	0.25	0.25	0.5	0.25	0.333	0.2	0.167	0.333	1	0.2
0.5	1	0.5	0.333	0.333	0.333	0.333	1	0.5	0.25	0.2	1	0.333	0.5
0.2	0.2	0.333	0.2	0.167	0.5	0.25	0.167	0.25	1	1	0.2	0.167	0.25
0.25	0.25	0.5	0.25	0.2	1	0.333	0.2	0.333	1	1	0.25	0.2	0.333
0.5	0.333	0.333	0.25	0.333	0.5	0.5	0.333	1	0.333	0.25	0.5	0.333	0.333
0.333	0.5	0.333	0.25	0.25	0.25	0.25	1	0.333	0.2	0.167	1	0.25	0.333
0.333	0.333	0.333	0.25	0.25	0.5	1	0.25	0.5	0.333	0.25	0.333	0.5	0.333
0.333	0.333	1	0.333	0.25	1	0.5	0.25	0.5	1	0.5	0.333	0.25	0.5
1	0.25	0.2	0.167	1	0.25	0.25	0.25	0.333	0.2	0.167	0.333	0.25	0.2
0.2	0.5	0.5	1	0.167	0.333	0.25	0.25	0.25	0.25	0.2	0.333	0.167	1
0.25	0.5	1	0.5	0.2	1	0.333	0.333	0.333	0.5	0.333	0.5	0.2	1
0.333	1	0.5	0.5	0.25	0.333	0.333	0.5	0.333	0.25	0.2	1	0.25	1
1	0.333	0.25	0.2	1	0.333	0.333	0.333	0.5	0.25	0.2	0.5	0.333	0.25
0.25	0.25	0.25	0.2	0.2	0.333	0.333	0.2	0.333	0.25	0.333	0.25	0.2	0.25
0.5	0.333	0.25	0.2	0.333	0.333	1	0.333	0.5	0.25	0.2	0.5	1	0.25

27	0.333	0.333	1	0.333	0.167	0.25	0.25	0.25	0.167	0.333	0.333	1	0.167	0.5	0.2	1	0.333	0.5	0.2	0.333	0.25	0.25	0.333	0.2	1	0.333	0.333	0.333	0.2	0.2	0.25	0.333	0.25	0.333	0.25	0.5	0.25	1	0.25
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In table 3, how much will be small the distance between two states, a greater value will be allocated.

The data obtained in Table 3 can not be used in their raw form, benefiting countries form Centre of European Union which, geographically, have the most connections between them. For this reason, we normalize these values by dividing each line distances to the sum of its elements. Following this approach, the normalized matrix is not symmetrical, depending from the links neighboring third countries. So we get in the end:

Table 4. Normalized distances between countries 01-07 and 01-07

Country	01	02	03	04	05	06	07
01	0.0658	0.0329	0.0219	0.0329	0.0219	0.0658	0.0329
02	0.0361	0.0721	0.018	0.018	0.018	0.0361	0.0361
03	0.0337	0.0253	0.1013	0.0337	0.0507	0.0253	0.0203
04	0.0478	0.0239	0.0318	0.0956	0.0239	0.0318	0.0239
05	0.0385	0.0289	0.0577	0.0289	0.1155	0.0289	0.0231
06	0.0732	0.0366	0.0183	0.0244	0.0183	0.0732	0.0366
07	0.0423	0.0423	0.0169	0.0212	0.0169	0.0423	0.0846

Table 5. Normalized distances between countries 01-07 and 08-14

Country	08	09	10	11	12	13	14
01	0.0132	0.0164	0.0329	0.0658	0.0329	0.0658	0.0164
02	0.0144	0.018	0.0721	0.0721	0.024	0.024	0.0361
03	0.0145	0.0145	0.0337	0.0253	0.1013	0.0507	0.0203

04	0.016	0.016	0.0318	0.0318	0.0318	0.0956	0.0191
05	0.0144	0.0165	0.0385	0.0289	0.1155	0.0289	0.0231
06	0.0183	0.0183	0.0366	0.0732	0.0244	0.0366	0.0183
07	0.0282	0.0423	0.0423	0.0846	0.0212	0.0282	0.0212

Table 6. Normalized distances between countries 01-07 and 15-21

Country	15	16	17	18	19	20	21
01	0.0658	0.0164	0.0219	0.0329	0.0329	0.0329	0.0329
02	0.0361	0.018	0.024	0.0721	0.024	0.0721	0.0361
03	0.0507	0.0169	0.0203	0.0253	0.0337	0.0203	0.0253
04	0.0478	0.0191	0.0239	0.0239	0.0318	0.0239	0.0318
05	0.0577	0.0165	0.0193	0.0289	0.0385	0.0231	0.0231
06	0.0366	0.0244	0.0366	0.0366	0.0244	0.0366	0.0732
07	0.0282	0.0212	0.0282	0.0423	0.0212	0.0423	0.0423

Table 7. Normalized distances between countries 01-07 and 22-28

Country	22	23	24	25	26	27	28
01	0.0164	0.0329	0.0658	0.0658	0.0219	0.0219	0.0219
02	0.024	0.018	0.024	0.024	0.0361	0.024	0.0721
03	0.0203	0.1013	0.0337	0.0337	0.0253	0.0169	0.0253
04	0.0191	0.0478	0.0478	0.0956	0.0239	0.0191	0.0239
05	0.0231	0.0385	0.0289	0.0385	0.0289	0.0193	0.0289
06	0.0183	0.0244	0.0732	0.0366	0.0244	0.0244	0.0244
07	0.0212	0.0212	0.0282	0.0282	0.0282	0.0846	0.0282

Table 8. Normalized distances between countries 08-14 and 01-07

Country	01	02	03	04	05	06	07
08	0.0236	0.0236	0.0169	0.0197	0.0148	0.0296	0.0394
09	0.0281	0.0281	0.0161	0.0188	0.0161	0.0281	0.0562
10	0.0327	0.0654	0.0218	0.0218	0.0218	0.0327	0.0327
11	0.0609	0.0609	0.0152	0.0203	0.0152	0.0609	0.0609
12	0.043	0.0286	0.086	0.0286	0.086	0.0286	0.0215
13	0.0757	0.0252	0.0378	0.0757	0.0189	0.0378	0.0252
14	0.0282	0.0563	0.0225	0.0225	0.0225	0.0282	0.0282

Table 9. Normalized distances between countries 08-14 and 08-14

Country	08	09	10	11	12	13	14
08	0.1182	0.1182	0.0236	0.0296	0.0169	0.0236	0.0169
09	0.1123	0.1123	0.0281	0.0374	0.0188	0.0225	0.0188
10	0.0131	0.0164	0.0654	0.0654	0.0327	0.0218	0.0327
11	0.0152	0.0203	0.0609	0.0609	0.0203	0.0305	0.0203
12	0.0123	0.0144	0.043	0.0286	0.086	0.0286	0.0215
13	0.0151	0.0151	0.0252	0.0378	0.0252	0.0757	0.0151
14	0.0161	0.0188	0.0563	0.0375	0.0282	0.0225	0.1127

Table 10. Normalized distances between countries 08-14 and 15-21

Country	15	16	17	18	19	20	21
08	0.0197	0.1182	0.0591	0.0236	0.0169	0.0236	0.0394
09	0.0225	0.0562	0.0374	0.0281	0.0188	0.0281	0.0281

10	0.0654	0.0164	0.0218	0.0654	0.0327	0.0327	0.0327
11	0.0305	0.0203	0.0305	0.0609	0.0203	0.0609	0.0609
12	0.086	0.0144	0.0172	0.0286	0.043	0.0215	0.0215
13	0.0378	0.0189	0.0252	0.0252	0.0252	0.0252	0.0378
14	0.0375	0.0188	0.0225	0.0375	0.0282	0.0563	0.0282

Table 11. Normalized distances between countries 08-14 and 22-28

Country	22	23	24	25	26	27	28
08	0.0169	0.0197	0.0296	0.0197	0.0197	0.0591	0.0197
09	0.0188	0.0188	0.0225	0.0225	0.0225	0.1123	0.0225
10	0.0327	0.0164	0.0218	0.0327	0.0654	0.0218	0.0654
11	0.0203	0.0203	0.0305	0.0305	0.0305	0.0305	0.0305
12	0.0215	0.043	0.0286	0.043	0.0286	0.0172	0.0286
13	0.0151	0.0757	0.0757	0.0757	0.0189	0.0189	0.0189
14	0.0282	0.0188	0.0225	0.0282	0.0375	0.0225	0.1127

Table 12. Normalized distances between countries 15-21 and 01-07

Country	01	02	03	04	05	06	07
15	0.0687	0.0343	0.0343	0.0343	0.0343	0.0343	0.0229
16	0.027	0.027	0.018	0.0216	0.0154	0.036	0.027
17	0.0315	0.0315	0.0189	0.0236	0.0158	0.0473	0.0315
18	0.0394	0.0788	0.0197	0.0197	0.0197	0.0394	0.0394
19	0.0498	0.0332	0.0332	0.0332	0.0332	0.0332	0.0249
20	0.041	0.0821	0.0164	0.0205	0.0164	0.041	0.041
21	0.0374	0.0374	0.0187	0.0249	0.015	0.0748	0.0374

Table 13. Normalized distances between countries 15-21 and 08-14

Country	08	09	10	11	12	13	14
15	0.0115	0.0137	0.0687	0.0343	0.0687	0.0343	0.0229
16	0.108	0.054	0.027	0.036	0.018	0.027	0.018
17	0.0473	0.0315	0.0315	0.0473	0.0189	0.0315	0.0189
18	0.0158	0.0197	0.0788	0.0788	0.0262	0.0262	0.0262
19	0.0142	0.0166	0.0498	0.0332	0.0498	0.0332	0.0249
20	0.0164	0.0205	0.041	0.0821	0.0205	0.0273	0.041
21	0.0249	0.0187	0.0374	0.0748	0.0187	0.0374	0.0187

Table 14. Normalized distances between countries 15-21 and 15-21

Country	15	16	17	18	19	20	21
15	0.0687	0.0137	0.0172	0.0343	0.0687	0.0229	0.0229
16	0.0216	0.108	0.108	0.027	0.018	0.027	0.054
17	0.0236	0.0945	0.0945	0.0315	0.0189	0.0315	0.0945
18	0.0394	0.0197	0.0262	0.0788	0.0262	0.0394	0.0394
19	0.0996	0.0166	0.0199	0.0332	0.0996	0.0249	0.0249
20	0.0273	0.0205	0.0273	0.041	0.0205	0.0821	0.041
21	0.0249	0.0374	0.0748	0.0374	0.0187	0.0374	0.0748

Table 15. Normalized distances between countries 15-21 and 22-28

Country	22	23	24	25	26	27	28
15	0.0229	0.0229	0.0343	0.0687	0.0343	0.0172	0.0343
16	0.018	0.0216	0.036	0.0216	0.0216	0.036	0.0216
17	0.0189	0.0236	0.0473	0.0236	0.0236	0.0236	0.0236

18	0.0262	0.0197	0.0262	0.0262	0.0394	0.0262	0.0394
19	0.0249	0.0249	0.0332	0.0498	0.0332	0.0199	0.0332
20	0.0205	0.0205	0.0273	0.0273	0.0273	0.0273	0.0821
21	0.0187	0.0249	0.0748	0.0249	0.0249	0.0249	0.0249

Table 16. Normalized distances between countries 22-28 and 01-07

Country	01	02	03	04	05	06	07
22	0.0296	0.0394	0.0236	0.0236	0.0236	0.0296	0.0296
23	0.0482	0.0241	0.0963	0.0482	0.0321	0.0321	0.0241
24	0.0778	0.0259	0.0259	0.0389	0.0195	0.0778	0.0259
25	0.0765	0.0255	0.0255	0.0765	0.0255	0.0383	0.0255
26	0.0302	0.0454	0.0227	0.0227	0.0227	0.0302	0.0302
27	0.0335	0.0335	0.0168	0.0201	0.0168	0.0335	0.1005
28	0.0273	0.0821	0.0205	0.0205	0.0205	0.0273	0.0273

Table 17. Normalized distances between countries 22-28 and 08-14

Country	08	09	10	11	12	13	14
22	0.0169	0.0197	0.0591	0.0394	0.0296	0.0236	0.0296
23	0.0161	0.0161	0.0241	0.0321	0.0482	0.0963	0.0161
24	0.0195	0.0156	0.0259	0.0389	0.0259	0.0778	0.0156
25	0.0128	0.0153	0.0383	0.0383	0.0383	0.0765	0.0191
26	0.0152	0.0182	0.0908	0.0454	0.0302	0.0227	0.0302
27	0.0503	0.1005	0.0335	0.0503	0.0201	0.0251	0.0201
28	0.0137	0.0164	0.0821	0.041	0.0273	0.0205	0.0821

Table 18. Normalized distances between countries 22-28 and 15-21

Country	15	16	17	18	19	20	21
22	0.0394	0.0197	0.0236	0.0394	0.0296	0.0296	0.0296
23	0.0321	0.0193	0.0241	0.0241	0.0241	0.0241	0.0321
24	0.0389	0.0259	0.0389	0.0259	0.0259	0.0259	0.0778
25	0.0765	0.0153	0.0191	0.0255	0.0383	0.0255	0.0255
26	0.0454	0.0182	0.0227	0.0454	0.0302	0.0302	0.0302
27	0.0251	0.0335	0.0251	0.0335	0.0201	0.0335	0.0335
28	0.041	0.0164	0.0205	0.041	0.0273	0.0821	0.0273

Table 19. Normalized distances between countries 22-28 and 22-28

Country	22	23	24	25	26	27	28
22	0.1182	0.0197	0.0236	0.0296	0.1182	0.0236	0.0394
23	0.0161	0.0963	0.0482	0.0482	0.0193	0.0193	0.0193
24	0.0156	0.0389	0.0778	0.0389	0.0195	0.0195	0.0195
25	0.0191	0.0383	0.0383	0.0765	0.0255	0.0191	0.0255
26	0.0908	0.0182	0.0227	0.0302	0.0908	0.0227	0.0454
27	0.0201	0.0201	0.0251	0.0251	0.0251	0.1005	0.0251
28	0.0273	0.0164	0.0205	0.0273	0.041	0.0205	0.0821

Noting with D – “distances” in the normalized matrix – meaning the matrix of degree links to a specific country with all the others, result that elements of D^2 by multiplying the lines of D with its columns, these would provide the degree of connection of a country to another, passing binding by one of the other EU countries. Similarly, elements of D^n will provide a degree of connection with another country, at least in passing binding “n” EU countries.

Numerical data analysis reveals that (aside from the inherent rounding) elements of B^8 columns differ by less than 0.0001, significant results being accurate to 4 decimal places.

Therefore, we get finally degrees of connection (in terms of distance) of countries in the European Union:

Table 20. Linking grades in the European Union countries

Country	Degree	Country	Degree	Country	Degree
Germany	0.0502	United Kingdom	0.0373	Bulgaria	0.0302
France	0.0467	Netherlands	0.0373	Latvia	0.0283
Austria	0.0465	Denmark	0.0361	Finland	0.0272
Italy	0.0446	Greece	0.0356	Ireland	0.0272
Belgium	0.0424	Spain	0.0337	Cyprus	0.0265
Czech Republic	0.0418	Lithuania	0.0324	Portugal	0.0259
Poland	0.0409	Croatia	0.032	Estonia	0.0259
Hungary	0.0404	Romania	0.0318	Bulgaria	0.0302
Slovenia	0.04	Malta	0.0307		
Slovak Republic	0.0393	Sweden	0.0304		

4. The Relationship between the Degree of Connection and Size of the Countries GDP per Capita

In the following we will investigate the dependence of GDP per capita of EU countries, of which we excluded Luxembourg because the gap is very large compared to the rest of the data (in 2013 it has a GDP/capita of 83,400 euros to the following: Denmark - 44,400 euros) which affects the state diagram in figure 2.

Table 21. PIB/inhabitant (euro) for the European Union countries (except Luxembourg) during 2011-2013

Country	2011	2012	2013
Austria	35.700	36.400	37.000
Belgium	33.600	34.000	34.500
Bulgaria	5.200	5.500	5.500
Croatia	10.300	10.200	10.100
Cyprus	21.000	20.500	19.000
Czech Republic	14.800	14.600	14.200
Denmark	43.200	43.900	44.400
Estonia	12.100	13.000	13.900
Finland	35.000	35.500	35.600
France	30.700	31.100	31.300
Germany	31.900	32.600	33.300
Greece	18.700	17.400	17.400
Hungary	9.900	9.800	9.900
Ireland	35.500	35.700	35.600
Italy	26.000	25.700	25.600
Latvia	9.800	10.900	11.600
Lithuania	10.200	11.000	11.700
Malta	16.100	16.500	17.200
Netherlands	35.900	35.800	35.900
Poland	9.600	9.900	10.100
Portugal	16.100	15.600	15.800
Romania	6.500	6.600	7.100
Slovak Republic	12.800	13.200	13.300
Slovenia	17.600	17.200	17.100
Spain	22.700	22.300	22.300
Sweden	40.800	42.800	43.800
United Kingdom	28.200	30.200	29.600

Source: http://ec.europa.eu/eurostat/web/products-datasets/-/nama_aux_gph

For an accurate graphical representation, we determined the values maximum for each year and we computed the ratio of GDP/capita to the maximum value divided after by 15 (for comparability in absolute degree of connection).

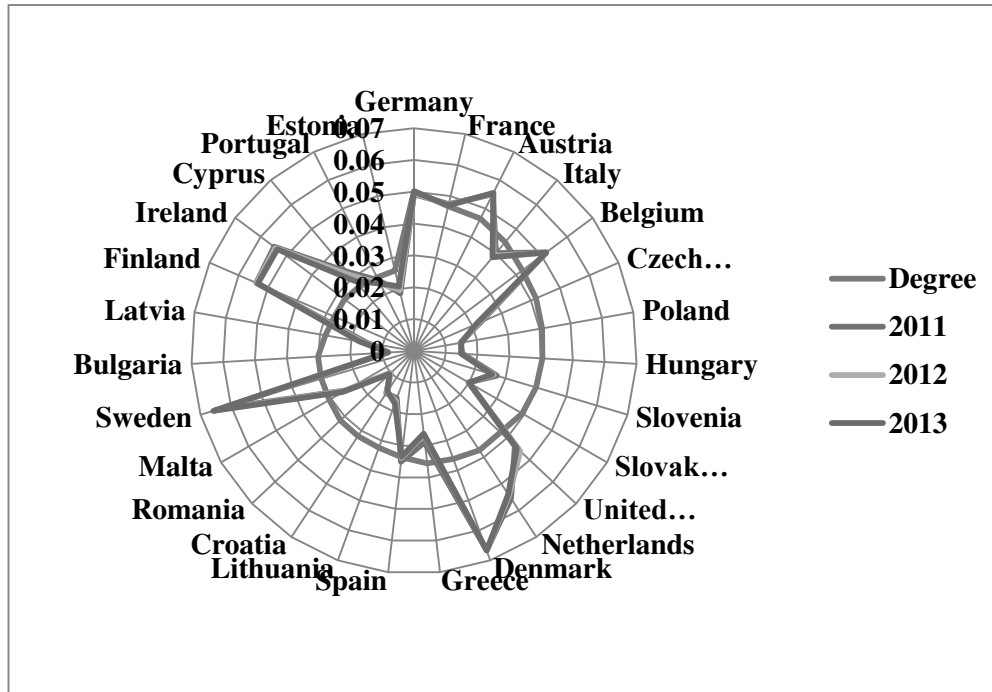


Figure 2

The analysis reveals the following:

- Countries with a high GDP/capita are generally those with a large number of close connections (in terms of neighborhood relations) with European countries: Germany, France, Austria, Italy, Belgium, United Kingdom, Netherlands, Denmark,
- There are a limited number of countries whose GDP/inhabitant is very high: Sweden, Finland and Ireland which are relatively isolated geographically but whose economic policies have overcome the barriers of distance.
- Symptomatic are former socialist countries: Czech Republic, Poland, Hungary, Slovenia, Slovak Republic, despite their geographical placement, pay still errors of the past.
- Countries such as Greece (the situation here is somewhat special in recent years), Lithuania, Croatia, Romania, Bulgaria, Latvia, Estonia have economies resettlement on new bases, but they face barriers metric which requires the development of a strong infrastructure of telecommunications which will blur their relative geographic isolation.

5. Conclusions

The above analysis establishes a new approach to economic relations within the European Union in terms of neighborhood relations. Multiple links between states favor the exchange of goods more quickly, the migratory movement of the population - especially in contiguous areas, globalization - as a complex phenomenon can lead to economic developments but which, unfortunately, can deep differences within the Union. European countries were disadvantaged by geographical location as a chance to build economic development and/or amplification of a communications infrastructure that will alleviate the barriers of distance.

6. References

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