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# African Journal of Economic and Management Studies

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# African Journal of Economic and Management Studies

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Editor  
Professor John Kuada

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## ***AJEMS* – a new African journal**

The twenty-first century has been dubbed by some futurists as Africa's century – a century during which Africa's economic, intellectual, political and leadership resources will be optimally utilized to generate welfare for the citizens and provide the continent with a positive identity within the world of nations. Many people conceive this declaration as an illusion, and some consider it a dream. Whatever one's take on the statement, it represents an innermost desire and aspiration of all Africans and their earnest well wishers. The challenge is daunting considering the dismal growth performance of Sub-Saharan Africa (SSA) during the past half a century. Scholars, within and outside Africa, have been in persistent search of good explanations for Africa's growth failures as well as suitable guidelines for policy and strategic actions. Many argue now that the fact that a greater part of the African continent with her nearly one billion people has hitherto been unable to build sustainable economies and remain dependent on charity deserves serious academic attention and a re-examination of the existing economic models.

It is in this context that knowledge creation and dissemination through research and publications become important. The present journal, the *African Journal of Economic and Management Studies (AJEMS)*, draws its legitimacy from this realisation. It provides an avenue for disseminating empirical research results, as well as theoretical viewpoints and methodologies that could impact positively on economic and business activities in Africa. It also benefits from the emerging consensus within the academic community that social and economic progress in SSA requires knowledge about the following six issues.

### *1. Endogeneity as a policy foundation*

The emerging understanding within the intellectual community today is that there should be more emphasis on endogenous growth initiatives for stimulating Africa's undoubted potentials. This is in contrast to the tendency among certain African intellectuals to explain the non-growth syndrome across most of the continent Africa in terms of the emotionally seductive arguments of external victimisation. There is no doubt that the atrocities of the colonial era and the negative consequences of global capitalism, trade restrictions and global politics have combined to constrain the developmental opportunities available to the least developed countries of the world, including Africa. But as Africans draw attention to the dire historical and existential challenges plaguing the continent, it is equally important for researchers to guide us to reflect soberly on internal circumstances that hamper growth and development.

### *2. Creativity*

"Take the road less taken, as it will lead you to new discoveries", goes a popular saying. Creative societies tend to look at societal problems in different ways, developing new solutions to problems as and when they appear rather than mastering and constantly reapplying standard methods. "Concepts such as collective creativity" and "creative capability" have now emerged as defining characteristics of the competitive advantages of nations. As such, the argument goes that Africans cannot continue to

seek solutions for their current problems by applying methods that have created them in the first place. Once again, Africans of all walks of life are in search of ways and means of stimulating creativity at all levels of society and are looking up to the academic community for guidance.

### *3. Leadership*

Determinants of economic growth and societal development constitute central topics in the literature on political science, development economics and management. Theories in all these disciplines have identified leadership as a key determinant of performance. Leaders articulate vision, encourage innovative thinking and motivate individuals and groups to exert themselves beyond the normal call of duty. Effective leadership also ensures efficient resource utilization in societies and organizations as well as the unceasing exploration of new resources. It is also critical to institutional development, another significant weakness of African societies. Many people therefore blame Africa's problems today on poor leadership, using the concept of leadership as a convenient metaphor for all kinds of problems. Research on African leadership is however sparse. Scholars need to critically debate the approaches to leadership that are now peddled on the continent and guide the politicians, administrators and business managers in the leadership transformations that some countries are currently engaged.

### *4. Entrepreneurship*

Many development economists suggest that private enterprise-driven economic growth provides a greater promise for absolute poverty reduction through lowering the levels of real unemployment and strengthening individuals' capacity to care for themselves and their families. Businesses also tend to generate revenues necessary for anti-poverty policies of governments. Although entrepreneurship is viewed as a cornerstone of Africa's fight against poverty, there is a dearth of knowledge about entrepreneurship in Africa. Nurturing a critical mass of growth-oriented entrepreneurs to spark a take-off of African economies remains a challenge that scholarly knowledge must help address.

### *5. Cultural re-engineering*

Cultural values impact behaviour. Some of the impacts may run counter to the modalities of economic behaviour while others may have positive impacts. Based on this awareness, African societies need to engage in a thoughtful reflection on African culture in order to gain insights into the core values on which African societies can build their social and economic development. This calls for a change in mindset and the audacity to re-examine currently accepted rules of behaviour and to discard less productive ones without the fear of losing African identity as people.

### *6. A new international engagement*

Globalization has become an important topic in management research during the past two decades. Winners and losers are being identified as firms and nations vie for advantageous positions within the global economic network. All Africans yearn for the day when Africa will emerge on the international scene as a partner rather than a marginal actor. To do so, African businesses must be attractive enough to be invited by other global players in the global value creating chains or become leaders of

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regional and national value chains. African managers and policy makers need to be better informed about the modalities of the game and the appropriate strategies to adopt. This is another area in which scholarly contributions are required.

### ***AJEMS'* mission**

*AJEMS* seeks to communicate research outputs in all these and many other areas relevant to Africa's economic development process. The journal is guided by the awareness that the better informed African politicians, policy makers and business leaders are about the forces that drive Africa's competitive disadvantages at home as well as on the global economic scene, the more capable they will be in crafting solutions that are robust enough to give their countries a lift out of poverty.

The present volume of the journal contains six papers focusing attention on issues such as leadership, enterprise development and human resource management. These discussions have been initiated in John Kuada paper on "Culture and leadership in Africa: a conceptual model and research agenda" which aims at identifying the knowledge gaps in the existing African leadership studies and argue in support of further research in the field. The paper discusses the link between African culture and leadership practices and their implications for economic growth on the continent. It reviews the mainstream perspectives in leadership literature in general and African leadership literature in particular as a basis for the development of an integrated goal-behaviour-performance model.

Ezemma Kate Nwadiogwa Nnabuife's paper on "Defining and enforcing ethical leadership in Nigeria" examines the current gap existing between ethics theorization and enforcement in the Nigerian leadership system, focusing on the performance of regulatory and enforcement agencies established to ensure good governance. The author acknowledges that the ethical challenges persist partly because of weak governance mechanisms and suggests that bridging the ethical gap in Nigeria depends largely on leadership-by-example.

Ronald J. Burke and Ghada El-Kot's paper on "Work engagement among managers and professionals in Egypt: potential antecedents and consequences" examines work engagement in a sample of male and female managers and professionals employed in various organizations and industries in Egypt. The findings from the 242 respondents show that engagement impacts work outcomes (e.g. job satisfaction and intent to quit), psychological well-being as well as achievement needs. The authors recommend effective human resource management practices in Egyptian organizations as means of addressing the problems.

Daniel Eseme Gberevbie's paper on "Organizational retention strategies and employee performance of Zenith Bank in Nigeria" provides an empirical examination of employee retention strategies and performance in the Nigerian banking sector over the period 2000-2005, with focus on Zenith Bank in Nigeria. The study revealed that it makes a lot more economic sense for organizations to put in place appropriate employee retention strategies such as staff participation in decision making, enhanced and regular salary package, and humane treatment of employees than to ignore them for the sake of short-term cost savings. The author warns that Nigerian organizations are likely to experience frequent employee turnover for as long as they fail to put in place appropriate employee retention strategies.

Rajasekhara Mouly Potluri and Hailemichael W. Hawariat's paper on "Assessment of after-sales service behaviors of Ethiopia telecom customers" seeks to assess and review fixed-line telecom customers' perceptions of the quality of after-sales services provided by Ethiopian Telecom. Findings from the 450 respondents show some degree of customer dissatisfaction, due to unclear information on bills, delays in addressing complaints, high frequency of telephone interruptions due to rains, old cables and networks as well as high incidence of damaged and stolen cables. The study draws attention to how former monopoly service companies in Africa are making competitive strategic adjustments in the wake of privatization.

Desalegn Abraha's paper on "Establishment processes in a one party economy the case of Eritrea" addresses the issues of how business people perceive the business environment, how government policies impact the environment and how the environment impacts the establishment processes of new firms in the Eritrean economy. The process is discussed by keeping a strict focus on the main actors and the activities that they carry out as well as how the available resources are utilized and exchanged in the market. An important conclusion of the study is that the main obstacle for business establishment in Eritrea is the hostile attitude of the government to the private sector and the state owned command economy's network of relationships.

These papers have set the stage for what the editorial board believes would become a stimulating forum for discussions. We also believe that the ideas carried by the journal will resonate not only within the academic community but also within strategic and policy circles of African organizations. We therefore invite practitioners to contribute their insights to the discourse in subsequent issues of the journal.

**John Kuada**



# Culture and leadership in Africa: a conceptual model and research agenda

Culture and  
leadership  
in Africa

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## Abstract

**Purpose** – The paper aims at identifying the knowledge gaps in the existing African leadership studies and argues in support of further research in the field with a view to establishing the link between African culture and leadership practices and their implications for economic growth on the continent.

**Design/methodology/approach** – It reviews the mainstream perspectives in leadership literature in general and African leadership literature in particular as a basis for the development of an integrated goal-behaviour-performance model.

**Findings** – Previous studies have seen African culture as either defining the uniqueness of leadership on the continent or constraining leadership development. The paper suggests the presence of both types of impact on leadership. It also offers a conceptual framework that integrates the different perspectives on the relationship between culture, leadership and organizational performance.

**Research limitations/implications** – The paper is based mainly on limited empirical investigations into leadership styles and functions in Africa. The scarcity of studies in the field therefore imposes limitations on the generalizability of some of the arguments.

**Practical implications** – The paper encourages research in the field and provides some propositions to guide future empirical investigations. Ideas generated in the paper will guide organizational development strategies and poverty alleviation policies in Africa.

**Originality/value** – It is one of the recent attempts to synthesize existing perspectives on leadership behaviour in Africa and its implications for economic growth and poverty alleviation.

**Keywords** Africa, National cultures, Cultural studies, Leadership, Organizational performance

**Paper type** Conceptual paper

## Introduction

The last four decades have witnessed a persistent search for explanations for the dismal growth of Sub-Sahara African (SSA) economies. SSA economies have been frequently compared with high growth Asian economies such as those of Malaysia and South Korea which were at similar levels of growth barely five decades ago. While these Asian countries now enjoy the accolade of “economic miracle” (Akyüz and Gore, 2001), the African situation is usually described by such adjectives as “disaster” and “tragedy” (UNCTAD, 2004). Explanations for this dismal performance have included institutional and structural weaknesses (Yeats *et al.*, 1996; Killick *et al.*, 2001), limited attention to private enterprise development (Fafchamps *et al.*, 2001), poor governance (Nwankwo and Richards, 2001), management ineptitude (Kamoche, 1997) and limited staff motivation (Okpara, 2006; Okpara and Wynn, 2007). Other scholars have argued that leadership weaknesses constitute the most important reason for Africa’s poor economic performance (Ochola, 2007).



Although limited research has been done on African leadership (Bolden and Kirk, 2009), the general view in the available literature is that African leaders are terribly ineffective and adapt very poorly to the demands of an increasingly complex globalised economic system (Ochola, 2007). Thus, Edoho (2007) declares that until African countries develop the managerial capacities of their leaders (both within the public and private sectors) progress on the continent as a whole may remain illusive.

Leadership development has therefore attracted policy interest during the past three decades, guided by the view that the more African management practices approximate Western practices the more efficient and effective their organisations would be. This view has provided intellectual legitimacy for the unending stream of donor funded management training programmes and organisational development interventions delivered to African organisations by Western consultants.

The relevance of this Western-inspired leader development approaches has been challenged on the grounds that there are wide varieties of successful leadership and management practices throughout the world (Whitley, 1994; Sørensen and Kuada, 2001). In view of these critics, the fact that many African managers have the intellectual capacity to understand the logic underlying Western management principles and practices but revert to their pre-training behaviour after participating in several training programmes indicate fundamental weaknesses in the Western management-oriented training programmes themselves (Kuada, 1994).

The divergent perspectives outlined above invite continual debate and research. Research must improve insight into how Africans behave as leaders, why they behave the way they do, and the implications of such behaviours for organizational and national economic performance. Research is also required to guide the choice of approaches that African leaders may adopt to achieve sustainable improvements in their behaviours. This paper therefore argues in favour of a stronger positioning of African leadership on the management research agenda. It does so by reviewing some of the studies already published in the area and drawing attention to some current knowledge gaps in the literature. With this as a background, the paper provides some guidance as to how scholars can progress the leader development ideas through further empirical and conceptual studies and through the development of usable prescriptions for executives.

The paper is structured as follows. It continues after this introduction with a review of some of the leading thoughts on leadership that management scholars have provided during the last half a century. This body of literature is then synthesized into a goal – behaviour – outcome model that identifies the drivers, behaviours and consequences of current dominant leadership forms in most African countries and organizations. The model is followed by a list of research issues requiring the immediate attention of scholars.

### **A review of leadership theories**

Bolden and Kirk (2009) group theories of leadership into four main categories:

- (1) essentialist theories;
- (2) relational theories;
- (3) critical theories; and
- (4) constructionist theories.

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The essentialist theorists rely on objectivist paradigm and seek to identify and define what “leadership” is in universal terms –, i.e. focusing on predictable leadership traits and behaviours. The works of leadership scholars such as Blake and Mouton (1964), Fiedler (1967), Stogdill (1974), Hersey and Blanchard (1977) and Bass (1985) are examples of this theoretical perspective. Relational theorists on the other hand, argue that leadership resides not within leaders themselves but in their relationship with others. These theorists therefore call for recognition of the emergent nature of leadership processes and the distributed nature of expertise and influence. Critical theories focus their attention on the underlying dynamics of power and politics within organizations and therefore emphasise the social and psychological processes that characterise the performance of leadership functions in organizations. Finally, the constructionist theorists draw attention to the manner in which the notion of “leadership” is utilized to construct shared meanings that enable people to make sense of their predicaments. Together, these studies have greatly enhanced academic and practitioner understandings of leadership during the last century.

Since the concern in this paper is to explore the extent to which the management literature can inform our understanding of leadership challenges in Africa, the discussions rely largely on the managerial theoretical perspectives that fall under the first category of theories identified by Bolden and Kirk (2009). We will however be guided in the discussions by the understanding that there is substantial overlap between the four theoretical positions.

#### *Early leadership theories (1920-1970)*

One of the influential leadership theories of the 1920s and 1930s was the trait theory which posits that successful leaders combine such personality attributes as drive, desire to lead, integrity, self-confidence, intelligence, adaptability, assertiveness and emotional stability, with social attributes such as being educated at the “right” schools and being socially prominent or upwardly mobile to shape their leadership roles in organizations (Yukl, 2010). Extensive empirical studies have, however, failed to establish the generalizability of these traits. Thus, the traits theory came into quick competition with a wide range of other leadership theories during the mid-1950s (Nahavandi, 2009).

One of the competing theories at that time was the situational (or contingency) leadership theory, with roots in studies by (Fiedler, 1967), as well as Hersey and Blanchard (1977). The main thrust of these studies is that there is no one best way to influence people – i.e. different situations call for different types of leadership orientation and action. Scholars subscribing to the contingency theory placed the dominant leadership behaviours on a continuum with task-centred behaviour at one end and employee (relationship) centred behaviour at the other end (Nahavandi, 2009; Yukl, 2010). They argued that task-centred leaders consider it their responsibility to supervise their subordinates closely – telling them what to do, how to do it, when to do it and where to do it. Relationship-centred leaders address the social and emotional needs of their peers and subordinates with emphasis on recognition, work satisfaction and self-esteem. The extent to which a leader is task-centred or employee (relationship) centred in his behaviour would, however, depend on the nature of the task, the degree of urgency with which the task was to be completed and the level of maturity of the employees carrying out the task (Avolio *et al.*, 2009). Maturity is defined in this body of

literature as the willingness and ability of a person to take responsibility for directing his or her own behaviour. People tend to exhibit varying degrees of maturity, depending on the specific task, function, or objectives that are to be fulfilled (Lord *et al.*, 1999).

*Newer theories of leadership (1970-2010)*

The task and relationship perspectives of leadership have evolved in the 1980s into two new perspectives – transactional and transformational perspectives of leadership. Transactional leadership scholars focus their studies on exchanges of favours that occur between leaders and followers and on reward or punishment for good or poor performance. Fiedler's (1967) path-goal model is an earlier development of the transactional leadership perspective. He argued that leaders motivate their subordinates in the direction of established goals by clarifying the role and task requirements and by offering rewards and/or dispensing punishments that they consider appropriate in a given situation. The model takes its roots in the expectancy theory which holds that an individual employee's motivation to achieve success is a product of the individual's perceived probability of success and the expected rewards from that success (Atkinson, 1957). Similarly, his motivation to avoid failure would be a product of perceived probability of failure and the negative outcome of the failure. A manager can therefore present rewards as goals which his subordinates should aim at. He then specifies what subordinates should do (i.e. show the path) to earn the rewards as well as the consequences of not acting in the desired manner.

Transformational leadership, on the other hand, involves binding people around a common purpose through self-reinforcing behaviours that followers gain from successfully achieving a task and from a reliance on intrinsic rewards. Following Oke *et al.* (2009) transformational leaders act as role models and are able to motivate and inspire their followers by identifying new opportunities, providing meaning and challenge, and articulating a strong vision for the future. They are also enthusiastic and optimistic, communicate clear and realistic expectations and demonstrate commitment to shared visions. Subordinates are encouraged by such leaders to share in the organizational vision, seeing deeper purpose in their work and exceeding their own self-interests for the good of the organisation. They also consider the needs of others over their own, share risks with others and conduct themselves ethically. Transformational leaders also provide their followers with individualized consideration – i.e. they focus on their followers' individual needs for achievement, development, growth and support. They therefore adopt coaching or mentoring strategies in their relationships with subordinates.

Two other leadership theories have emerged in the 1980s – complexity theory of leadership and authentic theory of leadership. Complexity theory of leadership focuses on the idea that leadership is part of a dynamic and evolving pattern of behaviours and complex interactions among various organizational players, producing power structures and networks of relationships (Schneider and Somers, 2006). In effect, no single leader can shape the trajectory of organizations; the power of each leader depends on his/her position within the complex network of relationships within the focal organization and ability to distribute resources and emotional support (Ardichvili and Manderscheid, 2008). Authentic leadership theory draws from both positive psychology and organizational theories. It focuses attention on self-awareness and self-regulated positive behaviours of leaders. It argues that authentic leaders tend to

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exhibit transparent and ethical behaviours (Avolio *et al.*, 2009). Such behaviours encourage openness and employees' desire to share information with each other and with their leaders. A derivative of the authentic leadership is the servant and coach leadership theory. Servant leadership is based on the devolution of power to follower. That is, leaders see themselves as stewards, serving their followers in a manner that allows them to contribute their very best to fulfilling organizational objectives.

In sum, leadership theories have matured through an intellectual journey starting with an emphasis on the unique traits of individuals to an emphasis on the uniqueness of individual employees who must be transformed through serving and coaching in order for their potentials to blossom for the great good of their organizations. They also suggest three key areas in which leadership role is critical to organizational performance:

- (1) management of organizational and employee goals;
- (2) leader – employee relationship management; and
- (3) management of resources (including human resources) to increase learning, creativity and innovativeness in organizations (Gluck *et al.*, 1980).

Furthermore, the diversity of thoughts that has emerged over the years provides some intellectual support to the view that leadership styles and behaviours in Africa may be distinctly different from those in other parts of the world without necessarily being ineffective. Explanations for the apparent ineffectiveness of African leadership must therefore be sought not from its defiance of the canons of Western leadership forms but elsewhere. One potent source of explanation is African culture (Montgomery, 1987; Leonard, 1987; Kuada, 1994; Jackson, 2004).

### **Culture and leadership**

Parallel to the leadership theories outlined above, a cohort of studies in the 1980s have suggested that culture provides a frame of reference or logic by which leadership behaviour can be understood (Dorfman *et al.*, 2006). For these scholars, culture represents the shared values and norms that bind members of a society or organization together as a homogenous entity (Roberts, 1970). That is, people living within a particular culture have their conduct regulated through a collection of consensual aspirations (i.e. central values) and universal orientations (i.e. patterns of behaviour). Social structures that develop through the processes of regulated behaviour are perceived to be orderly, patterned and enduring.

This perspective of culture has been popularised in the research works of such scholars as Hofstede (1980), Redding (1980), Adler (1991), Martin (1992) and Sackmann (1992, 1997). Most of these scholars have found it purposeful to describe national (macro) cultures in dichotomies such as individualism-collectivism (Hofstede, 1980; Triandis, 1994), vertical-horizontal (Triandis, 1994), masculine-feminine (Hofstede, 1980), active-passive (Triandis, 1994) and universalism-particularism (Trompenaars and Hampden-Turner, 1997). Other typologies are emotional expression or suppression (Triandis, 1994; Trompenaars and Hampden-Turner, 1997), instrumental-expressive (Triandis, 1994), ascription-achievement (Triandis, 1994; Trompenaars and Hampden-Turner, 1997) and sequential-synchronic with respect to time (Trompenaars and Hampden-Turner, 1997). The central argument in many of these studies is that leadership styles and behaviours are culture-bound. Furthermore, culture provides a frame of reference and guide for behaviour of employees in work organizations. Cultures of some societies endorse autocratic

leadership behaviours while others demand that their leaders must exhibit participatory leadership behaviours. Autocratic leaders may, however demonstrate benevolent dispositions towards subordinates that are very close to them (Kuada, 1994).

Leaning on Hofstede's cultural dimensions Muczyk and Holt (2008) argue that an autocratic leadership style may be appropriate in cultures that are high in power distance, collectivism, masculinity and uncertainty avoidance and that are characterized by external environmental orientation. Also, autocratic leadership might be more appropriate for societies whose members have a high regard for hierarchy and are reluctant to bypass the chain of command. Conversely, relationship-centred or democratic leadership styles are more effectively practised in cultures that are low on power distance, high on individualism and femininity, low on uncertainty avoidance and characterized by internal environmental orientation.

Theoretical arguments advanced in the two streams of research – cultural theories and leadership theories – have influenced available studies on management in Africa. But the arguments have not been synthesized into a coherent framework that can guide empirical investigations in the field. A review of the current discourses on the link between African culture and leadership suggests that scholars are divided on the issue of how culture impacts leadership on the continent. Some scholars use culture to justify the uniqueness of African leadership styles – i.e. culture serves as a unique descriptor. Others project African culture as an inhibitor of effective leadership practices.

Scholars who argue in support of the view that African culture is largely responsible for the unique leadership practices on the continent include Leonard (1987), Jackson (2004) as well as Bolden and Kirk (2009). For example, Leonard (1987, p. 901) argued that:

[...] many of the differences in organisational behaviour between Africa on the one hand, and the United States and Europe, on the other, are not due to managerial failures but to fundamental dissimilarities in the value priorities of the societies that encapsulate them.

Similarly, Jackson (2004) found from his study of leadership practices in several African countries that African managers tend to be highly skilled in many aspects of management and leadership. They deal efficiently with cultural diversity and multiple stakeholders and enact "humanistic" management practices. Drawing a distinction between "an instrumental view of people in organizations, and a humanistic view of people," he argues that while the Western approach to management focuses on instrumental view of man (perceiving human beings as resources) the African perception focuses attention on human beings as having values in their own right. From this perspective leadership and management practices in Africa may be described as predominantly humanistic with an emphasis on sharing, deference to rank, sanctity of commitment, regard for compromise and consensus, and good social and personal relations. Building on this understanding Bolden and Kirk (2009) see leadership practices in Africa as complex and multi-layered and shaped by centuries of cultural values and historical events.

The view that African culture mainly inhibits effective leadership practices in Africa has been advanced in studies of such scholars as Jones (1986), Montgomery (1987), Kuada (1994, 2008) as well as Nwankwo and Richards (2001). Jones (1986), for example, showed that Malawian workers basically have instrumental orientation

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towards work; they expect their jobs to bring substantial benefits to themselves but show very little (if any) loyalty and commitment to the organisation. Similarly, Montgomery (1987) observed in his analysis of the management practices of African executives in Southern African countries that African leaders fail to treat organisational goals with the importance that these goals deserve and are frequently engaged in the search for personal power and privileges – typically seeing their positions in their organisations as personal fiefdoms. Their personnel policies are influenced by patronage, resulting in limited organizational commitment by African employees. Public and organizational properties are therefore treated with indifference and irresponsibility by many employees:

Even arguments and negotiations over public vehicles, housing and equipment centred about the convenience of the individual user more than about the mission of the organisation to which they were assigned (Montgomery, 1987, p. 917).

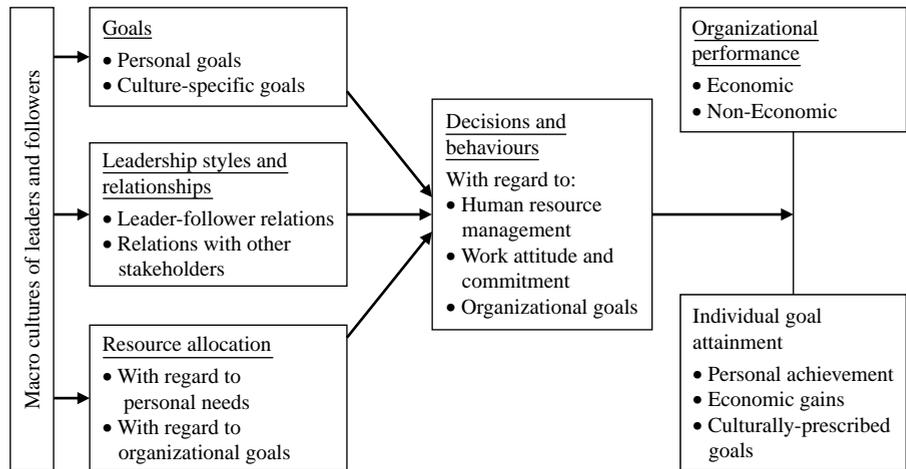
In the same vein, Nwankwo and Richards (2001) argue that post-independence leadership styles in Africa have hitherto remained autocratic, dictatorial and incompetent in both public and private organizations. African employees tend to be inspected (i.e. closely supervised) rather than expected (i.e. motivated) in an age when other societies advocate for and practice employee empowerment and encourage independent thinking and creativity that ensures organizational agility (Kuada, 1994). African employees therefore tend to act with extreme caution while at work in order not to invite the anger of their superiors for any mistakes that they may make in the course of their work. In Kuada's view, the principal function of the loyal employee in Africa is to serve as a buffer for the immediate superior. If anything goes wrong, the loyal subordinate must do anything to blame all others, including himself, in order to protect his boss. A variation of this kind of behaviour plays up in situations where several employees are aware of something that is a problem of mutual concern but they choose to act as if they do not know of it and therefore cover up the errors. Argyris (1990, 1993) coins the term "skilled incompetence" to describe this type of defensive behaviour. The consequence is that employees become very reluctant to question existing practices in their organisations even if this would help rectify operational inefficiencies.

### **A culture-based conceptual model of African leadership**

Carefully considered, the two perspectives on the link between African culture and leadership behaviour are not contradictory. Leaning on the complexity theory of leadership, it can be argued that there are elements of African culture that promote unique and positive leadership behaviours (as suggested in Jackson's study). But some of the cultural rules of behaviour tend to act as drags on effective leadership and management practices and thereby constrain entrepreneurship and economic growth (Kuada, 2008, 2009). The understanding of this complexity is important to the success of any leadership development initiative on the continent and future research should seek to provide us with that knowledge. This observation underlies the conceptualization of leadership proposed in this paper (Figure 1). The conceptual model emphasises the importance of three dimensions of leadership – i.e.:

- (1) management of organizational and employee goals;
- (2) leader – employee relationship management; and
- (3) resource allocation and management.

**Figure 1.**  
A conceptual model  
of African leadership



The three dimensions are derived from the review of the extant leadership literature and previous studies on African leadership and management.

#### *Expectations, goals and leadership behaviours*

Employees' goals have been found to have direct and strong impact on their behaviour and performance in work organizations (Ashford and Cummings, 1983). Goals are defined by individuals' self-identity. Following Lord *et al.* (1999) an individual's self-identity comprises both personal and social identities. Personal identity defines a person's sense of uniqueness as an individual while his social identity is defined in terms of the individual's relations to others or in terms of membership in social groups. An understanding of the goals of African employees is therefore an important first step in designing strategies that facilitate the convergence of personal and organizational goals. Such goal-alignment strategies are necessary for the promotion of employee commitment and motivation (Okpara and Wynn, 2007). Drawing on the empirical evidence from studies on African management (Jones, 1986; Montgomery, 1987; Kuada, 1994; Jackson, 2004), it is justifiable to argue that African leaders and their followers would tend to derive their personal goals from a complex set of sources. For the sake of conceptual brevity, the sources may be collapsed into two main ones and the goals classified as follows:

- (1) Self-induced goals which are derived from the individual's personality, ambitions and expectations in life with regard to his welfare, social mobility and achievement.
- (2) Culture-induced goals which derive from the demands and expectations from institutions such as the family (immediate and distant), clan, ethnic communities, associations and colleagues.

The two goal-sets feed on each other and are therefore mutually reinforcing. For example, an African leader's initial career success elevates his status within the family and clan. This, in turn, raises the expectations of the near and distant family members.

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His first assistance to any member of the family (e.g. finding a job or scholarship for a nephew through his contacts), activates all latent demands for assistance. The first reaction of many African leaders in such situations is to scale down their personal (self-induced) ambitions, devoting greater resources to fulfilling the culture-induced goals. Job-fixing and the pursuit of greater financial rewards (through fair and foul means) may be considered. But the unending chain of demands may compel some managers to resort to several types of coping behaviour, including possible de-linkage from the family.

The culture-induced goals derive from a peculiar form of collectivist orientation found in African societies. Kuada (1994) describes this collectivism with the concept of familism. As used in sociology, the term familism describes a form of social organisation in which all values are determined by reference to the maintenance, continuity and functioning of the family group. Within such a social framework, all purposes, actions, gains and ideals of individual members are evaluated by comparison with the fortune of the family as a whole. Said differently, individual members of the family are bound to one another by the collective moral rules and obligations of the family.

Familism, as explained above, also influences cultural transmissions, attitudes to knowledge acquisition and personality development. For example, children brought up within such family structures are hardly encouraged to take individual initiatives over and above those required for doing daily routine chores. As Assimeng (1981) observes, “conformity and blatant eschewing of individual speculations” as well as “unquestioning acquiescence and accommodationism” are dominant characteristics of the behaviour of young Ghanaians. This, he argues, is due to the collectivist social structure that strongly encourages the maintenance of status quo and avoidance of any serious disruption of the specific social order. Such modes of upbringing seriously limit the possibilities of successful delegation of authority and responsibilities in work organizations, as suggested in Western management literature. Thus, leadership behaviours described by Montgomery (1987) and Kuada (1994) may be explained in terms of African leaders’ response to culturally induced goals.

#### *Leader-follower relationships*

Another important factor in understanding Africans’ leadership behaviour is the manner in which leaders build their relationships with their followers. There is widespread agreement among leadership researchers that leadership is a relationship (Lord *et al.*, 1999; McLaurin, 2006; Maak, 2007). Leaders must have followers and the nature of their relationship with their followers is a key determinant of their performance as leaders and the performance of their organizations.

Leader-follower relationships have in-built psychological contracts. That is, they imply promises of future behaviour from leaders, contingent on some reciprocal actions of followers (Rousseau, 1990). The promises need not be made explicitly. They may be based on inferences and observations of past behaviours in leader-follower interactive processes (Robinson and Rousseau, 1994). Thus, Rousseau (1990) argues that when followers believe that they are obligated to behave or perform in a certain way and also believe that their leaders have certain obligations towards them, these beliefs constitute a psychological contract. The dominant leadership style in an organization defines the nature of this psychological contract between leaders and followers.

For example, while organizations characterized by transactional leadership emphasise task performance, organizations in which transformational leadership forms dominate find leaders actively engaging themselves not only in creating an environment in which followers grow, but also emphasise the inner feelings of the followers. In the latter types of organizations followers are seen as human beings that they are rather than sheer resources whose talents and physical capacities should be exploited by the organizations.

The available empirical literature suggests that the behaviours of African leaders are far from those attributed to transformational leadership. They appear to adopt relationship management strategies that patronise their followers rather than encourage their inner motivation to show commitment to organizational goal attainment. Kuada (1994) coined the term autocratic-benevolence to describe this form of relationship. His study suggests that although most African leaders exhibit autocratic attitudes towards their followers, they tend to provide those closest and subservient to their interests with special opportunities and privileges. These privileges include selecting them to attend overseas training programmes, advancing their promotion, approving their loan applications and providing them with other services that partially cushion them from the rough edges of life. It is this reciprocity of support and benefit that sustains superior-subordinate relationships, individual and organizational performance being of secondary importance. Furthermore, aspects of the humanistic leadership styles reported in Jackson's (2004) study may be partly explained through the patronage-based leadership practised by most leaders.

The dependency relationship between leaders and their followers in African organizations may lead some people to think that followers will be honest in their relationship with their leaders for fear of reprisals if any dishonest behaviour on their part is subsequently brought to light. Ironically, the fear of the repercussions for mistakes combines with the strong desire to be in the "good books" of the leaders to create the opposite effect. Followers hide their true feelings on matters they are displeased about or distort information for the sake of maintaining harmonious relationships with their leaders. That is, the primary concern of followers is to be seen by their leaders as being "honest" without necessarily being so. These observations legitimize the view that the leader-follower relationship in Africa serves more to constrain than to advance organizational performance.

#### *Leadership and resource allocation*

Scholars of leadership generally agree that resource allocation decisions in organizations are predominantly made by leaders. Furthermore, people generally expect leaders to be fair, effective and responsible, also in their allocation of organizational resources. But, de Cremer and van Dijk (2008) argue that leaders do not always act in an organizationally or socially responsible manner when allocating resources. Some of them behave in egocentric ways, allocating more resources to themselves than to followers. Again, the available literature suggests that the only types of leaders that may be expected to display self-sacrifice in their resource allocation decisions are transformational leaders (Blanchard, 2007). Thus, leader selection decisions of management are critical to the manner in which resources are allocated at various levels (and in different departments) of an organization. These observations are consistent with the Montgomery's views on the manner in which

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African leaders allocate resources, giving priority to their personal (or culturally induced) goals rather than overall organizational goals. When leaders' resource allocation decisions disregard organizational needs and goals inefficiencies become rampant, thereby creating a de-motivated workforce in the organizations.

In sum, the model presented in Figure 1 shows that macro culture in which African leaders are raised impact their individual goals as well as their choices of leadership styles and relationships with their followers. It also influences their resource allocation decisions in organizations. These in turn determine their overall leadership behaviours and thereby their contributions to organizational performance. The underlying logic here is that culture plays a major role in shaping each of the three defining dimensions in the model. The model therefore endorses the argument that effective leadership in Africa requires an initiation of change in certain aspects of African culture.

As argued earlier, culture is a dynamic social construct. As such, African management culture is capable of changing. Fortunately, human beings are not blank sheets on which culture writes its scripts. People draw on their cognitive endowments to develop their own internal rules of behaviour that mediate the cultural prescriptions, modifying them where exigencies demand it. In other words, cultures provide individuals with frames of reference and opportunity sets within which they can act. Their creativity, courage and emotions influence the actions that they take in any given situation. This means, as individuals, African leaders are capable of shaping the evolution and dynamism of national cultures on the continent, producing new set of rules for managerial behaviour.

### **Agenda for future research**

Initiating change within African leadership and management culture requires additional knowledge that future research must seek to provide. Research work is needed in many areas. Three of these areas are listed here for immediate attention:

- (1) leadership and organizational performance;
- (2) leadership development strategies; and
- (3) leadership, learning and creativity.

### *Leadership and organizational performance*

A great deal of the empirical literature on African leadership and management reviewed in this paper is based on studies conducted 20 or more years ago. If leadership is to help halt Africa's economic decline and place it on a consistent path of growth and poverty alleviation, we need some more current knowledge to determine the extent to which the existing leadership practices influence efficiency and effectiveness of decisions and activities in both private and public sector organizations in Africa. For example, we need to know whether African organizations are still characterized by centralized power structures, high degrees of uncertainty, and bureaucratic resistance to change. We also need to know whether extended family orientations noted by Kuada (1994) as well as Blunt and Jones (1997) or the assertions that African leaders sacrifice organisational goals for their personal and family gains (Montgomery, 1987; Nwankwo and Richards, 2001; Kuada, 2008, 2009) are still valid and still exert dominant influences on leaders' behaviour and organizational performance.

The issue of what types of leadership styles improve organizational performance in Africa also deserves research attention. Would the humanistic orientations of

leadership identified by Jackson (2004) and Bolden and Kirk (2009) be the most suitable for African organizations or would variants of transactional and transformational leadership be more preferable and effective? These questions cry for further investigations.

#### *Leadership development*

We also need guidelines from researchers on what kind of leader development strategies to adopt on the continent. The concepts of cross-vergence introduced by Jackson (2004) or hybridization introduced by Kuada (2006) must be studied in terms of organizational performance. The understanding of these scholars is that African leadership development must not depend exclusively on practices imported from the West, but must be built on ideas and methods from non-Western cultures in combination with selected African cultural values. This perspective is consistent with Bolden and Kirk's (2009) argument that appropriate management constructs and models must be developed and couched within culturally relevant languages and concepts. These scholars' recent study shows that the influence of differing religious beliefs and associated practices combine with gender, age and ethnic networks to shape emerging African leadership practices. They also noted some evidence of change and tension between past experiences and future aspirations for leadership with a growing emphasis on the need to situate leadership practices in the communities and organizations in which the leaders are located. These emergent perspectives require more elaborate and cross-national empirical investigations.

#### *Leadership, learning and creativity*

Its is also imperative for African leaders to design systems that facilitate learning from the multiple sources of management ideas and integrate them into new and appropriate tools that would enhance the quality of management deliverables at all levels of society. A weak-learning process would mean that other resources within the continent would remain fragmented and their potentials left untapped. Conversely, a dynamic learning process would raise the dynamic capabilities of African employees and enhance their creative potentials. This will help change the socially acquired state of inaction and perpetual helplessness prevailing on the continent.

Furthermore, scholars of organizational learning see employee empowerment as one of the prerequisites for knowledge development and creativity. In this regard, granting that the autocratic leadership styles still dominate African organizations, this will impinge the development of learning cultures in these organizations. As noted above, the current understanding is that African employees exhibit a higher propensity to follow instructions that their superiors give them than to adopt critical attitude to the tasks that they are required to perform, and carrying them out to their individual satisfaction. These observations justify comprehensive empirical investigations. We need insight into how learning is encouraged in African organizations and the roles that leaders can play to facilitate the process.

#### **Summary and conclusions**

One of the factors frequently omitted from studies of leadership in Africa is a consideration of the potential significance of the cultural context within which leadership and management is practised. Recent studies have shown increasing

awareness of this important factor. The discussions in this paper seek to reinforce the importance of this line of research for better insight into current leadership failures on the continent and to generate guidelines for effective leader development interventions. The conceptual model presented in the paper is a first step in providing a coherent framework for future research. It sees macro cultures of African societies as informing the goals, expectations, relationships and resource allocation decisions of African leaders. These in turn shape their decisions and behavioural patterns within organizations and their overall contributions to organizational performance. The model helps throw further light on the nature of leadership in African organizations and the potentials for leadership changes that can improve organizational performance and economic growth on the continent.

The awareness that all cultures are constantly subjected to pressure for change from both internal and external factors provides African leaders with opportunities to facilitate cultural change processes in the organizations that they lead. Thus, a key message of the paper is that leader development agents in Africa must exhibit an attentiveness that is grounded in existing cultural values. We have argued that some aspects of African culture may constrain effective leadership. There may be the need to unfreeze some of these established traditions and contest assumptions that have remained unexamined for centuries. But not all aspects of African culture act as constraints to effective leadership. Comprehensive empirical investigations into the impact of dominant African cultural attributes on leadership and organizational performance are urgently required to guide leader development interventions on the continent.

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# Defining and enforcing ethical leadership in Nigeria

Ethical  
leadership  
in Nigeria

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## Abstract

**Purpose** – The purpose of this paper is to examine the current gap existing between ethics theorization and enforcement in the Nigerian leadership system.

**Design/methodology/approach** – In an attempt to achieve the objective of the paper, some ethical issues in the Nigerian governance and the several regulatory and enforcement agencies set up to curb ethical menace were critically examined. The achievements of the bodies were also evaluated.

**Findings** – The paper concludes that the apparent gap which continues to exist is not a function of ethical definition but results from challenges in the enforcement which are thematically grouped under leadership, societal and individual variables.

**Research limitations/implications** – The analysis suggests that bridging the ethical gap in Nigeria depends largely on leadership which must be by example.

**Originality/value** – This paper presents an invaluable challenge to leadership in Nigeria who must reposition their responsibility.

**Keywords** Ethics, Business ethics, Leadership, Governance, Nigeria

**Paper type** Conceptual paper

## Introduction

What is known as ethics in business today can be traced back in history. According to De George (1987), it is as old as business itself. But ethics as a concept is very complex because it is predicated on an interchange of views about the individual belief system among the citizens of any culture (Svensson and Wood, 2003). Its root emanated from the Greek word *ethikos* meaning “the authority of custom and tradition” (Grace and Cohen, 1988). According to this supposition, what is ethical or moral depends on individuals’ decisions and actions in any system one finds oneself. However, this does not depend on the individual alone but also the leader.

It behoves the leader to define what is ethical and enforce same even as he/she leads by example. Self-will succeeds and is sustained only as far as it is thoroughly guided by the leader. Therefore, how wide the gap between definition and enforcement of ethics is in any system is a concomitant of multiple variables, influences and perspectives. This paper identifies and classifies these elements.

## Ethics: a conceptualization

The concept termed ethics has been severally defined that it seems to have defiled any universalistic explanation. According to Steiner and Steiner (1999), ethics is the study of what is good and bad, right and wrong and just and unjust. Ethics is a set of roles that define right or wrong conduct and it deals with fundamental human relationship (Frederick *et al.*, 1988). McShane and Von Glinow (2000), however, define ethics as the study of moral principles or values that determine whether actions are right or wrong



and outcomes good or bad. De George (1999) defines ethics as a systematic attempt to make sense of our individual social and moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing and the character trait deserving development in life. Solomon (1994) writes that ethics is the quest for, and understanding of the good life; living well, a life worth living. He goes on to write that it is largely a matter of perspective: putting every activity and goal in its place, knowing what is worth doing and what is not worth doing, knowing what is worth wanting and having and knowing what is not worth wanting and having. Velasquez (1998) defines ethics as the activity of examining ones moral standards or the moral standards of a society, and asking how these standards apply to our lives and whether these standards are reasonable or unreasonable.

The plethora of definitions in the extant literature are too diverse but one outstanding characteristic of all is the fact that individual's judgment of choosing the best way to act at any given times depending on the "rightness" or "wrongness" of the action overrides, and this introduces serious element of subjective judgment. In buttressing individual-centeredness about ethics, Raymond Baumhart asked more than 100 businessmen "what does *ethical* mean to you". So many answers were received but among the commonest were the following:

Ethical is what my feelings tell me is right. But this is not a fixed standard [...]

Ethical means accepted standard in terms of your personal and social welfare: what you believe is right [...]

As reported by Velasquez (1998, p. 130), the results of Baumhart's study reveal that 50 per cent of the businessmen defined ethical as "what my feelings tell me is right"; 25 per cent defined it in terms of what is "in accord with my religious beliefs", and 18 per cent of what "conforms to the golden rule".

Velasquez (1998) in an attempt to make the meaning of ethics and ethical more encompassing, criticized basing ethics on feelings, religious beliefs or the golden rule insisting that all have been criticized as inadequate foundations for ethical claims. The concept of ethics is, therefore, complex since there seem to be no uniformed platform on which its definition can be made acceptable. One thing, however, seem very clear and that is, that ethics involves normative judgment (claiming either right or wrong, good or bad, better or worse, ought to be or ought not to be) which expresses value; it involves moral judgments indicating that ethics concentrates on what is morally right or wrong, or morally good or bad (Velasquez, 1998) and this leads to moral standard. There have, however, been some controversies concerning the distinguishing characteristics of moral standard and in an attempt to clear it Velasquez (1998, p. 135) presents the following components.

Moral standards deal with matters that are (or are thought to be of serious consequence to our human well-being). They are concerned with behaviour that can seriously injure or seriously benefit human beings (or that is believed to be capable of having these consequences).

Moral standards cannot be established or changed by the decisions of particular authoritative bodies. Their validity rest on the adequacy of the reasons that are taken to support and justify them, and so long as these reasons are adequate, the standards remain valid.

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Moral standards are supposed to override self-interest (we are supposed to adhere to these common moral norms even when “especially when” contravening them would advance our own self-interest).

Moral standards are based on impartial consideration (it goes beyond personal interest to a “universal” standpoint in which everyone’s interests are impartially counted as equal).

Moral norms are associated with special emotions and a special vocabulary (being “ashamed” or “remorseful” when one has gone against a moral standard or moral obligation).

Svensson and Wood (2003) also present the view that ethics are not the creation of the modern world but the focus of philosophical thought over many centuries and across many cultures. They expounded Aristotle’s eudemonia concept which focused on the good life and the virtues that contributed to it (Solomon, 1994); Kant’s categorical imperative that focused on doing the right things for its intrinsic sake and not for the extrinsic worth that may be derived from pursuing such a course of action and Bentham and Mill’s utilitarianism which focused on the greatest good for the greatest number. The diverse contributions on the concept of ethics continues cutting across cultures each devising ways of dealing with infractions otherwise known as ethics enforcement.

### **Theories of business ethics**

Without going through the protocol of defining business ethics, it simply means applying ethical precepts to business. Seven theories of business ethics are espoused and these will throw some light on what guides the belief system that face individuals in making their choices in private and public life as far as the application of ethics in real life situation is concerned.

#### *The theory of amorality*

The theory of amorality was most popular in the nineteenth century when Social Darwinism and Laissez-faire economics held sway. According to Steiner and Steiner (1999), the theory is analogous with the Machiavellian orthodoxy wherein the ends rather than the means are considered most important. The tenets of this theory is best captured in Bartels (1963) description quoted in Steiner and Steiner (1999):

Sentiments is all right up in the part of the city where your home is. But down-town no. Down there, the dog that snaps the quickest gets the bone [...] I never took any stock in a man who mixed up business with anything else [...] when he’s in the office, he ought not to have a relation in the world [...]

Classical economists supported the theory of amorality when arguing that the common good is best achieved through individual pursuit of self-interest and profits by those in business, not by activity based on conscious moral purpose (Steiner and Steiner, 1999). Morality, this group insists:

[...] will emerge from the overall working of the market and not from individual do-goodism [...] the competitive pressures of the market system provide release from the burden of guilt and justification for behaviour that would be condemned in private life (Steiner and Steiner, 1999).

### *The theory of moral unity*

The theory of moral unity holds that business actions can be judged by the general ethical standards of society and not by a special set that is more permissive where only one basic ethical standard exists (Steiner and Steiner, 1999). This theory holds that people act in organization as individuals and citizens not as cogs in an impersonal machine and therefore no business manager may claim to be the helpless prisoner of competitive forces or organizational loyalties that crush free will and justify unethical actions (Steiner and Steiner, 1999). Aristotle, also rightly maintains, in the same source, that ethical behaviour is a state involving voluntary choice, and only unethical actions that are involuntary can be excused. The two factors that may lead to involuntary behaviour are ignorance and incapacity to perform an act. But these factors notwithstanding, he believes there is still a lot of strength in self-will. The same authors also maintain that the strength of human will is stronger than every type of market force contrary to the argument proffered by so many. Therefore, the theory of moral unity regards self-will as a very important tool toward exhibiting high ethical behaviour.

### *Justice theory*

Rawls (1971, p. 60) presented two principles of justice through which application public interest can be discerned. These principles are:

- (1) That “each person is to have an equal right to the most extensive basic liberty compatible with a most similar liberty by others”.
- (2) That “social and economic inequalities are to be arranged so that they are both:
  - reasonably expected to be to everyone’s advantage; and
  - attached to positions and offices open to all”.

The two principles buttress the importance of the dignity of the human being to him. According to Rawls (1971), if conflict arises in their application, the second should yield to the first.

Ezeani (2006, p. 392) maintains, however, that Rawl’s principles have lead to the conclusion that inequality of wealth, authority and social opportunity:

[. . .] are just only if they result in compensating benefits for everyone, and in particular, for the least advantaged members of society. These principles rule out justifying institutions on the grounds that the hardships of some are offset by a greater good in the aggregate. It may be expedient but it is not just that some should have less in order that others may prosper.

### *Intuitionism*

Ross (1995) and Barry (1965) are the proponents of this theory which resolved the dilemmas that may result from applying first principles to particular situations but offer no methods for choosing alternatives in cases of conflict (Henry, 2002).

Ezeani (2006) argues that on the basis of intuition administrators take decision on individual basis given particularistic circumstances. According to Henry (2002, p. 406), the intuitionism theory is criticized on two grounds. The first is that the theory provides little or no guide to public administrators in making rational decision and second is that, such ethical “muddling through” is not adequate for a society where the only constant is rapid change.

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*Perfectionism*

This theory advocates that the public administrator should always strive to support the upper intellectual crust of his or her society and that any misfortune, to the least fortunate, accruing from allocating necessary resources at implementing the principles, is morally justified by the benefits that accrue to the best members of the society (Henry, 2002; Ezeani, 2006, p. 394). Ezeani's view is that the primary objective of perfectionism which is to promote, via society's institutions, the attainment of excellence in art, science and culture, opposes egalitarian notions rife in any democratic society.

*Utilitarianism*

The theory of utilitarianism prominently credited to Jeremy Bentham (1748-1832) and John Stuart Mill (1808-1873), attempts to answer questions such as – what is morally good; what should be the guiding principle of man's conduct? They believe that an act should be judged right or wrong depending on the pleasure or happiness produced and the pain avoided. According to Uduigwomen (2003, p. 34), utilitarianism is based on the principle of utility, which states that, “the moral end that should be sought, is all that we do in the greatest possible balance of good over evil in the world as a whole”.

In applying the utility theory, the notion expressed especially by the proponents and implied through its explanation are as follows:

- All action should be judged by the consequences of the happiness or pain they produced. If the happiness is greater, it is right but otherwise it is wrong (Ezeani, 2006, p. 395).
- If the tendency it has to augment the happiness of the community is greater than any it has to diminish it (Glickman, 1976, p. 528).
- The greatest happiness for the greatest number determines the morality of an action.

By the views of Henry (2002, p. 406), therefore:

[. . .] if a public policy makes everybody slightly better off, even if some individuals are left slightly worse off in other ways as a result of that policy, then the policy is just and the public interest is served.

*Categorical imparative*

Kant's ethical theory of categorical imparative is taken from moral goodness which he defined in terms of goodwill. According to Kant (1959, p. 9), “nothing in the world – indeed nothing even beyond the world – can possibly be conceived which could be called good without qualification except a goodwill”. Paraphrasing Kant's notion, Uduigwomen (2001, p. 64) writes that Kant believes that:

[. . .] goodwill is the best thing that ever happened to man and [. . .] without the operation of goodwill, the combined forces of intelligence and fortune, of wealth and power can be used to manipulate and oppress other people.

Therefore, according to Ezeani (2006, p. 396), “goodwill is good because of its willing; it is good of itself”. While Kant, however, stresses that the role of the will in morality is reason applied in controlling human action, Uduigwomen (2001, p. 65) maintains that

“the function of reason is to wrestle with unruly impulses and desires in order to produce the goodwill necessary for a good or moral action”.

Kant believes that the categorical imperative is the supreme moral principle since in formulating it, he avoided the flaws of all the other theories.

### **Integrity and business ethics**

Integrity seem to be synonymous with ethics though Svensson and Wood (2003) had asserted that ethics is synonymous with moral and this is because no one can claim to be ethical without having possessed a sound moral. In the same way, anyone with unquestionable integrity must also possess high ethical standard. In Kolade’s (1999) definition quoted in Osisioma and Osisioma (2002, p. 178) integrity is seen as moral courage – “the will and willingness to do what one knows one ought to do, and stand openly against what one believes to be wrong”. Ejiofor (1987, p. 146) had earlier defined integrity as:

[...] the aspect of ones character rooted in his conviction which serves to deter him from taking advantage of his position or strength to gain at the expense of his organization, client or subordinate.

The two definitions touch on self-will which bother on being able to stand firm in saying “yes” or “no”. The willingness to do what is right or saying no and not willing to do what is wrong requires some strength of determination and therefore involves decision making. Ejiofor (1987) believes that integrity is rooted in a person and it acts to deter him from wrong-doing. This also involves some will-power because one has to be willing to accept the deterrent and therefore it boils down to making a choice which definitely involves some alternatives.

From the above definitions and explanations, it is obvious that integrity plays an important role in maintaining high ethical standards in whatever one does.

### **Ethical issues in Nigeria’s governance**

For some years now, the ethical situation in the Nigerian scene, especially among those in the leadership position, has continued to worsen leading to Transparency International, at one time, ranking Nigeria among the top three most corrupt nations on earth. This was later affirmed by Igbuzor’s (2003) paper titled “Policy options on war against corruption in Africa” presented at the National Youth Summit on corruption and corrupt practices in Nigeria at Ota, Ogun State in 2004 where he X-rayed some of the high-profile corruption in Nigeria among other issues as follows:

- In June 1989, Alhaji Mohammed Bashir alleged that he paid \$500,000 into the Account of Chief of General staff Vice-Admiral Augustus Aikomu at Standard Chartered Bank, Zurich. The purpose of the payment, according to him, was to facilitate his company in (First Nigeria Oil Limited) in getting 40 per cent equity shares in Pan Ocean Oil Limited. He went to the public to make the allegations when his bid failed. Rather than set up a panel to investigate the matter, the Government of Ibrahim Babangida arrested Bashir accusing him of blackmailing government officials.
- In 1991, the reporter of *Financial Times*, London, was expelled from Nigeria for revealing that \$12 billion received by the country from Gulf oil was misused by

President Ibrahim Babangida. Three years later, Pius Okigbo's report officially confirmed the story (*Financial Standards*, 2007).

- In 1996, the Nigerian National Shipping Line sold one of its ships named MV River Mada. It was bought by the Mediterranean Shipping Company, a Greek shipping company registered in Cyprus for \$785,000.00. The ship was renamed Axiom 11 by its new owners, and in 1998, the National Maritime Authority repurchased the same ship for \$4.5 million and renamed it MV TRAINER.
- In 1997, the former Minister of Finance, Chief Anthony Ani revealed that of the \$13.7 billion external loan procured by Nigeria to service various projects, \$836.2 million was lost to non-existent (ghost) projects.
- In 1998, the former Managing Director of a subsidiary of Odua's group Mr Adeoluwa Oyerinde of Lagos Airport limited revealed that he gave NGN4 million bribe to former Military Administrator of Ondo, Osun, Ogun and Oyo States.
- In 1999, Mujika Adeleke alleged that Debt Management Department of Central Bank of Nigeria attempted to fraudulently transfer \$27 million from public funds into private accounts abroad. According to him, it is believed that a syndicate made up of officials of the Central Bank and Ministry of Finance stole an estimated \$500 million between 1992 and 1997 through various accounting tricks including reversal of entries many times over.
- In year 2000, the former Senate President, Dr Chuba Okadigbo was removed on charges of financial irregularities in the management of the senate funds. Immediately after his removal, there were calls for probe and removal of the Speaker House of Representatives Ahaji Ghali Na' Abba. In a dramatic turn of events, the speaker accused the presidency of giving NGN4 million to legislators to remove him. The cash was shamelessly displayed beside the mace on the floor of the House. There was neither investigation nor proof of the source of the money.
- In May 2002, Nigeria Government under Chief Olusegun Obasanjo's leadership was reported to have "negotiated" with Late general Abacha's family to keep \$100 million (of the loot by the Late General) so that they could return about \$1 billion of the loot to the Federal Government.

All these documented high-profile corruption in Nigeria certainly impede ethical business practice both in the public and private sectors of the economy.

Yet, there are more recent cases in the line of corrupt leaders. An instance is the case of Professor Adenike Grange, the first Minister of Health under the President Yar'Adua's administration who resigned following the accusation levied on her for signing fake contracts to cover the sharing of NGN300 million, the unspent budget allocation for the ministry from the past year, 2006. Mr Gabriel Aduku, the Minister of State under the same ministry, also resigned for collaborating. Nine others were named as accomplices including Senator Iyabo Obasanjo, Bello the immediate past President's daughter. All are still awaiting trial (Ezeaku, 2008).

There was also the case of the former Speaker of the House of Representatives, Senator Patricia Etteh who, in connivance with Alhaji Babangide Nguroje, awarded

NGN628 million contract mostly for the renovation of the Speaker's house without budget provisions (Ezeaku, 2008).

Against the background of such recurring wave of corruption, bribery, embezzlement, money laundering and self-aggrandizement among highly placed Nigerians in positions of power, there became a need for regulation and enforcement agencies which were set up to tackle the problems.

### Regulatory and enforcement agencies

There is no gainsaying on the need for regulatory and enforcement agencies in moderating the excesses in any society. In Nigeria, these have adequately been provided to take care of one ethical issue or the other. A review of the most popular of these laws will suffice.

#### *The Independent Corrupt Practices Commission (ICPC)*

This agency was inaugurated on 29 September 2000 with a chairman and 12 members to fight corruption and other related offences in Nigeria. It was set up and empowered by the Corrupt Practices and Other Related Offences Act (2000) and Section 3(14) of the act ensures the independence of the commission as not being subject to the direction or control of any person or authority (Independent Corrupt Practices and Other Related Offences Act, 2000, web site: [www.icpc.nigeria.com](http://www.icpc.nigeria.com)). The details of the offences and punishment are displayed in Table I.

Offences	Punishment
Accepting gratification by an official	7 years
Giving or accepting gratification through an agent	7 years
Corrupt offers to public officers	7 years
Corrupt demand by person(s)	7 years
Fraudulent acquisition of property	7 years
Fraudulent receipt of property	3 years
(fraudulent receipt of postal matter chattel)	7 years
Deliberate frustration of investigation by the commission	7 years
Making false statements or returns in respect of money or property received	7 years
Gratification by and through an agents	5 years
Bribery of public officers in relation to voting or performance of duty	5 years with hard labour
Using office or position to gratify or confer unfair advantage on oneself, relation or associate	5 years without option of fine
Bribery in relation auctions	3 years
Inflation of the price of goods and services	7 years and a fine NGN1 million
Award of contract without budget provision	3 years and a fine NGN100,000
Transferring money from one vote to another	1 year or NGN50,000 fine
Failure to report bribery transactions	2 years and/or NGN100,000 fine
Dealing with, using, holding, receiving or concealing gratification	5 years
Making false statements to the commission	2 years or NGN100,000 fine
Willfully making false petition (s.64)	10 years and NGN100,000 fine

**Table I.**  
Offences and penalties

**Source:** Corrupt Practices and Other Related Offences Act (2000), Sections, 8-26

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*Economic and Financial Crimes Commission*

This body is an organ of the Federal Government established in 2002 by an Act of the National Assembly as amended in 2004. The creation of the commission was born out of the determination of the Federal Government to sanitize the Nigerian business environment by enforcing all economic and financial crimes laws Economic and Financial Crimes Commission (EFCC, 2004, web site: [www.efccnigeria.org](http://www.efccnigeria.org)).

*Budget Monitoring and Price Intelligence Unit*

Budget Monitoring and Price Intelligence Unit (BMPIU), popularly known as “Due Process Unit”, is a part of President Obasanjo’s Reform Agenda aimed at ensuring transparency, accountability and control in public sector business transactions. The unit was established in June 2003 and the President appointed the Senior Special Assistant on Budget Matters Dr (Mrs) Obiageli Ezekwesili as the head of the unit. The Head of the BMPIU is responsible for the effective implementation of the budgetary due process programme of the Obasanjo Administration. The overall objective of the unit is to ensure that government’s resources are properly managed and wastages minimized. The specific task of BMPIU involves ensuring strict compliance with laid down rules and procedures guiding the process of:

- (1) contract invitation;
- (2) contract award; and
- (3) project implementation.

*The Standard Organization of Nigeria*

Standard Organization of Nigeria (SON) is the sole statutory body that is vested with the responsibility of standard and regulating the quality of all products in Nigeria. It was established by Act 56 of 1971 by the General Yakubu Gowon military regime as SON. In 1976, it was amended under General Olusegun Obasanjo’s military regime. The amendment of the act conferred on Minister of Industry the power to declare Mandatory Industry Standards in respect of products or processes recommended by the Nigeria Standards Council. It was also amended during the short-lived regime of Major General Muhammadu Buhari in 1984 and through that amendment the name was changed to the SON (1990). This became necessary because the Nigeria Security Organization (NSO) was formed the same year. The act was also amended in 1990 under General Ibrahim Babangida and the amendment also provided for strict power of seizures, confiscation and destruction of substandard products including the power to seal up premises where defective products are manufactured. The importing and selling of substandard products were also provided for in the amended act.

*National Agency for Food, Drug Administration and Control*

This agency was established in 1 January 1994 under the supporting legislation, Decree No. 15 of National Agency for Food, Drug Administration and Control (NAFDAC, 1993). The establishment was in response to the resolution of the World Health Assembly in 1988 to detect and prevent fake pharmaceutical products which posed a lot health hazard to global health. NAFDAC replaced an earlier body, the Directorate of Food and Drug Administration and Control of the Federal Ministry of Health whose performance was very inadequately legislated.

*National Drug Law Enforcement Agency*

Decree 48, January 1990, established a National Drug Law Enforcement Agency to eliminate the growing, processing, manufacturing, selling, exporting and trafficking of hard drugs. The decree prescribed stiffer penalties for convicted offenders.

**Evaluation of the achievements of the Nigerian regulatory and enforcement agencies**

The array of laws X-rayed above reveal that the Federal Government has provided adequate machinery to guide the conducts of her citizenry. The question that comes to mind is “how effective has the agencies been relative to their statutory mandate?” An evaluation of some of the regulatory and enforcement agencies shown below gives better insight.

*(i) National Agency for Food, Drugs Administration and Drug Control*

Under the leadership of Professor Akunyili (2006), NAFDAC took many giant strides pertaining to the control of the production of counterfeit drugs, creation of awareness on the importance of manufacturing and expiration dates and even in sensitizing other countries on the need and possibility of such achievements. Some specific areas are mentioned below (web site: [www.wilsoncenter.org/events/docs/Akunyili\\_speech.pdf](http://www.wilsoncenter.org/events/docs/Akunyili_speech.pdf)):

- (1) Sanitized the food and drug industry and created a reasonably well regulated environment which have saved the lives of millions of Nigerians and boosted our economy by encouraging local industries, genuine importers and foreign investors.
- (2) Created immense public awareness resulted in the participation of all stakeholders in the promotion of food and drug regulation in Nigeria, and awakened the international consciousness that Nigeria is no longer a dumping ground for fake drugs.
- (3) The incidence of fake drugs has been reduced by about 90 per cent from what it was in 2001.
- (4) The production capacities of local pharmaceutical industries have increased tremendously, and 22 new drug-manufacturing outfits were established in the last five years.
- (5) The confidence of investors in the pharmaceutical industry has been reinforced as evidenced by the continuous upward movement in the share prices of the pharmaceutical companies quoted in the Nigerian stock exchange.
- (6) Ban on made-in-Nigeria drugs has been lifted by other West African countries.
- (7) Many Multinational Drug Companies are coming back to Nigeria due to improved regulatory environment.
- (8) Cheering reports of declining death rates in our hospitals:
  - we are working in concert with all government hospitals in Nigeria, by compiling the number of deaths on monthly basis in order to establish trends.
- (9) From April 2001 to January 2006, NAFDAC carried out over 100 destruction exercises of counterfeit and substandard products valued at about NGN14 billion.

- (10) From 2001 to July 2005, over 1,000 raids were carried out on distribution outlets of fake drugs.
- (11) Secured 45 convictions in respect of counterfeit-drug related cases, and over 56 cases are pending in courts.
- (12) Sanctions on erring manufacturers and importers are increasing steadily. 2,226 in 2002; 3,178 in 2003; and 3,460 in 2004 and 4,132 in 2005.
- (13) Sanitization of table water and sachet water production has greatly reduced cholera and other water borne disease outbreaks, which used to be rampant in the country.
- (14) NAFDAC monitors salt iodization in Nigeria and in this regard, UNICEF rated Nigeria as the first country in Africa to achieve universal salt iodization. NAFDAC is working to achieve the same feat in vitamin A fortification.

*(ii) Economics and Financial Crimes Commission*

Mallam Nuhu Ribadu's Chairmanship of EFCC had no rival in his crusade against corruption in Nigeria. Ribadu showed no fear nor favour at investigating and prosecuting offenders including those highly placed in the Nigerian leadership echelon. Though presently he has been replaced by Mrs Farida Waziri, but his tenure as EFCC boss was legendary.

Some of the achievements of EFCC both recent and past under Mallam Nuhu Ribadu are presented below:

- EFCC recovered and returned \$4.48 million to 86-years old Hong Kong woman. The money was part of recovered funds from a fictitious transaction initiated by one Basil Nkechor, a Nigeria, purporting to be Alhaji Ibrahim Abba, Group Managing Director of the Nigeria National Petroleum Corporation sometime in June 1995 (web site: [www.efccnigeria.org](http://www.efccnigeria.org)).
- EFCC handled the world's biggest advance fee fraud case involving the sum of \$242 million from Brazilian Bank and some Nigerians. The king pin of the fraud Mrs Amaka Martina Anajemba pleaded guilty to crimes of "419" and money laundering. She was fined NGN2.0 million. The court ordered her to return \$53.5 million of Banco Nordeste of Brazil and \$5.0 million to Federal Government. She was jailed two-and-a-half years in addition (Nwaja, 2005).
- EFCC Nigeria and Officer of Fair Trading (OFT) of UK join forces to combat spam fraud. The OFT and its law enforcement partners in Nigeria are warning consumers to be wary of consolidated e-mails asking for help in moving large sums of money in exchange for share of the spoils (Nwaja, 2005).
- EFCC and Nigeria is working on a unique memorandum of understanding that will help it to identify and prosecute cyber criminals (Nwaja, 2005).
- EFCC has secured over 100 convictions on crimes of 419 and money laundering. 200 cases are currently under investigation (Nwaja, 2005).

In 2005, one time Minister of Education Professor Fabian Osuji, was dismissed under the Obasanjo Administration for offering NGN50 million bribe to the National Assembly. The termination of the appointment of Professor Jude Njoku, the Vice Chancellor of Federal University of Technology, Owerri during the same period was also

in connection with similar crime of offering NGN25 million to the National Assembly (Aluko, 2005).

There are also a line-up of former governors charged for one corrupt practice or the other as follows:

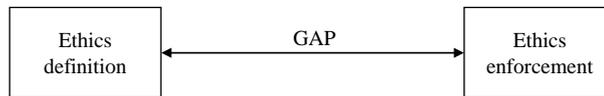
- Governors Joshua Dariye of Plateau State and Diepreye Alawisegha of Bayelsa; impeached by their State Assemblies for corrupt enrichment (Lesser, 2006).
- Governor Orji Uzo Kalu of Abia State arrested, jailed and released on bail for corrupt practices during his tenure in office (Sun News Publishing, 2006, Thursday, 28 September).
- Governors James Ibori of Delta State and Lucky Igbinedion of Edo State jailed for different corrupt practices.

Also in 2005, Tafa Balogun, a former Inspector General of Police was convicted and sentenced to six months imprisonment with the forfeiture of all the looted assets and a fine of NGN4 million (Ige and Ajayi, 2005).

### Challenges of ethics enforcement

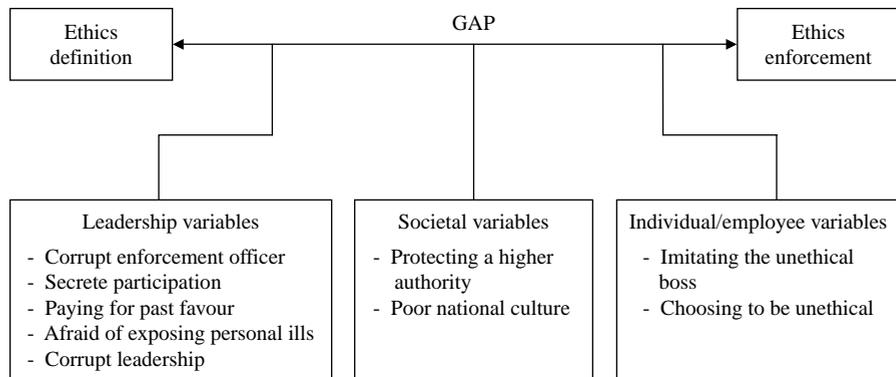
The array of laws X-rayed above reveal that the Federal Government has provided adequate machinery to guide the conducts of her citizenry. But, Figure 1 shows a gap as existing between ethics definition and ethics enforcement.

Certain variables have, however, been pinpointed as being responsible for the observed gap. These variables grouped into three, are shown in Figure 2.



**Note:** A diagram showing the gap existing between ethics definition and enforcement

**Figure 1.**  
Ethics definition/ethics enforcement GAP



**Note:** This figure explains the sources of the gap existing between ethics definition and enforcements as coming from leadership variables, societal variables and individual/employee variables

**Figure 2.**  
Variables of the ethics definition/ethics enforcement GAP

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They are:

- (1) leadership variables;
- (2) societal variables; and
- (3) individual/employee variables.

*(i) Leadership variables*

These entail variables that are direct concomitant of leadership behaviour and actions, and are manifested in the following areas.

*Corrupt enforcement officer.* Corruption, according to the *Longman Dictionary of Contemporary English*, is dishonest, illegal or immoral behaviour especially from some one with power:

A corrupt practice takes place when one in a fiducially position acts in a manner prejudicial to the cause of his employer because of the receipt of a benefit or consideration from a third party who is ultimately the beneficiary of the action (Osisioma and Osisioma, 2002, p. 180).

If an officer who naturally is in position of authority is corrupt, then to punish unethical conduct will become problematic because somewhere along the line, he/she gains from the act.

*Behind the scene participation.* If an enforcement officer is a party to some type of corrupt practice, he/she automatically becomes handicapped for fear of exposing his/her involvement.

*Paying back for a previous favour.* It has always been said that “one good turn deserves another”. Such can be the case when a personality who had done a turn to an officer is involved in an unethical practice. “Because he/she helped to save me when I had a similar problem, it is only natural that I reciprocate by doing the same; and that is the least I can do”.

*Afraid of exposing “the cockroach in the cupboard”.* Any officer who had previously been involved in any type of shady deal or who is known to be doing so is afraid of reporting another for fear of being exposed. This is particularly the case when the culprit had knowledge of the officer’s previous involvements in unethical acts.

*Corrupt leadership.* When the overall leader is corrupt, his/her subjects are always afraid of reporting unethical activities. Sometimes, exposing such acts may implicate the reporter in one way or the other; the reporting officer may be transferred if he/she is seen as an obstacle.

*(ii) Societal variables*

There are two factors under the social variables, as described below.

*Protecting the interest of a personality with higher authority.* Enforcement of ethics can also be hampered if the interest of a person in higher position of authority is being protected. Such cases usually die naturally after they have surfaced once or twice or they never even see the light of day; meaning that they die before they are given birth to.

*Prevailing unethical national culture.* When a country already has a national culture with unethical embeddings, citizens usually become afraid of reporting unethical activities as that would run counter to prevailing norm. Such disoriented national culture discourages both exposing and enforcing unethical practices.

*(iii) Individual/employee variables*

These factors are prevalent in the work environment and can be manifested in any of the following specific areas.

*Imitating the unethical boss.* Most employees imitate their bosses in carrying out their duties within any organizational setting. These employees are usually placed in a difficult position when their leaders have questionable integrity and this acts as barriers to the enforcement of ethics.

*Choosing to be unethical.* Some employees or individuals may have chosen to be “bad eggs” within any organization and though this may create a problem of ethics enforcement, they can easily be flushed out of the organization once the leader or manager has unquestionable integrity.

**Effects of unenforcement of ethical behaviour**

Many negative tendencies result from non-enforcement of ethical practices in any society like the ones presented below.

*Perpetration of unethical practices*

Once there are no punitive measures taken against infractions more and more people tend to get involved. Therefore, at all levels of government and other institutions such tendencies continue to spread thereby creating a vicious circle.

*Increased social ills*

In any society where unethical manifestations are not punished, social costs tend to escalate. Insecurity caused by armed robbery, advanced fee fraud, kidnapping, smuggling, etc. all tend to be on the increase because perpetrators are not adequately brought to books.

*Poor national image*

At the global scene, a country that fails to enforce ethical activities automatically attracts negative perception and attitude from her development partners and others in the committee of nations. Such negative attitudes have the tendency to stifle all types of relations with other nations with its negative concomitants to developments.

*Internal strife*

This is usually the result of perpetrating unethical behaviours or not applying adequate and uniformed punitive measures for similar offences. Such strife occurring on regular bases will eventually tear down a system into pieces. This may be the case where objections are raised about measures taken to enforce ethics or where there are inconsistencies in meeting out punishment on various offences.

*Total breakdown of the system*

Non-enforcement of ethical standards would finally result to the gradual but continues breakdown of any system termed “entropy” and this may result from complete absence of law and order that eventually follow. Of course, such breakdowns mostly stifle other areas of development.

### **Implications for policy makers, management and leaders**

The role of leaders in the enforcement of good ethical conduct in government, organizations and institutions cannot be overemphasized. This is because both the definition and enforcement of ethics in any organization, institution or government start and end with the leadership. It is important to mention Ejiofor's (1987):

“Integrity drag” which points at the adverse effects of questionable integrity – drain on organization finances; imitation of the boss with questionable integrity by subordinates, indiscipline from subordinates and clients, and general disorder which results to ineffective control of the system as a whole.

The implications of Ejiofor's “Integrity drag” should make leaders/managers think along the lines presented below:

- (1) It is to find out what theory of business ethics guides the activities of members of the organization. The leader or manager should realize that once the theory of amorality is predominant, an ethics programme should be mounted to guide the conduct of members.
- (2) It is to check whether good behaviour is adequately recognized and rewarded accordingly. If members are not encouraged for their outstanding positive performance, some may find no reason to continue. In the same way, unethical conducts should be discouraged by recommending commensurate punishment.
- (3) It is to go through the incentive and fringe benefit schemes as well as the salary in place. Management should ensure that these are competitive, at least, on industrial level.
- (4) It is the institution of ethics training even with an ethics programme in place. From time to time, ethics training should be organized. It is believed that members' consciences are touched during such training which should be made mandatory.
- (5) It is proper definition of what constitute unethical behaviours. This can be facilitated by preparing an *Organizational Handbook* which will also stipulate the “does” and “don'ts”. The obligations of members should also be stated in such handbook.
- (6) Finally, it is the examples displayed by the leader. Leadership by examples is very important in considering ethical issues partly because a leader cannot give what he/she does not have.

### **Conclusion**

No system founded and nurtured on unethical practices can thrive for long. This is because of the inherent problems that continually threaten the continued existence of such system. The general argument may support that people can survive at any costs but knowing that such system eventually crumbles should discourage any institution from ignoring unethical behaviours.

Proper definition and enforcement of ethical standards within any system do actually depend on the leadership and this has clearly been demonstrated by leaders of some institutions in the case of Nigeria. Since no leader can give what he/she does not have, leaders have the crucial responsibility of ensuring that their institutions are

ethically guided. Therefore, filling the existing gap between the definition and enforcement of the ethical standards in Nigeria depend, to a very large extent, on the leadership. Both the individual and the society at large can only be guided toward choosing to become ethical and toward upholding high moral standards depending on the style of governance and the examples shown by the leader. Knowing, therefore, that the survival of any system depends on the leadership, leaders should make effort to lead transparently, showing good examples on all levels of governance as far as ethical conducts are concerned.

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# Work engagement among managers and professionals in Egypt

## Potential antecedents and consequences

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### Abstract

**Purpose** – The purpose of this paper is to examine potential antecedents and consequences of work engagement in a sample of male and female managers and professionals employed in various organizations and industries in Egypt.

**Design/methodology/approach** – Data were collected from 242 respondents, a 48 percent response rate, using anonymously completed questionnaires. Engagement was assessed by three scales developed by Schaufeli *et al.*; vigor, dedication, and absorption. Antecedents included personal demographic and work situation characteristics as well as measures of need for achievement and workaholic behaviors; consequences included measures of work satisfaction and psychological well-being.

**Findings** – The following results are observed. First, both need for achievement and one workaholic job behavior are found to predict all three engagement measures. Second, engagement, particularly dedication, predict various work outcomes (e.g. job satisfaction, intent to quit). Third, engagement, again, particularly dedication, predicted various psychological well-being outcomes but less strongly than these predicted work outcomes.

**Research limitations/implications** – Questions of causality cannot be addressed since data were collected at only one-point in time. Longitudinal studies are needed to determine the effects of work life experiences on engagement.

**Practical implications** – Organizations can increase levels of work engagement by creating supportive work experiences (e.g. control, rewards, and recognition) consistent with effective human resource management (HRM) practices. But caution must be exercised before employing North American practices in the Egyptian context.

**Originality/value** – This paper contributes to the understanding of work engagement among managers and professionals and HRM more broadly in a large Muslim country.

**Keywords** Managers, Egypt, Job satisfaction, Career development

**Paper type** Research paper



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## Introduction

Organizations today are grappling with new challenges as they strive to remain competitive. These include increased financial turbulence, heightened performance pressures, new technology, an increasingly diverse workforce, and the globalization of business (Burke and Cooper, 2004; O'Toole and Lawler, 2006; Sisodia *et al.*, 2007). Organizational leaders are increasingly concluding that a unique competitive advantage resides in their human resources: all other potential competitive advantages (e.g. technology, capital, and products) can be either bought or copied (Gratton, 2000; Lawler, 2003, 2008; Pfeffer, 1994, 1998; Burke and Cooper, 2005).

Organizations need to unleash the talents and motivations of all their employees if they are to achieve peak performance (Burke and Cooper, 2007; Katzenbach, 2000; Leiter and Bakker, 2010; Ulrich, 1997). There is considerable evidence, however, that many organizations are falling short (Burke and Cooper, 2008; Sirota *et al.*, 2005). Recent efforts to improve organizational performance have begun to emphasize positive organizational behavior concepts and positive emotions (Cameron *et al.*, 2003; May *et al.*, 2004; Bakker and Schaufeli, 2008). This includes concepts such as optimism, trust, and engagement. Much of the earlier organizational behavior research focused on negative concepts and emotions such as job dissatisfaction, alienation, burnout, and intent to quit.

Work engagement has emerged as the most prominent positive organizational concept, particularly among organizational consultants (Leiter and Bakker, 2010; Schaufeli and Salanova, 2007, 2008). In fact practical interest in work engagement has outstripped the currently available research evidence. Issues such as what work engagement is, why it matters, how and why it benefits individuals and organizations, and if and how it can be increased, still need to be addressed.

This research examines potential antecedents and consequences of work engagement among managers and professionals in Egypt. We will first review some of the writing on work engagement and then consider the relevance of the work engagement concept for an Islamic country.

## Literature review

### *Work engagement: definition, measures, and research evidence*

Work engagement has received increasing research attention over the past ten years, reflecting this emphasis (Kahn, 1992; Leiter, 2005; Schaufeli and Bakker, 2004b; Schaufeli *et al.*, 2003). Engaged workers are energetic, are positively connected to their work and feel they are doing their jobs effectively (Leiter and Bakker, 2010). It is a persistent and broad affective-cognitive state. Schaufeli *et al.* (2002), view it as a positive, fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption. Vigor is characterized by high levels of energy, the willingness to invest energy in one's work and persistence in difficult times; dedication is characterized by high levels of work involvement and feelings of pride and challenge from one's work; and absorption is characterized by deep concentration in one's work the sense that time passes quickly and one is reluctant to leave their work. Others have defined work engagement in slightly different but generally consistent ways (Harter *et al.*, 2002; May *et al.*, 2004; Sirota *et al.*, 2005).

The most commonly used measure of work engagement was developed by Schaufeli *et al.* (2002) and comprises three components: vigor, dedication, and absorption. The accumulating research findings have shown that the measures of the three

engagement concepts are reliable, stable, and valid (Schaufeli *et al.*, 2006; Schaufeli and Salanova, 2007, 2008).

Organizational behavior researchers have considered work engagement as independent, dependent, and moderator variables in various studies. Here, is a sample of their results.

*Engagement as an independent variable.* Harter *et al.* (2002) found that levels of engagement were positively correlated with business-unit performance (e.g. customer satisfaction and loyalty, unit profitability, unit productivity, turnover levels, and safety) in almost 8,000 business units within 36 organizations. Engagement correlated 0.22 with a composite measure of performance, which increased to 0.38 when measurement error and restriction of range were taken into account. Salanova *et al.* (2005), in a study of front-line service workers and their customers, reported that work engagement predicted service climate which in turn predicted employee performance and then customer loyalty. Demerouti and Cropanzano (2010) and Schaufeli and Salanova (2007, 2008), based on their review of the work engagement literature, concluded that engagement is associated with positive employee attitudes, proactive job behaviors, higher levels of employee psychological well-being, and increased individual job and organizational performance (Bakker *et al.*, 2008).

*Engagement as a dependent variable.* In a multi-sample study, Schaufeli and Bakker (2004a) found support for the job demands-resources model. Structural equation modeling revealed that job demands (workload, emotional demands) were positively related to burnout, but not to engagement, and job resources (social support, supervisor coaching, and feedback) were positively related to engagement and negatively related to burnout. In addition, burnout fully mediated the impact of job resources on health problems, and engagement mediated the effect of job resources on turnover intention. The authors concluded that two underlying processes can explain these results, an effort-driven high-demand process leading to burnout, which then leads to health problems, and a motivational process in which available job resources foster engagement and affect behavioral work outcomes. Hakanen and Roodt (2010) come to similar conclusions.

Mauno *et al.* (2005b), in a study of subjective job insecurity among either permanent or fixed-term employees reported lower work engagement among permanent employees. Mauno *et al.* (2005a) also found different predictors of work engagement in different organization sectors.

Demerouti *et al.* (2001), in a study of employees from an insurance company, reported that high-work demands and high control were associated with higher engagement. Mauno *et al.* (2005a) also reported an association of high-time pressures with higher levels of engagement.

*Engagement as a moderator variable.* Leiter and Harvie (1998), in a study of a large-scale organizational change in a hospital setting, reported that work engagement moderated the relationship of supportive supervision, confidence in management, effective communication and work meaningfulness and acceptance of the change.

In a study of the correspondence between supervisors and staff members during major organizational changes, Leiter and Harvie (1997) demonstrated supervisors' confidence in the organization, their work engagement and assessment of work hazards, contributed to predicting staff members' engagement, and supervisor cynicism and exhaustion contributed to staff member cynicism and professional efficacy.

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Salanova and Schaufeli (2008), in two large samples of Spanish and Dutch managers and employees, reported that engagement (vigor, dedication) fully mediated the relationship of job resources (job control, feedback, and variety) and proactive work behaviors.

It is important to study engagement because it is linked to positive individual and work-related outcomes (Schaufeli and Salanova, 2007, 2008). The present study examines potential predictors and consequences of work engagement in a sample of men and women managers and professionals working in various organizations and industries in Egypt. While there is some consensus on the workplace antecedents of engagement (e.g. support, feedback, and coaching) and consequences of work engagement (e.g. commitment, satisfaction), there is less agreement on personal characteristics (e.g. demographics and personality factors) associated with levels of work engagement. The question of who are engaged workers therefore needs additional attention. Schaufeli and Salanova (2007, 2008) found inconsistent or at best small effects due to demographic characteristics, and among personality factors, some evidence that individuals high on extraversion and low on neuroticism reported higher levels of work engagement. In addition, occupation type and organizational level had some effects on engagement; managers, executives, and entrepreneurs score relatively high on engagement while blue collar workers, police officers, and home care staff score relatively low on engagement.

Who are your engaged workers? Two lines of previous research are likely to shed some light on this question. First, there is a considerable body of work examining the relationship of need for achievement and positive individual contributions (McClelland, 1985; Steers and Braunstein, 1976). Individuals scoring high on McClelland's need for achievement strive to excel, they seek out feedback on how they are performing, they are more concerned with reaching their objectives than with whatever rewards might follow from this success, they set challenging but realistic goals, and they spend lots of time thinking about how they might do things better. Second, an emerging stream of research has shown relationships of workaholic behaviors and work engagement-type outcomes (Burke, 2007; Burke and Cooper, 2008). Workaholism is generally seen as a stable individual difference characteristic. Mudrack (2007), for example, has developed measures of two workaholic behavior patterns (non-required work, control of others) that were likely to be associated with levels of work engagement.

### **Islamic work ethic and values**

Very little attention has been devoted to understanding the Islamic work ethic (IWE) and values; the vast majority of the writing and research on the work ethic and work values has been conducted in north America and western Europe. Is the IWE consistent with being work engaged? Ali (2005), more than any other academic, has examined the IWE. The IWE views work as a virtue, necessary for contributing to a balanced life. Ali (2005) identified four components in the IWE: effort, competition, transparency, and socially responsible conduct. Effort is held in high reared in the IWE. These four components produce benefits for both the individual and the community.

Ali developed an IWE scale and reported data from 150 Arab Muslim students attending US universities. This sample scored high, having a mean of 4.3 on a five-point scale. He then administered a shorter version of the IWE to managers in some Arab countries (Kuwait, UAE, and Saudi Arabia) and again reported high scores,

the means in these countries being greater than 4.0. Thus, individuals in the Middle East indicate generally high scores on the IWE.

One must approach these data with caution however. Because managers and university students from the Middle East score high on the IWE does not mean that they work hard or work effectively in their jobs and organizations. Work engagement, as a concept, does seem consistent with the IWE and both valid and relevant to Egyptian employees and their employing organizations.

In addition, other factors in Egypt may influence levels of employee work engagement. The cultural values in Egyptian society as a whole, and organizations more specifically, are patriarchal and hierarchical. Hofstede (1980) found that all Middle Eastern countries shared similar societal and cultural values. These countries indicated large power differences, scored high on uncertainty avoidance, scored high on collectivism, and scored slightly above average on masculinity. Men have been shown to harbor negative views of the ability of women to succeed in organizations (Mostafa, 2003; Whiteoak *et al.*, 2006). Many Egyptian organizations are family-owned and family-managed, with preference given to family members. There has been relatively little human resource management (HRM) research carried out in Egypt; human resources have not been considered a priority (Budhwar and Mellahi, 2007).

### **Objectives of the research**

The following general hypotheses, building on the reviews of Schaufeli and Salanova (2007, 2008) were considered:

- H1.* Personal demographic characteristics such as age and gender would be unrelated or only weakly related to levels of work engagement.
- H2.* Particular stable individual difference characteristics (e.g. workaholic behaviors, need for achievement) would be positively related to levels of work engagement.
- H3.* Work engagement would in turn be positively associated with both work outcomes such as job and career satisfaction and indicators of psychological well-being such as low levels of exhaustion and psychosomatic symptoms.

### **Method**

#### *Procedure*

Data were collected between October 2008 and January 2009 from service and manufacturing organizations in two Egyptian cities (Alexandria and Cairo). Members of the research team contacted about 50 organizations in these cities requesting their participation in the research. The 24 cooperating organizations then provided a list of managers and professionals to the researchers. Service organizations included telecommunications, banks, educational institutions, and a maritime service provider. Manufacturing organizations included pharmaceutical, petroleum, and production companies focusing upon production of milk, juice, and food. Approximately, 500 managers and professionals were contacted of which 242 provided completed questionnaires, a 48 percent response rate. Questionnaires were completed anonymously in English. The respondents are best described as a large convenience

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sample of Egyptian managers and professionals in a variety of organizations and industries.

### *Respondents*

Table I presents the demographic characteristics of the sample. Over half were male (60 percent), almost all worked full-time (93 percent), over half were 30 years of age or younger (61 percent), most were single (62 percent), without children (64 percent), were university graduates (95 percent), worked 40 hours a week or less (42 percent), were in middle management (33 percent), supervised others (66 percent), earned over LE25,000 a year of income (46 percent), had relatively short job and organizational tenures (60 percent having two years or less of job tenure and 37 percent having two years or less of organizational tenure), and worked in organizations of varying sizes, the average being about 1,000 employees. Respondents fell into several functions: IT and logistics, 16 percent; marketing and sales, 14 percent; finance, 13 percent; production, 11 percent; and customer service, 9 percent.

### *Measures*

*Work engagement.* Three aspects of work engagement were measured using scales developed by Schaufeli *et al.* (2002) and Schaufeli and Bakker (2004b).

Vigor was measured by six items ( $\alpha = 0.72$ ). "At my work I feel bursting with energy" dedication was assessed by five items ( $\alpha = 0.88$ ). "I am proud of the work that I do." Absorption was measured by six items ( $\alpha = 0.74$ ) "I am immersed in my work" respondents indicated their agreement with each item on a five-point Likert scale (1 – strongly disagree, 3 – neither agree nor disagree, and 5 – strongly agree).

*Personal demographics and work situation characteristics.* A number of personal demographics (e.g. age, gender, education, marital, and parental status) and work situation characteristics (e.g. organizational level, job, and organization tenure) were measured by single items (Table I). These included the following measures.

*Stable individual difference characteristics.* Need for achievement. Need for achievement (Nach) was measured by a five-item scale ( $\alpha = 0.62$ ) developed by Steers and Braunstein (1976). One item was "I try very hard to improve on my past performance at work."

Workaholic behaviors. Two workaholic behavior scales developed by Mudrack (2007) were included. One, non-required work, had four items ( $\alpha = 0.82$ ). An item was "Thinking of ways to improve the quality of work provided to customers and/or coworkers." The other, control of others, also had four items ( $\alpha = 0.74$ ). One item was "Fixing problems created by other people."

A wide range of outcome variables were included in this study covering both work and extra-work domains. These variables were consistent with those typically used in studies of work and well-being more generally (Barling *et al.*, 2005; Schabracq *et al.*, 2003).

Work outcomes. Job satisfaction was measured by a seven-item scale ( $\alpha = 0.80$ ) developed by Kofodimos (1993). An item was "I feel challenged by my work." Respondents indicated their levels of satisfaction on a five-point Likert scale (1 – very dissatisfied, 3 – neutral, and 5 – very satisfied).

Career satisfaction was measured by a five-item scale ( $\alpha = 0.88$ ) developed by Greenhaus *et al.* (1990). One item was "I am satisfied with the success I have achieved in my career." Respondents indicated their levels of satisfaction on a five-point Likert

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	<i>n</i>	%
<i>Gender</i>		
Male	146	60.3
Female	96	39.7
<i>Work status</i>		
Full time	226	93.4
Part time	16	6.6
<i>Marital status</i>		
Married	92	38.0
Single	150	62.0
<i>Parental status</i>		
Children	86	35.5
No children	156	64.5
<i>Education</i>		
High school	12	5.0
Bachelors	185	80.6
Masters	35	14.4
<i>Hours worked</i>		
40 or less	102	42.1
41-45	51	21.1
46-50	49	20.7
51-55	7	2.9
56-60	20	8.2
61 or more	12	5.0
<i>Organizational level</i>		
Non-management	70	28.9
Lower management	56	23.1
Middle management	80	33.1
Senior management	36	14.9
<i>Organizational tenure</i>		
1-2 years	90	37.2
3-5	55	22.7
6-10	56	23.2
11 or more	41	16.9
<i>Organizational size</i>		
250 or less	59	20.2
251-500	36	14.9
501-1,000	47	19.4
1,001-2,000	34	14.1
2,001-5,000	70	28.9
5,001 or more	6	2.5
<i>Age</i>		
25 or less	73	30.2
26-30	74	30.5
31-35	29	12.0
36-40	13	5.4
41-45	13	5.4
46 or older	40	16.5
<i>Length of marriage</i>		
1-5 years	36	40.0
6-10	13	14.4

**Table I.**  
Demographic  
characteristics of sample

(continued)

	<i>n</i>	%	Work engagement
11-15	7	7.8	
16-20	19	21.1	
21-25	17	18.9	
26 or more	4	4.4	
<i>Number of children</i>			
0	155	64.0	<b>49</b>
1	27	11.2	
2	44	18.2	
3 or more	16	6.6	
<i>Income (LE)</i>			
10,000 or less	62	25.6	
10,001-15,000	16	6.6	
15,001-20,000	22	9.1	
20,001-25,000	30	12.4	
25,001 or more	112	46.3	
<i>Supervisory duties</i>			
Yes	161	66.5	
No	81	33.5	
<i>Job tenure</i>			
1-2 years	145	59.9	
3-5	51	21.1	
6-10	43	17.8	
11 or more	3	1.2	
<i>Function</i>			
Finance	32	13.2	
Production	26	10.7	
IT	23	9.5	
Customer service	22	8.1	
Marketing	18	7.4	
Sales	17	7.0	
Logistics	17	7.0	

**Table I.**

scale (1 – very satisfied, 3 – neither satisfied nor dissatisfied, and 5 – very dissatisfied).

Job stress was measured by a nine-item scale ( $\alpha = 0.59$ ) developed by Spence and Robbins (1992). An item was “Sometimes I feel like my work is going to overwhelm me.”

Intent to quit ( $\alpha = 0.84$ ) was measured by two items (e.g. “are you currently looking for a different job in a different organization?”), using a yes/no format. This scale had been used previously by Burke (1991).

Psychological well-being. Psychosomatic symptoms was measured by 19 items ( $\alpha = 0.85$ ) developed by Quinn and Shepard (1974). Respondents indicated how often they experienced each physical condition (e.g. headaches) in the past year on a four-point frequency scale (1 – never, 4 – often).

Emotional exhaustion. It was measured by a scale from the Maslach Burnout Inventory (Maslach *et al.*, 1996). The scale had nine items ( $\alpha = 0.74$ ). One item was “I feel emotionally drained from my work.” Responses were made on a seven-point frequency scale (1 – never, 7 – daily).

Work-family conflict was measured by a nine-items scale ( $\alpha = 0.83$ ) developed and validated by Carlson *et al.* (2000). Three forms of conflict, time-, strain- and behavior-based were each measured by three items. One item was “My work keeps me from my family activities more than I would like.”

## Results

### *Descriptive statistics*

The three work engagement measures were significantly and positive inter-correlated ( $p < 0.001$ ): vigor and dedication, 0.53; vigor and absorption, 0.54; and dedication and absorption, 0.50. These values were consistent with those reported by Schaufeli and Salanova (2007) who found these to typically be about 0.65. The mean values for the engagement scales were also moderately high and fairly typical of employed managerial and professional samples: vigor, 3.5; dedication, 3.3; and absorption, 3.5.

### *Predictors of work engagement*

*Personal demographic, work situation, and personality factors.* Hierarchical regression analyses were first undertaken in which the three measures of work engagement were regressed on three blocks of predictors. The first block of predictors ( $n = 5$ ) consisted of personal demographic characteristics (e.g. age, marital status, and level of education). The second block of predictors ( $n = 4$ ) consisted of work situation characteristics (e.g. organizational level, organizational, and job tenure). The third block of predictors ( $n = 3$ ) consisted of the measure on Nach and the two-workaholic job behaviors. When a block of predictors accounted for a significant amount on increment in explained variance on a given outcome variable ( $p < 0.05$ ), all measures within such blocks having significant and independent relationships with this outcome ( $p < 0.05$ ) were identified. The sample size for all regressions reported in this manuscript was 241.

*Personal demographic, work situation, and personality factors.* Table II presents these results. The following comments are offered in summary. First, all three blocks of predictors accounted for a significant amount or increment in explained variance on vigor. Men, single employees, employees in smaller organizations and those scoring higher on non-required work or on Nach reported higher levels of vigor ( $Bs = 0.30, 0.20, 0.14, 0.38, \text{ and } 0.12$ , respectively). Second, two of the three blocks of predictors accounted for a significant amount or increment in explained variance on dedication (not work situation characteristics). Respondents who were single, less highly educated, men, and those scoring higher on non-required work and on Nach indicated higher levels of dedication ( $Bs = 0.25, 0.17, 0.13, 0.28, \text{ and } 0.18$ , respectively). Third, all three blocks of predictors accounted for a significant amount or increment in explained variance on absorption. Managers having less education, working in smaller organizations, and reporting higher levels of Nach and on non-required work indicated higher levels of absorption ( $Bs = 0.21, 0.23, 0.28, \text{ and } 0.24$ , respectively).

Two general observations are worth noting. First, men, respondents having less education, single individuals, and individuals working in smaller organizations were more work engaged. These findings, though indicating stronger and more consistent relationships than hypothesized, were, in general, supportive of our *H1*. Second, both Nach and one workaholic job behavior (non-required work) were significant predictors

Work engagement	<i>R</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$	<i>P</i>	Work engagement	
<i>Vigor</i>						
Personal demographics	0.27	0.08	0.08	0.01	<hr/> <b>51</b> <hr/>	
Gender (0.30)						
Marital status (0.20)						
Work situation	0.34	0.12	0.04	0.05		
Organizational size (0.14)						
Personality	0.51	0.26	0.14	0.001		
Non-required work (0.38)						
Nach (0.12)						
<i>Dedication</i>						
Personal demographics	0.35	0.12	0.12	0.001		
Marital status (0.25)						
Education level (0.17)						
Gender (0.13)						
Work situation	0.39	0.15	0.03	NS		
Organizational level (0.18)						
Personality	0.53	0.28	0.13	0.001		
Non-required work (0.28)						
Nach (0.18)						
<i>Absorption</i>						
Personal demographics	0.31	0.09	0.09	0.001		
Education level (0.21)						
Work situation	0.37	0.13	0.04	0.05		
Organizational size (0.23)						
Personality	0.52	0.26	0.13	0.001		
Nach (0.28)						
Non-required work (0.24)						

**Table II.**  
Predictors of work engagement

of work engagement supporting our *H2*. These findings address the question of “who are your engaged employees?”

*Consequences of work engagement.* Consistent with previous research on the consequences of work engagement, indicators of both work outcomes and psychological well-being were included.

These were the following.

Predictors of work outcomes. Table III presents the results of hierarchical regression analyses in which four work outcomes were regressed on three blocks of predictors (personal demographics, work situation characteristics, and measures of work engagement). Work engagement accounted for a significant increment in explained variance in all cases. Let us first consider job satisfaction. All three blocks of predictors accounted for a significant amount or increment in explained variance. Respondents in shorter marriages, men, younger respondents, those having longer organizational tenure, those working in smaller organizations, those having shorter job tenure, those at higher organizational levels, and managers scoring higher on dedication, scoring higher on vigor, and lower on absorption indicated more job satisfaction (*B*s = 0.30, 0.13, -0.21, 0.24, -0.16, -0.25, 0.15, 0.40, 0.24, and -0.20, respectively).

Two of the three blocks of predictors accounted for a significant increment in explained variance on career satisfaction (not personal demographics). Respondents at

Work outcomes	<i>R</i>	<i>R</i> <sup>2</sup>	$\Delta R^2$	<i>P</i>
<i>Job satisfaction</i>				
Personal demographics	0.24	0.06	0.06	0.05
Length of marriage (0.30)				
Gender (0.13)				
Age (− 0.21)				
Work situation	0.44	0.20	0.14	0.001
Organizational tenure (0.24)				
Organizational size (− 0.16)				
Job tenure (− 0.25)				
Organizational level (0.15)				
Engagement	0.67	0.45	0.25	0.001
Dedication (0.48)				
Absorption (− 0.20)				
Vigor (0.24)				
<i>Career satisfaction</i>				
Personal demographics	0.21	0.04	0.04	NS
Work situation	0.29	0.08	0.04	0.05
Organizational size (0.12)				
Engagement	0.61	0.38	0.30	0.001
Dedication (0.55)				
Absorption (− 0.40)				
Vigor (0.22)				
<i>Job stress</i>				
Personal demographics	0.20	0.04	0.04	NS
Work situation	0.26	0.07	0.03	0.05
Organizational tenure (0.20)				
Engagement	0.38	0.14	0.07	0.001
Vigor (0.24)				
Dedication (− 0.16)				
<i>Intent to quit</i>				
Personal demographics	0.36	0.13	0.13	0.001
Gender (0.29)				
Age (− 0.31)				
Marital status (0.19)				
Education level (− 0.13)				
Work situation	0.39	0.16	0.03	NS
Engagement	0.56	0.31	0.15	0.001
Dedication (− 0.36)				
Vigor (− 0.21)				
Absorption (0.19)				

**Table III.**  
Work engagement  
and work outcomes

higher organizational levels, those scoring higher on dedication, and higher on vigor, and lower on absorption, indicated more satisfaction with their careers (*Bs* = 0.12, 0.55, 0.22, and − 0.40, respectively).

Two blocks of predictors accounted for significant increments in explained variance on job stress (not personal demographics). Managers having longer organizational tenure, those scoring higher on vigor, and those scoring higher on dedication, indicated higher levels of job stress (*Bs* = 0.20, 0.24, and 0.16, respectively).

Finally, two blocks of predictors (not work situation characteristics) indicated a significant amount or increment in explained variance on intent to quit. Men, younger

respondents, those that were single, more educated respondents, respondents scoring lower on dedication, and on vigor, but scoring higher on absorption indicated a greater intent to quit ( $B_s = 0.29, 0.31, 0.19, 0.13, -0.36, -0.21, \text{ and } 0.19$ , respectively). More research is needed to determine whether the findings involving absorption are real or a statistical artifact.

Predictors of psychological well-being. Table IV shows the results of hierarchical regression analyses in which three measures of psychological well-being were regressed on the same three blocks of predictors. The measures of work engagement accounted for a significant increment in explained variance on all three indicators of well-being.

Let us first consider exhaustion. Two blocks of predictors (not work situation characteristics) accounted for a significant amount or increment in explained variance on exhaustion. Women, managers scoring lower on dedication, and managers scoring higher on absorption, reported higher levels of exhaustion ( $B_s = 0.11, -0.25, \text{ and } 0.19$ , respectively).

Two blocks of predictors (not personal demographics) accounted for a significant amount or increment in explained variance on work-family conflict. Managers working in larger organizations, managers at lower organizational levels, and managers scoring higher on absorption, indicated higher levels of work-family conflict ( $B_s = 0.20, -0.17, \text{ and } 0.25$ , respectively).

All three blocks of predictors accounted for a significant amount or increment in explained variance on psychosomatic symptoms. Older, managers in shorter marriages, managers working in smaller organizations, managers scoring lower on

Psychological well-being	$R$	$R^2$	$\Delta R^2$	$P$
<i>Exhaustion</i>				
Personal demographics	0.33	0.11	0.11	0.001
Gender (0.34)				
Work situation	0.38	0.14	0.03	NS
Engagement	0.45	0.20	0.06	0.001
Dedication (-0.25)				
Absorption (0.19)				
<i>Work-family conflict</i>				
Personal demographics	0.21	0.04	0.04	NS
Work situation	0.32	0.10	0.06	0.01
Organizational size (0.20)				
Organizational level (-0.17)				
Engagement	0.38	0.14	0.04	0.05
Absorption (0.23)				
<i>Psychosomatic symptoms</i>				
Personal demographics	0.31	0.10	0.10	0.001
Age (0.56)				
Length of marriage (-0.29)				
Work situation	0.39	0.16	0.06	0.01
Organizational size (-0.17)				
Engagement	0.48	0.23	0.07	0.001
Vigor (-0.35)				
Absorption (0.26)				

**Table IV.**  
Work engagement and  
psychological well-being

vigor and managers scoring higher on absorption indicated more psychosomatic symptoms ( $B_s = 0.56, -0.29, -0.17, -0.35, \text{ and } 0.26$ , respectively).

In all three analyses (exhaustion, work-family conflict, and psychosomatic symptoms) managers indicating higher levels of absorption also reported more negative psychological well-being. Managers indicating higher levels of vigor and dedication also reported fewer psychosomatic symptoms and lower levels of exhaustion, respectively. Although the three work engagement components are significantly and positively inter-correlated, they seem to sometimes relate to outcomes in opposite directions. It may well be that absorption is a particularly debilitating form on work engagement having adverse consequences. These latter findings may also be a statistical artifact rather than a valid result however.

These results provided support for our *H3*. Again, two more general observations are worth noting. First, dedication was more strongly and consistently related to both work and well-being outcomes than were the two other engagement measures. Second, work engagement accounted for greater increments in explained variance on the work outcomes than on the indicators of psychological well-being.

### Discussion

This research examined potential antecedents and consequences of work engagement in a large sample of managers and professionals working in various organizations and industries in Egypt. An increasing number of organizations are concluding that they need to unleash the untapped potential of all their employees if they are to compete successfully in an increasingly demanding global market place (Burke and Cooper, 2008; Lawler, 2008).

The results indicated that both personal demographic and work situation characteristics and stable individual difference motivations represented by need for achievement (McClelland, 1985) and workaholic job behaviors (Mudrack, 2007) were consistent and strong predictors of all three engagement factors: vigor, dedication, and absorption (Table II). The consistent relationships of personal demographic and stable personality factors with levels of work engagement were at odds with earlier conclusions of Schaufeli and his colleagues and warrant further study.

Work engagement, in turn, was found to have fairly consistent, but moderate, relationships with several work outcomes and indicators of psychological well-being (Tables III and IV). Engagement, it seems, has potentially positive consequences for both employees and their employing organizations.

Why should work engagement be associated with valued individual and organizational-level work and well-being outcomes? Work engagement is a positive, satisfying, feeling, and motivational state of well-being at work. Engaged employees have more energy, are more job involved and more strongly identified with their work (Leiter and Bakker, 2010). Work engagement diminishes job burnout. Work engaged employees will embrace more challenging work; engaged workers use more of their talents. Engagement seem to produce an upward spiral in which “the rich get richer”; in work terms, engaged workers invest more in their work acquire more skills, and then commit themselves to even more challenging assignments which in turn leads to increasing levels of work engagement.

What characteristics and experiences foster work engagement. On the one hand, some individual personality characteristics (e.g. need for achievement, proactive

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personality) are associated with higher levels of work engagement. On the other hand, work engagement results from job resources such as support and encouragement at work, feedback on performance about one's job performance, opportunities to use a wide variety of skills, discretion in how one undertakes one's job, chance to learn, initiatives that reduce the negative effects of workplace demands, and when employees values fit their organization's vision and mission. Both individual and organizational factors play an important role in the experience of being truly work engaged.

### *Practical implications*

The accumulating research findings on work engagement have added considerably to our understanding of implications for building more effective organizations. The research that has considered the organizational environment associated with high levels of work engagement has reported that organizational support plays a central role (Demerouti *et al.*, 2001). Fortunately there is some understanding of the processes on mechanisms that underlay levels of support (Leiter and Maslach, 2010).

Leiter (2005) offers a comprehensive look at interventions in the workplace designed to enhance engagement with work. Increasing engagement with work is a challenging and complex undertaking. As the research findings show, engagement stems from the employees contact with a work environment.

Leiter offers a conceptual framework to build engagement with work that considers the targets of intervention, strategies for intervention and potential consequences. Intervention targets include energy at work, involvement with one's work, and efficacy at work. Intervention strategies involve both individuals and organizational or workplace levels. It is critical to remember that individuals have different views and values about work – which can change over time – and that employees must participate in building engagement at work. Finally, the six areas of work life considered in the present study can serve as targets for change (e.g. workload, control, rewards, and recognition).

Schaufeli and Salanova (2007, 2008) suggest a number of ways to build work engagement. These include:

- enhancing the person-job fit;
- matching individual and organizational needs;
- developing a meaningful psychological contract that links personal goals of individual employees with organizational resources;
- surveys of employee demands and resources and their association with positive and negative outcomes;
- job redesign that reduces stressors and increases resources;
- leadership development that build a positive emotional climate in the workplace; and
- developing training programs that are targeted at both organizational health and individual well-being.

Our findings suggest that engagement at work is associated with positive work and individual well-being outcomes and that stable individual difference factors are a major contributor to levels of employee engagement. They are consistent with the results of an increasing number of recent studies (Gonzalez-Roma *et al.*, 2006; Hakanen

*et al.*, 2005; Langelaan *et al.*, 2006; Montgomery *et al.*, 2003; Sonnentag, 2003) reflecting the importance of understanding and increasing employee engagement. Our findings extend our understanding of engagement in ways that have practical implications such as those suggested by Schaufeli and Salanova (2007) who suggest that selection, goal setting and the articulation of a challenging “contract” between the individual and the organization are ways to heighten engagement.

#### *The Egyptian reality*

Egypt is a country that currently has high levels of unemployment, relatively low levels of personal income, is in transition from government (state) managed enterprises to private sector ownership and management, has a high proportion of family-owned and managed enterprises, and is making relatively slow economic progress.

The respondents in our sample expressed relatively high intentions to quit their current jobs in the current year. It is not clear, however, what alternatives they are contemplating, particularly in light of the current world-wide economic downturn. This raises the issue of whether the relatively young men and women in our sample will have to continue in jobs that they would prefer to change; a reality that likely erodes work engagement. Egyptian organizations therefore may be facing significant challenges as they make efforts to improve levels of employee work engagement.

#### *A word of caution*

The individual and organizational benefits of work engagement found in this sample of Egyptian managers’ replicates results obtained in several other countries (Schaufeli and Salanova, 2007, for a review). HRM initiatives designed to increase work engagement have typically been proposed for the highly developed countries in the world (the USA, Canada, The Netherlands). There is evidence (Hofstede, 1980) that the societal and cultural values of Egypt, though changing and moving slowly towards those in the West, are different from those in Western developed countries. Some writers (Aycan, 2001; Wasti, 1998) have cautioned against the direct application of Western HRM approaches to Turkey in the case of Aycan, or more broadly, in the case of Wasti. We believe these cautions should be heeded. Aycan (2001) suggests that greater attention be paid to adapting Western-based HRM practices to the Turkish culture and values and/or preparing Turkish employees for the introduction of Western HRM practices.

#### *Limitations*

This research has some limitations. First, all data were collected using self-report questionnaires raising the possibility of responses being affected by a common-method. Second, the data were collected at one-point in time making it difficult to establish causal relationships. Third, a few of the measures had levels of internal consistency reliability below the generally accepted level of 0.70. Fourth, the extent to which these findings generalize to respondents working in other industrial sectors or respondents in other countries is not clear.

#### *Future research directions*

Several future research directions would add to our understanding of work engagement in Egyptian organizations. First, it is necessary to replicate this study

in other samples, occupations and industrial sectors. Second, other stable personality characteristics (e.g. proactive personality, big five) should be considered. Third, a wider array of work contributions such as organizational citizenship behaviors, team contributions, attendance, and job performance would highlight the organizational benefits following from engaged workers. Fourth, there is a need for longitudinal research to examine the effects of an upward spiral of increasing work engagement over time. Finally, given that so much is known about work engagement generally, intervention studies in which efforts are made to influence levels of work engagement should be designed and implemented.

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# Organizational retention strategies and employee performance of Zenith Bank in Nigeria

Organizational retention strategies

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## Abstract

**Purpose** – The purpose of this paper is to empirically examine employee-retention strategies and performance in the Nigerian banking sector over the period 2000-2005, with focus on Zenith Bank in Nigeria. The sector is unique in terms of its contribution to Nigeria's gross domestic product.

**Design/methodology/approach** – The survey research design involving the use of questionnaire and structured interview to obtain primary and secondary data from relevant books, journals and the internet were adopted. The paper also adopted the  $\chi^2$ -analytical technique to test for significant relationship between variables.

**Findings** – The study revealed that it is more profitable for organizations to put in place appropriate employee-retention strategies such as good organization's image, staff participation in decision making, enhanced and regular salary package, and humane treatment of employees as strategies for organizational performance.

**Practical implications** – Particularly, organizations are likely to experience frequent employee turnover for as long as they fail to put in place appropriate employee-retention strategies, which is capable of preventing enhanced performance.

**Originality/value** – This paper provides insight into what could enhance the performance of organizations in their quest for quality service delivery and profitability. Its findings could also be a source of motivation to organizations in other sectors in the area of employee performance.

**Keywords** Nigeria, Employees, Retention, Organizational performance, Banking, Human resource management

**Paper type** Case study

## 1. Introduction

The human resource possesses skills, experience, and knowledge that add economic value to firms or organizations (Riordan *et al.*, 2005). The human factor is therefore fundamental to the achievement of organizational goals. As a result, it becomes imperative for organizations to put in place strategies to retain their workforce for performance. According to Peterson (2005):

[...] it is incredibly frustrating to go through a long hiring process, employee training, providing uniforms and other necessities, and then have the employee quit after two months. Then you start over.

### *i. Justification for the study*

Some organizations face the problem of frequent labour turnover due to job dissatisfaction on the part of the workforce arising from the provision of inappropriate employee-retention strategies. Several authors cite gaps as to why performance is



a challenge in some organizations in Nigeria such as inappropriate employee-recruitment strategies (Amadasu, 2003); poor work environment (McOliver, 2005); lack of employee involvement in decision making (Jike, 2003), inability of organizations to formulate and implement rational decisions (RD) (Iyayi, 2002); poor remuneration and application of traditional retention strategies (Adebayo, 2001; Ayagi, 2001).

However, the past studies were carried out in some organizations but not in the banking industry. The present study addresses the gap in literature with regards to organizational retention strategies and performance of Zenith Bank in Nigeria.

#### *ii. Scope of the study*

The scope is defined in terms of sector and time-frame. The study focuses on the banking sector. The sector is unique in terms of its contributions to the Nigerian economy. Between 2001 and 2005, it contributed 20.88 per cent to Nigeria's gross domestic product (GDP) (Central Bank of Nigeria (CBN, 2005)).

This present study focuses on Zenith Bank, one of the foremost financial institutions in Nigeria. The justification is based on the fact that in 2005, the organization was reputed to be the most capitalized bank in Nigeria with a shareholders' fund of NGN92.1 billion (Zenith Bank Online, 2006).

#### *iii. Study context/background*

Nigeria became an independent nation on October 1, 1960. The country experienced military governments between 1966 and 1979; 1983 and 1999. The current democratic government is a result of the successful transition to civilian rule by General Abdulsalami Abubakar's Government, which culminated in the election and swearing into office of Chief Olusegun Obasanjo as President of Nigeria on 29 May 1999 (Asia, 2000).

Nigeria has a land area of 924,000 kilometres, population of 140 million people, fourth largest producer of crude oil in OPEC and seventh largest producer of crude oil in the world (ADB/OECD, 2006). Nigeria's GDP got to its peak in 2003 at 10.2 per cent and down to 4.4 per cent in 2005. Crude oil accounted for 36 per cent and agriculture accounted for one-third of Nigeria's GDP (ADB/OECD, 2006). The country witnessed growth in the telecommunication sector in recent years. Mobile phone lines increased from 230,000 in 2001 to 8.3 million in 2004, and at the same time, fixed land lines increased by 20 per cent annually from 600,000 to 1.03 million. Growth was also recorded in the manufacturing sector, which was 10 and 8 per cent in 2004 and 2005, respectively, (ADB/OECD, 2006).

#### *iv. Banking evolution in Nigeria*

Banking in Nigeria began with the establishment in Lagos by the British Colonial Office of Africa Banking Corporation in 1892. In 1912, the West Africa Currency Board was established to facilitate banking business in the sub-region (Adekanye, 1986; Orji, 1987). Banking in Nigeria was dominated by expatriates. Between 1912 and 1949, British and French Bank, British Bank of West Africa and Barclays Bank DCO dominated the banking arena. In 1929, the first indigenous bank – Industrial and Commercial Bank was established in Lagos but was liquidated in 1930 due to both financial and management problem (Adekanye, 1986; Orji, 1987).

Another attempt at the establishment of indigenous bank came in 1931 with Nigerian Mercantile Bank, which also liquidated in 1936. In 1947, Nigerian Farmers and Commercial Bank was established and also failed in 1953. In 1952, The Merchant Bank opened for business but closed down in 1960. The first major indigenous bank established and endured till date was Agonmagbe Bank in 1945. The bank was taken over by the Western state governments in 1969 and renamed – Wema Bank. The expatriate banks of British Bank of West Africa and Barclays Bank DCO have transformed to present day First Bank and Union Bank of Nigeria, respectively, (Adekanye, 1986; Orji, 1987).

It was the 1958, CBN Act that gave impetus to indigenous banking in Nigeria. The Act gave the CBN the legal right to register and regulate the activities of banks. To further, the work of the CBN, the military governments promulgated Banks and Other Financial Institutions (BOFI) Decree Nos 24 and 25 of 1991, which was amended by Decree No. 41 of 1999. These decrees empowered the CBN to licence, monitor and regulate the activities of all banks (BOFI, 1991/1999, Online).

#### *v. Zenith Bank*

Zenith Bank was incorporated on 30 May 1990 as a private limited liability company. On May 20, 2004 the bank became a public limited liability company. The shares of the bank were listed on the Nigerian Stock Exchange on 21 October 2004 at N10.90 kobo per share, and rose to N15.05 kobo as at 30 June 2005, recording 38 per cent return within the first eight months of its listing on the stock exchange. The bank's number of shareholders stood at 288,780. That depicts its stock as one of the most widely held stocks in the Nigerian capital market in 2005 (Zenith Bank, 2005).

The bank is 100 per cent owned by Nigerians with two subsidiary companies, namely Zenith General Insurance and Zenith Securities Limited with 99 and 94 per cent ownership, respectively (Zenith Bank, 2005).

## **2. Research hypotheses**

The study tested the following hypotheses stated in null form:

- H01.* There is no significant relationship between the views of respondents on appropriate employee-retention strategies and organizational performance.
- H02.* There is no significant relationship between the views of respondents on frequent employee turnover and organizational performance.

## **3. Significance of the study**

The significance lies in the fact that it will:

- Be helpful to organizations in terms of employee acquisition and implementation of human resource policies and practice that will retain competent workforce for performance.
- Be relevant to organizations to know that application of employee-retention strategies that are in line with employees' preferences are what motivate staff for performance.
- Enable organizations to appreciate the usefulness of the provision of appropriate rewards as retention strategies for performance.

#### 4. Literature review

##### *i. Performance criteria*

Boyne *et al.* (2003) posit that information on performance is very important to management of any organization. It helps management ascertain whether their organizations are improving, deteriorating or stagnant. Also, it enables organizations to adjust with a view to improving on their services for survival and growth.

This study adopts efficiency as criterion for performance measurement of Zenith Bank as expressed in the formula (Boyne *et al.*, 2003):

$$\text{Efficiency} = \frac{\text{Cost of Output}}{\text{Value Input}}$$

##### *ii. Concept of strategy*

Thompson *et al.* (2004) see strategy as a game plan which management of an organization adopts to stake out market position, attract competent employees and please customers, compete successfully, conduct operations, and achieve organizational goals. Strategy therefore implies the action plan organizations or individuals put in place to achieve their goals. Gberevbie (2008) sees employee-retention strategies as means, plans or sets of decision-making behaviour put in place by organizations to retain their competent workforce for performance.

##### *iii. Rewards strategy*

Researchers have found that rewards as provided by organizations have relationship with job satisfaction and hence employee retention (Taplin *et al.*, 2003). Rewards help to motivate and retain competent staff for performance (Okoh, 1998; Bamigboye and Aderibigbe, 2004; Jerez-Gomez *et al.*, 2005).

Heneman and Judge (2003) argue that for an organization to retain its employees for performance, it must match its rewards to employees' preference. The match between rewards desired by employees and offered by the organization is what leads to job satisfaction. And job satisfaction in turns guarantees employee retention.

##### *iv. Decision making*

A unique dimension to organizational performance is that of workers participation in decision making. This is the ability of workers to exhibit their initiative in their day-to-day activities to promote organizational goals (Jike, 2003). Riordan *et al.* (2005) see participative decision making as the perception among staff that they have control or say in decision that affect their work. They argue that workers participation in decision making may have stronger effect when it co-exists with organizational attributes that support it.

##### *v. Frequent labour turnover*

Gberevbie (2008) refers to frequent labour turnover as a state of affairs in an organization whereby employees for reasons best known to them based on their perception of personnel policies and practice of an organization resign or leave their job. Frequent labour turnover in the workplace has been found to be detrimental to performance, particularly where an organization is losing employees to direct competitors (Chartered Institute of Personnel Development (CIPD, 2006)).

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CIPD (2006) argues that it is important for employers to have full understanding of their labour turnover and how they affect organizations' effectiveness at achieving their overall set goals. This implies that the higher the staff turnover witnessed in an organization, the less likely that organization will experience enhanced performance due to lack of availability of competent employees arising from frequent turnover of organizational workforce.

*vi. Causes of labour turnover*

Causes of labour turnover could be explained based on number of factors. Griffeth *et al.* (2000) see these factors as include job dissatisfaction, lack of organizational commitment, comparison of alternatives, and intention to quit. The study examined, the relationship between pay, a person's performance and turnover and concluded that when high performers are insufficiently rewarded, they are most likely to leave the organization to seek employment elsewhere.

Also, Kirschenbaum and Weisberg (2002) observe that the influence of co-workers intention to leave their organization to seek employment elsewhere has a major influence on staff resignation from the workplace. According to the study, the more positive the perception of their co-workers desire to leave the employment of their organization, the more employees themselves would want to leave. The study concludes that a feeling about co-workers' intention to change jobs acts as a form of social pressure on the employee to make a similar move.

However, the above findings may be true to the extent that both the resigning employee and co-worker are at the same level in terms of rank and salary grade or else, the level of influence of a co-worker's intention to leave the organization may not have negative effect on the co-worker to seek employment elsewhere. This implies that differences in rewards amongst employees in an organization could motivate workers to remain in their job or de-motivate others to quit.

On their part, Taplin *et al.* (2003) identified two main factors as significant reasons for employees leaving their organization to include low level of wage rates and industry or organization's image. According to the study, where employees perceived the level of their wage rate to be low or low rating of the organization in terms of lack of future prospect they are likely to achieve, employees are more likely to leave to seek employment elsewhere.

A study by Clardy (2005) established a positive relationship between organization's image and employee's satisfaction. This implies that the ability of organization to fulfill promises made to its employees in terms of welfare and working conditions and to customers in terms of quality products and services will determine the level of reputation that organization will command before its workforce and customers, and hence retain its employees.

Ayagi (2001) argues against the traditional employee-retention strategies in an organization such as fear, coercion, and sometimes intimidation and blackmail. Instead, he advocated retention programmes targeted at employees such as adequate compensation – good salaries and allowances and creation of social community in the workplace that would enhance social ties such as encouraging employee's marriages and sibling's employment as basis for employees' retention.

## 5. Theoretical framework

Different theoretical perspectives on organizational productivity abound. The goal theory (Latham and Locke, 1979), structural contingency theory (Burns and Stalker, 1961)

and decision-making theory, among others, are quite prominent in the study of organizational behaviour.

This study adopts the rational decision-making theory (RDMT) as its analytical framework. The significance of the theory lies in its identification of the importance of RD in organizations. RDMT is associated with scholars like Simon (1945), Mintzberg (1973), Hastie and Dawes (2001), Iyayi (2002), Miller *et al.* (2003) and Brown (2005).

One assumption of the theory is that organizational decisions are rational, and that these RD are necessary to facilitate the smooth running of organizations (Miller *et al.*, 2003). According to decision-making theorists, decisions are the selection of a proposed course of action (Butler, 1992; Iyayi, 2002). The course of action is to realize the goals of an organization.

Another assumption is that the whole purpose of an organization revolves around rational decision making (RDM) (Tonwe, 1994). This means that RDM is at the very heart of business success. Furthermore, it implies that the success or failure of an organization is considered to be a function of the decisions taken as it affects its management. According to Brown (2005), RD are ones that advances the welfare of the decision maker effectively and logically based on everything the decision maker knows and feels.

RDMT is relevant to this study because decisions on employee-retention strategies are crucial decisions an organization would have to make if it must achieve its goals. According to Hastie and Dawes (2001), the criteria for RD are based on the decision maker's current assets – the quality of the organizational workforce, possible consequences of the choice made in terms of employee-retention strategies to be adopted to achieve performance.

Iyayi (2002) applied the RDMT to study decision-making process in underdeveloped organizations and came up with the conclusion that decisions are based on egocentrism rather than by altruism. According to him, “egocentric decisions will be characterized by a lot of political activity, less rationality and tend to rely more upon judgment and negotiation,” instead of altruistic decisions that emphasize “computational and inspirational strategies.” The finding implies that RD brings about development and survival, which makes it possible for organizations to achieve their goals. On the other hand, egocentric decisions hinder development and make it impossible for organizations to achieve their goals.

## **6. Methodology**

### *i. Population*

Population of this study is made up of one organization (Zenith Bank in Nigeria) listed in the Nigerian Stock Exchange. The rationale is to find out the relationship between employee-retention strategies and performance of the bank. The justification for choosing this bank is based on its unique role of serving as an avenue for gainful employment for the people and its general acceptance as the most capitalized bank in 2005 (Zenith Bank Online, 2006).

### *ii. Sample/sampling frame*

The study is based on a sample size of 120 respondents out of the 320 employees in the Lagos Island area of the bank. The study adopted the systematic random sampling technique. The sampling frame was drawn from the staff list as provided by the human resource department of the bank.

*iii. Data collection*

Data for the study were obtained from primary sources through standardized questionnaires administered to respondents. The study adopts the five-point Likert-style rating scale questionnaire. The Likert-style rating scale questionnaire design enables researchers to ask respondents on how strongly they agree or disagree with a statement or series of statements on a five-point scale, e.g. 5 – strongly agree, 4 – agree, 3 – undecided, 2 – disagree, 1 – strongly disagree.

In addition, primary data were obtained through structured interview with 40 respondents at the bank's headquarters in Lagos made up of ten junior and 30 senior employees. The results of the interview formed part of the basis for this study. Four structured questions were used as interview guide: what are employee-retention strategies? Identify the employee-retention strategies put in place by your organization, What are the measures put in place by your organization to prevent frequent labour turnover? Kindly list those rewards you are currently enjoying in Zenith Bank. Furthermore, the study adopted secondary data obtained from relevant books, journals, company records and the internet.

*iv. Data analysis*

Table I shows that 58 per cent of respondents were male, while 42 per cent were female. On the other hand, 11.53 per cent of the respondents had West African School Certificate or Ordinary National Diplomas, 79.81 per cent had Higher National Diplomas (HND) or Bachelor degrees, 5.77 per cent had Master's degrees and 2.89 per cent had professional certificates. Also, the table indicates that 13.46 per cent of the respondents earned between NGN500,000 and below per annum, while 86.54 per cent earned between NGN501,000 and above per annum. Furthermore, 62.23 per cent of the respondents were those who served the organization between ten years and below and 37.77 per cent served between 11 and 20 years. In addition, the table shows that 80.77 per cent of respondents were senior staff and 19.23 per cent were junior staff.

*v. Instrument for data analysis*

The  $\chi^2$ -analytical technique is used to test for significant relationship between variables.  $\chi^2$  formula:  $\chi^2 = (f_o - f_e)^2 / f_e$

Gender	58 per cent of respondents are male 42 per cent of respondents are female
Education	11.53 per cent of respondents had WASC/OND/NCE 79.81 per cent of respondents had HND/BSc degrees 5.77 per cent of respondents had Masters degree 2.89 per cent of respondents had professional certificate
Annual income	13.46 per cent of respondents earned between NGN500,000 and below per annum 86.54 per cent of respondents earned between NGN501,000 and above per annum
Years of service	62.23 per cent of respondents served between 0 and 10 years 37.77 per cent of respondents served between 11 and 20 years
Job status	80.77 per cent of respondents are senior staff 19.23 per cent of respondents are junior staff

Source: Fieldwork (2006)

**Table I.**  
Sample characteristics  
of respondents

where:

$f_o$  = observed frequencies.

$f_e$  = expected frequencies.

### 7. Employee-retention strategies

Zenith Bank places high premium on training as a strategy for staff retention, career development and performance (Zenith Bank, 2005). Another strategy for employee retention in Zenith Bank is the implementation of the Contributory Pension Act 2004 of the Federal government. The Pension Act mandated 15 per cent of employee's basic salary to be contributed equally between the employer and the employee at 7.5 per cent each. However, while staff contributes 2.5 per cent of their basic salary as monthly contribution to the fund, the bank contributes 12.5 per cent of basic salary as its counterpart contribution to the fund (Zenith Bank, 2005).

Furthermore, the bank provides buses to take employees to and from work as part of its welfare service to staff. It also has an extensive network of hospitals and clinics on retainer-ship for use of employees (Zenith Bank, 2005; Fieldwork, 2006). Furthermore, the bank places high premium on consultation with employees on matters affecting them and encourages formal and informal channels of communication in keeping employees properly informed about issues bothering on the bank's performance ((Zenith Bank, 2005). Other employee-retention strategies of the bank are: implementation of policies that show management's confidence in members of staff in their day-to-day activities; policies and practice that view employees as friends and partners in progress and organizations' ability to exhibit integrity in terms of implementation of all promises made to employees (Fieldwork, 2006).

#### *i. Employee remuneration*

In order to retain its workforce, Zenith Bank devoted 31 per cent or NGN5.86 billion of its gross income in 2005 and 33 per cent or NGN4.285 billion of its gross income in 2004 for the maintenance of its workforce in form of salaries and benefits as against 22 per cent or NGN4.2 billion in 2005 and 17 per cent or NGN2.167 billion in 2004 as dividend to shareholders. Retained profit for expansion was 15 per cent or NGN2.95 billion in 2005 and 24 per cent or NGN3.022 billion in 2004. Taxation was 10 per cent or NGN2.008 billion in 2005 and 79 per cent or NGN1.2 billion in 2004 (Zenith Bank, 2005).

The bank's least-paid staff received NGN35,000 per month, while the highest paid categories of staff received NGN600,000 and above per month in 2005 (Zenith Bank, 2005). In an interview with a senior employee at the bank, he stated thus:

The secret of the success of Zenith Bank is not so much on the [...] equipment available [...] but the quality of the workforce and the proper management of the same from the top. Proper management of the bank's workforce is reflected in the way the managing director personally recognizes the inputs of employees by giving awards to deserving staff on a regular basis (Fieldwork, 2006).

This implies that enhanced performance of any organization is a function the RD on the provision of appropriate employee-retention strategies and proper management of competent workforce at its disposal.

## 8. Organizational performance

The goal of Zenith Bank at delivering higher returns on investment to shareholders is reflected in the performance of the bank between 2000 and 2005. While the gross earnings of the bank was NGN12.118 billion in 2002, it rose to NGN17.844 billion in 2003, an increase of 47 per cent. In 2004, the gross earnings of the bank rose to NGN23.931 billion, an increase of 34 per cent, a further increase brought the bank's gross earnings to NGN34.91 billion in 2005, an increase of 46 per cent. The bank also recorded higher performance between 2002 and 2005 in the area of profit before tax. Its profit before tax was NGN3.999 billion, it rose to NGN5.440 billion in 2003, an increase of 36 per cent. In 2004, the bank's profit before tax rose to NGN6.404 billion, an increase of 18 per cent and in 2005, the bank's profit before tax to NGN9.16 billion, an increase of 43 per cent (Zenith Bank, 2005, 2004, 2003).

The bank also experienced improved shareholders' fund between 2002 and 2005. This was attributed to the competent and hardworking workforce of the organization (Zenith Bank, 2005). Shareholders' fund of NGN9.302 billion in 2002 rose to NGN12.651 billion in 2003, an increase of 36 per cent. In 2004, the shareholders' fund rose to NGN15.674 billion, an increase of 24 per cent. In 2005, shareholders' fund rose to NGN37.79 billion, an increase of 141 per cent (Zenith Bank, 2005, 2004, 2003). Also, the performance of the bank brought increased dividend of NGN923.992 million in 2002, NGN1.083 billion in 2003, NGN2.167 billion in 2004 and NGN4.2 billion in 2005 to its shareholders (Zenith Bank, 2005).

## 9. Hypotheses testing

### i. Hypothesis 1

*H<sub>0</sub>*. There is no significant relationship between the views of respondents on appropriate employee-retention strategies and organizational performance.

Table II shows the reaction of respondents to the question raised:

*Question*. Employee-retention strategies put in place by Zenith Bank in Nigeria help to retain competent employees for performance.

### Research decision

Calculated  $\chi^2 = 8.65$   
Critical or table  $\chi^2 = 7.78$   
Degree of freedom(d/f) = 4  
Alpha( $\alpha$ ) = 0.05 per cent

Reponses	NGN500,000 and below	NGN501,000 and above	Total
Strongly agree	10	64	74
Agree	1	23	24
Undecided	1	1	2
Disagree	1	1	2
Strongly disagree	1	1	2
Total	14	90	104

Source: Fieldwork (2006)

**Table II.**  
 $\chi^2$ -test of association  
between respondents'  
annual income categories  
and their views on  
appropriate retention  
strategies and  
organizational  
performance

*Research result.* Calculated  $\chi^2$  of 8.65 is greater than the critical  $\chi^2$  of 7.78 at  $\alpha$  level of 0.05 per cent. Data are statistically significant. The result is to accept the research hypothesis, which state that there is significant relationship between the views of respondents on appropriate employee-retention strategies and organizational performance.

*Interpretation.* The above statistical analysis implies that enough evidence of a significant relationship between the views of those who earn NGN500,000 and below and those who earn NGN501,000 and above per annum on appropriate employee-retention strategies and organizational performance exist. The result shows 98 or 94.23 per cent of the 104 respondents sampled in this study supporting the view that appropriate employee-retention strategies enhance organizational performance.

*ii. Hypothesis 2*

*H0.* There is no significant relationship between the views of respondents on frequent employee turnover and organizational performance.

Table III shows the reaction of respondents to the question raised:

*Question.* Do you agree with the view that frequent employee turnover in an organization brings about in the workforce a sense of job insecurity and employee de-motivation, hence affect negatively organizational performance?

*Research decision*

$$\text{Calculated } \chi^2 = 8.90$$

$$\text{Critical or table } \chi^2 = 7.78$$

$$\text{Degree of freedom(d/f)} = 4$$

$$\text{Alpha}(\alpha) = 0.05 \text{ per cent}$$

*Research result.* Calculated  $\chi^2$  of 8.90 is greater than the critical or table  $\chi^2$  of 7.78 at  $\alpha$  level of 0.05 per cent. Data are statistically significant. The result is to accept the research hypothesis, which states that there is significant relationship between the views of respondents on frequent employee turnover and organizational performance.

*Interpretation.* The above statistical analysis implies that enough evidence of a significant relationship between the views of those who are junior and senior employees

Responses	Junior employees	Senior employees	Total
Strongly agree	8	54	62
Agree	6	23	29
Undecided	2	1	3
Disagree	3	4	7
Strongly disagree	1	2	3
Total	20	84	104

**Source:** Fieldwork (2006)

**Table III.**  
 $\chi^2$ -test of association  
between respondents' job  
status and their views on  
frequent labour turnover  
and organizational  
performance

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on frequent employee turnover and organizational performance exist. The result shows 91 or 87.5 per cent of the 104 respondents sampled in this study supporting the view that frequent employee turnover affect negatively organizational performance.

## 10. Results

Results of the study show a significant relationship between respondents' annual income categories and their views on appropriate employee-retention strategies and performance. Data show that 78.57 per cent respondents in lower and 96.67 per cent respondents in higher income categories sampled agree that a significant relationship between appropriate employee-retention strategies and performance exist. Further results show a significant relationship between respondents' job status and their views on frequent employee turnover and performance. Data show that 70 per cent junior and 91.67 per cent senior staff sampled agree that a significant relationship between frequent employee turnover and performance exist.

Furthermore, 94.23 per cent of respondents support the view that appropriate employee-retention strategies such as: the bank's counterpart contribution of 12.5 per cent of employee basic salary to the mandatory 15 per cent pension fund instead of the normal 7.5 per cent provided for by the Pension Act of 2004, loans for cars and houses, extensive network of hospitals and clinics on retainer ship for the use of employees, and humane treatment of employees through words of encouragement retains staff for performance.

## 11. Discussion

This present study supports:

- Appropriate employee-retention strategies will retain competent workforce for enhanced performance in terms of banks higher shareholders' dividends, higher tax revenue to government and higher remuneration to employees.
- Since a relationship between frequent employee turnover and performance exist, it implies that the lower the rate of employee turnover, the higher the performance the organization is likely to experience. Conversely, the higher the rate of employee turnover, the lower the performance the organization is likely to experience.

## 12. Implication

Implications of findings of this study for organizations are:

- Organizations are likely to experience frequent employee turnover for as long as they fail to put in place appropriate employee-retention strategies.
- Frequent labour turnover is detrimental to performance. If an organization must relieve some of its employees of their appointment, it must be done in such a way as to clearly state the reasons behind it so that other employees in the organization would not be discouraged and demotivated.
- Adequate rewards are motivating factors for employee retention and performance. Putting into consideration, the level of rewards that will motivate employees for retention and performance is vital for organizational survival and growth.

### 13. Conclusion

The study empirically examines employee-retention strategies and performance of Zenith Bank in Nigeria. It was found that provision of appropriate employee-retention strategies facilitate the realization of organizational goals.

Based on the findings, the following employee-retention strategies are recommended for organizations such as humane treatment of employees through words of encouragement, informing employees on a regular basis on why certain actions are taken; implementation of policies that show management's confidence in employees and policies/practice that view employees as friends/partners and organizations' ability to exhibit integrity in terms of implementation of all promises made to its employees.

### 14. Limitations and direction for future research

Three limitations, which provide direction for future research, could be identified. First, the number of organizations in the sample was small, but the study was able to sample different categories of staff in the same organization. However, future research should increase the number of organizations to make for easy generalization.

Second, the sample size of 120 respondents was small, but the small sample made it possible for the study to investigate the relationship between the variables. However, future research should increase the sample and test same hypotheses to ascertain the results.

Third, another limitation that calls for future research is in the area of methodology. This work adopted the questionnaire and structured interview as instrument for data collection, and  $\chi^2$ -analytical technique to test the variables. Future research should adopt other data collection instruments and also more complex analytical techniques to test variables for more acceptable results.

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# Assessment of after-sales service behaviors of Ethiopia Telecom customers

Ethiopia  
Telecom  
customers

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## Abstract

**Purpose** – The primary purpose of this paper is to assess and review fixed-line telecom customers' perception of the quality of after-sales services provided by Ethiopian Telecom.

**Design/methodology/approach** – The paper was conducted on telecom customers who are in Addis Ababa using self-administered questionnaires sent to a sample of 450 respondents. In addition to this, interviews were conducted with managers and selected employees to provide supporting data. The data were processed, analyzed and interpreted using Statistical Package for the Social Sciences.

**Findings** – The results show some degree of customer dissatisfaction, but not to the extent expected. Dissatisfied customers point at lack of clarities of bills and delays in making decisions on complaints as some of the main reasons for their dissatisfactions. Other reasons include telephone interruptions during rainy seasons, old cables and networks, and damaged and stolen cables, which combined, increase the frequency of faults and interruptions. Nearly 40 percent of respondents have negative assessments of the role of employees in delivering good quality after-sales service.

**Practical implications** – Despite the fact that some improvements have been shown in recent reports, Ethiopian Telecom has a long way to go in achieving its objectives with respect to customers' satisfaction.

**Originality/value** – Previous studies on telecommunication in Africa have not focused on service delivery and customer satisfaction. The paper, therefore, contributes to filling a research gap in telecommunication studies in Africa in general and in Ethiopia in particular.

**Keywords** After-sales service, Customer satisfaction, Service failures, Ethiopia, Telecommunication services

**Paper type** Research paper

## Introduction

In the present day's highly vulnerable and rapidly changing business environment, where survival and success are challenging, every organization needs to adopt the right blend of strategies to attract, retain, and maintain customers. Organizations ask themselves the following questions: what values have we provided our customers in their previous encounters with us? Is it sufficient to retain the customers? What kind of services they are going to add to give maximum satisfaction to customers? Since



after-sales service provided by a company is also one of the crucial elements in customers' assessment of their levels of satisfaction, companies must analyze the effectiveness of their after-sales services.

Quality and delivery of after-sales service is becoming increasingly critical as businesses do everything in their power to be more cost-effective, boost profit margins, and meet customer demand for a product or service. Assessing after-sales service helps focus attention on major areas such as personnel efficiency, service delivery responsiveness, billing accuracy, maintenance speed, and complaint handling process. Customers often find it difficult to evaluate services in advance of purchase. After a customer has purchased a service, marketers need to examine usage behavior through customers' interactions with service facilities and personnel. Thus, commitment to quality by top management is essential and it takes more than talk; it takes action (Denton, 1998). Poor service delivery has its roots in poor management. Instead of bureaucracy, customers need flexibility. Service delivery is concerned with where, when, and how the service is delivered to the customer. This element not only embraces the visible elements of the service operating system – buildings, equipment, and personnel – but may also involve exposure to other customers (Lovelock and Wirtz, 2004).

Generally, there has been a dearth of research into the information technology and the telecommunication industry in Africa. Thus, Mbarika *et al.* (2005) titled their paper "The neglected continent of IS research: a research agenda for sub-Saharan Africa." Our review of previous studies in the telecommunication industry in Africa suggests a lopsided focus on issues of regulation and deregulation within the industry (Hathaway-Zepeda, 2006; Horwitz and Currie, 2007; Sibinda, 2008), and investment need and sources (Bogetic and Fedderke, 2006). Issues relating to customer satisfaction have not attracted any noteworthy attention. Since customer service quality is so essential for successful diffusion of telecommunication facilities in Africa, we consider this omission a serious weakness in current research in the field. Furthermore, many of the empirical investigations during the past 15 years have been conducted in South Africa (Gillwald, 2005). Other African countries have received limited attention of researchers. As far as our literature search shows, our study is the first of its kind in Ethiopia and therefore has relevance for policy and strategy formulation for the Ethiopian Telecommunication Corporation (ETC), which is the focus of our empirical investigation. The following two objectives have guided the study:

- (1) examine the impact of service quality delivery by ETC (2009) on the level of satisfaction of its customers; and
- (2) examine the role of service employees in after-sales service delivery at ETC.

The paper continues with this brief introduction with a review of the literature on service quality and its relevance to the telecommunication sector. The review also provides a theoretical base for the hypotheses that have guided our empirical investigation. This is followed by an introduction of Ethiopian Telecom, noting its history, policies and recent efforts at improving its after-sales service quality. The methodology of the empirical investigation is then presented after which the results of the study are presented and discussed. This is followed by the strategic and policy recommendations.

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## Literature review

### *Previous studies of telecom businesses in Africa*

Mbarika *et al.* (2003) credibly put forward four main obstacles to the growth of teledensity in Africa's LCDs. These obstacles include organizational obstacles such as existing governmental monopoly of the telecommunications sector that hinders competition and that results in poor services; financial obstacles such as the unavailability of appropriate funding needed to develop the region's telecommunications infrastructure; technological issues such as lack of the necessary technical expertise to build, operate, and maintain telecommunications-related equipment; and geographical obstacles such as the virtual exclusion of rural regions in Africa, from access to basic telecommunications infrastructure. While Mbarika *et al.* (2003) present these pertinent obstacles; they fall short of identifying obstacles related to marketing in general after-sales service in particular where the present research is focusing. Anderson and Kupp (2007) stated that the success of mobile network operators in penetrating low-income customers has been patchy at best. Despite the World Bank estimating that already 75 percent of the world's population is within coverage of mobile networks, most companies choose to focus on the middle and upper income segments of the developing world. This research suggested that innovative marketing tools to improve mobile network with a concentration of economy class consumers in Africa, India, Mexico, and Philippines which is also neglected the after-sales service area. Urbach (2007) in his article "Development goes wireless" discussed that how mobile services helped to alleviate poverty among Botswana people. In the article "Disconnected: taxing mobile phones in the developing world," Hathaway-Zepeda (2006) discussed about the regulatory and taxation issues on mobile phones in developing countries while Sibinda (2008) concentrated only regulatory environment analysis related to South African telecommunications industry. Another paper "Good intentions, poor outcomes: telecommunications reform in South Africa" by Gillwald (2005) argues primarily on that developing country telecommunications markets demand more from a regulatory than simply meeting the threshold requirements of transparency and predictability via so-called international best-practice models whereas Bogetic and Fedderke (2006) concentrated on forecasting investment needs both in electricity and telecom sectors of South Africa. Majority of the above-mentioned studies concentrated more on regulatory, investment issues in African telecommunication whereas with this paper the researchers attempted to find-out various obstacles related to customer service which severely hindered the growth of telecommunications in Ethiopia.

### *After-sales service theories and hypotheses*

*Service and its nature.* Services are a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything (Kotler and Armstrong, 2009a, b). Even though many products are a combination of a good and service, which complicates the definition of service, services are usually intangible, inseparable, variable and perishable. They are often produced and consumed simultaneously, and they have high-customer interaction.

*Customer service.* The concept of customer service has been a generic term used by industry and academia to describe a set of activities in which a firm engages to win and keep customers. According to Turban and King (2003, p. 165), "Customer service is a series of activities designed to enhance the level of customer satisfaction-that is, the feeling that

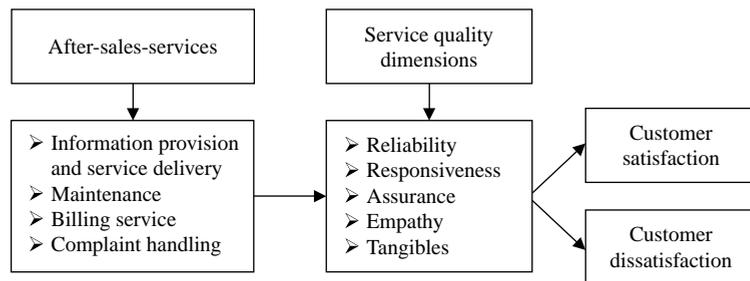
a product or service has met the customer expectation.” Customer service is the prerequisite of service to customers before, during and after a purchase. From a marketing strategy perspective, customer service is a variable that expands the image of a product and thereby offers the possibility of giving the firm’s product market acceptance, growth and possibility of market dominance. Specific service activities may include answering questions, taking orders, dealing with billing issues, handling complaints, and perhaps scheduling maintenance or repairs (Zeithaml and Bitner, 2003). Good customer support is prerequisite for achieving customer satisfaction. It can increase the success rate of product quality and directly contributes to competitive advantage.

*After-sales service.* According to Goffin (1999) after-sales activities such as customer support, technical support, are essential for achieving customer satisfaction and good long-term relationship. After-sales service is often in response to a customer problem, e.g. service failure restoration, problem diagnosis; expert assistance to resolve a problem, etc. It can therefore, be viewed as a recovery process that attempts to resolve customer problem (Gronroos, 2000). Mathe and Shapiro (1999) argue that after-sales service is a strong marketing tool, which helps firms to be competitive in the market.

*After-sales service behaviors of customers.* The primary objective of service providers is, identical to that of all marketers, to develop and provide offerings that satisfy consumers’ needs and expectations, thereby ensuring their own economic survival. In other words, service providers need to be able to close the customer gap between expectations and perceptions (Zeithaml and Bitner, 2003). Customers would show different behaviors after they experience certain service. They express diverse satisfaction or dissatisfaction based on their perceptions of service quality. If the service quality matches with their needs and expectations, they would be satisfied and in turn positive emotions such as happiness, pleasure, elation, and a sense of warm-heartedness will be enhanced. On the other hand, if the service quality does not achieve the customers’ needs and expectations, they would be dissatisfied and thereby exhibit negative emotions such as sadness, sorrow, regret, anger, and complaints.

*Components of after-sales service.* Leaning on Oodan *et al.* (1997), we argue that after-sales services model of telecommunication clearly shows the flow of tasks and information across the telecom service provider interface. This understanding forms the basis of the theoretical framework for after-sales-service we shown in Figure 1. This framework also serves as the analytical structure for the present study.

The major tasks related to after-sales services of fixed line in ETC are: provision of information, service delivery, maintenance and repair, billing service, and complaint handling service. These components are summarized in Figure 1.



**Figure 1.**  
Theoretical framework of after-sales service

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- *Provision of information.* Customer may require information about products and services, availability, delivery dates, and prices. They may require information on progress, e.g. what is happening with their order or fault. They may also require information about the content of their bill or wish to know the procedure for disputing bill. The answer to all these enquiries should be obtained by the process which supports the other four service management processes. A service provider should insure that the front-line employees have the aptitude to handle customers sensitively and provide a measure of understanding in dealing with the customers' enquiries.
  - *Service delivery.* It is required that the service provider to undertake a series of tasks which may vary from product to product and from service to service. Delivery is the setting up, by the service provider, of all the components required for the operation and maintenance of a service as defined in the service specification and to be used by the customers.
  - *Maintenance and repair service.* This service function includes all activities associated with repair from the instant a service does not offer one or more of the specified features to the instant these features are restored for use by the customer. The process must also be consistent from the customer's perspective, irrespective of which product or service is being repaired.
  - *Billing service.* Billing is common to almost all services that are not provided free of charge. Inaccurate, illegible, or incompatible bills risk disappointing customers who may, up to that point, have been quite satisfied with their experience. Sometimes failures add insult to the customer already dissatisfied. Billing should be also being timely because it serves to stimulate faster payment. Despite the potential for productivity improvements, billing has its dark side, if an inaccurate bill is met by an escalating sequence of exaggerated bills (including tax and penalty charges). Customers usually expect bills to be clear, informative, itemized in ways that make it clear how the total was computed. But accuracy is essential, as customers need to save time; they certainly do not want to waste time seeking corrections and refunds (Lovelock and Wirtz, 2004). Thus, providing accurate and timely billings is one of the key components in building a good service provider image.
  - *Customer complaints handling.* Complaint is the result of an organization's service failures which occurs for many reasons. Any type of service failures bring about negative feelings and responses from customers. Complaining customers need quick responses. Thus, if an organization welcomes and encourages complaints, it must be prepared to act on them quickly. On the other hand, customers expect to be treated fairly in terms of the amount of attention they receive, when they report their complaints. These may include rudeness of staff, lack of punctuality, broken promises, and noisy telephone lines. Organizations should not wait for complaints to come to their doors. They should try to anticipate the needs and problems of customers and to set realistic expectations through customer education and communication strategies.

A number of factors can bring about customer dissatisfaction. They include core service failure, mistakes, billing errors, unfair pricing practices, inconvenient location,

and hours of operation, and waiting time for service or appointments (Hawkins *et al.*, 2003). Few things are more irritating to customers than unresponsive service. For many customers, even if it is good service, it is no good when it is late. Customers would not appreciate standing for too long in queues to be served. When customers are dissatisfied, they will respond in a number of ways depending on the likelihood of success. Dissatisfied customers will choose whether to complain or not based on their perception. Customers which choose not to complain may engage in negative word of mouth comments (i.e. tell other customers of their dissatisfaction). Customers who decide to complain will enter into positive word of mouth or negative word of mouth comments, depending on the out come of their complaints (Oodan *et al.*, 1997).

*Customer satisfaction and quality of service.* In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Gitman and McDaniel, 2005). According to Kotler and Armstrong (2009a, b), customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. Practitioners and writers tend to use the terms satisfaction and quality interchangeably. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. Satisfaction is the customer's fulfillment response. It is a judgment that a product or service feature provides a pleasurable level of consumption-related fulfillment (Oliver, 1997). In less-technical terms, we translate this definition to mean that satisfaction is the customers' evaluation of a product or service in terms of whether the product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service. In the field of telecommunications, QoS was defined in the International Telecommunications Union (ITU, 2006)-T Recommendation E.800 as: "The collective effect of service performance which determines the degree of satisfaction of a user of the service." The QoS consists of a set of parameters that pertain to the traffic performance of the network but in addition to this, the QoS also includes lot of other concepts. They can be summarized as: service support performance, service operability performance, serveability performance, and service security performance ([www.com.dtu.dk/teletraff/c/handbook/telenook.pdf](http://www.com.dtu.dk/teletraff/c/handbook/telenook.pdf)). Generally, provision of information, service delivery, maintenance and repair of service, billing services, and customer complaints handling are the major after-sales tasks undertaken by the service provider that customers expect to satisfy their need. Organizations today recognize that they can compete more effectively by distinguishing themselves with respect to after-sales service quality and improved customer satisfaction. A customer's perception of quality before, during and after-sales service is an essential factor in the successful management of a product or service. The above reasoning leads to the following hypothesis:

- H1. The higher the QoS provided by ETC, the greater the number of satisfied customers it will have.

*Service quality dimension driven by employee behaviors.* Customer perception of service quality will be impacted by the customer – oriented behaviors of employees. In fact, all of the five dimensions of service quality (reliability, responsiveness, assurance, empathy, and tangibles) can be influenced directly by service employees

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(Zeithaml and Bitner, 2003). Reliability, delivering the service as promised, is often totally within the control of front-line employees. When services fail or errors are made, employees are essential for setting things right and using their judgments to determine the best course of action for service recovery. Front-line employees directly influence customer perceptions of responsiveness through their personal willingness to help and their promptness in serving customers. The assurance dimension of service quality is highly dependent on employees' ability to communicate their credibility and to inspire trust and confidence. The reputation of the organization will help, but in the end, individual employees with whom the customer interacts confirm and build trust in the organization or detract and destroy trust. Empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need. Thus, it is difficult to imagine how an organization would deliver "caring, individualized attention" to customers independent of its employees. Employee appearance and dress are important aspects of the tangibles dimension of quality, along with many factors that are independent of service employees (the service facility, decor, brochures, signage, and so on). In delivering quality services, every company essentially needs the support, commitment and dedication of all employees in general and front-line employees in particular. There is no exception here in providing after-sale services also. To get this kind of support, companies in the first phase, should provide all the front-line employees, the required authority, responsibility and incentives they need to be acquainted with, care about, and respond quickly to customer needs. Based on the above discussion, the following hypothesis has been developed:

- H2. Employees' role makes a major contribution to the overall quality of after-sale services of the company.

#### *Ethiopian Telecommunication Corporation*

The introduction of telecommunication in Ethiopia dates back to 1894. In those early years, the new technological scheme contributed to the integration of the Ethiopian society when the extensive open-wire line system was laid out linking the capital with all the important administrative cities of the country. ETC vision is to see the entire country connected with state-of-the-art information and communication technology (ICT) infrastructure that provides high quality, reliable, and secure communication services at affordable prices. In line with the company's vision, mission statement has been proposed to enable Ethiopian Telecom to fulfill the country's development agenda. ETC has the mission to introduce ICT infrastructure across the nation to support voice, data and video services. Pursuing this mission Ethiopian Telecom has intensified its efforts in acquiring digital overlay switches, and transmission systems mainly of fiber optic backbone, digital microwave, and satellite and wireless technologies. Ethiopian Telecom has successfully introduced diverse telecom services like market broadband VSAT, internet, and data infrastructure. The main purpose of ETC is to engage, in accordance with development policies and priorities of the government, in the construction, operation, maintenance, and expansion of telecommunication services ([www.telecom.net.et/aboutETC/companyprofile.html](http://www.telecom.net.et/aboutETC/companyprofile.html)). Considering its core purpose, Ethiopian Telecom says that it will be committed to understand, meet, and exceed the needs and expectation of customers and its service objective is "to give acceptable service in terms of delivery, maintenance and availability." Despite efforts by Ethiopian Telecom to achieve its objectives, some studies confirm that many customers are

dissatisfied by the service delivery quality of Ethiopian Telecom (Mesfin, 2006). The service personnel are still not competent in solving the problems of customers (Awgichew, 2007). Customers' complaint is on the increase due to the existence of organizational and employee related problems which have hindered service employees from delivering quality service to customers (Tasew, 2006).

Building on these previous researches, the present study seeks to investigate the quality of after-sales service offered by ETC from customers' point of view. In general, terms, Ethiopian Telecom's service customers are categorized into individual households, Businesses, government organizations, Non-government organizations, and embassies (Table I).

The present study focuses on just the individual households, and small business customer segments of the market since these groups of customers are less likely to be given substantial marketing attention by the corporation.

ETC management has noted weaknesses in its after-sales service delivery and has taken some steps to improve it. These improvements have included streamlining customers' registration of complains, reduction of paper works relating to handling of such complaints and more speedy attendance to the complaints.

### *Methodology*

The main objective of the research was to assess and review fixed-line telecom customers' perception on after-sales services of Ethiopian Telecom. A questionnaire was developed for collecting empirical measures of after-sales services. The study population was fixed line residential and business customers, supervisors, and after-sales section managers across the three zonal offices in Addis Ababa out of the six zones of the corporation. Since the population of customers across the three zones is not a manageable size, convenience sampling technique was used to make the organization of data collection more manageable with a sample of 150 from each zone. Even though, there were time and cost constraints, much effort has been made to the extent possible to make the sample size larger. Thus, the researchers selected the sample size of 450 fixed line customers, i.e. 150 questionnaires were distributed in each zone. However, 11.78 percent of the questionnaires were not returned for various reasons related to distributors and respondents. The response rate was 88.2 percent.

Zone	Category of fixed line customers				Total subscribers
	Business	Residential	Government	Others	
Central Addis Ababa Zone	10,437	27,322	8,811	4,482	51,052
East Addis Ababa Zone	14,691	70,046	8,474	1,532	94,743
North Addis Ababa Zone	10,937	69,737	3,151	687	84,512
South Addis Ababa Zone	11,465	63,652	3,459	1,857	80,433
South-West Addis Ababa Zone	5,902	45,770	5,244	389	57,305
West-Addis Ababa Zone	12,503	74,121	2,366	2,698	91,688
Zones total	65,935	350,648	31,505	11,645	459,733
Regions total	67,391	289,640	31,445	3,452	391,928
Grand total	133,326	640,288	62,950	15,097	851,661

**Note:** Others include NGO, embassies, etc.

**Table I.**  
Summary of fixed line subscribers of Ethiopian Telecom

This indicates that out of 450 questionnaires, 397 questionnaires have been collected. The researchers collected necessary information from the zone-wise line managers, maintenance team leaders, bill collection section heads, and complaint handling officers of the three zonal offices with the help of personal interviews.

Out of the 397 received questionnaires, 33 percent from north Addis Ababa zone (NAAZ), 34 percent from east Addis Ababa zone (EAAZ) and 33 percent from central Addis Ababa zone (CAAZ). The questionnaires were developed based on the research objective and in order to test the hypothesis. The survey used a standardized questionnaire that includes detailed questions on after-sales services such as service process and procedural ease, maintenance service, billing service, and complaint handling services. It was originally developed in English and translated into the local language of Amharic. Along with the questionnaires, the researchers also used structured personal interviews with some predetermined, open ended questions. The general profile of respondents is shown in the Table II.

*Limitations.* Prior knowledge of one of the authors (who works with the company) about the service delivery practices of ETC suggests that government organizations enjoy the best of services. They have therefore been excluded from the present study in order to avoid undue bias in the results. This exclusion may however create some limitations on the study, since it may be argued that the sample is not fully representative of the total population of customers served by the corporation. Another major limitation was that this survey concentrated only on north, east and CAAZ spreading in and around the country's capital Addis Ababa.

Supplementary data were collected through interviews with key managers and employees of the corporation as well as by reading through relevant corporate reports. Some of the important sources of secondary information were annual summary reports of zone-based fixed line maintenance activities, and reports on fixed line bill complaints reported by customers. Collected data were analyzed using Statistical Package for the Social Sciences and Microsoft Excel as data analysis tools. The result of the analysis was presented clearly in understandable manner.

### *Analysis and discussions*

This part of the paper deals with the findings and discussion based on the analysis of the data collected from the various sources mentioned earlier.

Respondents' profile	Frequency	Valid percent
<i>Gender</i>		
Female	140	35.3
Male	257	64.7
Total	397	100.0
<i>Service category</i>		
Residential customers	310	78.1
Business customers	87	21.9
Total	397	100.0
<i>Service zone</i>		
North Addis Ababa Zone	132	33.2
East Addis Ababa Zone	136	34.3
Central Addis Ababa Zone	129	32.5
Total	397	100.0

**Table II.**  
General profile of  
respondents

*Service Process and procedure easiness.* Easiness to get information is mainly related to an organization's process and procedure to get after-sales services to customers. Customers require information on many issues related to fixed line service. These include the procedure to register for maintenance service, for bill payments and filing complaints related to service. To get these, if the procedure is too lengthy and requires a lot of paper work, customer dissatisfaction would increase. A total of 57.7 percent of customers expressed positive opinion on the fixed-line after-sales service request procedure (Table III). Interview results suggest that the dissatisfied customers have not been happy about the lengthy after-sales service process which exists in the corporation. Even though majority of the customers were satisfied with the after-sales services procedure, Ethiopian Telecom has taken note of the fairly large proportion of disappointed customers and has started efforts to review the loopholes and the reasons for dissatisfaction and has begun to attend to some of the problems. Our interview results show that the corporation has already introduced multiple ways in which customers can register their after-sales service requests. Management has also taken steps to reduce the lengthy paper work as well as bureaucracy. Furthermore, the corporation plans to continue its efforts to closely observe the various causes of customer dissatisfaction and respond to them with customization of service processes.

*Fixed line maintenance service.* Fixed line telephone is vulnerable to faults and damages for many reasons such as cable damage, technical problems especially during rainy season. Customers need quick maintenance service when any fault or damage happens on their telephone lines. Overall, 72 percent of fixed-line customers both in residential and business service category were pleased with the timeliness, accuracy and completeness of the maintenance and repair of telephone service. Only 28 percent of customers were not satisfied with the fixed-line maintenance service which was

Elements of after-sales service	Total	
	Positive (%)	Negative (%)
<i>1. After-sales service process and procedural easiness</i>		
To get information about after-sales service		
Registration for after-sales service		
Application procedure and its easiness		
Overall percentage of positive or negative opinion	57.7	42.3
<i>2. Fixed-line maintenance services</i>		
Timeliness, accuracy and completeness of maintenance		
Accuracy and completeness of repair of telephone lines		
Overall percentage of positive or negative opinion	72.0	28.0
<i>3. Fixed-line billing</i>		
Queue for bill payment		
Issuance of bill according to the schedule		
Price calculation on the bill		
Clarity and understandability of the bill		
Overall percentage of positive or negative opinion	69.5	30.5
<i>4. Complaint handling services</i>		
Reception and treatment of customers during complaints		
Response on complaints		
Fair judgment on complaints		
Overall percentage of positive or negative opinion	69.1	30.1

**Table III.**  
Respondents' opinion on  
after-sales services of  
Ethiopian Telecom

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clearly observed by the officials of the concerned departments. In providing accurate fixed-line maintenance services, the corporation's higher officials noted that factors such as skill difference among maintenance employees, some intra and inter departmental communication gaps, non-adherence to maintenance standard procedures due to lack of awareness and attention, outdated cable networks, lack of maintenance tools and telecom apparatus contribute to the corporation's inability to serve all its customers optimally. Ethiopian Telecom in recent years has intensified its activities in providing continuous training facilities to all maintenance staff along with changing the existing outdated cables and providing necessary infrastructure. Because of this effort, the dissatisfied customer percentage is slowly decreasing.

*Fixed line billing service.* Billing service is one of the major after-sales services that are provided by Ethiopian Telecom. The researchers raised four questions related to the fixed-line billing services such as queue for bill payment, the issuance of bill according to the schedule per month, the pricing on the bill payment, and the clarity and understandability of the bill during reading it. Related to these, overall 69.5 percent of fixed-line residential and business customers expressed their satisfaction and while 30.5 percent customers were unsatisfied. Reasons in this case are mainly due to lengthy queues because of limited number of bill collection centers, large number of lower income consumers, delivery of bills from the telecom offices and poor meter reading as well as printing of bills, etc. In our personal interviews, corporation officials gave concrete information about the introduction of extra counters in the existing bill collection centers during peak hours, allowing customers to pay the bills through installments, planning to introduce differential pricing policy, and also intensified ways to quickly deliver bills without any meter reading and printing flaws.

*Complaint handling service.* Out of 397 fixed-line residential and business category customers, 69.1 percent of customers responded positively about the complaint handling services of the Ethiopian Telecom as against 30.1 percent of dissatisfied customers. Even the results are in positive side, Ethiopian Telecom's top and middle-level officials try to find out the reasons for the dissatisfaction to introduce corrective action. Mainly these discontented customers are articulating the reasons like poor response, treatment, and unfair decision on their complaints. Corporation officials are always with great patience explaining clearly the reasons for the decision. Even though telecom officials clarify the reasons, some of the customers are not happy with the outcome on their complaints.

Table IV highlights the information about the zone-wise respondents opinion on after-sale services of Ethiopian Telecom where the researchers observed there is no significant difference of opinions in any element of after-sale services like service process, maintenance, billing and complaint handling in the selected zones of north, central and east Addis Ababa for the study. Finally, many respondents strongly accepted the fact that Ethiopian Telecom is improving day-by-day not only in providing quality telecom services, but also in delivering quality after-sales services. When compared to the last decade and first half of this decade, Ethiopian Telecom's top officials have clearly observed the decreasing trend of discontentment among the customers. Because of hectic efforts taken up by the corporation in acquiring the entire necessary infrastructure along with the changing attitudes of employees towards customers in providing quality after-sales services, has all lead to amplify a significant percent of satisfied customers. Thus, delivering quality after-sales services confidently escalates customer satisfaction. The *HI* is absolutely proved valid.

**Table IV.**  
Zone-wise respondents  
opinion on after-sales  
services of Ethiopian  
Telecom

Elements of after-sales service	North zone		Central zone		East zone		Total	
	Positive (%)	Negative (%)						
1. Service process	58.3	41.7	57.8	42.2	56.9	43.1	57.7	42.3
2. Maintenance	71.4	28.6	72.2	27.8	72.4	27.6	72.0	28.0
3. Billing	70.5	29.5	69.6	30.4	68.4	31.6	69.5	30.5
4. Complaint handling	69.3	30.7	68.3	31.7	69.7	30.3	69.1	30.9

Put together the findings support our *H1* that “the higher the QoS provided by ETC, the greater the number of satisfied customers it will have.”

The relatively high proportion of satisfied customers may be due to recent steps taken by ETC to improve its after-sales service delivery practices.

*The role of employees on service quality.* After-sales service employees have a great role in bringing overall service quality and thereby to increase the customer satisfaction particularly in telecom services. The five dimensions of service quality; responsiveness, reliability, assurance, empathy, and tangibility, can be influenced by service employees’ behaviors. Table V highlights the respondents’ opinion on after-sales service employees of Ethiopian Telecom.

As per the respondents’ reactions, 59.9 percent stated positive opinion and 40.1 percent were not happy with the Ethiopian Telecom front-line after-sales service employees’ responsiveness. Related to reliability on front-desk service employees, 55.4 percent respondents were satisfied and the remaining 44.6 percent were not pleased with the information, advice and suggestions given by the employees. Regarding assurance, 65.5 percent respondent customers stated optimistic attitude against 34.5 percent unsatisfied. Associated with the empathy of employees in paying attention, listening, and understanding customer needs, 61.7 percent uttered positively and the remaining 38.3 percent were not satisfied. Connected with the aesthetic looks of employees in dressing neatly, showing smiley face to customers, 66.8 percent responded positively and the remaining 33.2 percent expressed a negative opinion in this aspect.

Finally, on an average 61.86 percent of customers responded positively to the after-sales service offered by the Ethiopian Telecom employees’ on the dimensions of on responsiveness, reliability, assurance, empathy, and tangibility or appearance. The 38 percent who were unsatisfied group of customers both in residential as well as business service category expressed reasons such as lack of knowledge and accurate information from the hands of front-line employees, poor coordination between different functional areas, lack of proper attention, shortage of support from the staff personnel, along with heavy work load, etc. as reasons for their dissatisfaction. In personal interviews, some of the employees and middle-level officials expressed more or less the same kind of opinions. They stated that their job descriptions are unclear and their workloads are too heavy for them to be able to offer good quality services consistently. Therefore, *H2* is supported – , i.e. there is some association between the role of employees and customers’ perceived service quality and their degree of satisfaction.

*Overall, customers’ satisfaction.* In conclusion, the researchers tried to know the fixed-line respondents’ opinion on overall performance of the corporation in providing maximum satisfaction. Surprisingly, approximately 56.70 percent of customers strongly expressed their affirmative opinion on Ethiopian Telecom’s services. The remaining

Service quality dimensions	Positive (%)	Negative (%)
1. Responsiveness of after-sales service employees	59.9	40.1
2. Reliability of after-sales service employees	55.4	44.6
3. Assurance of after-sales service employees	65.5	34.5
4. Empathy of after-sales service employees	61.7	38.3
5. Tangibles of after-sales service employees	66.8	33.2
Overall percent of positive or negative opinion	61.86	38.14

**Table V.**  
Respondents’ opinion on  
after-sales service  
employees of Ethiopian  
telecom

frustrated group of customers with a percentage of 43.30 accepted the fact related to the Ethiopian Telecom's clear development of abilities in providing utmost satisfaction. This figure indicates that overall level of customer satisfaction is low in terms of providing fixed line service. Thus, improving the responsiveness of employees along with the introduction of new equipment, methods, telecom apparatus and most importantly the corporation has to concentrate to provide continuous training, genuine and fair motivational techniques can definitely increase customer satisfaction. ETC is progressing with strong passion to augment their customer base by maximizing customer satisfaction.

#### *Practical implications*

The current study presents insights to Ethiopian Telecom and also for academicians in the continent to understand the key elements of after-sales services, customer service, and customer satisfaction. This research provides the information about the views of fixed-line customers of both residential and business service category on after-sales services of the Ethiopian Telecom related to the issues such as service process, maintenance, billing, and complaint handling services along with service quality dimensions like responsiveness, reliability, assurance, empathy, and tangibility's of after-sales service employees of Ethiopian Telecom. From the research a number of problems were identified: such as service procedure difficulties; telecom apparatus and infrastructure related troubles; billing problems; biased decisions on customers complaints; vaguely defined roles, duties and responsibilities of employees; lack of support from the staff personnel; skill deficiency in front-desk employees' mainly related to customer handling as well as knowledge about functional activity; lack of coordination among different functional areas; meager responsiveness, and attention from the employees, etc. Based on the above, the researchers are herewith forwarding some recommendations like to introduce an easy procedure to register and get after-sales services; educate customers adequately about the service delivery process; to bring in better state-of-the-art telecom equipment and cable network; focus more on preventive maintenance rather than corrective maintenance; begin local language billing with clear information; examine and review the present tariff structure in view of the income level of the customers; and bring in trouble-free complaint handling procedure with unbiased decisions on complaints. Related to employees, the researchers are furnishing the following recommendation to the management of the Ethiopian Telecom such as redefine the role, duties and responsibilities of particularly front-line employees; encourage both line and staff employees to achieve coordination in providing accurate services; introduce highly genuine motivational methods and interactive marketing systems with the support of human resource department; empower all the front-desk employees with continuous training programs in improving both the conceptual and human skills, etc. Finally, Ethiopian Telecom has the responsibility to enhance awareness among employees about its vision, mission and core values and treat them as most valued resource by introducing legitimate motivational and employee management methods to obtain the utmost support, commitment, and dedication.

#### **Conclusion**

Effective after-sales service recovery is essential for satisfying customers of telecommunications service providers like Ethiopian Telecom. Despite all attempts

by a firm to maintain positive customer satisfaction, mistakes do happen on occasion. A customer may accidentally be overcharged for service; a telephone service may fail to operate as per the customer's needs and expectations. As a result the customer complains. The service provider's responsibility is responding to the customer's complaints in a manner that increases satisfaction. The findings of this research have implications for managers who have responsibility and accountability for the achievement of Ethiopian Telecom's vision and mission. As these findings indicate, it can be concluded that after-sales services such as service delivery process, maintenance, billing and complaint handling services of fixed line are at a lower quality level with the soft measurement of customer perception of quality. In addition, employees have not played their role as expected by the customer in terms of achieving the five dimensions of service quality: Reliability – delivering the service as promised, responsiveness-personal willingness to help with promptness, assurance-ability to communicate their credibility and to inspire trust and confidence, Empathy-paying attention, listen, adapt, and be flexible in delivering what individual customers need, appearance-dressing neatly and other tangibles to customer. This was strongly supported by the findings of this study. Therefore, it is recommended to Ethiopian Telecom to improve its after-sales services with various alternative solutions suggested in this research paper with the support of employees which is an imperative to modern day's professionally managed organizations in any part of the world.

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# Establishment processes in a one party economy: the case of Eritrea

Establishment  
processes

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## Abstract

**Purpose** – The purpose of this paper is to address the issues of how business people perceive the business environment, how government policies impact the environment and how the environment impacts the establishment processes and position development of new firms in the Eritrean market. The process is discussed by keeping a strict focus on the main actors and the activities they carried out, as well as how the available resources are utilized and exchanged in the market.

**Design/methodology/approach** – Drawing on the establishment process model developed from the network approach, case studies based on interviews and focus group discussions have been used to shed light on the extent to how government policies and the environment impacts the establishment processes and position development in the Eritrean market.

**Findings** – An important conclusion of this paper is that the main obstacle for business establishment is the hostile attitude of the government to the private sector. Another significant obstacle for building a successful position in the market is the state-owned command economy network of relationships. An additional crucial hindrance is the non-existence of a market economy network of relationships that can provide firms in the private sector with the resources they need to perform their operations.

**Research limitations/implications** – All firms in this paper have demonstrated that the main obstacle for establishment is the hostile attitude of the government to the private sector. Another obstacle is the state-owned command economy network of relationships, which hinders firms from building a successful position in the market. An additional crucial hindrance is the non-existence of a market economy network of relationships that can provide firms in the private sector with the resources they need to perform their operations. Since the paper is based on case studies and focus group discussions, conducting a similar study on a representative sample of firms selected from a larger population will be very useful.

**Originality/value** – This paper makes a unique contribution by focusing on the establishment process in a market, which is regulated, controlled and owned by the one party government. The other unique contribution is that a firm has to identify the secrets of business success and to follow the same strategy.

**Keywords** Business environment, Business development, Eritrea, Government policy, Socialist economies

**Paper type** Research paper

## Introduction

As a country of qualified people well experienced in international trade, commerce, and entrepreneurship, Eritrea was an active participant in international trade as early as the 1930s (Country Operations Division, 1994). At that time, there were approximately 730 firms producing industrial products and services, as well as about 2,200 companies active in international merchandising. Before the Second World War, European firms were the main suppliers of industrial products to the East African countries. However, following the eruption of the Second World War, European firms could no longer



supply the East African markets. The Eritrean industries were capable of replacing the European firms and took over the supply of those markets.

In contrast to the above-mentioned developments, the Eritrean economy has continuously deteriorated since the beginning of the 1950s, and the Ethiopian military regime's command economy policy in combination with the civil war almost brought the Eritrean economy to a halt. To revitalize the economy, the government took several measures such as:

Following, the liberation of Eritrea in May, 1991, the Government launched a major program to rehabilitate the economy and society. This effort is being supported by the World Bank and other donors with contributions towards the Government's Recovery and Rehabilitation Program, aimed at providing foreign exchange to import essential inputs to jump-start the economy. The Government has made substantial progress with their rehabilitation effort. Major sources of growth during 1991/1992 were the increase in agricultural output by 10%; the expansion of industrial sector by nearly 7 percent and the increase in trade and transport by more than 8% [ . . . ] Eritrea has also made progress in eliminating many restrictive policies of the past, and moving towards a market-based economy, open to external trade, and creating a strong role for the private sector (Country Operations Division, 1994).

The government's policy to promote private sector-led growth is based on the entrepreneurial tradition that existed in Eritrea for a long period of time (World Bank, International Bank for Reconstruction and Development, 2002; [www.worldbank.org/ieg/licus/licus06\\_map.html](http://www.worldbank.org/ieg/licus/licus06_map.html) (accessed January 10, 2006)). In another related source, the government is believed to regard the private sector as one of the main forces that will promote export expansion, and the main agent of growth that will enable a real acceleration of the economy, which can eventually lead to long-term progress (Conflict Prevention and Reconstruction Unit, 2002, p. 1, no. 7).

However, there are other sources that maintain divergent views regarding the government's commitment to the market economy, for example The Library Congress – Federal Research Division (2005). Accordingly, even though the Eritrean Government has claimed that it is committed to a market-based economy, in practice, the authorities are increasingly applying and relying on centrally planned economic management. The fact that the Eritrean authorities have on different occasions declared that they are following the market economy model, whereas in reality they are implementing a militarist command economy model, is also confirmed in Abraha (2004). In another study, Abraha (2006) found that the main obstacle to conducting business in Eritrea is the hostile attitude of the government towards the private sector. The same study also revealed that the state-owned command economy network of relationships is the main constraint for private sector enterprises to building a properly functioning position in the market. Another source which is critical of the government's role in the private sector stated:

The private sector business climate has also been affected by an increase in the state control over the economy and excessive regulation of business causing considerable uncertainty and imposing excessive administrative burden on investors. [ . . . ] There is generally a perception by some investors that the participation of the PFDJ, the ruling party, is inhibiting private investment because it does not provide a level playing field. To allay this concern, the Government has reaffirmed its commitment to pursue a private-sector-led development policy (African Development Bank, 2003, p. 8).

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According to the same source, the critical constraints to private investment are the severe shortage of labor and lack of foreign exchange. Furthermore, the firms also reported that there is limited access to the formal financial sector due in part to the crowding out of the private sector by the government.

At the same time, the government claims that it is committed to privatization and a market economy, and has prioritized development and economic recovery ([www.traveldocs.com/er/economy.htm](http://www.traveldocs.com/er/economy.htm), February 12, 2006). In contrast to its claims, the ruling party and the government play active and significant roles in the economy. According to the same source, an arbitrary and complex set of regulatory requirements that discourage investment from both local and foreign investors is in place.

To summarize, in contrast to the critiques' views, the government claims to be committed to the market economy and also asserts that it has created a conducive business environment for the development of the private sector. It therefore criticizes the business community for being incapable of utilizing the conducive environment (atmosphere) and prospering and flourishing. It even has the audacity to declare that there is no meaningful private sector or business community in Eritrea. So far, the divergent views, maintained by various sources regarding the government's commitment to the private sector, the Eritrean business environment and how the market is structured and functions have been briefly discussed. These vague and contradictory views/claims have created an interest in the author to study establishment processes in Eritrea, in order to determine whether the government is committed to a market economy or not. In other words, in order to determine how the government's intervention influences business success/failure: the current paper examines and reports on the results of a perceptive study of how business people in Eritrea view their current business environment. It also discusses how government policies impact the business environment as well as the establishment process and position development of new firms in the market.

### **A review of the studies of establishment processes**

Several studies of establishment processes conducted up to the 1990s focused on developed countries and the developing countries' markets were not given due attention. Some of the studies that focused on developed economies were Hammarkvist *et al.* (1982), Mattsson (1983), Johanson and Mattsson (1985), Lee (1991), Seyed-Mohammed and Bolte (1992), Axelsson and Johanson (1992) and Kinch (1992). The main conclusions drawn from those studies were that there are tightly structured networks in developed countries. Consequently, establishment was defined as developing a position in already existing networks. Since a firm in those markets could already have a position in the existing networks, its establishment could be achieved by further consolidating its existing position. When establishing in the markets of developed countries, the two most important problems that a firm has to solve in order to be successful in its position building are the contents of the bid and the form of establishment.

The lack of focus in developing countries (economies) was said to have created a knowledge vacuum, since much was known about the establishment of firms in developed countries, as briefly discussed above. There was not only much less knowledge about developing countries, but there was also a lack of knowledge about the market structures, how they function and how they can determine the

establishment of firms in less developed countries in general. To fill this, knowledge vacuum (Abraha, 1994) studied the establishment processes of Swedish companies in Kenya. The main conclusion drawn from this study was that a well-structured network of industrial relationships, industrial competence, and industrial tradition does not exist in the Kenyan market. Another conclusion was that in order to succeed in its establishment attempt, a firm has to build a focal relationship with an actor that maintains a dominant market position with the help of the government's market policies. Moreover, as adequate industrial relationships do not exist in the market, the establishing firm has to build a network of supporting relationships for the developed focal relationship to function properly. Moreover, it was also concluded that in order to build a well-functioning network of supporting relationships and for the network to function properly, once it is developed, the firm must be able to deal with government relationships, correctly, in advance.

Based on the research implications of Abraha (1994) and Abraha and Hyder (1997, 2000) conducted a further study of establishment processes in Kenya and Tanzania which confirmed Abraha's findings and arrived at some other interesting conclusions. One of the findings was that developing countries, in general, display different cultural, social, economic, and political constraints, which can influence the process of establishment. Until those and other relevant differences were properly recognized, understood, and dealt with appropriately, it was difficult for the Swedish firms to deal with customers and other significant actors' relationships correctly, which is one of the major requirements of firms establishing in developing countries. Accordingly, when a supplier from the developed world interacts with a client or another partner from a developing market, those differences create a significant gap and misunderstanding between them, which makes handling their relationship complicated, difficult and time consuming. The partners differ in their understanding and application of the different economic and marketing concepts, which can further complicate the establishment process composed mainly of the building and management of relationships. Ghauri and Holstius (1996), recognizing the above-mentioned gaps among actors from different countries at different levels of economic development, and consequently aiming to bridge these differences and facilitate the establishment process, developed a matching model.

Abraha and Mukhtar (2002)[1] conducted another study of the establishment of Swedish firms in Kenya, in other branches than those examined by Abraha (1994), which also followed his research implications. It was found that the establishment of firms in those other branches was also significantly different from the establishments studied earlier. Accordingly, in order to increase their market share and build a strong position in the local market, international firms entering the Kenyan market have to develop flexible financial packages for their customers. As the markets in those branches were very limited, there was a recommendation to regionalize product development and marketing strategies. The purpose of this was to achieve economies of scale in production and marketing, which in combination would enable the establishing firms to build and strengthen their competitive edge and position development. Some of the bottlenecks that the establishing firms encountered, and which should have been dealt with appropriately, were illegal imports, corruption and importation delays. Inspired by the different kinds of results that were observed from examining the establishment of Swedish firms in the markets of different countries at different levels

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of development, Abraha and Kaynak (2002) studied the establishment of Swedish firms in the emerging transition economy of Poland. Their empirical findings illustrated that the main problem facing the establishing firms was converting the planned economy network into a market economy network and using the transitional economy network as a stepping stone in the transitional period. The other main conclusion of this study was that the state-owned enterprises were holding strong positions. Furthermore, the success of the establishment of foreign firms particularly depended on the relationships they could build-up with the dominant firms whose strong positions in the local Polish market were supported by the Polish authorities during the socialist (communist) era. The establishment process in Poland was also affected by another environmental factor, that is, the hierarchical organizational structure that created a hindrance to efficiency. In order to deal with this problem, the Swedish firms developed a flat organizational structure for their operations in the local Polish market.

In another related study, Hyder and Abraha (2003) classified Eastern and Central European (ECE) countries into three groups, depending on their adoption of a market economy since the downfall of the Berlin wall. These three groups are the fast, the medium, and the slow adapter countries. Poland belonged to the fast adapter countries, while the Baltic States and Croatia belonged to the medium adapter countries. In the paper referred to above, the establishment process in the fast adapter country Poland can be observed to differ remarkably from that in the developed and developing economies. After observing and maintaining that the market structures, environmental conditions and the level of adoption of a market economy in medium adapter countries differ from those factors in the fast adapter countries, and as such factors have a major impact on the establishment process, Abraha *et al.* (2008) examined the relationships and networks of Scandinavian firms in the process of establishment in the two Central and Eastern European countries of Estonia and Croatia. In Estonia, the firm's establishment process was significantly facilitated by the support of the host and home countries' authorities. However, in Croatia, because the firm did not enjoy such support, the establishment efforts were time and resource consuming. Moreover, the process of establishment was deterred and complicated by difficulties in reaching customers, a lack of mutual orientation, and commitment among various actors, and, of course, by bureaucratic impediments.

The varying nature of the results obtained from studying establishments in different countries and different market environments has created a further interest in Abraha and Zineldin to study the establishments of Swedish companies in Mexico. In Abraha and Zineldin (2005), the entry modes and market relationships of Scania and Volvo in Mexico are examined. One of the major observations of this study was that in order to develop a strong position in the Mexican market a direct relationship with the customers is a pre-requisite. Tightly structured and well-developed industrial networks do also exist in Mexico, although it is a developing country. Moreover, government relationships were also found to be as important as customer relationships. One environmental factor that affected the Swedish firms' establishments is the culture of the old cabs concept. This factor has to be dealt with properly, if the Swedish companies are going to be successful in building-up a strong position in the Trucks sector in Mexico. The studies of different countries and the results achieved, presented thus far, in addition to the reasons discussed in the introduction section, have created an interest

in Abraha to study establishment processes in Eritrea. In the following section, the theoretical frame of reference is presented.

### **Theoretical frame of reference**

Several researchers, from various disciplines, such as Barnes (1972), Mitchell (1973), Burt (1976), Cook and Emerson (1984) and Katz and Shapiro (1985) have been applying the network terminologies and concepts for a long period of time. However, the needs of developing networks and those of exchange relationships between various actors in the process of building up and defending a market position that can determine the success of firms' establishments in foreign markets have not been given due attention in the works of these researchers.

In order to be able to identify market needs, mobilize the resources, produce the goods, and services required, as well as make them available in the right place, to the right customer, at the right time, firms have to be interconnected in an exchange of relationships with various actors in the market. Such an approach can help firms to cement their relationships with customers, as well as develop a competitive position which is difficult for competitors to exceed. Therefore, in such a market situation, some of the most important questions that need to be understood and dealt with for success to be possible are what does the network look like, how does it function, who are its most significant actors, what are the most critical resources and who possesses them, and which essential activities are being performed and by whom. In addition, identifying the most significant issues to be dealt with for the successful establishment is also another crucial matter that needs to be understood and managed properly in this approach. The theory of marketing in industrial markets, specifically called "the network approach" developed mainly by Hägg and Johanson (1982), Hammarkvist *et al.* (1982), Johansson and Mattsoon (1988) and Håkansson (1987), is the approach that can help us understand this market mechanism. In this approach, the concept of the establishment process is defined as follows:

To get established in a new market, that is new to it, the firm has to build relationships that is new to it and to its counterparts. Sometimes this is done by breaking old, existing relationships, and sometimes, by adding a relationship to already existing ones. Initiatives can be taken by both the seller and the buyer. A supplier can become established in a network that is new to it because a buying firm takes an initiative (Johanson and Mattsson, 1987, p. 36).

The discussion of the network approach and the definition of the establishment process, presented above, demonstrate that the application of the establishment process model developed by Abraha (1994) from the theory of marketing in industrial markets is an appropriate tool to be applied in the current work. We therefore present the establishment process model briefly hereafter.

### **The establishment process model**

The direct investment theory and the network approach of foreign market development and establishments were the two different approaches taken into consideration, discussed and compared before developing a model of the establishment process in Abraha (1994)[2]. Developed on the basis of the theory of internationalization, the direct investment theory (Vernon, 1966; Kindleberger, 1969; Hymer, 1976; Dunning, 1980; Doz, 1986; Porter, 1986; Hennart, 1982) supposes that the establishment process in foreign

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markets is carried out by implementing the strategic plans laid down by management. The implementation of the plan is the sole purpose of the single firm, according to the investment theory. In order to ascertain success, the establishment process of the firm has to be planned in advance, and the elements of the plan have to be adhered to strictly and implemented carefully. The fact that cooperation with other firms is totally neglected in the direct investment theory, since it implies that the entire establishment process is the full responsibility of the firm's top management, is also confirmed by Abraha and Mukhtar (2002). According to this theory, the establishment process of a firm is believed to be dictated by the strategic vision of the firm's management, not by market developments and how firms handle the realities of the market.

In contrast to what is claimed in the direct investment theory, the network approach provides a totally different picture of the market structure and how it functions. As discussed and addressed in Johansson (1994), the network approach puts focus on the number and types of business relationships built-up with the other firms in the market and with the other actors who are active in the development of those relationships. In this approach, the establishment process is defined in more or less the same way, stating that, if one considers the market as a network, establishment means that the establishing firm obtains a unique position in a network which is new for the firm and its counterparts (Hammarkvist *et al.*, 1982)[3]. Accordingly, the establishment process can take place when a firm enters a new geographic area, and also when a firm, using new or existing products, develops relationships with new customer groups. The establishment process model applied in this work is developed from the theory of marketing in industrial markets developed by Hägg and Johansson (1982), Johansson and Mattsson (1988) and Håkansson (1989), and usually called "the network approach." The approach and its main components are discussed and presented in detail in Johansson and Mattsson (1984, 1987), Håkansson and Johansson (1979, 1987), Johansson (1989), Mattsson (1983) and Elsässer (1984)[4]. Various studies of business network relationships and the development of international business connections are carried out both in the domestic and international market by Forsgren and Johanson (1992), Håkansson and Snehota (1995) and Blankenburg (1996) applying the network approach as a frame of reference. Cook and Emerson (1978, 1984), Burt (1982) and Granovetter (1985) developed and discussed the concepts of social networks. They regard industrial networks as sets of connected exchange relationships among actors who control industrial resources and activities in those networks. Both industrial and social networks are very closely related, however, while the industrial network refers to the exchange of various resources and the activities performed in the exchange process, the social network refers to actors and their social relationships. The key difference is that the network approach mainly addresses the exchange of various resources, while social relations are an integral part of industrial networks.

The model of the establishment process developed on the basis of the industrial network approach, briefly discussed above, is applied as a conceptual framework in this paper. After reviewing the literature that deals with the establishment process, Abraha (1994) found that most research focused on developed countries and the markets of developing countries had received much less attention. It meant that understanding the establishment processes within the context of developing countries remained an issue for future research. In order to bridge the gap identified, Abraha (1994) examined the establishment of Swedish firms in Kenya by applying the model

referred to above[5]. This research resulted in Abraha's doctoral dissertation titled "Establishment processes in an underdeveloped country: the case of Swedish firms in Kenya"[6]. As clearly illustrated in the model, as developed and applied in Abraha (1994), see Figure 1, on the following page, the establishment process in developing countries has been observed to take place in four stages.

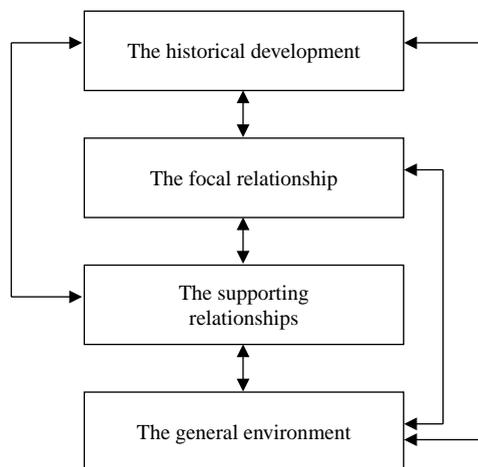
The four phases (variables) are:

- (1) the historical development of the establishment process;
- (2) the identification and the discussion of the focal relationship(s);
- (3) the various supporting relationships developed by the establishing firm to enable the focal relationship(s) to function properly; and
- (4) the general or macro-environment.

Abraha (1994) conclusively recommended that such a study should also be directed at other countries that differ from Kenya in some of the variables considered in his study. The studies conducted on the basis of this recommendation, and the conclusions arrived at, are discussed in detail in the review of the establishment process section. With regard to the conclusions and recommendations of Abraha (1994) and various other related and significant findings of establishment process studies discussed in the section reviewing the studies of establishment processes, this paper examines and reports the results of a perceptive study of how business people in Eritrea view their business environment and how government policies impact the business environment.

### Methodology

A focus group of six respondents participated in the discussion used as a method of collecting information about the historical development of the establishment processes of the six firms presented hereunder. The six respondents prefer to remain anonymous and are hereafter referred to as R1-R6. In order to safeguard the anonymity of the respondents, the names of their companies, products, establishment dates, location of operations, and any other indicative information are not disclosed. Instead of



**Figure 1.**  
The establishment process model

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presenting the companies separately, all the information is consolidated and presented in a combined form. The respondents were also asked if the authors could provide information about the types of industries in which their companies operated while the identity of the firms remained confidential. However, the respondents were not willing to have the types of operations of their industries revealed to avoid all possible consequences.

Furthermore, the respondents were asked to read the written report and to make corrections if any misunderstanding had occurred. After the report was read, the respondents made some minor comments and the final version was prepared thereafter. Convenience sampling was the method applied for the selection of the six firms. The author did not choose the six respondents, but was obliged to accept those who were willing to provide him with the necessary information. About ten people, working in the six firms that the author contacted for information, refused to participate. Information regarding how the Eritrean Government runs the economy is provided by three experts of Eritrean economic development. A fourth expert, who was contacted, refused to be interviewed and made a very brief comment on the information provided by the three experts[7].

The two data collection methods applied in the empirical investigation, that is, the focus group approach and the interview, are discussed noting their relative strengths (advantages) and weaknesses (disadvantages), as well as the reason for their selection. According to Roe (2004), it is recommended that both qualitative and quantitative methods are utilized in a study and that both group discussions (focus groups) and individual in-depth interviews comprise the ideal qualitative study. As the empirical part of the study was mainly exploratory qualitative research, it was thus decided to adopt focus group discussions and in-depth interviews as data collection methods. According to Roe (2004), group discussions offer the following three benefits: interaction between participants, speed, and economy. The relative disadvantages of group discussions relate to lack of details about individuals and possible problems with sensitive issues. In-depth interviews provide various benefits, such as, more details from individuals, the possibility of tackling very personal matters, privacy for sensitive issues, and being able to gather professional people to be interviewed at one specific time and place, especially in the business to business sector. Accordingly, the weaknesses of interviews include the lack of interactions, which may result in less creativity, as well as the length of interview time and extra costs. The advantages and disadvantages of interviews as a data collection method are also discussed in Ghauri *et al.* (1995). A further justification for the choice of the adopted methods is the political sensitivity of the issues discussed, in the current political climate of Eritrea. The appropriateness of the focus group and in-depth interviews as research approaches in a qualitative exploratory study, such as applied in this paper, is also confirmed and discussed in detail in Fisher *et al.* (2007).

The empirical findings are presented in two consecutive phases: the initiation and the implementation. In the initiation phase, the licensing process, that is, the submission of the license application and the processing procedure of the submitted application, including the problems that can arise during this phase, are discussed. Moreover, depending on the situation, some preliminary activities carried out during the early stages of the firms' establishment processes are presented in the initiation phase. The implementation phase includes a discussion of the concrete measures taken by the

firm(s) to identify and build a focal relationship(s) and the appropriate supporting relationships (networks), in order to secure the proper functioning of the focal relationship, in particular, and the establishment process, in general. If a firm succeeds in the implementation phase, it means the establishment process has been successful, otherwise the firm is considered to be in the initiation phase, or in the early stage of the implementation phase.

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### **The empirical findings of the establishment processes**

#### *The initiation phase*

The licensing process to start operating in Eritrea was described as time consuming by R1, R3, R4 and R5, moderate by R6 and efficient by R2. Either the process is easy, difficult, or moderate depending on which sector of the economy the applicant wants to operate in. If the sector in which the firm applies for permission to conduct its operations is on the government's priority list, the licensing process is not only time consuming, but also the license might not be granted at all. Even if the license is granted, the firm could be paralyzed in its efforts to conduct business by certain critical, state induced obstacles, that could cause the firm to operate at a loss and close down after a certain period of time. In other words, the government's red tape is the main stumbling block for firms that want to obtain a license and conduct their operations once it has been granted.

According to R3 and R5, one typical and devious method is applied by the government to limit or discourage Eritreans in the Diaspora to establish business firms in the sectors on its priority list. Although this information was provided by R3 and R5, it was also confirmed by the other four respondents, who did not, however, encounter it directly in their businesses. The process is as follows. A certain individual or a group of people submit an application to obtain a license to operate a particular type of business in the market. Upon receipt of the application, the applicant is instructed by the authorities to make a feasibility study of the business concept (ideas), select a site for the business and deposit a certain amount of money in the Eritrean banks. The following is a very devious method (motive) that should be underlined or noted. The applicant must deposit a certain amount of capital in the local currency Nakfa. However, it must be proved to the concerned authority that the local currency has been bought by the sale of hard currency on the official market, that is, the Eritrean banks. If the application is rejected, it is very difficult to convert the money back into hard currency. Even if the applicant manages to convert it back into hard currency, a considerable amount of money is lost due to disadvantageous fluctuations in the exchange rate. Therefore, it is not only that the planned business cannot be conducted, but almost all the capital has also been lost, since the money can only be used in the domestic market. As indicated above, if the hard currency can be re-purchased, the applicant loses a considerable portion of capital due to the continuous depreciation of the local currency and the fluctuation of the exchange rate.

Once the authorities have received the feasibility study conducted by the applicant(s) and the deposit of the required capital, they can apply certain tactics to delay the start of the business. First, the applicant can be told that the business activity is one of the priorities of the government and that private business will not be allowed to operate in this sector of the market. Another method of discouragement is to tell the applicant(s) to look for another site as the one chosen has already been selected by the

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government for other national purposes. A third tactic involves that the concerned authority, most likely with clear and strict instructions from the top bosses, delays the processing of the application for as long as possible to discourage the applicant. Such delaying and discouragement tactics are very resource consuming processes which make people really desperate. These and other similar obstacles, as well as after becoming aware of the government's hostile attitude towards the establishment and development of the private sector, have caused several Eritreans in the Diaspora to abandon their business plans (missions) and withdraw their applications. One of the two respondents' applications was rejected and the other obtained a license after waiting for a long time. Even the individual whose license was approved conducted business for a short period of time and was finally compelled to quit due to the government's various red tape tactics encountered in the operation. A reasonable license fee was paid, depending on the purpose of the business and the types of products and services to be produced.

#### *The implementation phase*

According to four respondents, in contrast to government claims and promises to the business community, there is strong government intervention in the market in general. The first respondent states that the main problems were obtaining the raw materials necessary to produce the final product, the shortage of labour and the lack of financial resources, especially the hard currency for the importation of the essential raw materials. This respondent lacked hard currency to import directly, and since, at the same time, the business's volume was very limited, it would have been better to buy from local sources, although the amount of raw materials was very limited locally. If the government had allowed the private sector to flourish, there could have been enough suppliers of the required raw materials on the local Eritrean market.

The case of the third respondent 3 was also of a different nature. This person had sufficient financial resources, and with the approval of the concerned ministry could produce the necessary goods to sell on the market. The obstruction for the third respondent's business was that it could not compete with Eritrea's only operating party's, the "People's Front for Democracy and Justice" (PFDJ), owned economic institutions. This is because the state-owned economic institutions enjoyed an advantage of the economies of scale in purchasing, since they could buy ample quantities to satisfy the needs of their dominant position in the market. These institutions also enjoyed economies of scale in transportation, storage, marketing, and distribution. Consequently, they could sell their products at much lower prices than the firms in the private sector, which was a real competitive disadvantage for the third respondent. Such a disadvantage crippled this person's operations in the market, and the firm's market share declined continuously. This was the case in a minor competitive portion of the market, the main and major part of the market was and still is dominated and monopolized by the state-owned economic institutions, because they were and are still operating as importers, decision makers, market regulators, producers, distributors, and consumers. It is the militarist, command economy network of market relationships that enabled the PFDJ-owned economic institutions to build strong relationships among themselves, which are not only difficult, but also completely impossible for firms from the private sector to penetrate and deal with. This is a double disadvantage for firms in the private sector. One problem is that private firms cannot

penetrate the existing network, which is built by the state for the benefit of its own companies so that they will be able to establish, maintain and strengthen their market positions. Moreover, firms from the private sector cannot build a market economy network of relationships because most of those that existed have stopped operating and new ones are discouraged from starting. The government's policies and practical interventions in the economic life of the country are the main obstacles for the building and development of the market economy network of relationships. This clearly demonstrates that the state is not committed to the development of the market economy and the private sector, contrary to what it claims on different occasions. The socialist oriented, market network, which was the legacy of Ethiopian colonialism in Eritrea, was also partially systematically destroyed under the pretext of the privatization program developed by the government. However, this program has never materialized. A certain portion of the socialist oriented, market network, which was deemed to be appropriate and viable, was inherited, adapted and incorporated into the militarist, command economy network created by the PFDJ regime.

One of the respondents encountered the following operating problem. As a supplier of a certain service, the respondent competed with several other companies for which very clear selection criteria were set. However, in the supplier selection process these criteria were totally ignored and an arbitrary procedure, which was even difficult for the decision makers to explain and justify, was applied. Not only was it unfair, but also the selection criteria factors were not fully evaluated, and the deal was given to another competitor, even before the process was finished. As a contender, the respondent was not even officially informed that a decision had been made. The decision maker is a government body composed of several individuals, who are accused of receiving bribes from the so-called winner. Even if no bribes were paid, this case certainly illustrates that it is your personal or social connection which really matters and determines whether you can successfully establish your business, not your competence and the quality of your service to the customer. This case clearly demonstrates that being qualified or competent is irrelevant, what really matters are your contacts with the decision makers and how much financial incentive you can offer them. It is difficult to imagine that such a system could lead to an efficient and effective service, as well as customer satisfaction. Providing high quality, satisfactory services and products for your customers is very essential for the optimization of resources. It is not only a matter of providing high quality services, but such an inequitable method of supplier selection will also hinder the development of competent and qualified service providers. In other words, this kind of unjust method of supplier selection hinders the process of developing a competitive market. In the absence of fair competition, as well as competent and qualified service providers, it is difficult to imagine that effectiveness and efficiency, which are two of the main pre-requisites for the development of a competitive market and competitive firms, both domestically and internationally, as well as economic growth, prosperity, and social justice, can flourish.

#### *The general environment*

In this first part, the general environment, as described by the initial six respondents (R1-R6) interviewed, is briefly discussed. The third respondent faced an acute shortage of labour, especially since the beginning of the border war with Ethiopia. However, this situation affected not only the third respondent. All the firms that were permitted to

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operate a private business faced an acute labour shortage, because, during the war, almost all the available work force was recruited into the army. This gives rise to another perplexing paradox created by the state. The government-owned institutions did not face the same acute shortage of labour as private firms, because they were allowed to maintain most of their work force, if it was needed, and they could even recruit manpower from the national service directly, as well as from the private sector indirectly, via the national service. This demonstrates that the shortage of labour created during the border war did not affect the state-owned institutions as much as firms in the private sector. On the contrary, the border war created an opportunity for the state and its economic institutions to recruit whatever manpower they needed in the name of the border war and the national development program. Not only that, but it was also observed that the government supplied labour to the private sector from those recruited in the national service. If one compares what people in the national service are paid with what the state earns by selling their labour to the private sector, it can definitely be stated that this was also one of the other main sources of income for the government.

According to all the respondents, most of the governmental institutions are inefficient, bureaucratic and time consuming to deal with. For example, when you first approach a certain government official, you are given an appointment for a specific date but without a specific time. When you then attempt to keep your appointment on the date specified, you can be told, after waiting a long time, that the official is in a hurry, and you may have to leave without any other appointment at all. This waste of time and resources, when dealing with the relationships of the various authorities, is one of the main obstacles or constraints for firms operating in the private sector.

Another unnoticed or unidentified problem of the Eritrean economy is the different kinds of contributions the Eritreans of the Diaspora make. While some of the contributions are compulsory, others are indirectly, or more or less compulsory. These contributions are some of the main sources of finance of the PFDJ party and its economic institutions. The more the contributions, the stronger the PFDJ party becomes financially, then the more it monopolizes the market with its serious negative impact on the structure and mode of operations of the market in particular, and the development of the economy in general.

### **The economic plan and the budget problems**

Three highly qualified, and internationally recognized, Eritrean economic development experts have this to say about how the government is running the economy of the country. All the information provided by the three experts is shaded and presented hereafter. Since national independence in Eritrea, there is no national economic plan, and, in consequence, no nationally consolidated budget. As a result, each ministry operates on a project basis. Any particular ministry presents its own project to the Ministry of Finance, which, in turn, forwards the project to the macro policy section at the office of the president. The macro policy office forwards the project to the president for consideration. Thereafter, the final decision of the president becomes the plan. This clearly demonstrates that there is no coordination of plans between the various ministries. Furthermore, in most cases, the ministries work at cross purposes and with contradictory objectives, which eventually result in massive losses of manpower,

material and financial resources. According to the three Eritrean experts, there are two ways of drafting national plans, which are presented as follows:

- (1) Each ministry can develop its sector plans for the whole country. The sum total of the sector plans becomes a national plan which should be presented as a proposal to the national assembly for approval. If the proposal is approved, it becomes a national plan, which could incorporate short-term plans covering a period of one to three years, medium-term plans covering four to six years, or long-term plans of up to ten to 15 years, depending on the size of the economy. The other way follows.
- (2) All regions develop their own regional plans, which are presented as proposals to their respective regional assemblies. Once approval has been obtained, the plans are presented to the central government which, in turn, submits them to the national assembly. If approved by the national parliament, the sum of all the regional plans becomes the consolidated national plan. When the national plan is approved, a national budget has to be proposed to the parliament for consent at the same time. Once it has been approved, it is returned to the executive organ of the government, before being sent to the Minister of Finance, from where the plans and budget of each sector ministry/regional administration are publicly declared. Each sector ministry/regional administration is responsible for implementing the plans that have been publicly declared. The Ministry of Finance is responsible for providing the resources to each ministry/regional administration in accordance with the respective budget approved by the national parliament.

The three experts strived to convince the Eritrean authorities to make a political choice as to which of the two alternatives presented above should be followed in the preparation of the national plan and the national budget. However, the authorities seemed to be incapable of making a political choice according to the three experts, who further stated that this was one of the fundamental points or issues on which the authorities failed as political leaders. After the first attempt was unsuccessful, one of the experts tried to convince a certain minister of the need of a workable and effective national plan. The minister responded by saying that such a plan was not needed in Eritrea. The disappointed expert finally left the minister.

The three experts summarized the briefly presented situation about how the Eritrean economy is managed as follows:

Since the government has failed in its economic perspectives and vision in the sub-structure of the society, it has consequently also failed in the political super-structure. In other words, the government was not able to institute political organizations that are in harmony with the economic and social sub-structure. The lack of an economic vision of the Eritrean leadership has, of course, political consequences. In other words, the government has no short, medium or long-term national economic plans. One can therefore say that the government is running the economy of the country like a private shop, that is, a sole proprietor business in which the bookkeeping is balanced at the end of each day. It is in this kind of environment one hopes against hope that a meaningful private sector can be developed in Eritrea.

After reading the transcribed interview above, the fourth expert who refused to be interviewed concluded the discussion by making the follow statement: "In this

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environment, no private sector businessman in his right mind would decide to take the economic risks and invest in a business in Eritrea.”

### **Analysis**

The empirical evidence from the various sources presented in this paper clearly demonstrates that how the government manages the economy of the country in practice is contrary to its claims and promises. The government has demonstrated that it maintains a hostile attitude towards the development of the private sector, theoretically, to some extent, and completely in practice. The government is not only hostile towards the private sector, but has also made the nominal ministries completely non-operational, since it has clearly demonstrated how the leader has mismanaged the economy, specifically in relation to the national plan and the national budget. In the absence of an efficient and properly functioning public sector, it is impossible to create an atmosphere that is conducive to the success and growth of a well-functioning private sector.

The opportunities for doing business in Eritrea are valid only until one starts to operate, that is, the opportunities are empty promises, but once the business is operating, a myriad of obstacles and constraints have to be dealt with on a daily basis. As underlined in the establishment process model, the probability of developing a focal customer relationship(s) is almost equal to zero for firms in the private sector. This is due to most of the potential focal or critical customers being part and parcel of the militarist, command economy network of relationships, which is typically characteristic of the Eritrean market. Because of government red-tape and the competitive disadvantage of private firms, highlighted in the various sections of this paper, it is absolutely impossible for a privately owned firm to penetrate the state-owned network of relationships and build a market position in it.

Although it is very rare, should a firm find a customer who operates outside the above referred to command economy network of relationships, it would, for various reasons, be very difficult for the firm and its counterparts to build and manage a network of supporting relationships for the proper functioning of the focal relationship. First, the PFDJ-owned economic institutions can out-compete the private firm by supplying the focal customer at a price, which the private sector firm absolutely cannot afford to sell for. Second, even if the PFDJ-owned economic institutions do not out-compete the private sector firm, it can face several problems in the long run. These can be most of the problems the firm might face in its dealings with the various bureaucratic governmental institutions. For example, the licensing, as well as port and taxation authorities can create various constraints and obstacles that make it almost impossible to operate. Third, since the state owns and strictly controls most of the resources that firms utilize in their operations, the absence of those resources would make it very difficult for firms to manufacture the goods and services that need to be available at the right time, in the right form and place for the right customer. To summarize, it is impossible and informally prohibited to build and manage a market network of relationships, because it would create a competitive disadvantage for the state and its various economic institutions as the main economic actor. It can thus be safely argued that business people in Eritrea perceive that the current business environment is hostile to the private sector. They further perceive that this hostile environment has been created intentionally to paralyze the private sector and facilitate the operations of the dysfunctional, state-owned economic institutions.

It was necessary for the Eritrean Government to convert the socialist-oriented network of market relationships, which was the legacy of the Ethiopian colonialism that it inherited during liberation, into a market economy network of relationships, in order to create a favourable economic and business environment for the private sector. This is the kind of situation we have also observed in most of the ECE countries. However, the state did not allow this conversion, which constitutes a missed opportunity for the development of the private sector in particular and the Eritrean economy in general. Instead of converting the socialist-oriented network to a market economy network, the government destroyed it in two different ways. One part of the market economy network, which according to the state's assessment, held a weak market position with no hope for the future, was dismantled under the pretext of the government's false privatization program. This part comprised several firms which were sold to the private sector, where they finally became dysfunctional and obsolete in the state created business environment. The author maintains that such a situation is true because this most hostile government of the private sector cannot launch an honest, successful and meaningful privatization program. This part of the market economy network is almost non-existent at present, or its existence is on the verge of collapse with no hope for revival and successful operations in the market. The remaining part, which the state considered to be useful, was inherited, modified, and incorporated into the militarist command economy network, which is the archenemy of the private sector. Since this militarist command economy network is the main obstacle for the private sector and the main opportunity for the state-owned firms, the author considers the PFDJ Central Office, specifically, and the state-owned economic institutions (enterprises), the parasites of the Eritrean economy and the Eritrean people. This view is supported by the fact that the PFDJ Central Office and its economic institutions failed to build symbiotic and harmonious relationships with the Eritrean people.

The general business environment, which is the fourth variable in the model, also creates obstacles for license applications, and drains the resources and operations of the firms in the private sector. The specific obstacles concern the time and resources consuming nature of the licensing process, the various forms of government red tape, such as importation delays and taxation, the shortage of human capital, as well as the shortage of financial and material resources.

### **Conclusions**

The current business environment created by the government is characterized by many more obstacles, that is, failure factors, than opportunities, that is, success factors, for the establishment of a private firm in the Eritrean market. One of the main constraints is the absence of the government's commitment to a market economy and development of private sector led growth. Another constraint, which is closely linked to this lack of commitment to a market economy, is the existence of the command economy network of relationships, created by the state, which private firms find extremely difficult or almost impossible to penetrate and develop a market position in. The main reason private sector firms find it difficult to penetrate this network is that there is a very strong interdependence among the state-owned enterprises active in this network as importers, financiers, producers, transporters, suppliers, customers, facilitators, as well as whatever else is necessary to dismantle the private sector and build the state-owned

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economic institutions. The main advantage of the state-owned economic institutions is that they have a secured supply of resources for producing or making available any products needed in the local market and they have a secured market for their products. In addition, this state-owned command economy network of relationships is financed from the state-owned foreign accounts. The main sources of the foreign accounts are the contributions from Diaspora Eritreans residing abroad and the various tactics that the authorities apply or use to collect money from them. It is the lack of this foreign accounts financial support for the private sector firms and business people in Eritrea that is one of the main constraints for their operations and the establishment of their successful position in the market.

Another main obstacle for private sector firms is that due to the government's policies as well as its ownership and management of the various resources in the market, it is very difficult to build a market economy network of relationships governed by private sector marketing principles and practices through the interaction of the various market forces (firms) active in it.

The socialist-oriented network of economic relationships was not converted to a market economy network of relationships, and, as a result, it could not be utilized by the firms in the private sector.

One opportunity to run a private company in Eritrea is based on government promises which do not function in practice. The government claims it has built a business atmosphere, that is, a business environment conducive to the private sector, but this is automatically converted to a hostile environment once a license is obtained and the business enterprise in Eritrea begins. Another unreliable opportunity is to work in a JV relationship with the government. This is also a risky strategy because the government can dissolve the JV at any time and incorporate the firm into the state's enterprises once the company starts to function properly and shows a return on investment.

### **Managerial implications**

Several implications for management can be drawn from this paper. First, a firm should develop a long-term market orientation. The short-term should be considered an investment period and returns can be expected in the medium and long range. In order to follow this approach/strategy and succeed, it is necessary to conduct in-depth research to ascertain how and why some firms have been able to continue to operate and succeed, although this is rare, in the market. In other words, one has to identify the secrets of management/business success in Eritrea and follow the same strategy. The author does not recommend using such an approach, but anyone who is interested and ready to invest in Eritrea has to follow it. Success could be secured for a short period of time by following this approach/strategy, but since there is no guarantee, the state could paralyze or incorporate the business into its own enterprises. This could happen at any time during the firm's operations. Second, a firm should attempt to identify a niche in the market and position itself as a supplier or distributor in that niche. However, it should be kept in mind that such a niche operation could also succeed for a limited period of time, that is, until the state becomes interested in the market opportunities of the identified niche. Third, management can be successful if it identifies a unique service or product, which cannot be easily imitated (copied) by competitors or the state-owned economic institutions. Finally, identifying and

developing unique products and services, that is, the unique selling proposition should also be done on a continuous basis, as it can enable the firm to build and defend a strong market position for a considerable period of time.

### Notes

1. The empirical evidence used in writing this paper was collected by Abraha during his field work in Kenya in 1988 and 1992 while collecting information for his doctoral dissertation. The data were further up-dated by collecting information through telephone interviews in the years 2000 and 2001.
2. This section is adapted from the establishment processes study conducted by Abraha (1994). The model was applied with some developments and adaptations in different country markets by Abraha and Hyder (1997, 2000), Abraha and Mukhtar (2002), Abraha and Kaynak (2002) and Abraha and Zineldin (2005).
3. This definition of establishment process is also quoted in Abraha (1989) and it is also adopted in Abraha and Kaynak (2004).
4. This section is adopted from Abraha (1994).
5. This model was developed by Abraha (1994) on the basis of the network approach and applied in his doctoral dissertation.
6. This section is adopted from Abraha and Kaynak (2004).
7. His comment is the last sentence of the presentation of this paper's empirical findings.

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**The Export of Tradeable Services in Mauritius: A Commonwealth Case Study in Economic Transformation**

*Percy S. Mistry and Nikhil Treebhooon*

Commonwealth Secretariat

London

2009

202 pp.

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This book is recommendable reading for three reasons. First, is concerned with the economic development in a small country, Mauritius (with a population of 1.3 million and per capita income of about US\$10,000), that aims to move beyond its dependence of a few commodities (sugar, textile, and garment). Second, it focuses on growth through the export of five tradeable services. Third, it outlines what it takes to become a successful exporter in terms of policies such as investments, links to and integration into the world economy.

The reader should, however, be aware that the book is not reporting a success story in the sense that Mauritius has already achieved growth through the export of tradeable services. It rather deals insightfully with how a small developing economy could become a service exporter. The title of Chapter 2 of the book expresses the ambition very clearly: "Mauritius: From Plantation to Knowledge-based Economy".

The book consists of six main chapters and a conclusion. Chapter 1 defines the concept of services and offers a four-dimensional classification of services with export of services through commercial presence abroad (subsidiary, etc.) accounting for 50 percent of world trade in services followed by cross border supply (e.g. call centres) accounting for 35 percent; consumption abroad (e.g. tourism) with 10-15 percent of world trade, and presence of natural persons (e.g. expatriates) as the smallest. This chapter also provides insights into the WTO-negotiations on services.

Chapter 2 gives an overview of the development of Mauritius from pre-independence era up to today. At different periods, the engines of growth of the economy have been sugar, textiles/garments, tourism and some offshore financial services (p. 28). But by 2000, these sectors were showing signs of running out of steam, resulting in an increase in unemployment, which reached 10.3 percent in 2003. The key lessons learnt from the previous transformation are outlined and so are the challenges ahead and the way forward.

In 2005, a new government came to power and it saw the need for a new transformation of the economy, which should make Mauritius less dependent of trade preferences, but still integrated into the global economy – now through the offering of tradeable services.

The remaining part of the book outlines the situation and what it takes to become a service exporter in four distinct services: financial services; ICT and business process outsourcing services; healthcare services and human resource development services.

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Each chapter outlines the global market for the service in focus, the present situation and what it would take for Mauritius to become a regional or global player in this market. This is followed by several concrete examples of services with export market potentials.

The strength of the book is that it brings services and the export of services on the development agenda. In this way, development becomes a matter of “brains” (knowledge) and not just “hands.” The detailed analysis and concrete examples of what could be and what it would take enhances the usefulness of the book. The authors are careful to point out that the road to growth through tradable services is not in any way smooth. As a university teacher with some insights into the development of tertiary education and research, I read the chapter on human resource development with great interest. From a small base with a few mediocre universities, the road to becoming attractive academic destination to foreign students and faculty is fairly long. The authors are aware of this and point out that it will require close collaboration with world class institutions, foreign investments and local commitment and clear policies to achieve such a goal. The four services discussed are relatively knowledge intensive and they constitute no quick fix to development. We can all agree to:

Ultimately, economic transformation depends on: the will and commitment of the political class to development, mobilisation and efficient management of resources, right market positioning, investment in human capital and policy flexibility to adjust to changing circumstances (p. xi).

Have we not heard this before? However, the good thing about the book is that it goes beyond the declarations and provides us with how to go about it – in the case of tradable services. I therefore recommend the book to politicians, development planners, investors, and scholars interested in developmental issues on the African continent. Donors organizations should also read it and encourage their countries to think in terms of identifying and upgrading their services to exportable levels.

**Olav Jull Sorensen**

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## Measuring the impact of research

Hardly, a day goes by when an article or viewpoint is not brought to our attention that highlights the need to review how research can be more effectively connected to real-world activity and policy setting. This debate has not emerged as a result of the current economic crisis, but it has certainly been brought into sharper focus by it. We are challenged to consider the role of research in contributing to the failures in our financial systems and leadership, or at the very least, in its inability to direct business, economies, and societies away from it. So the question remains, do we batten down the hatches and hope this particular squall passes over head so that we can return to the processes and systems that we know, or should we use this as an opportunity to find a better solution to an age-old, and unfortunately, increasing problem of disconnection between the world of research and scholarship and the world of practice and policy formation?

Emerald, alongside other scholarly publishers, is an intermediary or “translator,” capturing, evaluating, organising, and disseminating research output. The scholarly publishing process has been established for centuries and has successfully managed the process of highlighting important research to the wider world, and this has, in turn, contributed to the development of business, science, industry, and culture.

Research can be used in a number of different contexts: knowledge (contributing to further research); practice; teaching; public policy; and societal. Research is often part of a continuum and rarely is there a direct cause and effect; changes will be seen over a long period of time rather than immediately.

In order to capture some of the different impacts of research at different points along the continuum, Emerald is planning to focus on developing a framework to highlight all the important ways of evaluating research. We are proposing to explore the following areas:

- *Knowledge (further research)*. Research will contribute to the body of knowledge. This can be assessed through citation and usage impact factors, as well as the implications for research identified in the research conclusions.
- *Practice*. Industry and business leaders, practitioners and consultants in both public and private sector organisations are all affected by the outcomes of research. This can be assessed through the implications for practice that are identified in the research conclusions. Evidence that research has been applied successfully in industry and business practice can be gathered to demonstrate usefulness.
- *Teaching*. Students and faculty in a classroom setting are direct consumers of research. The impact of research in teaching can be assessed through the clarity of the conclusions to aid learning and the provision of case studies and examples.
- *Public policy*. Civil servants, politicians, decision makers in public bodies, institutions, and charities draw on research to shape their policies and practice. Implications for policy making and society can be identified in the research conclusions.

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Evidence that research has influenced public policy successfully can be gathered to demonstrate usefulness.

- *Society*. Cultural norms and accepted ways of thinking can and should be challenged by the outputs of research. This will include the impact on the environment (at micro and macro levels), ability to influence social responsibility in industry, business, and public policy, and the incorporation of social values as well as financial values in research outputs. These can also be assessed through implications for society in the research conclusions.

Note from the  
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Emerald has recently opened the debate amongst its journal and book series editors. The feedback has been overwhelmingly positive and appears to reflect a groundswell of opinion that research impact needs to be measured in a variety of ways in addition to citation. We would very much like to hear your thoughts, too.

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If you would like to make any suggestions for shaping a framework to evaluate impact or if you have any general comments, please do get in touch. Feel free to e-mail me directly at: [rmarsh@emeraldinsight.com](mailto:rmarsh@emeraldinsight.com)

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