

ISSN 1923-841X [Print]

ISSN 1923-8428 [Online]

International Business and Management

Volume 5 Number 1 31 August 2012

Peer reviewed journal



Canadian Research & Development Center of Sciences and Cultures
www.cscanada.net www.cscanada.org

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INTERNATIONAL BUSINESS AND MANAGEMENT

ISSN 1923-841X (PRINT)

ISSN 1923-8428 (ONLINE)

Frequency: Quarterly

First published in November 30th, 2010, *International Business and Management* aims to stimulate in-depth and rigorous empirical and theoretical research in the field of international business, trade and management. ISSN 1923-841X (Print) and ISSN 1923-8428 (Online) is governed by Canadian laws, by policies and regulations of **Canadian Research & Development Center of Sciences and Cultures** with its headquarter in Montreal, Canada. The center registered in Quebec.

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Single Issue Prices (Institutions and Individuals)

In Canada \$80.00 (CAD)

Outside Canada \$80.00 (USD)

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Study on the Social Insurance of China’s Migrant Workers

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Supported by National Natural Science Foundation of China grant “71172173” and grant “70872011”.

Received 19 May 2012; accepted 4 August 2012

Abstract

Migrant workers are one of China’s most important economic assets and support China’s major industries. However, Migrant workers confront health challenges stemming from the nature of their work, and their low income and their mobility. Based on a survey of 1,702 cases of migrant workers and applying SPSS (Statistical Package for the Social Sciences) to get the general situation of social insurance participation of the samples, an overview of China’s migrant workers is provided in the beginning of the paper.

Key words: Health risk; Social insurance; Migrant workers

LIU Pingqing, LIU Weizheng, LIANG Xiongjun (2012). Study on the Social Insurance of China’s Migrant Workers. *International Business and Management*, 5(1), 1-2. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1488> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1488>

Since China’s market-oriented economic reforms in the 1980’s, millions of rural laborers, also called ‘migrant workers’, mostly from China’s impoverished central and western provinces, have moved to the more developed eastern and coastal areas. This development has changed China’s urban labor market and profoundly restructured industrial relations.

The condition of migrant workers is a popular public issue in many cultures. The United States has its workers from Mexico; Europe has its guest workers from Turkey and Morocco; migrant workers in South Korea come from South and Southeast Asia, as well as Eurasia. Almost every country has guest workers. However, the size of the migration in China is exceptional. The demographic shift that has been taking place in China is unprecedented in world history. It is difficult to determine the exact number of migrant workers since there is no reliable data. Chinese specialists estimate their number between 120 million and 150 million (Floris-Jan van Luyn, 2008), but the numbers are probably higher. Migrant workers still arrive daily by the thousands at train stations in the big cities to find their way to the jobs in factories, coal mines and service industries which are higher paying than jobs than they could have had in rural towns.

Migrant workers often do not have basic occupational safety and health protections. Mandatory overtime, poor working conditions and occupational injuries among migrant workers were common in many labor-intensive industries (Chan, 1998). Since migrant workers were not a part of China’s urban labor force before the economic reforms, they also suffer from other disadvantages, such as the lack of urban residential status, welfare entitlement and absence of education and organizational experience, all of which have made them very vulnerable to exploitation and mistreatment.

In China, urban employees are eligible for five types of social insurance--pension, unemployment, health, work injuries and maternity leave. According to the regulations, employers and employees should contribute jointly to a mandatory saving account (individual account). Migrant workers can also participate. Nevertheless, the method of contribution and the prevailing labor market conditions make it almost impossible for migrant workers to be covered properly. According to regulation, workers should pay 10 percent of their salaries to the individual accounts

and employers should pay 34 percent of the salaries once the worker has paid their share. To many employers, 34 percent of the salaries for social insurance mean an unbearable burden. **Therefore, in practice, employers are reluctant to contribute to these types of social insurance for migrant workers because of their high mobility.** Migrant workers and their families are overwhelmingly uninsured. The lack of protection by social insurance makes migrant workers hesitant to take risks at their jobs. It also causes many social conflicts and disputes.

Based on a survey of 1,702 cases of migrant workers in 41 enterprises in Taizhou, Wenzhou and Ningbo in Zhejiang province, Xiamen in Fujian province, and the Jinnan District in the municipality of Tianjin, and applying SPSS

11.5 will provide a general picture of social insurance received by migrant workers, which include **accident insurance, medical insurance, unemployment insurance and pension.** According to the definition of measuring scale (1 for “very willing”, 2 for “willing”, 3 for “maybe willing”, 4 for “not sure”, 5 for “not very willing”, 6 for “not willing”, 7 for “extremely not willing”), the mean in the table 1 suggests that: most of the migrant workers are willing to claim social insurance, and the order of their preferences for different types of social insurance is industrial injury insurance, medical insurance, pension, and then unemployment insurance. Table 2 also shows the mean of the four variables and two factors of all cases’ willing to claim social insurance.

Table 1
Statistics of Migrant Workers’ Willing to Claim Social Insurance

Statistics	Industrial injury Insurance	Medical Insurance	Unemployment Insurance	Pension Plan	Industrial injury and Medical Insurance	Unemployment Insurance and Pension
Mean	2.91	2.91	3.19	3.10	2.91	3.15
Standard Deviation	1.52	1.53	1.60	1.65	1.43	1.47

Table 2
Factor Analysis of Migrant Workers’ Willing to Claim Four Types of Social Insurance

Variables	Factors and Their Load		Coefficients ^a
	Occupational Injury and Medical Insurance	Unemployment Insurance and Pension	
Q96 willing to claim industrial injury insurance	0.88	0.33	0.88
Q98 willing to claim medical insurance	0.83	0.43	
Q97 willing to claim unemployment insurance	0.61	0.62	0.80
Q99 willing to claim pension plan	0.35	0.91	

Our survey suggests that migrant workers are all willing to claim social insurance, and their preferences are to four kinds of social insurance -- occupational injury and illness insurance, medical insurance, pension plan and unemployment insurance. It is helpful for correcting the prejudice that migrant workers are not willing to claim social insurance. Social insurance for migrant workers is a complicated issue in China which has many independent variables, some of them cannot be explained in this paper since the content is limited. In addition, the system of migrant workers’ social insurance refers to government, enterprise and individual, which would be matched with the dynamic relationship among different social groups with the economic development in China.

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The Social-Economic Influence of Developing Mineral Resources in Yan'an City

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Received 18 July 2012; Accepted 25 August 2012

Abstract

As a city rich in petroleum and coal, there are two pillar industries in Yan'an city. This essay is going to analyze the long term effect of mineral resources development on the city's economy in respect of regression analysis method and on its fiscal revenue and expenditure employment and resident's income, ecological environment, and the development differences among each area countries in terms of qualitative analysis method. The aim of this essay is to analyze the influences and the effects of mineral resources development on Yan'an overall society and economy so as to provide testimonies for the significant effects of mineral resources development in regional social and economic development.

Key words: Exploitation of mineral resources; Yan'an city; Development; Influences

LIU Huifang, LEI Lei, YU Jicong, YE Changxie (2012). The Social-Economic Influence of Developing Mineral Resources in Yan'an City. *International Business and Management*, 5(1), 3-9. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1100> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1100>

INTRODUCTION

Yan'an City belongs to Shaanxi province of China, which is located in the Shanbei loess plateau hilly-gully, and governs one district and twelve counties, with a total area

of 3.7 square kilometers and the total population of 2.19 million. It is the holy land of the Chinese revolution and thus has very important position in china. This city is rich in mineral resources. In 2010, it reserves of 1.38 billion tons of petroleum, 4.5 billion tons of coal, more than 2000 cubic meters of natural gas. It has become an important energy connection fields in China.

However, the first piece of petroleum of China was found in Yanchuan County, Yan'an City in 1907, and mined it officially in 1911, the city's petroleum production was less, and the role of the petroleum field to local economy had been very small for a long period. The city was in the edge of the poor. In 1984, six counties of Yan'an City were identified as the national key support counties¹, including Zichang County, Yanchang County, Yanchuan County, Wuqi County and Yichuan County. In recent years, with the increase of mining investment and the improvement of the mining technology, mineral resources development has been promoting year by year and Yan'an City's economy has made great strides in development. With petroleum and coal primarily mineral resources development, the one-time poor and old revolutionary base areas have been changed. In 2010, the city's per capita GDP reached more than 40,000 Yuan, higher than the national average per capita GDP.

Some scholars have studied the mineral resources development of Yan'an City. Mining industry is the advantage industry of the city (WEI & LI, 2004), and the exploitation of mineral resources have enhanced its pillar position of secondary industry (HAO *et al.*, 2004). The main development of Yan'an City's mineral resources is petroleum and coal. Petroleum industry is led by two big enterprise groups, including Chang Qing Petroleum Field Development Company and Yan Chang Petroleum Field Development Company, and realizes the intensive management (ZHAO *et al.*, 2004); Coal mining is mainly

¹The national key support counties are the poor areas that Chinese State Council supports to help develop their economy, and who are determined by the per capita income of the local residents. The standard in 1984 was 199.6 Yuan.

focus on Huangling Coal Group Company, others for small coal mines. The exploitation of mineral resources has promoted economic development of the city, but at the meanwhile, it has also caused negative influence to the city's environment (KUO *et al.*, 2005), making each area county's economic development differences expand as a result (HAO *et al.*, 2003). To realize the sustainable development is an important subject of Yan'an City's economic development (JIA *et al.*, 1999), but in the city with the rich mineral resources, its economy is not appear "resource curse" phenomenon (HE & ZHANG, 2011).

However, there is no comprehensive analysis of mineral resources development's impact to the economic-social development of Yan'an City, so this paper is on the basis of predecessors' research results for that.

1. THE INFLUENCES OF MINERAL RESOURCES ON YAN'AN CITY'S ECONOMIC DEVELOPMENT

With the mineral resources development, the second industry of the city holds dominant position gradually. Petroleum and coal industries have become the city's two largest pillar industries. According to the statistical data, the city's second industrial proportion was only 27.3% in 1978, and from 2000 to 2009 the proportion grew to 60% above. In 2010, it already amounted to 71.77%.

The development of petroleum and coal resources has promoted the city's economic growth. In 2010, the production of its petroleum yield was 16.0201 million tons, and the total output value was 84.649 billion Yuan, which accounted for 68.97% of total industrial output value. The production of coal mining yield was 25.5993 million tons, and the total output value was 12.526 billion Yuan, accounting for 10.2% of total industrial output value.

Petroleum industry is the City's main growth of GDP. Within Yan'an's annual 14.7% GDP growth from 2006 to 2010, the petroleum industry has a 9.5% regional economic pulling power, and a 64.02% average annual contribution rate. Because the petroleum industry plays a supporting role, the petroleum price has a great influence on the economic development of Yan'an City. In these five years, the crude petroleum price drives 7.67% growth of the city's petroleum industrial output.

Therefore, we select the city's GDP, crude petroleum production, raw coal production and crude petroleum price index for variables in the establishment of quantitative model to analyze the impact of mineral resources development on economic development. Time series start from 1978 to 2010, a total of 33 sets of data. In order to overcome the phenomenon of heteroscedasticity, time series are taken the natural logarithms, and then the first-order differences. According to the integrated series, we try to establish a long-term equilibrium logarithmic VAR model. Finally, we will explore a long-term economic

influence of developing mineral resources in Yan'an City. In the regression analysis, we assume that the resource utilization rate of the city's mining industry has little influence to the economy, the same as the natural growth of the population.

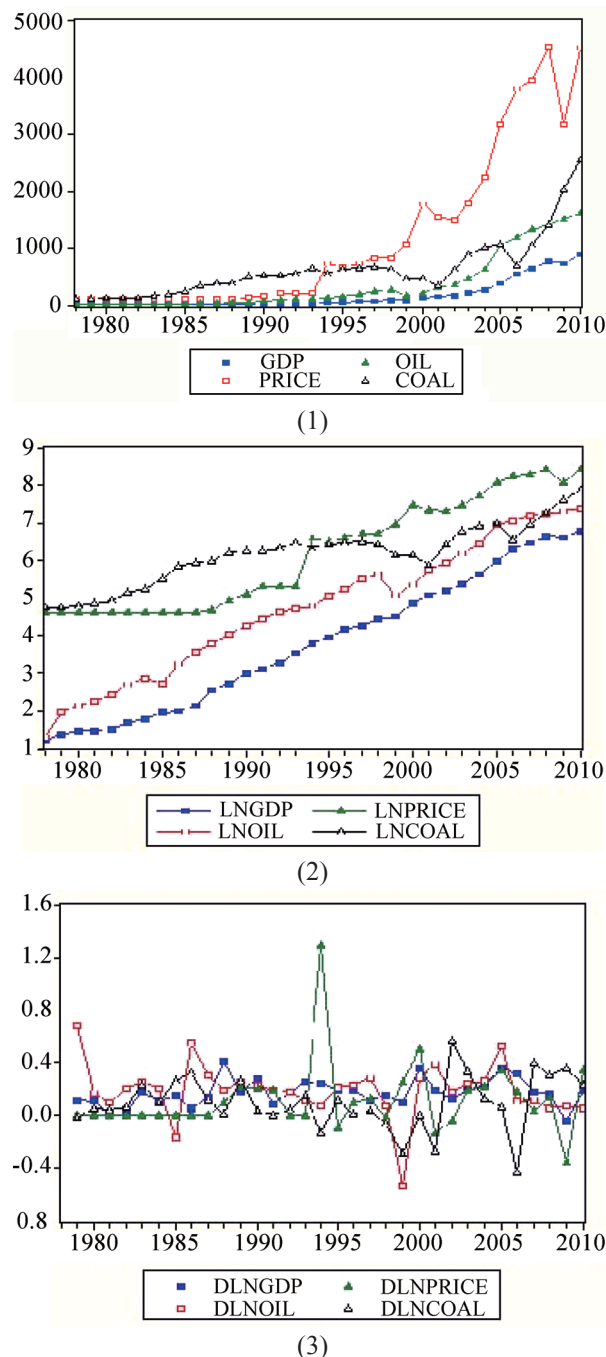


Figure 1
GDP (Unit 0.1 Billion Yuan), Crude Petroleum Production (Oil, Unit Ten Thousand Tons), Raw Coal Production (Coal, Unit Ten Thousand Tons), Crude Petroleum Price Index (Price). (1) The Natural Logarithmic Series (2) The First-Order Difference Series (3) The Year 1978 Is The Basic Value 100 of Crude Petroleum Price Index

First, we carry on the granger test of causality to analyze the relationship among variables. Test results show that petroleum yield is the GDP's granger cause and GDP is not the granger cause of petroleum yields. The petroleum price is the GDP's granger cause. The raw coal mining and GDP do not have the relation of granger.

The main reasons why the raw coal mining is not GDP's granger cause are: the coal price is low, so the production value is small even though a large quantity of coal mining and direct contribution to the city's economy development is not obvious. The development of the coal industry is a development mode of high investment and extensive type. Coal industrial economic benefits are not good. From 2006 to 2010, the coal industrial investment accounts for 10.19% of the total industrial investment, but the production value accounts for only 6.67% of gross industrial production. An average annual growth rate of coal industrial investment is 48.46% in the period, but its production value only grows 36.45% every year. Industrial investment is significant to coal mining. Without thinking its economic benefits, coal mining is still important to the

lives of the residents as well as the fourth major industries of power in Yan'an City.

To sum up, the city's economy is characterized by the petroleum industry as the main body. Petroleum production is a key driver to economic growth. And the petroleum price fluctuations have a great impact on the city's economic development.

In order to test the stationary of time series and avoid "spurious regression", we apply unit root test to lnGDP, lnoil, lncoal and lnprice. The test results show lnGDP~I(1) lnoil~I(1), lnprice~I(1). Yan'an's economic development and the exploitation of petroleum may have a long-term stable equilibrium relationship. For analyzing the possible equilibrium relationship, we establish a long-term equilibrium model: $\ln GDP = \delta + \omega \ln oil + \phi \ln price$.

Model estimation results:

$$\ln GDP' = -2.244934 + 0.67168 \ln oil' + 0.46165 \ln price' \quad (1)$$

$$t = (-11.39905) \quad (9.980554) \quad (6.203925)$$

$$2 = 0.994558 \quad DW = 1.956225 \quad F = 1889.621$$

The estimation result of model (1) is effective. Then we use ADF test for the residual of model (1).

Table 1
The Result of ADF Test of the Model (1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.223438	0.001
Test critical values:	1% level	-4.28458	
	5% level	-3.562882	
	10% level	-3.215267	

The residual of model (1) is a stationary sequence (Table 1). So, lnGDP, lnoil and lnprice have a long-term equilibrium relationship.

The long-term equilibrium equation shows that the long-term elasticities of the city's economy growth on petroleum yield and petroleum price are 0.67168 and 0.461652. Over a long period, petroleum development has a stable promotion to economic development in the city.

2. THE INFLUENCE OF MINERAL RESOURCES DEVELOPMENT ON THE CITY'S FINANCIAL REVENUE AND EXPENDITURE

Mineral resource development has contributed to the long-term growth in Yan'an City's financial revenue,

which is made up chiefly by the leading coal industry and petroleum industry. In 2010, the total financial revenue hit 33.651 billion Yuan and was increased by 27.88% than that in 2009, of which the two mentioned industries had achieved 21.745 billion Yuan, accounting for 65.62% of the total financial revenue, while the proportion of the petroleum industry reached 55.45%.

It is the increasing financial revenue that not only provides financial benefits to Yan'an City government in the livelihood projects as well as public services, but also promotes the social harmonious development in the city.

During the decade of rapid economic development, the financial expenditure of the city adds up to 84.4515 billion Yuan, showing an average annual growth of 28.11%, which is a powerful guarantee for the livelihood development. For instance, the government of Yan'an City has spent 29.76% of the financial revenue on the livelihood development project in 2010.

Table 2
The Main Item of Yan'an City Financial Expenditure in 2010

Absolute amount unit: billion Yuan	Absolute amount	2010	
		Proportion	Growth rate
Financial expenditure	19.271		22.80%
Public service	4.031	20.92%	14.40%
Social security and employment	1.449	7.52%	19.50%
Health	1.296	6.73%	29.90%
Environmental Protection	0.865	4.49%	35.40%
Education	3.026	15.70%	15.80%
Forestry and water affairs	3.021	15.68%	36.30%

According to the Table 2, it can be concluded that financial expenditure makes a contribution to people's social benefits. The city's financial expenditure in livelihood development from 2006 to 2010 exceeded 21 billion Yuan, of which the expenditure on education rose up by 22.31%, playing a major role in livelihood development. Official figures show that in 2010 nine-year free compulsory education was firstly made available to the city's students in Shaanxi Province and the city government even plans to extend a 12-year free compulsory education. Meanwhile, owing to the financial expenditure to be guaranteed, Yan'an has achieved a new type of social insurance system, including Endowment Insurance, Unemployment Insurance, Employment Injury Insurance, Maternity Insurance as well as Medical Insurance.

Especially, social welfare in several developed counties is much more and earlier. Such as Wuqi, it was the first county to start practicing 12 years free education in China since 2007. And it achieved 15 years free and mandatory education in 2010. Zhidan and Huangling are also achieved 12 years free education. In order to decrease

500 Yuan of each hospitalized patient, Zichang invested 50million Yuan which from public finance to carry out medical reform scheme.

3. THE INFLUENCE OF MINERAL RESOURCES DEVELOPMENT ON EMPLOYMENT AND RESIDENTS INCOME IN YAN'AN CITY

Mineral resources development increases the employment and residents income in the city. In 2010, coal and petroleum industrial employment was 63,427, accounting for 28.63% of total employment in Yan'an City. Average remuneration of coal and petroleum mining and processing industries is 6014.5 Yuan higher than the whole City. Development of mineral resources drives the improvement of people's income. The average annual GDP growth of coal and petroleum industries reaches 19.85% from 2006 to 2010 while the average annual growth rates of disposable income of urban residents and rural per capita net income are 19.16% and 18.79%.

Table 3
In 2009, the Employment and Income of the Mining Industry and Related Manufacturing in Yan'an City

	Year-end number of employment	Average remuneration(Yuan)
Mining industry	58232	41530
# Coal mining and washing industry	10386	52220
# Petroleum and natural gas extraction	47846	39170
Manufacturing industry	10011	36591
# Petroleum processing	5195	52365
All social employment	221534	33046

The total amount of remuneration of coal and petroleum industries counts for one-third of the social workers labor remuneration.

Revenue growth of residents has improved residents

consumption level, development of service industries and employment. Such as total retail sales of social consumer goods in 2009 increased by 10.42%. More than half of total employment is gathered in service sector.

4. THE INFLUENCE OF MINERAL RESOURCES DEVELOPMENT ON ENVIRONMENT IN THE CITY

The heavy environmental pollution in the city has been caused by the exploitation of mineral resources. With the large mining and processing of coal and petroleum and development of processing industry, the negative impact caused by the exploitation of mineral resources on the local environment are becoming more and more serious, such as noxious gases, vegetation damage, solid waste, water pollution, land collapse and so on. In 2009, the discharged volume of industrial waste gas reached 18,853 tons with 10.75 million tons of industrial waste water and 2,500 tons of industrial solid waste.

The average annual value of TSP (dust pollution) in Yan'an City is always higher than the three grade standard for suitable habitat stipulated by the county. And the industrial emission is the main source of pollution. The disposal rate of the industrial SO₂ in the city only reaches 24.72% with 9,128 tons of industrial SO₂ unresolved. Due to the large-scale mining of petroleum and coal resources, the rivers, reservoirs and groundwater resources have been polluted subjected to different degrees. There are 1.335 billion cubic meters of equivalent water resources in the City, but only 51% can develop utilization, and the per capita water resources is only 29.5% of the national per capita (WANG, 2009). The exploitation of mineral

resource occupies much land and destroys vegetation, which makes its ecological environment more vulnerable. The forest cover rate dropped from 60% in early stage of reform and opening to about around 40%.

5. THE INFLUENCE OF YAN'AN CITY'S MINERAL RESOURCES DEVELOPMENT ON DIFFERENCES OF COUNTIES

Because of the uneven distribution of mineral resources, mineral resources development exacerbates economic imbalance among the counties in the city. The counties with abundant mineral resources have not high GDP, more finance revenue and expenditure, but high employment and income of residents. By contrast, economic development of the counties lack of mineral resources is relatively backward: GDP is lower, revenue and expenditure are less, and employment and residential income are lower, too (Figure 3). Because of concentrating distribution of petroleum processing in Luochuan and Yanchuan, the economic aggregate of these two counties is large as well.

In general, the mineral resources have promoted the counties' economic development. From the 1980s poverty to the present prosperity, the counties such as Zichang County, Ansai County, Yanchang County, Yanchuan County and Wuqi County have been prosperous due to development of mineral resources.

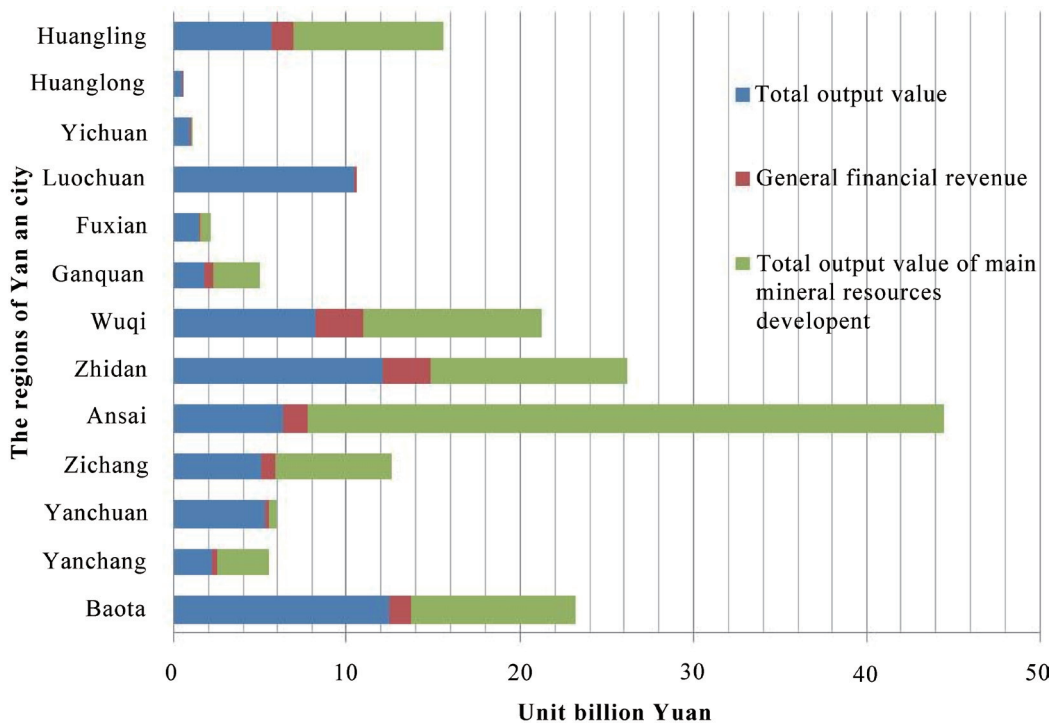


Figure 2
 The Numbers of Total Output Value, General Financial Revenue, and Total Output Value of Mineral Resources Development in Different Counties. The Main Mineral Resources are Petroleum and Coal

The more financial revenue, the more expenditure will be made. And financial expenditure increases people's social welfare. Take as example the development of the counties with largest financial revenue in recent years, such as Wuqi County and Zhidan County. In 2007, Wuqi County practiced 12-year free education to create a national precedent for 12-year free education. In 2010, the county achieved 15-year free education. Zhidan County and Huangling County had achieved 12-year free education successively. In 2008, Zichang County invested financial 50 million Yuan to implement health care reform. The project has reduced the 500 Yuan expenditure of each hospitalized patient.

CONCLUSION

Results of this study show that mineral resources development has a huge role in promoting the economy in Yan'an city. Mineral resources development has increased its economic development level, government revenue, resident's income, and employment rate. Social welfare of the City's residents has been gradually increased through fiscal spending.

However, mineral resources development has polluted and damaged the local ecological environment. And Yan'an City has single industry structure, so it strongly depends on the exploitation of mineral resources, particularly, the petroleum industry, which is easily influenced by petroleum price and market risks. Furthermore, the uneven distribution of mineral resources is widening wealth gap among rich and poor districts. Economic development among different countries is uneven, which limits the whole city's economic development. The major serious challenges facing the city the sustainable development of ecological environment, mineral resources development, ecological environment protection, and to narrow the wealth gap between both of them.

In order to promote sustainable economic development, the city should actively carry out energy conservation work, deepen the pollution control, and protect water head from being polluted. Secondly, the city should enhance the intensity of industry nurturing agriculture and develop characteristic agriculture, and support the development of tertiary industry, especially tourism. Finally, more policy support is needed by backward countries to promote their advantage industrial development.

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Stress, Task, and Relationship Orientations Across German and Vietnamese Cultures

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Received 11 July 2012; Accepted 19 August 2012

Abstract

Cultural background and context can be an important predictor of a manager's behavior, stress and leadership orientation. This paper examines the stress, task, and relationship orientations of people in the high-context culture of Vietnam and in the low-context culture of Germany. As a result of the analysis of 420 responses, some significant differences were found between the two samples. It appears that Vietnamese have higher scores on task, relationship and stress orientations than German respondents. While gender is a significant factor in stress perceptions, it did not demonstrate any differences in the task and relationship orientations of these respondents. In this paper, literature on German and Vietnamese cultures is presented along with practical application, suggestions and implications for future studies.

Key words: Culture; Germany; Leadership; Relationships; Stress perception; Tasks; Vietnam

Lam D. Nguyen, Bahaudin G. Mujtaba, Tobias Boehmer (2012). Stress, Task, and Relationship Orientations Across German and Vietnamese Cultures. *International Business and Management*, 5(1), 10-20. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1060>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1060>

INTRODUCTION

Many studies in cross-cultural leadership literature have found various beliefs about leadership across cultures (Dickson, DenHartog & Mitchelson, 2003; Giberson, Resick, Dickson, Mitchelson & Randall, 2009). Cultural values and norms are important to leadership and the understanding of different expectations of leader behaviors in different context (Kuchinke, 1999; Lord, Brown, Harvey & Hall, 2001). With the world of business becoming significantly globalized and the workforce becoming more diverse, understanding the expectations and behaviors of employees is paramount for international and multicultural organizations to succeed. Therefore, there is an urgent need for cross-cultural comparative research to provide theoretical and practical guidance for these organizations. It is important for managers, trainers and researchers to examine how differences in cultural background and context can lead to cultural misunderstanding that can potentially lead to organizational failure.

The purpose of this comparative, cross-national study is to examine the task, relationship and stress similarities and dissimilarities between adult Vietnamese and German respondents, expand the body of knowledge of cross-cultural leadership and management, and provide practical implications for international and multicultural business managers who work with these populations. More specifically, this paper addresses the following research question: Do German and Vietnamese differ in their task, relationship and stress orientations based on culture and gender? In addressing this question, we use the Style Questionnaire, provided by Northouse (2007) to obtain a general profile of a person's leadership behaviors regarding task and relationship orientations and the Overload Stress Inventory, adapted from Hyde and Allen's conceptual analysis of overload (1996, p.29-30), to assess the stress perception of respondents.

We chose to compare Vietnam and Germany for several reasons. Firstly, Germany is Vietnam's biggest trading partner in Europe with average trade turnover of 4.6-5.0 billion U.S. dollars in 2009-2010, while Vietnam serves as "a bridge for Germany to strengthen ties with ASEAN countries" (Department of Planning and Investment, 2011). The relationship between the two countries has been strengthened and become more strategic in recent years. Secondly, both countries represent distinct cultural norms, values and philosophy. Similar to China, Taiwan, Thailand, China, Japan, Iran, Afghanistan, or India, Vietnam is considered a high-context culture (Nguyen, 2011; Nguyen & Mujtaba, 2011), while Germany, like other countries of the Western industrialized world, is considered a low-context culture (Nguyen, Boehmer & Mujtaba, 2012). Thirdly, there has been little to no research comparing samples in Germany and Vietnam. This makes this research unique and worth taking. Lastly, both Germany and Vietnam are very similar in terms of population numbers and both countries are now playing an important role in their continents.

1. LITERATURE REVIEW

1.1 The Vietnamese Culture

Located in Southeastern Asia, the Socialist Republic of Vietnam has a population of about 90.5 million people and Hanoi is the capital. There are 58 provinces and 5 municipalities (major cities) including Ho Chi Minh City and Can Tho in the South, Hanoi, HaiPhong in the North, and Da Nang in the Central (Central Intelligence Agency, 2011a).

Besides its own local culture of a "fairly large cultural community" that was formed thousands of years ago (Embassy of Vietnam, n.d.), the Vietnamese culture has been strongly influenced by the Chinese culture. In addition, it has inherited many unique cultural features from other countries in the region as well as from the Western cultures. Despite the mix of unique cultures, Vietnamese culture can be referred to as high power distance, high collectivism, moderate uncertainty avoidance, and high context (Triandis, 1989; Parks & Vu, 1994; Swierczek, 1994; Quang, 1997; Ralston, Nguyen & Napier, 1999; Quang & Vuong, 2002). Organizational structure shows a strong vertical relationship with high level of conformity, face saving, and social control (Quang & Vuong, 2002; Scott, Bishop & Chen, 2003). Vietnamese people tend to think as a group, prefer and feel comfortable with group activity and decision making that benefit the group instead of personal goals (Parks & Vu, 1994; Scott *et al.*, 2003; Fan & Zigang, 2004). Considered as high risk averse, they tend to delay to make immediate decisions if they feel uncertain, and do not accept abnormal ideas and behaviors easily (Quang & Vuong, 2002; Fan & Zigang, 2004). Personal

relationship is considered the key to success. "In-group" status needs to be achieved and trust needs to be gained in order to create a good and successful social and business relationship.

1.2 The German Culture

Located in Central Europe, the Federal Republic of Germany is the Europe's largest economy and plays a key role in the continent's economic, political, and defense systems. Germany has a population of about 81.5 million people and Berlin is the capital. There are 16 states in the country and federal republic is the government structure (Central Intelligence Agency, 2011b). The German culture has been strongly influenced by major intellectual and popular trends in Europe and is one of the most influential cultural powers in this continent. The German history has influenced culture in many ways.

Several studies have identified some general cultural aspects of Germany including the Hofstede studies and the GLOBE project. Hofstede (1984) created rankings off numerous countries all over the world with respect to the five cultural dimensions. The ranks are based on indices which in turn are derived from the results of all individuals' answers to the questionnaires collected in each country (Hofstede, 1984). The German rankings are interpreted as follows:

- *Power distance (PDI)* is not very large in Germany. Germans expect their superior to be an expert in solving problems (Hofstede, 1993).
- *Individualism (IDV)* is considerably high, receiving a rank of 36 out of 50. Thus Germans tend to believe that they control their own fate.
- With respect to masculinity (*MAS*), Germany has a rank of 41 out of 50, which means that there is a high level of those attitudes associated to masculinity and dissociated to femininity, like achievement, assertiveness, and material success (Ardichvili and Kuchinke, 2002).
- With respect to uncertainty avoidance (*UAI*), Germany receives a middle range (23 of 50). Germans tend to be moderately risk and ambiguity averse.
- With respect to *long term orientation (LTO)*, Germans tend to lean more on the "short term" dimension.

1.3 Task and Relationship-Oriented Leadership

According to Mintzberg (2003), leadership is a central aspect of management. Previous studies in leadership literature emphasized two main categories of leader behaviors: initiating structure, or task-orientation, and consideration, or relationship-orientation (Oaklander and Fleishman, 1964; Fleishman, 1967). One of the earliest and most influential studies on leadership is the Ohio State University studies which began in the 1940s, and found two basic types of leader behaviors: consideration

and initiating structure. Building and maintaining good relationship, providing great supports, and delegating authorities to subordinates are considered key to success by consideration style leaders. On the other hand, initiating structure leaders concentrate on goals, tasks and delegation. They concern mainly with defining and organizing tasks and activities and their accomplishments (Oaklander & Fleishman, 1964; Schermerhorn, Hunt & Osborn, 2008). Initiating structure leaders emphasize the effectiveness and efficiency of tasks that lead to the achievement of their goals. The Michigan studies found two similar leader behaviors: employee-centered and production-centered (Schermerhorn *et al.*, 2008). Employee-centered, which is similar to consideration, leaders pay attention to their subordinates' welfare while production-centered, which is similar to initiating structure, leaders emphasize goals, tasks and the accomplishment of these goals and tasks.

As deeply rooted in and strongly influenced by Chinese culture over a thousand years, Vietnamese people inherit a strong sense of superior-subordinate hierarchical relationships, or "guanxi" (Chen & Chen, 2004; Wong *et al.*, 2003a; 2003b as cited in Chen & Tjosvold, 2006). High guanxi person is highly trusted and respected and at the same time is expected with higher level of obligation (Chen & Tjosvold, 2006; Ping, Mujtaba & Jieqiong, 2012). Vietnamese people emphasize group efforts and place high priority on maintaining high guanxi to be accepted as an "in-group". Frequently considered themselves a part of a larger group, Vietnamese people are willing to sacrifice personal interests to achieve group interests. Morality is the strong foundation of a superior-subordinate relationship.

Though similar to Chinese culture in many ways, characteristics of effective leadership in Vietnam have not been clearly identified. Vietnamese leaders are considered to be in the early stage of developing professionalism with a strong influence of the "command and control" economy system and the Confucian values (Doanhand Nguyen, 1995). Quang, Swierczek & Chi (1998) found that honesty, dependability, and trustworthiness are among several key leadership characteristics of Vietnamese managers. Trust is considered a key success factor. Vietnamese leadership style is quite different from those in the ASEAN region. Vietnamese managers show more concern for relationships. However, sharing power is not emphasized which is a reflection of a high power distance culture in which authoritarian-oriented leadership style is prevalent. Politics is considered to be important for Vietnamese managers. They take serious consideration of external political impact in planning out their business plans and strategies.

German leadership carries its unique cultural values. According to Larsen (2003), before the Second World War, both the mechanistic and organic features have been

presented in Germany and the latter have older roots and focused on the higher value of culture (Kultur) and community (Gemeinschaft) over the value of society (Gesellschaft) and civilization (Zivilisation). Mechanistic features of leadership could be task, position, structure, direction, and coordination, while organic features focused around community, ethics, empathy, authenticity, identity, and charisma (Jepson, 2010). Larsen (2003) concluded that the organic approach to leadership originally came from German tradition. According to Brodbeck, Frese and Javidan (2002), a German leader of post-war Germany was pictured as a person with a formal interpersonal style and straightforward behavior. He/she possessed high technical skills and was considered a specialist rather than a generalist (Lawrence, 1994; Warner & Campbell, 1993). Germany has a special system called the vocational apprenticeship through which employees often go and learn technical skills. This system exists both on the shop floor and in the office. Those who successfully complete the apprenticeship will receive a certificate, the Facharbeiterbrief, which is recognized throughout the country. This occupational certification means much more than a certificate. It is also a pride. It makes them feel competent as an employee or as a manager. German businesses consider professional criteria such as technical skills, experience, and expertise knowledge as the most important factors for employment, promotion, evaluation, and social acceptance. German middle managers often use their technical expertise as their main source of authority and at the same time they tend to focus more on focus technical responsibilities (Schneider & Littrell, 2003). They emphasize task orientation and focus on high performance and leave little room for feelings and compassion. Stewart, Barsoux, Kieser, Ganter and Walgenbach (1994) state that, in such cultures, "feelings take second place to task". However, since mid-70s, a more human relation approach has become popular and managers pay more attention to the "softer" side of management. Mutual trust, compassion, generosity, and interpersonal skills, are among values that are ranked highly by German managers. Despite this growing emphasis on human relation, German leadership style is still skewed towards "competent fist" principle (Brodbeck *et al.*, 2002). Effective German leaders are associated with high performance orientation, low compassion, low self-protection, low team orientation, high autonomy, and high participation (Brodbeck *et al.*, 2002; Jepson, 2010).

According to Chapman (1975), very little empirical research has been conducted to explore if there are any differences between male and female leadership behaviors, and this is especially true in regards to cross-cultural research between Germany and Vietnam. As such, more cross-cultural leadership research and gender focused studies are needed.

1.4 Work Overload Stress Perception

According to Ellis (2006), stress is a sequence of events with the presence of a demand. According to Nichols (2008), Selye (1956) and others, the impact of stress can be physical, emotional, mental, and behavioral. Stress can be all those feelings and perceptions in lack of time, ability, skill, or resources to effectively deal with personal or professional demands in a given time. Stress is all those real and perceived forces that encroach or are imposed on the individual (Mujtaba & McCartney, 2007; Selye, 1974). Hyde and Allen (1996, p.27) state that overload stressors can produce psychological, physiological and behavioral changes. Quantitative overload can cause elevation in blood cholesterol level which is associated with atherosclerosis and coronary heart disease (Hyde & Allen, 1996, p.27). Overload can decrease motivation toward learning/work performance. Stress not only impacts individuals but also organizational performance. Oaklander and Fleishman (1964) defined organizational stress as interpersonal conflicts, hostility, and non-cooperative relationships among employees and colleagues.

Similar to many Germans, Vietnamese are likely to hold stress and emotional problems to themselves or only discuss it within the extended families (Byleen, 1986; The National Heart, Lung, and Blood Institute, 2010). However, Vietnamese and Germans find different ways to deal with it such as smoking, drinking, spending time with family or friends, going to prayer sessions, or even gambling. While there are many ways to effectively handle stress, there are also many variables that impact a person's level of stress that can lead to health problems, this study is designed to assess whether Vietnamese and Japanese respondents report low, moderate, high, or severe levels of stress associated with task overload.

1.5 Study Methodology and Analysis

This research attempts to clarify whether Germans and Vietnamese are more relationship oriented or more task-oriented. It further attempts to determine whether gender is a factor in the stress, tasks and relationships orientations of respondents.

Northouse's (2007) Style Questionnaire is used to obtain a general profile of a person's leadership behaviors regarding task and relationship orientations. A rating of 1 means "Never" and a rating of 5 means "Always" with the person demonstrating the specific behavior. The scoring interpretation is presented in Table 1.

Table 1
Task and Relationship Score Interpretations

Scores	Descriptions
• 45-50	Very high range
• 40-44	High range
• 35-39	Moderately high range
• 30-34	Moderately low range
• 25-29	Low range
• 10-24	Very low range

The Overload Stress Inventory, adapted from Hyde and Allen's conceptual analysis of overload (1996, p.29-30), is used to assess the stress perception of respondents. A rating of 1 means "Never" and a rating of 5 means "Always" with the person demonstrating the specific behavior. The responses are assessed according to the following general criteria:

- Scores in the range of 40–50 tend to mean severe stress from overload.
- Scores in the range of 30–39 tend to mean high stress from overload.
- Scores in the range of 20–29 tend to mean moderate stress from overload.
- Scores in the range of 19 and below tend to mean low stress from overload.

The research question for this study was to determine whether adult Vietnamese are different from adult Germans in terms of task orientation, relationship orientation, and overload stress perception. Another aspect of this study was to determine whether there is any difference between the two countries' gender on these scores. The specific hypotheses for this study are as follows:

- Hypothesis 1: German respondents have task scores that are significantly different than Vietnamese respondents.
- Hypothesis 2: There is significant difference in the task scores between male and female respondents.
- Hypothesis 3: There is significant interaction between gender and country in the task scores.
- Hypothesis 4: German respondents have the relationship scores that are significantly different than Vietnamese respondents.
- Hypothesis 5: There is significant difference in the relationship scores between male and female respondents.
- Hypothesis 6: There is significant interaction between gender and country in the relationship scores.
- Hypothesis 7: German respondents have the overload stress perception scores that are significantly different than Vietnamese respondents.
- Hypothesis 8: There is a significant difference in the overload stress perception scores between male and female respondents.
- Hypothesis 9: There is significant interaction between gender and country in the overload stress perception scores.

Convenient sampling procedure was used for selecting and contacting respondents through face-to-face meetings, group gatherings, and social media linkages. The target respondents are German and Vietnamese adults who

possess a good command of written and spoken English. The original English questionnaires were distributed to insure its validity. Both weblink and hard copy were used to collect the data. For the Vietnamese sample, 300 questionnaires were distributed to people in Ho Chi Minh City, Vietnam, and after two rounds of email reminders, 188 returned surveys were fully completed and used for this study. For the German sample, hard copies were distributed in several universities and companies. One of the authors was present while the volunteer subjects filled out the questionnaire. Overall, 232 returned surveys were fully completed by the German respondents and used for this study. Altogether, there were 420 completed surveys that were used for this study.

Table 2 shows the majority of the Vietnamese people were in between 26 to 34 years of age with 87 respondents (46%) while there were 43 respondents in the 17 to 25 years old group (23%) and 43 respondents in the 35 to 44 years old group (23%). There were 15 Vietnamese in the sample who were 45 years old and above (8%). As for the German sample, there were 73 respondents in the 35 to 44 years old group (32%), 70 respondents in the 26 to 34 years old group (30%), 49 respondents in the 17 to 25 years old group (21%), and 40 respondents who were 45 years old and above (17%).

Table 2
Age

Age	Place of birth		Total
	Germany	Vietnam	
17-25	49	43	92
26-34	70	87	157
35-44	73	43	116
45 and above	40	15	55
Total	232	188	420

Table 3 shows that the Vietnamese sample had an even number of male and female respondents (94 each) while the German sample had 135 female respondents (58%) and 97 male respondents (42%).

Table 3
Gender

Gender	Place of birth		Total
	Germany	Vietnam	
Male	97	94	191
Female	135	94	229
Total	232	188	420

Table 4 shows that the Vietnamese sample had 68 respondents who had 1 to 5 years of work experience (36%), 60 respondents who had 6 to 10 years of work experience (32%), 36 respondents who had 11 or more years of work experience (19%), and 24 respondents who had no work experience (13%). As for the German sample,

79 respondents had 6 to 10 years of work experience (34%), 69 respondents who had 11 years or more of work experience (30%), 50 respondents who had 1 to 5 years of work experience (21%), and 34 respondents who had no work experience (15%).

Table 4
Work Experience

Experience	Place of birth		Total
	Germany	Vietnam	
None	34	24	58
1-5 years	50	68	118
6-10 years	79	60	139
11 years or more	69	36	105
Total	232	188	420

Table 5 shows that the Vietnamese sample had 119 respondents who had bachelor degree (63%), 42 respondents who had master degree (22%), 22 respondents who had high school degree (12%), and 5 respondents who had doctorate degree (3%). As for the German sample, 100 respondents had high school degree (43%), 65 respondents who bachelor degree (28%), 62 respondents who had master degree (27%), and 5 respondents who had doctorate degree (2%).

Table 5
Education

Education	Place of birth		Total
	Germany	Vietnam	
High school	100	22	122
Bachelor	65	119	184
Master	62	42	104
Doctorate	5	5	10
Total	232	188	420

2. RESULTS

Univariate analysis of variance (Two-way ANOVA) was used for hypotheses testing in this research. Two-way ANOVA is a commonly used statistical technique for finding significant relationships between groups or samples by comparing the means of those groups on two factors of interest.

2.1 Task Orientation Scores

As presented in Table 6-1, the average scores of Vietnamese respondents for task orientation fell in "high range" ($M = 41.79$), while the German respondents scored in "moderately high range" ($M = 35.60$). This difference is statistically significant ($F = 93.824, p = .000$), as shown in Table 6-2. Therefore, hypothesis 1 is supported. There is a statistically significant difference between the average task orientation scores of Vietnamese and German. Vietnamese appear to be more task-oriented.

Table 6-1
Descriptive Statistics

Place of birth	Gender	Mean	Std. deviation	N
Germany	Male	36.47	7.131	97
	Female	34.98	6.535	135
	Total	35.60	6.816	232
Vietnam	Male	41.63	5.691	94
	Female	41.95	5.767	94
	Total	41.79	5.716	188
Total	Male	39.01	6.944	191
	Female	37.84	7.104	229
	Total	38.37	7.048	420

Dependent Variable: Sum_Task_Scores

Also seen in Table 6-1, the average scores of both male and female respondents fell in “moderately high range” though male respondents scored higher (M = 39.01) than female respondents (M = 37.84). There is no statistically

significant difference between these two mean scores (F = .885, p = .347), as shown in Table 6-2. Therefore, hypothesis two is not supported. Male respondents did not score significantly higher than female respondents.

Table 6-2
Tests of Between-Subjects Effects

Source	Type III sum of squares	df	Std. deviation	F	Sig.
Corrected Model	4102.236 ^a	3	1367.412	34.042	.000
Intercept	616342.260	1	616342.260	15344.173	.000
PlaceofBirth	3768.704	1	3768.704	93.824	.000
Gender	35.545	1	35.545	.885	.347
PlaceofBirth* Gender	84.538	1	84.538	2.105	.148
Error	16709.82	416	40.168		
Total	639206.000	420			
Corrected Total	20812.057	419			

Dependent Variable: Sum_Task_Scores

Table 6-2 also shows no significant interaction between place of birth (Germany and Vietnam) and gender (male and female) (F = 2.105, p = .148). Therefore, hypothesis three is not supported. Despite the lack of statistical

significant, we noted that while the average scores between Vietnamese males (M = 41.63) and females (41.95) did not differ much, German males scored higher (M = 6.47) than German females (M = 34.98).

Table 6-3
Tests of Between-Subjects Effects

Source	Partial eta squared	Noncent. parameter	Observed power ^b
Corrected Model	.197	102.127	1.000
Intercept	.974	15344.173	1.000
PlaceofBirth	.184	93.824	1.000
Gender	.002	.885	.155
PlaceofBirth* Gender	.005	2.105	.304

Dependent Variable: Sum_Task_Scores

a. R Squared = .197 (Adjusted R Squared = .191)

b. Computed using alpha = .05

A helpful way to understand what it means when a difference between groups is not statistically significant is to check the observed power value. As Table 6-3 reported, there would be only 15.5% chance of finding a significant difference between mean scores for task orientation of males and females with our sample size. For a significant interaction between place of birth and gender, there would be only 30.4% chance.

Table 7-1
Descriptive Statistics

Place of birth	Gender	Mean	Std. deviation	N
Germany	Male	39.66	4.991	97
	Female	39.83	4.866	135
	Total	39.76	4.909	232
Vietnam	Male	40.83	4.490	94
	Female	41.95	4.556	94
	Total	41.39	4.546	188
Total	Male	40.24	4.775	191
	Female	40.70	4.845	229
	Total	40.49	4.812	420

Dependent Variable: Sum_Relationship_Scores

Also seen in Table 7-1, the average scores of both male and female respondents fell in “high range” though female respondents scored slightly higher ($M = 40.70$) than male respondents ($M = 40.24$). There is no statistically significant difference between these two mean scores ($F = 1.885$, $p = .170$), as shown in Table 7-2. Therefore, hypothesis five is not supported. Female respondents did not significantly score higher than male respondents.

Table 7-2
Tests of Between-Subjects Effects

Source	Type III sum of squares	df	Std. deviation	F	Sig.
Corrected Model	336.075 ^a	3	112.025	4.973	.002
Intercept	675251.222	1	675251.222	29976.368	.000
PlaceofBirth	277.112	1	277.112	12.302	.001
Gender	42.469	1	42.469	1.885	.170
PlaceofBirth* Gender	23.008	1	23.008	1.021	.313
Error	9370.865	416	22.526		
Total	698207.000	420			
Corrected Total	9706.940	419			

Dependent Variable: Sum_Relationship_Scores

As Table 7-3 reported, there would be only 27.8% chance of finding a significant difference between the mean scores for relationship orientation of males and

2.2 Relationship Orientation Scores

As presented in Table 7-1, the average scores of Vietnamese respondents for relationship orientation fell in “high range” ($M = 41.39$), while the German respondents scored in the upper “moderately high range” ($M = 39.76$). This difference is statistically significant ($F = 12.302$, $p = .001$), as shown in Table 7-2. Therefore, hypothesis four is supported. There is a significant difference between the average scores for relationship orientation of Vietnamese and German.

Table 7-2 also shows no significant interaction between place of birth (Germany and Vietnam) and gender (male and female) ($F = 1.021$, $p = .313$). Therefore, hypothesis six is not supported. Despite the lack of statistical significant, we noted that while the average scores between German males ($M = 39.66$) and females ($M = 39.83$) did not differ much, Vietnamese females scored higher ($M = 41.95$) than Vietnamese males ($M = 40.83$).

females with our sample size. For a significant interaction between place of birth and gender, there would be only 17.2% chance.

Table 7-3
Tests of Between-Subjects Effects

Source	Partial eta squared	Noncent. parameter	Observed power ^b
Corrected Model	.035	14.919	.913
Intercept	.986	29976.368	1.000
PlaceofBirth	.029	12.302	.938
Gender	.005	1.885	.278
PlaceofBirth* Gender	.002	1.021	.172

Dependent Variable: Sum_Relationship_Scores
 a. R Squared = .035 (Adjusted R Squared = .028)
 b. Computed using alpha = .05

2.3 Work Overload Stress Perception Scores

As presented in Table 8-1, the average scores of Vietnamese respondents for work overload stress perception fell in “high” range (M = 30.87), while the German respondents scored in “moderate” range (M=

27.08). This difference is statistically significant (F = 26.496, p = .001), as shown in Table 8-2. Therefore, hypothesis seven is supported. There is a significant difference between the average scores for work overload stress perception of Vietnamese and German.

Table 8-1
Descriptive Statistics

Place of birth	Gender	Mean	Std. deviation	N
Germany	Male	25.85	7.156	97
	Female	27.97	8.119	135
	Total	27.08	7.787	232
Vietnam	Male	31.76	8.652	94
	Female	29.98	6.982	94
	Total	30.87	7.891	188
Total	Male	28.75	8.443	191
	Female	28.79	7.721	229
	Total	28.78	8.048	420

Dependent Variable: Sum_Stress_Scores

Also seen in Table 8-1, the average scores of both male and female German and Vietnamese respondents fell in “moderate” range though female respondents scored slightly higher (M = 28.79) than male respondents (M= 28.75). There is no statistically significant difference between these two mean scores (F= .051, p= .851), as

shown in Table 8-2. Therefore, hypothesis eight is not supported. Female respondents did not score significantly higher than male respondents. However, it should be noted that Vietnamese males (M = 31.76) and females (M= 29.98) scored significantly higher than German males (M= 25.85) and females (M = 27.97).

Table 8-2
Tests of Between-Subjects Effects

Source	Type III sum of squares	df	Std. deviation	F	Sig.
Corrected Model	1891.070 ^a	3	630.357	10.387	.000
Intercept	342411.557	1	342411.557	5642.233	.000
PlaceofBirth	1607.960	1	1607.960	26.496	.821
Gender	3.113	1	3.113	.051	.012
PlaceofBirth* Gender	390.388	1	390.388	6.433	
Error	25245.892	416	60.687		
Total	374926.000	420			
Corrected Total	27136.962	419			

Dependent Variable: Sum_Stress_Scores

Table 8-2 shows a significant interaction between place of birth (Germany & Vietnam) and gender (male & female) ($F = 6.433$, $p = .012$). Therefore, hypothesis nine is supported.

Table 8-3
Tests of Between-Subjects Effects

Source	Partial eta squared	Noncent. parameter	Observed power ^b
Corrected Model	.070	31.161	.999
Intercept	.931	5642.233	1.000
PlaceofBirth	.060	26.496	.999
Gender	.000	.051	.056
PlaceofBirth* Gender	.015	6.433	.716

Dependent Variable: Sum_Stress_Scores

a. R Squared = .070 (Adjusted R Squared = .063)

b. Computed using alpha = .05

It was hypothesized that German and Vietnamese respondents will have dissimilar scores for relationship and task orientations, and the current study supported these hypotheses as respondents in Vietnam appear to be more task-oriented and more relationship-oriented. Vietnamese respondents showed more concern for organizational efficiency and productivity and perhaps the “command and control” system has had some influence. The high power distance level could also be a factor that led to high task orientation scores. Gender was not a factor in the task orientation of respondents.

Stress perceptions from work overload appears to be significantly higher for Vietnamese respondents than for Germans. Perhaps German respondents have a more balanced work/life balance. Significant differences in stress perceptions were found based on gender between cultures; Vietnamese males and females appear to experience more stress than their Germans counterparts.

3. IMPLICATIONS AND LIMITATIONS

It is often assumed that employees from high-context cultures are likely to be more relationship-oriented. This research demonstrated that compared to the German respondents, Vietnamese are more focused on both their tasks and relationships. This research has shown that Vietnamese respondents from a high-context culture of Vietnam are just as task-oriented as they are relationship-oriented. This is a good implication for international business partners as well as local government leaders that Vietnamese working adults, beside their relationship orientation, will at least be as serious as Western people in getting the job done. They are accepting roles that are assigned to them, willing to comply with the instructions, and focusing on getting the work done efficiently and effectively to achieve the group goals. It is highly recommended that the key success factor in doing business with Vietnamese people is to build a good

relationship that is based on mutual trust, honesty, and long-term cooperation.

As Table 8-3 reported, there would be only 5.6% chance of finding a significant difference between the mean scores for work overload perception of males and females with our sample size.

relationship that is based on mutual trust, honesty, and long-term cooperation.

With a high level of work overload stress perception among Vietnamese working adults, global as well as local managers should develop optimal work load for the employees. At the personal level, Vietnamese respondents should learn how to deal with stress by applying proper time management: balancing one’s work-life relationship by effectively scheduling, planning and organizing one’s workload that works well with other activities for school and family. Individuals should be decisive in determining their priorities and limitations.

Stress has no gender. However, Vietnamese and German women have been increasingly taking on many roles that were previously considered just for men such as top management executives, political figures, or simply bread winners. Females have been increasingly adding more stress on themselves through multi-tasking at home and professional roles. Therefore, it is wise for both men and women to be fully aware of stress and learn how to cope with and relieve it in a positive manner (Puff & Moeckel, 1979). In high stress environments, employees tend to have more defensive behaviors such as engaging in minimal communication, expressing hard feelings and mistrust among others, isolating themselves from the group and maintaining an uncooperative relationship. In low stress environment, people tend to possess more collaborative behaviors, which create a more cooperative relationship and trust among others. Stress and ethical dilemmas are believed to exist simultaneously in organizational settings. Leaders tend to face ethical dilemmas when dealing with stressful situations (Mohr & Wolfram, 2010; Mujtaba & Sims, 2011).

One limitation is the fact that this study was conducted with a general adult population from different sectors and industries in Germany and Vietnam. Future studies can compare populations with similar working backgrounds and demographic variables such as comparing government

employees with the private sector. Another limitation is the small sample size of working adults who can speak fluent English. Thus, these results cannot be generalized to the larger population, especially those who do not speak any English. Future studies can be conducted on larger sample size with similar population and the surveys can be given in the local Vietnamese and German languages.

This research only looked at the work overload stress. Future research can examine other aspects of work and life that can cause stress. Finally, this study only focused on the German and Vietnamese respondents. Future studies can look into the task and relationship orientation scores of respondents in many countries from each continent, as well as the perception of stress across several different cultures to see if there is similarity or difference among these diverse people groups.

CONCLUSION

After reflecting on the behaviors of people from Germany and Vietnam, we can say for certain that these Vietnamese respondents are definitely more task and relationship-oriented. Vietnamese people also report a higher level of stress perception as well. Perhaps this is expected as Vietnam is now more industrialized with a competitive economy in the region.

This study has shed light into the differences in leadership behaviors and stress perception in Germany and Vietnam. Researchers and scholars can benefit from this study as it provides more empirical results regarding the stress orientation as well as relationship similarities and dissimilarities between adult Germans and Vietnamese based on gender and culture. Managers and practitioners can also benefit from the study as it provides real-world implications in doing business or in dealing with these working adults whatever they might be.

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The Transmission of U.S. Monetary Policy Shocks to the China's Output and Inflation: An Empirical Analysis

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Supported by the funding of the Special Fund of the Ministry of Education, Humanities and Social Sciences Planning Fund project (11YJA790169) and the Fundamental Research Funds for the Central Universities (105274906).

Received 3 July 2012; Accepted 12 August 2012

Abstract

We employ the SVAR model to examine the impact of U.S. monetary policy shock on the Chinese real output and inflation. Our main result shows that the effect of transmission of short-term international capital flows is stronger than the balance of trade and the world commodity prices index. The exchange rate of RMB has the weakest transmission effect. Expansionary monetary policy shocks of the United States will increase real output and consumer price index of China and the United States; but the U.S. real output growth is higher than that of China; China's consumer price index rise higher than that of United States. Based on this, China should gradually adjust economic growth model, increased the per capita disposable income and strengthen regulate the speculative short-term international capital flows.

Key words: Monetary policy shock; Transmission channel; SVAR model; Impulse response

XIAO Weiguo, ZHAO Yang (2012). The Transmission of U.S. Monetary Policy Shocks to the China's Output and Inflation: An Empirical Analysis. *International Business and Management*, 5(1), 21-26. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1055> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1055>

INTRODUCTION

Over the past decade, the Fed frequently used monetary policy instruments to intervene the market to ensure that the U.S. economy was able to maintain low inflation and sustained stable growth. During 2008 financial crisis, the Fed maintained the federal funds rate in the range of 0-0.25% to ensure market liquidity and boost market confidence. The frequent changes in Fed monetary policy would affect the China's economy. So, what's kind of the impact of U.S. monetary policy shocks on China's real output and inflation? What are the main transmission channels of the impact? How does the People's Bank of China deal with the impact of U.S. monetary policy shocks? The study of these issues can provide theoretical support for China in response to external economic shocks.

Foreign empirical studies (Kim, 2001; Holman & Neumann, 2002; Miniane & Rogers, 2003; Nils & Melanie, 2011) suggested that U.S. monetary policy shocks on the output of the developed countries had a positive effect. The monetary policy shocks of the developed countries had a negative output effect for the emerging economies (Mackowiak, 2006 & 2007). There are some differences in the reach conclusions of the domestic scholars about the impact of U.S. monetary policy shock on the Chinese output. ZHUANG (2009) considered that the expansion of the U.S. monetary policy through the balance of trade channels had a positive spillover effect to China's output, but the effect is less than its in G-7 countries. LI & LIANG (2011) believes that China's output has a negative effect in the short-term and long-term under the impact of U.S. monetary policy through exchange rate and trade balance channel. In these empirical studies, researchers mostly focused on the transmission channels of trade balance and exchange rate. They less considered the transmission channels of short-term international capital flows and international commodity prices.

In this paper, we employed the block structure vector autoregression (Structure VAR, SVAR) model to analyze the impact of U.S. monetary policy shocks on the real output and inflation of China. The remainder of this paper is structured as follows: Section 2 describes the model identification; Section 3 is empirical test; Section 4 is the empirical results. The conclusions and policy recommendations are in the Section 5.

1. THE MODEL IDENTIFICATION

In this paper, we impose the same period non-recursive constraint to simulate the Sino-US economic operation. The SVAR model must have to estimate more parameters. We need to constrain the relationship between variables to be able to identify monetary policy shocks and estimate the corresponding parameters.

Constraints I: The U.S. economy variables satisfied that U.S. current actual output is limited only by their own influence. The U.S. consumer price index is limited by the U.S. real output and the impact of itself in the current period. The U.S. federal funds rate in the current is limited by itself, the broader monetary aggregates and the world commodity price index. the USA broader monetary aggregates is limited by itself, the U.S. real output in the current

period, the impact of the U.S. consumer price index and the U.S. federal funds rate.

Constraints II: The China economy variables satisfied that China's real output in the current period is limited only by its own impact. The China's consumer price index in the current is **limited by itself, the actual output of China** and the U.S. federal funds rate. The narrow monetary of China in the current period is **limited by the actual output** and the consumer price index.

Constraint III: **The impact of monetary policy transmission** variables satisfied that the impact of world commodity price index in the current is limited by itself and all the remaining variables. The nominal exchange rate of U.S. dollar against the RMB is limited by itself and all the remaining variables in the current period. Sino-US trade balance is limited by itself and the U.S. real output, the U.S. federal funds rate, the nominal exchange rate, world commodity price index, China's actual output and the impact of the narrow monetary aggregates. Sino-US spreads is limited by itself, the U.S. federal funds rate and the United States monetary aggregates.

From above three constraints, we get the matrix of the constraints among variables. The expression of SVAR model is **equation (1)**. Among them, **NA** represents the parameters which are to be estimated. **u** represents the structural shock vector. **a** represents the disturbance vector.

$$\begin{bmatrix}
 1 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\
 NA & 1 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\
 0 & 0 & 1 & NA & 0 & NA & 0 & 0 & 0 & 0 & 0 & 0 \\
 NA & NA & NA & 1 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 \\
 NA & NA & NA & NA & 1 & NA & NA & NA & NA & NA & NA & NA \\
 NA & NA & NA & NA & NA & 1 & NA & NA & NA & NA & NA & NA \\
 NA & 0 & NA & 0 & NA & NA & 1 & 0 & NA & 0 & NA & 0 \\
 0 & 0 & NA & NA & 0 & 0 & 0 & 1 & 0 & 0 & 0 & 0 \\
 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & 1 & 0 & 0 & 0 \\
 0 & 0 & NA & 0 & 0 & 0 & 0 & 0 & NA & 1 & 0 & 0 \\
 0 & 0 & 0 & 0 & 0 & 0 & 0 & 0 & NA & NA & 1 & 0
 \end{bmatrix}
 \begin{bmatrix}
 \mathbf{u}_{y_{usa}} \\
 \mathbf{u}_{cpi_{usa}} \\
 \mathbf{u}_{r_{usa}} \\
 \mathbf{u}_{m_{usa}} \\
 \mathbf{u}_{exr} \\
 \mathbf{u}_{p_{world}} \\
 \mathbf{u}_{trb} \\
 \mathbf{u}_{r_{spreads}} \\
 \mathbf{u}_{y_{prc}} \\
 \mathbf{u}_{cpi_{prc}} \\
 \mathbf{u}_{m_{prc}}
 \end{bmatrix}
 =
 \begin{bmatrix}
 \varepsilon_{y_{usa}} \\
 \varepsilon_{cpi_{usa}} \\
 \varepsilon_{r_{usa}} \\
 \varepsilon_{m_{usa}} \\
 \varepsilon_{exr} \\
 \varepsilon_{p_{world}} \\
 \varepsilon_{trb} \\
 \varepsilon_{r_{spreads}} \\
 \varepsilon_{y_{prc}} \\
 \varepsilon_{cpi_{prc}} \\
 \varepsilon_{m_{prc}}
 \end{bmatrix}
 \quad (1)$$

2. EMPIRICAL TEST

2.1 Description and Processing of Empirical Data

The data sample is form the first quarter of 1996 to the fourth quarter of 2011. China and the U.S. macroeconomic data come from the CEInet OECD database and the U.S. Department of Commerce and Economic Analysis Department. The world commodity price index comes from the IMF database. We adjust the data by means of quarter X12. In the calculation of the variable's real value, we use the value of 2005 as the base period price index variables to adjust the variable. The Sino-US spreads is used to measure the short-term international capital flows.

In line with the treatment variable, R_USA represent the U.S. federal funds rate, M2_USA represent the United States of nominal monetary aggregates M2, Y_

USA represent the U.S. real GDP, CPI_USA represent the United States Consumer Price Index, P_WORLD represent the world commodity price index, EXR represent the U.S. nominal exchange rate against the RMB, TBR represent the Sino-US trade balance, R_SPREADS represent the Sino-US interest rate differential, M1_PRC represent narrow monetary aggregate M1, Y_PRC represent China's actual output, CPI_PRC represent China's consumer price index.

2.2 Unit Root Tests

In this paper, we take the ADF method to test the stationary of the time series. The test results of the variable stability are shown in Table 1. Based on test results, the time series are non-stationary in the 95% level of significance. By taken the first-order differential, time series pass the stationary test.

Table 1
Variable ADF Test Results

Variable	(C,T,L)	ADF test values (5%critical value)	Variable (difference)	(C,T,L)	ADF test values (5%critical value)
R_USA	(C,T,2)	-1.63 (-2.91)	R_US	(0,0,1)	-4.19 (-2.91)
M2_USA	(C,0,3)	-1.72 (-3.48)	M2_US	(C,0,2)	-5.14 (-3.48)
Y_USA	(C,T,4)	-1.29 (-3.48)	Y_US	(C,0,3)	-5.07 (-3.48)
CPI_USA	(C,T,0)	-1.45 (-3.48)	CPI_US	(0,0,0)	-5.14 (-3.48)
P_WD	(C,0,2)	-2.94 (-3.48)	P_WD	(0,0,1)	-6.34 (-3.48)
EXR	(C,0,4)	-0.63 (-2.91)	EXR	(0,0,3)	-3.82 (-2.91)
TBR	(C,T,3)	-2.25 (-3.48)	TBR	(C,0,2)	-9.97 (-3.48)
R_SDS	(0,0,1)	-2.511 (-3.48)	R_SDS	(0,0,0)	-3.04 (-2.91)
M1_PRC	(C,T,5)	-0.27 (-3.48)	M1_PRC	(C,0,4)	-7.55 (-3.48)
Y_PRC	(C,T,3)	-0.88 (-3.48)	Y_PRC	(C,0,1)	-7.12 (-3.48)
CPI_PRC	(0,0,6)	-1.62 (-3.48)	CPI_PRC	(0,0,4)	-3.63 (-3.48)

Note: (C, T, L) for the inspection forms, respectively, the constant term in the unit root test equation, the time trend and lag order.

2.3 Johansen Cointegration Test

We test the cointegration among the variable R_USA, EXR, TRB, P_WORLD and R_SPREADS to determine the existence of long-term stability of the U.S. monetary

policy shocks impact on the Chinese economy. We obtain the lag order of 4 by the LR statistic, the AIC criteria and the SC criteria. Johansen cointegration test results shown in Table 2.

Table 2
Johansen Test Results

Johansen cointegration test				
H0:Cointegration equation number	critical value	trace statistics	5% critical value	P-value
No equation *	0.547	85.694	60.061	0.0001
At most a cointegration equation	0.291	36.578	40.175	0.1100
At most two cointegration equation	0.130	15.283	24.276	0.4334

Note: The trace test indicate that a cointegration equation at the 5% confidence level.

* On behalf of the 5% confidence level to reject the null hypothesis.

At 95% confidence level, the number of cointegration equation $r = 1$. There exists only one cointegration relationship between these four variables. The cointegration equation is equation (2):

$$R_USA = 53.936EXR + 2.208TRB - 2.048R_SPREADS - 0.957P_WORLD \quad (2)$$

According to the equation (2), we found that the U.S. federal funds rate, the nominal exchange rate and the Sino-US trade balance are in the same direction. The Sino-

US interest spreads and world commodity price index showed changes in the opposite direction with the U.S. federal funds rate.

2.4 Impulse Response Results

We assume that the Federal Reserve cut the federal funds rate by 100 basis points. We can get the response of the Sino-US economic variables. All cumulative responses of the variables are shown in Figure 1 to Figure 10.

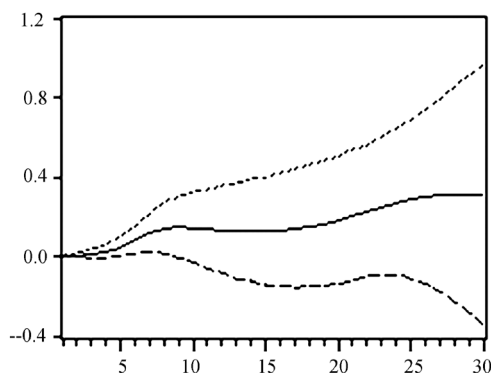


Figure 1
Response of Y_US

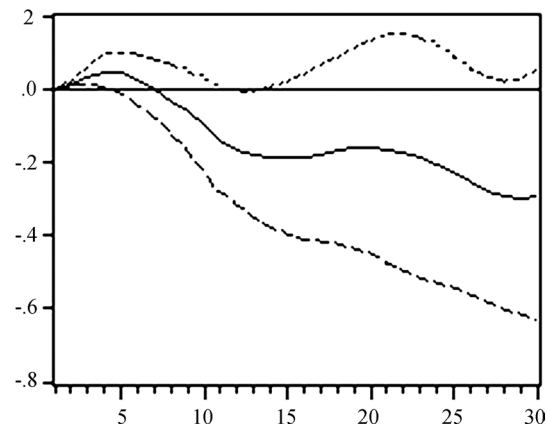


Figure 4
Response of EXR

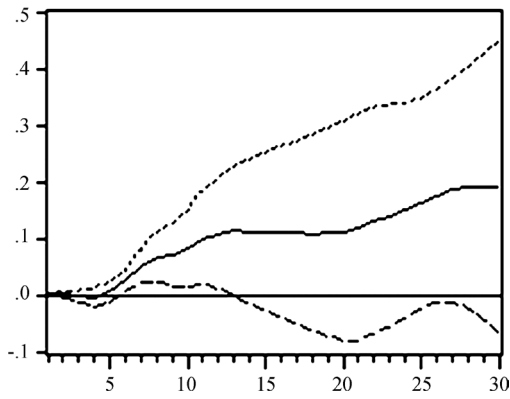


Figure 2
Response of CPI_USA

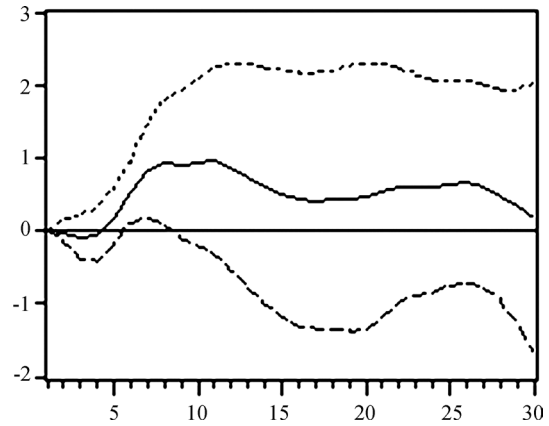


Figure 5
Response of P_WORLD

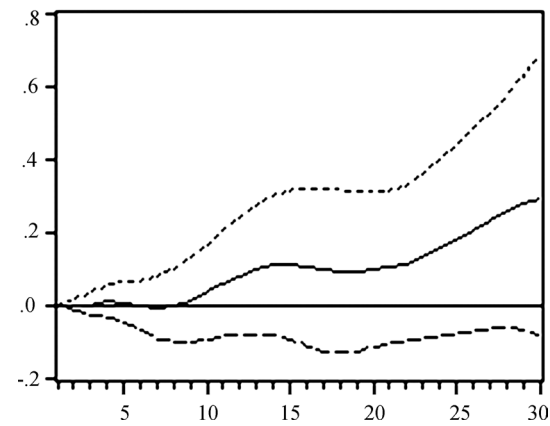


Figure 3
Response of M2_USA

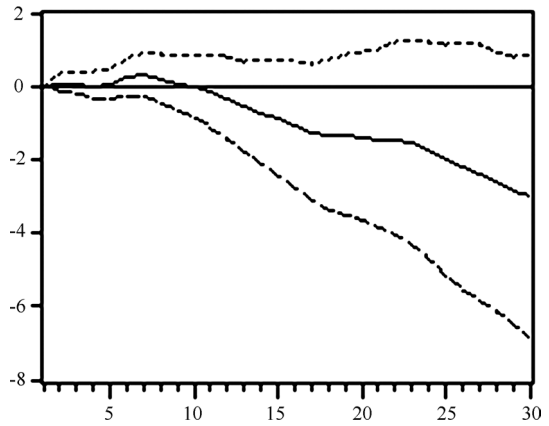


Figure 6
Response of TRB

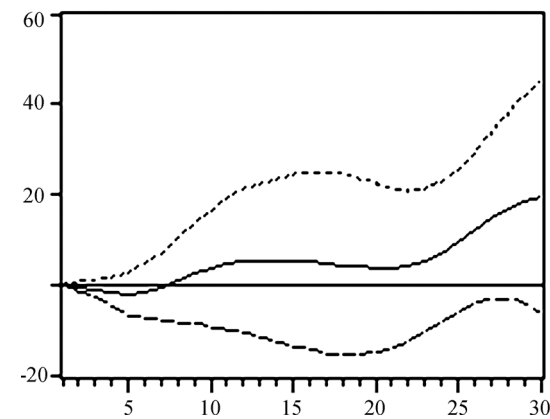


Figure 7
Response of R_SPRDS

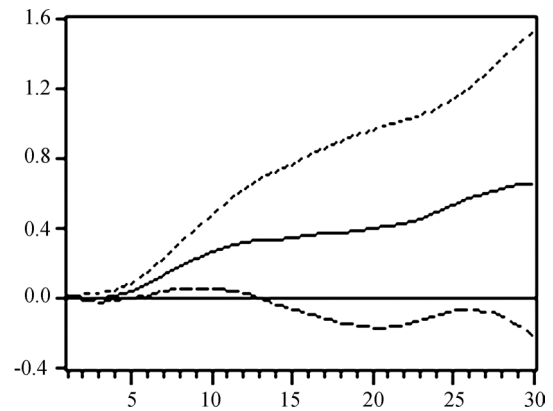


Figure 9
Response of CPI_PRC

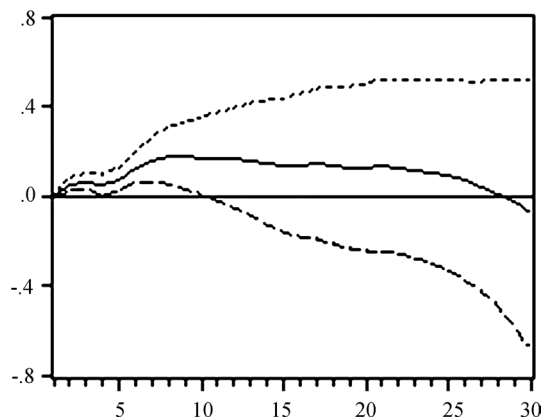


Figure 8
Response of Y_PRC

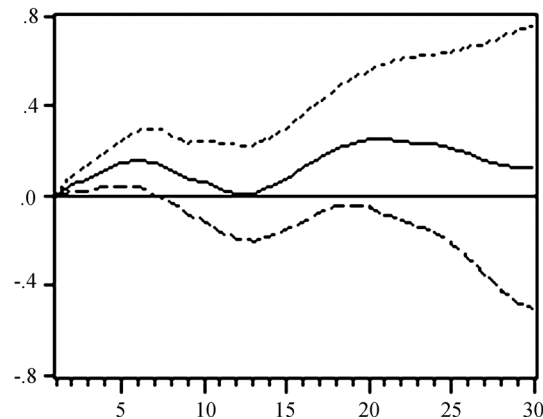


Figure 10
Response of M1_PRC

3. THE EMPIRICAL RESULTS

3.1 The Analysis of U.S. Monetary Policy Shocks on Their Own Economic

From the Figure 1 to Figure 3, the response of real output and consumer price index lagged three quarters. The nominal money supply response lagged eight quarters. Expansionary monetary policy can increase the actual output of the United States, the U.S. consumer price index and the nominal money supply. During the observation period, the largest U.S. real output increased by nearly 0.4 percentage points, the largest U.S. consumer price index increased by nearly 0.2 percentage points, the nominal money supply increased by nearly 0.3 percentage points. The percentage of growth of real output in the United States more than the percentage increase in the consumer price index.

3.2 The Transmission Channel Analysis of U.S. Monetary Policy Shocks on Real Output and Inflation in China

The U.S. monetary policy transmission channel included the exchange rate, trade balance, international commodity prices and international capital flows. During the observation period, we found that the nominal exchange rate of U.S. dollar against the RMB and U.S. interest rate rapid response the U.S. monetary policy shocks. It almost has no time lag. The world commodity prices and the Sino-US trade balance have four quarters and six-quarter lag response, respectively. This suggests that U.S. monetary policy shocks in the early transform mainly depended on the channel of RMB exchange rate and short-term international capital flows. The RMB nominal exchange rate show a phenomenon of short-term depreciation and medium or long-term appreciation. The highest increase is less than 0.1 percentage points and then began to decline. The biggest drop is 0.3 percentage points in the previous four quarters. Sino-US trade balance in the previous six

quarters has almost no response, mainly due to international trade in commodity prices are mostly ahead of the signing of the contract. After six quarters, with the gradual appreciation of the nominal exchange rate, it increased the Chinese imports and exports. The Sino-US trade balance gradually reduced. During the observation period, the Sino-US trade balance reduced the highest rate of nearly 3 percentage points. Sino-US spreads change from negative to positive after five quarters. After five quarters, the interest rate spread during the observation period came up 200 basis points. World commodity prices increased gradually after five quarters. The increase of the world commodity price will lead to add the domestic cost of production of goods and improve the China's inflation expectations. We found that the most important policy transmission channels is the short-term international capital flows.

3.3 The Analysis of the Impact of U.S. Monetary Policy Shocks on Real Output and Inflation in China

There is a positive spillover effect about the U.S. expansionary monetary policy shocks on China's real output, but in the long term this positive effect gradually will be weakened. From the Figure 8 to Figure 10, we found that during the first 28 quarters of U.S. monetary policy shocks on real output in China, it has a positive spillover effects. The real output of China is the highest increase of 0.2 percentage points. After 28 quarters, China's real output started to decline. China consumer price index lagged response to the U.S. monetary policy shock. After three quarters, China's consumer price index began to rise, and rise up to 0.6 percentage points.

To compare with the U.S. monetary policy on the real output of the United States and the United States consumer price index, the highest rise in the proportion of China's actual output is lower than the highest rise in the proportion of the U.S. real output, but above the highest rise in the proportion of the Chinese Consumer Price Index is

larger than U.S. consumer Price Index over the proportion. This suggests that the role of the Federal Reserve's expansionary monetary policy shocks on U.S. real output is over the role in promoting China's actual output; the impact of the Fed's expansionary monetary policy shocks on the U.S. consumer price index is less than on the Chinese consumer price index.

THE CONCLUSIONS AND POLICY RECOMMENDATIONS

Dynamic analysis of the impact of U.S. monetary policy shocks on real output and inflation of China, we get several conclusions: First, the impact of the U.S. expansionary monetary policy increase the U.S. real output and China's real output, but the increases in real output in China are less than the increase in U.S. real output. Second, the U.S. expansionary monetary policy shocks increase the U.S. consumer price index and consumer price index of China, China's consumer price index rises higher than the U.S. consumer price index. Third, the most significant channel is the short-term international capital flows, followed by the Sino-US trade balance channel and the international commodity price channel, the exchange rate channel is not significant.

Based on this, China should gradually improve interest rate formation mechanism and enhance exchange rate flexibility, the adjustment of economic structure, transform the economic growth mode, improve residents' disposable income, boost domestic demand market, gradually reduce the proportion of foreign trade in GDP and strengthen regulate speculative short-term international capital flows.

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The Effect of Accountability on Confidence Level and Resistance to Changing of Accounting System

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Received 29 May 2012; Accepted 14 July 2012

Abstract

The aim of this paper is surveying the effect of commitment on judgment about desirability of accounting system and also the effect of accountability on normalizing of overconfidence and resistance to change. In order to testing the hypotheses, an experimental study has been conducted in the research. In the first stage of the study, the subjects were divided into committed and uncommitted groups. In the second stage, participants were divided into accountable and unaccountable groups. Then the reaction of the subjects to two types of accounting systems was surveyed. The findings of the research showed that commitment to an accounting system resulted to increase of desirability of the chosen system and attenuation in desirability of the alternative system. It has been also observed that the people, who are committed to an accounting system, have remarkable confidence to their choice; so in corollary resulted in resistance to change. Moreover, accountability about negative consequences of their decision can reduce these effects. The results of this research increase our perception on peoples' motivations about making the best use of the advantages of the chosen system; it would be useful when a change in accounting system is needed. It's also a guide for finding a way for coping with resistance.

Key words: Accountability; Commitment; Confidence; Resistance to change; Cost allocation system

Ahmad Khodamipour, Gholamreza Hajizadeh, Zanyar Sajjadi (2012). The Effect of Accountability on Confidence Level and Resistance to Changing of Accounting System. *International Business and Management*, 5(1), 27-32. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1005> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1005>

INTRODUCTION

Today professional accountants are acting in a multifaceted environment which is changing constantly. Advancement in information technology is continuing with an incremental speed. Business firms are changing their practical manners and their management structures are trying to cope with environmental competition.

Competition is forcing the business units to reduce their costs and improve the performance; so they should present better services with the least possible price which is favorable to customers. Thus, firms should develop their functional process for the accurate report of cost and the information should be in a way that helps manager to reduce the costs.

We can see much attention on resistance to change in management accounting literature. With regard to rapid change in production systems, especially measureless change in information technology, changes in accounting systems for providing related and on-time information, which is needed for managers, it's been expected that the changes are remarkable.

Thus, in this research we are trying to answer the following questions:

- (1) Does commitment to an accounting system affect the judgment of people about its desirability?
- (2) Does commitment to an accounting system result to overconfidence about that?

(3) Dose accountability for performance attenuate confidence level of accounting system?

(4) Does commitment to an accounting system result to high resistance to change?

(5) Dose accountability for performance attenuate resistance to change of accounting system?

The researches which have done on changes in accounting systems have concentrated mostly on organizational aspects and there are much fewer studies on resistance to change in individual levels. So our purpose is surveying resistance to change of accounting systems at individual levels.

1. THE LITERATURE REVIEW

Coch and French (1947) have done a study about resistance to change. The aim of study was to understand why production workers defend against change and what should do to cope with this phenomenon. They found that the group which didn't have collaboration was heavily resisted to change. However, the group which had collaboration via an agent, show less resistance and the third group which directly involved had no resistance.

Allen (1974) demonstrated conflicts after the decision (after selection of a specific way by people) is occurred when that acquisition of all options is impossible.

In an experimental study, Foran and Decoster (1974), with the use of inconsistency mental approach, observed the effect of collaboration, autocracy, and feedback on attitudes about executive standards that they have collaborated in their preparation. They found that there would be a significant increase in commitment to standard if the feedback be useful.

Tiller (1983) performed another experimental study with the use of Foran and Decoster's developed model. The results showed that collaborative budgeting increase commitment to achieving budget objectives and make its implementation trouble-free.

Nemeth and Rogers (1996) found that when decision makers feel committed to a preferred alternative, they will engage in confirmatory-biased information search leading to the maintenance of their initial position. Confirmatory bias – the tendency to emphasize and believe information that supports one's views and to ignore or discredit evidence that does not – may increase the likelihood of bad outcomes.

Sullivan and Smith (1993) found that personal resistance to change is the main cause of companies' failure in achieving to complete advantages of innovations.

Ness and cucuzza (1995), Argyrise and Kaplan (1994), Sullivan and Smith (1993) found that activity based costing creates new visions about related costs and activities with earned value, but managers defend against changes in the cost allocation system.

Innes (2000) performed a study on activity based costing in holdings of UK from 1994 to 1999. He found that commitment to existed systems could be effective in deficiency of innovation in management accounting.

Tetlock *et al.* (1989) showed that how responsibility affect peoples' behavior. They found when people explicitly committed to a special issue; they will try for its justification.

Beller and Hunton (1995) surveyed the effect of explicit disclosure on zealotry to selected guidelines. They found that the people who explicitly state their selection, their arrogance increases related to others; even when the feedback in negative. Tendency to insistence on mistaken decision has been approved in other studies.

Brown (1999) found that auditors accept the information which supports their hypotheses aligned with criteria. However, they survey unfair about the information which makes their hypotheses unreliable.

Jermias (2001) found that after selection of a specific cost allocation system, people tend to search the information which shows the advantages of the chosen system versus the alternative one. So they decline to present the information which is in contrast with this.

In another study, Jermias (2006) found that commitment to a particular cost allocation system results in an increase in desirability of chosen system and decrease in desirability of the alternative system. Results also showed that the people who committed to particular cost allocation system show more confidence to their chosen system which causes to the high resistance to change. Although accountability aligned with negative consequence of decision cause to decrease in confidence level and lower resistance to change.

2. HYPOTHESES

In order to survey the effect of commitment on judgment of people about desirability of cost allocation system and the effect of accountability on confidence level and resistance to change, six hypotheses were tested as follows:

(1) The people who select their cost allocation system give more score to their chosen system than others.

(2) The people who select their cost allocation system give fewer score to the alternative system than others.

(3) Lack of accountability cause the people who are committed to their chosen system to show more confidence than others.

(4) Accountability reduces the effect of commitment on confidence level in the way that accountable and committed people show less confidence level than uncommitted and unaccountable people.

(5) Lack of accountability causes the people who are committed to their chosen system to show more resistance to change of their chosen system than others who aren't committed.

(6) Accountability reduces the effect of commitment on resistance to change in the way that accountable and committed people show less resistance than committed and unaccountable people.

3. METHODS SUMMARY

The method which used in this study is semi-experimental. At the first stage of study, two groups of subjects were used: committed and uncommitted groups. At first information about two cost allocation systems (traditional cost allocation system and activity based costing system) was given to the groups. Committed group was asked to select one of the systems and state the reason for their choice upon the information that was given to them. It's been assumed that they are committed to the system if they select it and bring reasons to support it. Then subjects were asked to answer fourteen questions about these two systems. People of the uncommitted group were asked to answer the questions after reading information about two cost allocation systems.

At the second stage, all the participants were divided into two clusters: accountable and unaccountable clusters.

In this stage, participants were asked to play the role of a firm's manager. In this way, they were given information about cost of three products and were asked to give us the price of their products. Participants were told if their proposed price is lower or equal to market share, they would sell a unit of their products and their profit would be equivalent to the difference between selling price and cost of product. Otherwise they won't sell any product and so their profit would be zero.

Participants were also told that their assumed profit would be compared with the market average and if their profit is less than average, they should be accountable for this. So they should be responsible for their negative feedback. However, people in the unaccountable group were not obliged to justify their performance.

Regarding to this research which surveys the effect of accountability on confidence level and resistance to change, assumed market average is chosen in the way that all participants have negative feedback.

In order to measure validity of the research tool, choronbakh alpha with the use of SPSS were used. Alpha coefficient for this tool is 77%, which shows that it is valid enough.

Population of this research involves accounting students of Shahid Bahonar university of Kerman which are experienced in their field.

For determining sample, Cohen's tables were used. Regarding to that there are two groups in this research, significant level of $\alpha=0.5$ and effect volume of $(1-\beta) = 0.50$ was chosen. With selection of 26 subjects within each group, regard to Cohen's tables, test power was calculated as 97%.

Statistical methods used throughout this research are descriptive and comparative, including average, variance, standard deviation and t-test at 5% confidence level. Statistical hypotheses for each hypothesis are as follows:

$$H_0: \mu_1 \leq \mu_2$$

$$H_1: \mu_1 > \mu_2$$

In this research Likert's spectrum was used which people score the question between 1 to 7. 1 indicates that completely disagree and 7 means completely agree.

4. FINDINGS

4.1 Test of the First Hypothesis

The first hypothesis of the research is stated as follow:

H0: the average of committed group scores to the chosen system is less or equal to average of uncommitted group scores.

H1: the average of committed group scores to the chosen system isn't less or equal to average of uncommitted group scores.

The results are shown in Table 1.

Table 1
Test of the Hypotheses

Description	Hypothesis number #	Committed group		Uncommitted group		Test		Test result
		Average	Standard deviation	Average	Standard deviation	T-Test	P-Value	
Desirability of chosen cost allocation system (in use)	1	5.91	0.591	4.96	0.991	4.349	<0.001	reject
Desirability of the alternative cost allocation system	2	3.51	0.764	5.05	0.895	6.662	<0.001	reject
Confidence level to the in use system	3	3.90	0.949	2.76	0.813	2.273	<0.001	reject
Confidence level to the in use system	4	3.15	0.800	3.90	0.949	2.177	<0.001	reject
Tendency to change of in use system	5	3.23	1.535	5.69	0.947	4.918	<0.001	reject
Tendency to change of in use system	6	4.923	1.552	3.23	1.535	2.794	<0.001	reject

Regarding to Table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Accordingly, it can be stated generally the people who select their

system, at 95% confidence level, give more score to their chosen system related to others.

4.2 Test of the Second Hypothesis

The second hypothesis of the research is stated as follows:

H0: the average of uncommitted group scores to the alternative system is less or equal to average of committed group scores.

H1: the average of uncommitted group scores to the alternative system isn't less or equal to average of committed group scores.

The results are shown in Table 1. Regarding to Table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Accordingly, it can be stated generally the people who select their system, at 95% confidence level, give fewer score to the alternative system related to others. Average score of committed and uncommitted groups to the chosen and alternative system is shown in Figure 1.

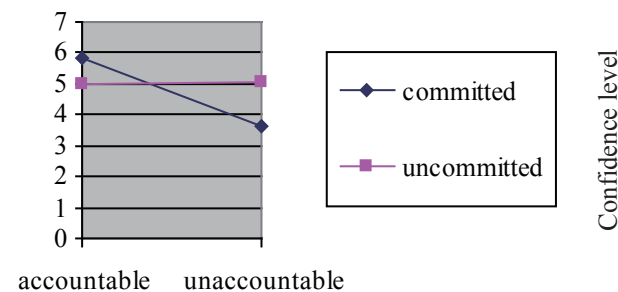


Figure 1
Average Desirability Scores of Committed and Uncommitted Groups for Two Cost Allocation Systems

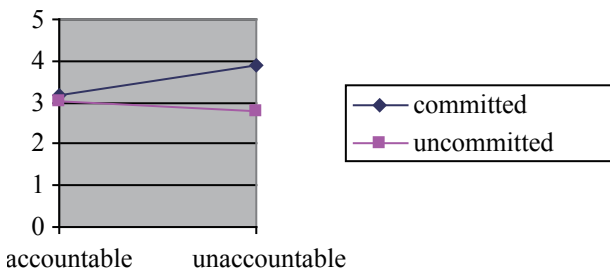


Figure 2
Confidence Levels Chart for Committed and Uncommitted Groups at the Condition of Accountability and Unaccountability

4.3 Test of the Third Hypothesis

The third hypothesis of the research is stated as follows:

H0: at the condition of unaccountability, average confidence level of the committed group to the chosen system is less or equal to average confidence level of the uncommitted group.

H1: at the condition of unaccountability, average confidence level of the committed group to the chosen system isn't less or equal to average confidence level of the uncommitted group.

Regarding to Table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Results

indicate that at 95% confidence level, people within the committed group have more confidence to their chosen cost allocation system than the ones within the uncommitted group.

4.4 Test of the Fourth Hypothesis

The fourth hypothesis of the research is stated as follows:

H0: average confidence level of the unaccountable group to the chosen cost allocation system is less or equal to average confidence level of the accountable group.

H1: average confidence level of the unaccountable group to the chosen cost allocation system isn't less or equal to average confidence level of the accountable group.

Regarding to table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Results indicate that at 95% confidence level, accountable group show less confidence level to their in-use cost allocation system than the unaccountable group. Chart 2 shows the average confidence level of the committed and uncommitted group in accountability and unaccountability condition.

4.5 Test of the Fifth Hypothesis

The fifth hypothesis of the research is stated as follows:

H0: average tendency to change of the system in uncommitted group is less or equal to average tendency of committed group.

H1: average tendency to change of the system in uncommitted group isn't less or equal to average tendency of committed group.

Regarding to Table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Results indicate that at 95% confidence level, committed group show more resistance to change of the in-use system than uncommitted group.

4.6 Test of the Sixth Hypothesis

The sixth hypothesis of the research is stated as follow:

H0: average tendency to change of system in the accountable group is less or equal to average tendency of unaccountable group.

H1: average tendency to change of system in the accountable group isn't less or equal to average tendency of unaccountable group.

Regarding to Table 1, H0 hypothesis is rejected and H1 which is the research hypothesis is accepted. Results indicate that at 95% confidence level, accountable group show less resistance to change of the in-use system than the unaccountable group.

Figure 3 shows average tendency to change of the system in the committed and uncommitted group at the accountability and unaccountability situations.

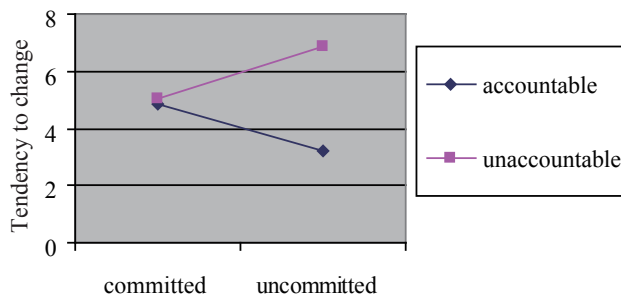


Figure 3
Average Tendency to Change of the System in the Committed and Uncommitted Groups at the Accountability and Unaccountability Situations

CONCLUSION

This research at first survey the effect of commitment on judgment about desirability of cost allocation system and then examine the role of accountability in mitigating overconfidence and resistance to change. It's been seen that the people who are committed to a particular cost allocation system give more utility scores to desirability of the chosen system related to others (uncommitted people). Results also showed that committed people concluded that advantages of the alternative system are poor.

It has been perceived that commitment to a particular cost allocation system results in overconfidence to chosen system and also high resistance to change. Accountability reduces the effect of commitment on confidence level and resistance to change. Even though the people who select their accounting system show more confidence levels and high resistance to change in comparison to the people who are using a system (instead of selecting the system), but making them accountable about negative outcomes of their decision resulted in reduce in confidence level and thus their resistance to change was attenuated significantly. The remarkable point of this research was that uncommitted people without accountability show many tendencies to change. One reason may be that some of the participants think that performance criteria which were used in the research weren't suitable. This factor could probably be solved by selecting the criteria with collaboration of participants.

This research helps to accounting literature in two ways. First, it provides a framework for studying the effect of commitment on judgment of people about cost allocation system and the role of accountability in mitigating of confidence level and resistance to change. Information about infra-motivators, justification and, etc. which result in resistance of people to change helps the researchers and professionals to have a better conceive about causes of resistance to change. It also helps us to find the ways that could reduce justification, resistance to change and confidence level.

Second, the result does not only increase our knowledge about motivation of people in using the chosen system; it is also a guide for find the way to cope with resistance to change and confidence level. Results show that people, who are committed to a particular system, confide it and they don't like to change it. However, accountability reduces confidence level and resistance to change.

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The Research on Financial Leasing and China's Small Micro Enterprises

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Received 15 June 2012; Accepted 26 July 2012

Abstract

The financing difficulties is China's small micro enterprises existence a universal problem, it has become the main small micro enterprises development of a bottleneck. The financial leasing in the service of small micro enterprises has marked effect. First, to broaden the financing channels of small micro enterprises, second, reduce the fund pressure of small micro enterprises, and the third, promote the technology innovation of small micro enterprises, fourth, promote the market development of small micro enterprises. Due to lack of necessary knowledge on financial leasing, corresponding policies imperfect, lack of the necessary capital supply, affecting the development of financial leasing. To promote the development of financial leasing, China should establish uniform management system, improve the relevant policies, expand the funding sources of financial leasing.

Key words: Small micro enterprises; Financial leasing; Role; Problems; Suggestions

YANG Jianping (2012). The Research on Financial Leasing and China's Small Micro Enterprises. *International Business and Management*, 5(1), 33-37. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0159>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0159>

INTRODUCTION

Small micro enterprises in the process of economic development of China plays a more and more prominent

role, however, China's small micro enterprises generally faced the difficulty of shortage of funds. How to solve the financing problems of small micro enterprises is a hot issue in China's economic development. Studies have shown that financial leasing is an effective way to solve the financing difficulties of small micro enterprises in China. Positive development of financial leasing, can effectively resolve the financing problems of small micro enterprises, thereby promoting economic development.

Financial Leasing as a new way to trade, it put the traditional rental, trade and financial way all organic combination up, be understood as a financing bank loans and capital markets after the third road. Financial leasing has the dual function of financing and financial objects, has its unique advantages in the service of the real economy, especially in services to small micro enterprises. In 2010 June, Chinese financial authorities issued further completes the small micro enterprise financial service work certain opinions, requirement to the development of the financial leasing business. The full display financial leasing's function, may promote the small micro enterprise's development effectively.

1. FINANCIAL LEASING IS THE IDEAL FINANCING OPTIONS FOR SMES IN CHINA

Because China's small micro enterprises financing channel is narrow, the financial leasing in service for small companies can give full play to the advantages provided a condition.

The enterprise financing way has stockholder's rights financing and the creditor's rights financing two types. Stockholder's rights financing can be divided into two forms: public offering and private collect. The public to raise financing is IPO financing. From the present situation of the development of China's capital market see, through the IPO of the financing of enterprise are

only a small part, thousands of companies listed on the inside and outside is only a very small part of the tens of millions of enterprises. Do not need to undergo a rigorous listing of the audit through a private placement financing, relatively speaking, easier to achieve financing, however, due to the operation of the private equity funds to achieve legalization, even though the public has a lot of private equity funds exist, but really be able to supply the amount of money is relatively limited. On the creditor's rights financing, at present China's form of creditor's rights financing is single, mainly bank credit channel. Bank considering security problems, often to provide money for a credit ratings, the strength of large enterprises, in addition, due to the bank credit market degree is relatively low, not established truly mature enterprise credit rating system, especially the rating system of the small micro enterprises, so that the bank credit activity impossible cover a much wider range of debt financing needs, only to meet a range of financing demand. So, small and medium-sized enterprises, especially small micro enterprises financing constraints become enterprise development of a bottleneck.

Financial leasing way was invented in the 1950s, as a kind of long-term debt financing, is by the lessor according to the lessee's need, in advance in accordance with the contract, the lessee to designated betray a person to buy the lessee designated fixed assets, in the lessor has the fixed assets under the premise of ownership, to the lessee pays the rent for conditions, will be a period of time fixed assets and earnings of the right to transfer to the lessee.

Financial lease financing way has several obvious features: First, the lessee may have a full financing. Second, can save the lessee's capital investment, reduce business cash flow pressure. Third, the leased equipment is selected according to their needs to determine by the lessee. Fourth, lease activities involve at least three parties, can form the mutual restrict. Fifth, after the expiry of the lease, the lessee of the equipment used dispose of the three options remain to purchase, renew or surrender of tenancy rights. At the same time, the financial leasing has the function of financing and product promotion function. Financial leasing's characteristic and the function speaking of the financing channel narrow small micro enterprise, is one relatively ideal financing solution way. Therefore, financial leasing has superiority serves for the small micro enterprises, it easier to become one kind of substitution choice of small micro enterprises long-term creditor's rights debt financing.

2. THE ROLE PLAYED BY FINANCIAL LEASING SERVICES TO SMES

Financial leasing advantage decided it has a unique role in service for small micro enterprises.

Financial leasing has the following advantages: First, provides professional services for small micro enterprises. Leasing companies often choose some specific industry

to carry out leasing business, can provide enterprises with professional services. In the process of cooperation with the enterprise, the leasing company in addition to providing financing service outside, with the development of it industry, enterprise to the understanding of the profit model, and master the management of the enterprise, which objectively can play on small micro enterprises guidance. Second, procedure is simple, flexible service. Usually, the small micro enterprises has short, anxious, the quick characteristic to the fund demand. Compared with the bank credit, financial leasing to the lessee of assets and liabilities of the requirements is not high, do not need to strict examination and approval, only need to the lessee of the future cash flow of an investigation. The small micro enterprises with rents the company to work out the different contract, satisfies the tenant to the cash flow request, the rent payment pattern may also process nimbly. Therefore, financial leasing way more accord with small micro enterprises capital demand characteristic. Third, helps small micro enterprises to reduce operation risk. Not afford to buy production equipment, the lessee obtained through financial leasing equipment, the project put into operation as early as the early benefit from improved operating efficiency. The financial leasing reduces the outflow of funds for the enterprise equipping. Financial leasing scheme is designed with a certain degree of flexibility, leasing companies can be tailored according to the enterprise's cash flow rent repayment plan, avoid enterprise repayment pressure too concentrated, thereby reducing the financial risk. Entered into a lease contract, the equipment prices, rentals and other important issues are to determine the one-time, the lease term remains fixed, thus reducing the uncertainty due to price fluctuations in the process of renting.

Because financial leasing has the advantage, therefore, it plays a unique role in service for small micro enterprises.

2.1 Expand the Small Micro Enterprise's Financing Channel

Bank considers to the safety of the credit funds to set up corresponding assets loan mortgage conditions, the small micro enterprises are restricted by many factors, it is difficult to obtain loan from the bank. Compared with the cumbersome procedure of the bank loans, financial leasing often do not require the lessee to provide credit guarantee finance simplicity, therefore, the financial leasing for those in the early days, there's no mortgage assets, the lack of complete credit history, asset-liability ratio higher small micro enterprises, especially small micro enterprises in the start-up stage to provide a realistic financing channels.

2.2 Reduce the Small Micro Enterprise's Fund Pressure

Compared with corporate self-purchase of equipment, through financial leasing, the lessee pays the rent way to obtain the right to use of machinery and equipment, a

combination of financing and investment, to create the operating profit. Although the equipment not getting the ownership of the equipment, but, the enterprise to pay the rent for the far less than the amount needed for the lump sum investment financing volume. With the aid of financial leasing, the lessee is by equipment, return the money, namely to rent way to pay for the equipment. The rent installment payment amount by the lessee and the lessor is both in their cash flow condition considered after certain, beneficial to the lessee cash flow, managing enterprise capital expenditure, reduce the financial pressure. In addition, because of the financial leasing is not included in the company's balance sheet, through financial leasing enterprises can reduce the rate of assets and liabilities, for the enterprise development laid the foundation for other financing activities.

2.3 Promote the Small Micro Enterprise's Technological Innovation

Financial leasing can make both supply and demand meet directly, reduce the intermediate link, so as to facilitate the equipment into the fields, and drive enterprise production development, financial leasing to become the link of enterprises cohesion production and sales. Due to the strength of strong small micro enterprises reduce the full risk of equipment investment, so that enterprises have more energy to track changes in the market, accelerate technical innovation pace, produces more competitive products. Small micro enterprises through financial leasing to reduce the burden of equipment investment, quickly get the needed technology and equipment. This way can shorten the technological transformation of the enterprise and equipment renewal cycle, through the continuous rent advanced equipment to shorten the time machine equipment use, thus speeding up production equipment renewal, maintain production technology lead, and seizes the market opportunities.

2.4 Promote the Small Micro Enterprise to Develop the Market

Financing and the sale are two difficult problems which the small micro enterprises faces. Financial leasing has not only solved enterprise's financing problem, moreover the help enterprise has developed the market. May reduce the selling expenses through financial leasing, reduces purchases the threshold, enhancement customer purchase ability, to reduce sells link's account receivable and the time sale risk. At the same time, because financial leasing is one kind manages the behavior, between the lessor and the tenant maintains continually the good communication condition, the tenant can act according to the customer feedback the information, carries on the renewal and the consummation to the product, maintains the product the lead. Through financial leasing, may communicate the finance, the trade, to produce three markets, the guidance capital reasonable order is mobile, promotion financial capital, industrial capital and trade capital fusion.

3. THE PROBLEMS OF CHINA'S FINANCIAL LEASING AND WHY

2011 China financial leasing industry development report shows, to the end of 2011, 286 Chinese operations in the book all types of financial leasing companies, financial leasing contract balance of approximately 930 billion yuan. Should say, financial leasing industry development scale and the development of the Chinese economy condition is don't match.

3.1 Problems of Financial Leasing

Although China financial leasing business started in 1981, but look on the whole, it is still a new business in China, is still in the initial stage of development, the external market environment, the legal environment is still not perfect and mature. As the main body of market rental company professional skills, management level, risk control ability has yet to be further improved. *2011 China financial leasing industry development report* listed the problems of China's financial leasing industry: First, to financial leasing profession understanding existence erroneous zone. The Department concerned thought that financial leasing will boost the inflation, thus, the financial leasing company has adopted the scale control policy, rented enterprise's sources of fund to come under the influence. Second, financial leasing business in areas around the development is not balanced. As 90% of all types of financial leasing companies are concentrated in 30 cities, including Beijing, Shanghai, Tianjin, while the rest of the country more than 200 Earth-level above the city, including some capital cities, has not a financial leasing company. Third, relevant laws and regulations are not perfect. The development of financial leasing industry still lacks a unified and effective judicial safeguard. Fourth, financial leasing company's risk awareness is still relatively weak. The country related supervisory department's supervision system is not perfect. Many lease enterprises did not set up effective risk control mechanism. Some lease enterprise on a smaller scale, but business promoting soon, capital adequacy ratio even less than 1%. Some comprehensive lease in the business enterprise develop, after-sales back to the proportion of the rent is too big. In addition, China's financial leasing industry regulation is not uniform. China's financial leasing industry, according to the different nature of the investor, by the People's Bank of China, the CBRC, the CSRC, the Ministry of Commerce of China, both funded by commercial banks or the four asset management companies, non-bank financial institutions supervision by the CBRC, also includes by each kind of non-financial enterprise investment, the Ministry of Commerce of China is responsible to supervise, not to include the financial organ to rent the company.

3.2 The Cause of the Problems

The main reason is to influence the development of China's financial leasing: First, the society lacks the enough understanding to financial leasing. Looking from the idea angle, the China's enterprise is accustomed to have equipment's property rights, makes every effort itself to have the machinery equipment. This has created the partial machinery equipment idle condition to a certain extent. In fact, the lease can greatly improve the utilization of equipment. Second, a comprehensive policy package problems. Leasing penetration is far lower than developed countries, is incompatible with the speed and level of development of China's economic development, one important reason is related legal construction to lag behind the development of the leasing industry. In China, the lack of a unified financial leasing legislation and supporting regulations are not perfect, under the existing law of contract, the reality of laws system, rents the power is the relations obtains the effective safeguards with difficulty. Third, the money supply problems. Leasing companies lack the necessary financing channels and means of financing, financial leasing is not according to the market demand for independent raise funds, therefore, difficult to meet the demand for rental business.

4. THE SUGGESTIONS OF PROMOTE CHINA'S FINANCIAL LEASING DEVELOPMENT

In view of the financial leasing to small micro enterprises with outstanding advantage, the state should be the development of financial leasing to give more accommodative policy. China since launching financial leasing business since, after more than 30 years of development, has initially formed a certain scale, but, due to the management system of unity, leasing company business scope narrow, rental agencies such as less problems affecting the development of financial leasing and function. To speed up the development of financial leasing, should be united financial leasing management system, to strengthen the management of the lease. The government should set up and perfect the financial leasing legislation, perfect the preferential policy. By expanding the sources of funding in the financial leasing, and promote the development of financial leasing.

4.1 To Establish a Unified Financial Leasing Management System

Due to the management system, financial leasing management is not uniform, the pattern of inconsistent regulatory system. Different types of leasing companies have different management practices, their ability to finance is not the same, large differences in market activity, unequal competition within the industry, thus affecting the development of financial leasing. The

Government should set up a national leasing association, to establish a unified management system to realize the unified management of the financial leasing. Come on stage of industry standards and work out unified industry standard, unified the self-discipline issued management measures, clear all kinds of market access conditions of the leasing company, business scope and operating procedures, improve the system of supervision and management indicators.

4.2 Improve the Relevant Supporting Policies

Speeding up the financial leasing legislation, establish and perfect the financial leasing regulations, standardize all kinds of financial leasing company's products, clear all kinds of financial leasing company equal legal status. Perfect the corresponding preferential policies. Because of the financial leasing has strong cross industry characteristics, facing the tax, license, registration of property rights, import and export tax rebate and a series of policy issues, in addition, each of the local policy of inconsistent standards, for the lease of preferential policies are not uniform, some practices are not relevant departments of the state recognition, financial leasing in the actual operation process there is some risk. The government should coordinate all aspects of policy, for the development of financial leasing to create a good policy environment.

4.3 Expand Financial Leasing Funds

Because capital source of a single, long on bank lending, the leasing company development power and the risk control ability is insufficient. The government should make the financial leasing loan guidelines, given the financial leasing companies greater credit support. Promote the docking of the financial lease and bond markets, capital markets, study the management approach on leasing companies to issue bonds or IPO, effectively solve the leasing company capital source.

In addition, to strengthen the financial leasing propaganda, improve the social influence of financial leasing, for the financial leasing industry to create a favorable external environment. Increase financial leasing personnel training, to provide personnel support for the development of financial leasing.

CONCLUSION

Small micro enterprises play an increasingly prominent role in economic development, therefore, the promotion of small micro enterprises development is an important driving force of China's economy in the future be able to maintain sustained growth. If do not solve the financing difficulties of small micro enterprises, it will affect the sustainable development of China's economy. The financing difficulties of small micro enterprises in China, are a widespread problem. Analysis of the financing

channels for enterprises, financial leasing is an effective way to solve the financing problems of small micro enterprises in China. To promote the development of the China's financial leasing, through top-down design of the system, to establish a unified financial leasing management system, and improve related policies, and effectively expand the funding sources of financial leasing.

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The Research on China IPO Mechanism Existence Question and Countermeasure

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Received 9 June 2012; Accepted 22 July 2012

Abstract

As a major institutional reform, China IPO market reform in the obtained enormous result while also put in a few problems. First, contradictions between the stock market pricing and the issue of audit. Second, the sponsor closely with the interests of the issuer to issue overvalued. Third, the IPO allocation system is not reasonable inquiry agencies compete to improve the offer of new shares. Reform and perfect the system of IPO, through the system arrangement of the system to achieve. Through accelerate commercialize reform pace, gradually the practice registration system to create the conditions for the future. We should strengthen the issue of market supervision, increase irregularities punishment. The government should further improve the current IPO way of inquiry.

Key words: The IPO system; Market-oriented reforms; Problem; Countermeasures

LI Xiaoli (2012). The Research on China IPO Mechanism Existence Question and Countermeasure. *International Business and Management*, 5(1), 38-42. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0183> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0183>

INTRODUCTION

The IPO has been a focus of concern to society as a whole. Premier Wen Jiabao in the national finance workshop proposed that must deepen the new stock release system marketability reform, grasps to consummate the release, to withdraw from the market and to be listed draws bonus

the system. On January 8, 2012, Securities Supervisory Association President Guo Shuqing proposed in the national negotiable securities stock supervision workshop: Continues to deepen the IPO reform, consummates the new stock price structure mechanism, the reform stock sells on consignment the means. Guo Shuqing indicated that must consummate the new stock price structure mechanism, the reform stock sells on consignment the means that causes the new stock fixed price to be connected closely with the publisher fundamental plane. The consummation discloses and the release verification information disclosure system in advance, carries out and strengthens guarantees recommends the organization, attorney and the Accounting firm and so on Facilitating agency's responsibility.

On February 1, 2012, Securities Supervisory Association first foreign public for the first time public release stock entire process. Two days later, has the problem in view of the new stock inquiry process, the Securities Supervisory Association Department concerned people in charge indicated that is studying strengthens the inquiry process supervision, urges the organization rationality quoted price. This indicated that the new stock release mechanism's consummation has not only aroused the supervision level interest, moreover is speeding up the consummation the step.

1. CHINA'S CURRENT IPO SYSTEM

The China's current IPO system has three main points: The new stock release implements going on the market to guarantee recommends the system, the new stock release fixed price implements the inquiry system, the new stock release way implements under on-line release and the net sells on ration unifies.

The new shares issued to the implementation of the Listing Sponsor System. Securities Issue Going on the Market Guarantees Recommends System Tentative Method

stipulated that the enterprise public release stock must take going on the market for the first time to guarantee recommends the system, plans publisher's going on the market by the guaranteeing and recommending person to recommend and to counsel responsibly, verifies in its release document to carry the material the authenticity, the accuracy and the integrity, assists the publisher to establish the strict information disclosure system and so on.

The new stock release fixed price practices the inquiry system. on November 1, 2010, Securities Supervisory Association, in the implementation About Deepens the New Stock Release Organizational Reform the Instruction Opinion in the foundation announced Securities Issue with to Sell on Consignment Policing Method, stipulated that the public release stock practiced the inquiry system for the first time, mainly adopted to the institutional investor inquiry way determines the new stock issue price.

The new stock release way implements under on-line release and the net sells on ration unifies. According to Securities Issue with to Sell on Consignment Policing Method the stipulation, under the net sells on ration mainly aims at the institutional investor, but on-line release mainly aims at the market investor. Under the participation accumulation bid inquiry and the net sells on ration the institutional investor must the sum total pay Shanghai to buy the fund, but has not participated in the preliminary inquiry or the participation preliminary inquiry but not effective quoted price inquiry object, do not participate under the accumulation bid inquiry and the net sells on ration. Under the participation accumulation bid inquiry and the net sells on ration the institutional investor must the sum total pay Shanghai to buy the fund, but has not participated in the preliminary inquiry or the participation preliminary inquiry but not effective quoted price inquiry object, do not participate under the accumulation bid inquiry and the net sells on ration.

2. CHINA IPO MECHANISM DEFICIENCIES

The Chinese new stock release present system is the company goes on the market implements guarantees recommends the system, the new stock release fixed price implements the inquiry system, the new stock release way practices the system which under on-line release and the net sells on ration unifies. This system was Securities Supervisory Association had issued officially from June, 2009 Guidance on Further Reforming and Improving the System of IPO, the change new stock fixed price release way before this uses marketability release reform. Implements the new stock inquiry system's goal, is must draw support from institutional investor's fixed price ability to come to the new stock release to carry on the reasonable fixed price.

As a significant system transformation, the new stock release fixed price's marketability reform, in China under

the emerging Canadian switch's market condition, has made the huge progress, has accelerated the stock market development effectively, but simultaneously also has some insufficiencies, mainly displays in:

2.1 New Stock Market Site Fixed Price and Strict Release Verification Existence Contradiction

The marketability release fixed price system will urge market each participants and so on publisher, investor, credit corroborative in both urban and rural areas, supervision organization to improve own quality and the specialized accomplishment unceasingly, and the maturer rationally participation capital market activity, achieves altogether wins in every way. The marketability release fixed price system is helpful to the new stock fair pricing, reduces first-level and the secondary market price margin, reduces a series of questions which the excessively many floating capital freezes create, thus is advantageous in the stock market is long-term, health development. This is the management carries out the new stock release marketability the original intention. But what in 2009 the new stock release carries out and continues to use until now is one kind of incomplete marketability pricing system. This kind of incomplete marketability performance is: Fixed price marketability and release verification control. At the same time, the loose inquiry system, let the primary market issue price break 20 time of market profit long-term imprisonments, distributed the new stock the fixed price basis no longer is enterprise own quality of material and it to the market pledge investment plan prospective profit, but was the market acceptable price. On the other hand, the Supervisory department is controlling the new stock release reviewing authority strictly.

This system creates the issue market and trading market coming apart. The enterprise must distribute the new stock, may, no matter issue price height, but does everything possible through the release verification difficulty. Once through the release verification, may hit the marketability fixed price advertisement smoothly, enhances the new stock the issue price, causes the market all quarters participant is specially the investor encounters awkwardly. In this kind of kind of marketability system, the Issuing company becomes the congenial lead, and obtained the considerable congenial profit under the system protection. In fact, this kind of profit has brought in the relative centralism originally from the extremely scattered market participant's pocket through the administrative method little the partial person's pocket, the investor unceasingly for the new stock release blood transfusion, fattened up the minority Issuing company's senior management public figure, was born an instruction person's dizzy wealthy man, has harmed the general investor's benefit. This kind lacked the system restraint the new stock release system to facilitate the Issuing company to encircle the money enormously, actually has harmed a market endogenous mechanism.

2.2 The Sponsor and the Issuer's Interests are Closely Issue Overvalued

BLKJ and LMXX stop distributing the incident are the events which one kind is worth going into niceties. When first BLKJ it for the first time inquiry which stops distributing, guarantees recommends the organization "the estimate" the value main center is 36.92 Yuan, when two inquiries drops to 23.09 Yuan, but its wholesale price frames is 17.11 Yuan finally. Why does BLKJ's issue price compare with the first time value main center differs so greatly? After stopping, is started the release and attains the successful LMXX, it determined finally the wholesale price is 22.44 Yuan. But is stopped that release, the main credit corroborative in both urban and rural areas gives the estimate value reports said that this stock's reasonable price in 30 Yuan to 40 Yuan, this price was higher than far at that time participated in the reference quoted price sector which the inquiry the organization gave.

Two companies guarantee recommend the estimate value which the organization gives by far to be higher than two level of market similar companies, is also higher than the estimate value which the inquiry organization gives, its behind reason is greedy besides the publisher, another important attribute lies in guarantees recommends the organization adding fuel to the flames. Although guarantees recommends the organization, in guarantees recommends in the process to maintain the objective fairness, not only need be responsible for the publisher, must be responsible for two level of market investors, but, because under the present mechanism, guarantees recommends the organization and the stock publisher becomes the benefit the related side, to realize own benefit maximization, caused to guarantee recommends between the organization and the publisher has formed the benefit community, guaranteed recommends the organization even to carry on the packing for the publisher, either exaggerated publisher's value of each contribution, either operated the new stock inquiry process, achieved the high price outstanding share the goal.

The manager distributes the work Securities Supervisory Association President assistant Zhu stressed from nine gentlemen that "fulfills responsibility, the honest code of honor is assiduously" guarantees recommends and sells on consignment the service the cornerstone. But still with difficulty prevented to guarantee recommends the organization to lose fair and the independent principle for own benefit, to plan to guarantee by any means possible recommends the object to apply rouge and power, to raise the issue price the behavior.

2.3 The New Stock Sale System Causes the Inquiry Organization to Compete Unreasonably to Raise the Quoted Price

What the Chinese new stock inquiry adopts is "the Dutch type tender" the way, the participation inquiry

organization defers to reports the purchase price to be selected proudly to the low order, until satisfies up to the predetermined emission amount, is selected the price is lowly is selected take all bidders the price as the standard, all being selected is selected the price is consistent.

A present new stock inquiry mechanism existence's obvious malpractice is inquiry mechanism quoted price unfairness and the high quoted price behavior low risk. When preliminary inquiry, the institutional investor already does not need the payment earnest money also not to need to carry on Shanghai to buy, if participation inquiry organization in preliminary inquiry time has not been selected, will lose the opportunity which under the net sells on ration, also namely loses the new stock the subscriber qualifications. Its quoted price not very strong restraint and the control, the preliminary inquiry object to obtain the initiative, but by the highest inquiry sector quoted price, enables the inquiry organization to have the empty high quoted price the phenomenon. In accumulation bid inquiry stage, because starts the preliminary inquiry raised the price, inquiry organization when accumulation bid inquiry high will further quote price, the benefit obligation will cause the institutional investor to enhance under the net to sell on ration the success ratio, but will not care about Issuing company's reasonable estimate value.

As a result of according to the quoted price sorting sale stock from high to low, in the inquiry stage on the altitude limit quoted price's organization, more can buy quantity according to Shanghai first to obtain the stock. It can be said that the inquiry stage's high quoted price is one kind of low risk behavior, because, the organization did not need to finalize a deal by the maximum valency, but sent out the maximum valency organization actually to be able first to buy on ration the new stock.

The present inquiry mechanism is the newspaper high price organization can buy the new stock from the essence, but quotes price the low inquiry organization to be unable to obtain sells on ration the opportunity, this kind of mechanism lacks to the high quoted price behavior penalty, thus lures the partial inquiry organization to present the unreasonable quoted price, even overflows the newspaper high price behavior. Thus, forms the true marketability fixed price with difficulty, the new stock release's pricing mechanism is twisted, the high price distributes the new stock the phenomenon to live from this.

The new stock release mechanism existence's malpractice, besides to the secondary market investor benefit's harm, the true harm is it to be listed quality corrosion, the distortion stock market value discovery function, reduces the stock market to the entity economy forward drive function. From this causes stock market effect's reduction, affects the capital market long-term healthy development finally.

3. IMPROVE THE MEASURES OF IPO MECHANISM

The release fixed price's marketability reform, is under a China existing market condition significant system transformation. Although the present primary market has some insufficiencies, but since overall speaking, 2009 new stock fixed price reform has been fruitful. First, realized has distributed from the fixed price to the inquiry release significant transformation, the release fixed price marketability level obviously promotes. Second, the new stock release's price and the secondary market price connect rails day by day, first-level, the secondary market price difference reduces unceasingly. Third, the credit corroborative in both urban and rural areas and institutional investor's risk awareness, fixed price ability promote gradually. The issue market fast development brings a series of new questions inevitably, we need to solve the problem in the development, further promotes the marketability reform.

In view of the present new stock release system existence's insufficiency, should try from the following several aspects to carry on the consummation:

3.1 Accelerate the Pace of Market-Oriented Reforms, to Create the Conditions for the Registration System

The Chinese new stock release existence question's primary cause lies in new stock going on the market the administrative examination system to create seeks the space, as well as creates for various reasons the related specialized investment institution cannot carry on the independence to the new stock fixed price, objectively, specialized to express the wish. Must establish the normal operation and the order movement objective mechanism, should further advance the new stock release system's marketability reform, creates the condition from the present examination system to transit gradually to the registration system. Uses the stock issue registration system, formulates the standard which by the stock market and the execution distributes and goes on the market, the Securities Supervisory Association achievement sets up a file merely the institution and the supervision organization, cancels the issue department and the release verification committee, simultaneously, gives the enterprise and the investor the stock distribution right and the fixed price power.

The registration system is the market economy, the government by law economic depth developed product, it take the enterprise good faith and legal system consciousness as the premise, needs the exchange maintains the independence and the fairness, needs the mature investor, the standard Facilitating agency, market essential factors and so on strict information disclosure system, needs to improve the corresponding judicial system and the administrative supervision system.

Regarding this, should enlarge the market mechanism the cultivation. First, must enhance when the publisher and guarantees recommends the organization legal system consciousness, the application outstanding share, must strict legally publicize each kind of material completely accurately to negotiable securities supervision organization declaration. Second, further distinguishes clearly the Supervisory department and the exchange responsibility, enables the exchange to become the organization and the surveillance securities trading truly, implements the autonomy management legal person. Third, enlarges to the investor the education, promotes investor's ability, further expands the institutional investor troop. Fourth, regulating the behavior of the intermediary agencies, strengthen the responsibility of intermediary institutions. Fifth, further strict information disclosure system, increases the market information the transparency and the authenticity. Sixth, establishes the perfect corresponding judicial system and the administrative supervision system.

3.2 To Strengthen the Level of Market Supervision, Increase Irregularities Punishment

Supervision of financial development is the guiding force and strong safeguard, scientific and effective regulation can promote the sustained and healthy development of financial.

The IPO pricing is the core of the IPO market, solve the problems of unreasonable, must cut the recommendation institution benefit chain, cut off the recommendation institution and the issuer have all kinds of connections with the connection between, make the body more responsibilities, leading institutional investors are more rational, reasonable price. At the same time, should strengthen the recommendation institution of supervision, increase penalties.

First, clarify and refine the sponsor's responsibility. The IPO process emerged in the disclosure of information is not complete and accurate behavior, sponsors should abide by the independent, objective, impartial, maintain good occupation morality and professional competence, strictly perform due diligence, increase strength to finish the substantive examination, diligence, to guarantee the information of full disclosure, effectively protect the interests of investors. The government should formulate relevant laws and regulations, clear, intermediary organizations sponsor issuer, responsibility, and in the process of strengthening the sponsor's professional quality and ethics culture, adhere to the responsibilities of both. At the same time, we need to make improvement and standardization of agency work standards and processes.

In second, the main types of supervision market, exchanges and intermediaries, to the market credit and illegal punishment, training and protection market benign and sustainable ecological. IPO pricing is based on the issuer and underwriter provide in the prospectus profit forecast, if the profit forecast a significant error, the

Underwriters in the situation of excessive packaging, issuers and underwriters should take punitive measures. Through the establishment of the system of the public inquiry, increase market transparency. Through the inquiry mechanism to track management, establish inquiry misconduct investigation system. Not only to build the sponsor representative hearing system and did not pass the audit project signing sponsor representative accountability mechanisms, to introduce the sponsor's tenure and illegal permanent ban system, increase the sponsor violating cost, reduce the moral risk.

3.3 Further Improve the Existing New Inquiry System

Inquiry system through the standardization of inquiry procedures, can the issuers, underwriters and investors to establish a relatively full communication mechanism, the pricing process more by market participants decided, reduced to some extent the pricing issue of subjectivity and arbitrariness. At the same time, the inquiry system to institutional investors, the recommendation institution and other market participants act by the market constraint, accept the market to examine, for both issuers and investors to create the conditions for issuing price.

In view of the current inquiry system deficiencies, can consider from the following several aspects to improve: The first, expand the participation of network inquiry of institutional investors. China Securities Industry Association released information shows, at present the request object is divided into seven categories, respectively is the fund, securities, insurance, trust, the qualified foreign institutional investors, financial companies and book-building participant, which recommended book-building participants include private equity, venture capital companies and private enterprises. In addition to the above seven kinds of inquiry objects, should allow more comprises an aggregate asset management plan, the securities investment fund trust, and the enterprise annuity and the qualification of an inquiry object. Second, increase the ratio of net placement agency. Ratio of net placement is too low, funds and other institutional investors to develop inquiry agency should find value and valuation of correcting function. The level of market mechanism to increase supply, can effectively improve the current retail investor structure mainly composed of. Expansion ratio of net placement, improve the mechanism of price of the seriousness and sensitivity, ease of offline placement demand than supply contradiction, let the body really taken responsibility for their actions, to find the function value. At the same time, improve the ratio of net placement means mechanism locking chip more, this is

also conducive to the stability of new two class market price. Third, increase the inquiry objects, both to extend the organization investors, investors will also take into account. According to the current inquiry system, medium and small investors cannot participate in the inquiry. Through the establishment of medium and small investors to participate in the inquiry voting system, choice of investors most centralized price, let investor according to certain weight involved in net quoted price and the placement of new shares.

CONCLUSION

The IPO reform is a complex systematic project, only through continuous reform, strive to improve the stock price formation mechanism, reform stock underwriting approach, in order to make the new pricing and the issuer fundamentals in close association. At present, solve Chinese IPO issues most effective path is through the institutional arrangements, coordination of the issuer, the recommendation institution and broad investor relations. Must speed up the marketability reform step, is the new stock release implements the registration system to create the condition. Must strengthen the issue market the supervision, enlarges the issue market illegal activities punishment dynamics. Further consummation present new stock inquiry system. Through the systematic reform, can the better display capital market to the economical promotion effect.

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Influential Factors in Customer's Brand Image of the Sponsor

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Received 9 July 2012; Accepted 15 August 2012

Abstract

Purpose: The purpose of this study is to investigate the effects of sponsorship on customer's brand image of the sponsor company while considering involvement (attraction), involvement (centrality) and team attachment as a predictor on sponsoring outcomes.

Design/methodology/approach: The statistical population of this study was Tracktorsazi fans of Tabriz and Tehran. Using sampling method of simple random, the questionnaire of this study were distributed among the fans (N=434). Factor analysis, structural analysis, spearman correlation test, binominal test and kolmogro-smimnov test was employed in order to test the model.

Findings: Data reveal that highly attached fans are more likely to develop positive image about the sponsor and also involvement (centrality) is an important predictor in being attached to specific team.

Research limitation/implications: The results of this research can be used by team sport marketer and sponsors, which needed to have a complete comprehension of the effectiveness of sport sponsorship.

Key words: Sponsorship; Involvement-attraction; Involvement-centrality; Team attachment

Mahmoud Mohammadian, Negar Rahimipour (2012). Influential Factors in Customer's Brand Image of the Sponsor. *International Business and Management*, 5(1), 43-51. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1260>
 DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1260>

INTRODUCTION

While aspects of what today pass for sponsorship can be traced back to ancient Greek and Roman civilization, modern commercially driven sponsorship is a much more recent phenomenon. Commercial sponsorship, as it is known today, has merely been with us since middle to late 1960 s (Meenaghan, 1991, p.5).

There are numerous events which companies can sponsor including arts, music, education, broadcasts and cause-related activities. However, empirical studies have found that sports is the most popular sponsorship medium (Tripodi, 2001, p.2) The meaning of sponsorship as an integral element of the marketing mix has been conceptualized by Sandler and Shani (1993) with the following definition: "[Sponsorship is] the provision of resources (money, people, or equipment) by an organization directly to an event or activity in exchange for a direct association to the event or activity" (Papadimitriou, 2008).

Commercial sponsorship represents one of the most rapidly growing sectors of marketing communication activity (Meenaghan, 1991, p.328) Worldwide corporate investment in the sponsorship market grew from approximately US\$2 billion in 1984 to US\$23 billion in 1999 to \$28 billion in 2004 (Jae ko, 2008) and 37 US\$ billion for 2007 representing an 11.9% increase from 2006 and a 75-fold increase since 1982 (Bashiri, 2010, p.58) and approximately two thirds of all sponsorship spending is directed at sporting events, leagues, teams and players (Olson, 2010, p.181).

The factors explaining this increasingly important role of sponsorship are: Concerns about the effectiveness of mass media advertising (Meenaghan, 1991, p.5; Kitchen, 2004, p.96) Increasing rate of media cost (Olson, 2010, p.181; Arens *et al.*, 2009, p.603), Increased media coverage of events, Changing role of governments, New sponsorship opportunities, Positive attitude change towards sponsorship by senior management, Awareness

and drive towards integrated marketing communications, Relationship orientation between sponsorship participants, Positive effects towards various stakeholder groups, Need to reach niche audiences and specific target groups, Need to develop softer brand associations (Kitchen, 2004, p.96).

Companies seek to achieve different types of objective by investing in sport sponsorship; several researchers agree that the companies that integrate sponsorship in their mix of communication pursue two main goals: first, increasing awareness and second, improving (corporate) image (Dekhil, 2010, p.161). Indeed the essential key to successful sponsorship lies ultimately in having clearly defined sponsorship objectives. The most widely recognized group of objectives is focused around brand building from creating brand awareness through to promoting brand advocacy (Collet & Fenton, 2011, p.11)

Most commentators imply that there are two levels of objectives for sponsorship, these being corporate and product related (Clow & Baack, 2004; Mullin *et al.*, 2000; Pitts & Stotlar, 2002; Shank, 2005; Skinner & Rukavina, 2003; Irwin *et al.* (2002) use the terms "corporation-related objectives" and "product-or brand-related objectives". Another school of thought proposes three levels of objectives, corporate, marketing and media (Pope, 1998a; Sandler & Shani, 1993). A fourth area that of personal objectives has also been identified (Abbratt and Grobler, 1989; Stotlar, 1993). This is where management's interests might be perceived as reason enough to undertake sponsorship (Masterman, 2007, p.32).

One of the most frequent criticisms of the sponsorship industry has been the lack of attention paid to measuring sponsorship effects relative to the investments made (Olson, 2010, p.181) many researchers have attempted to assess sponsorship effectiveness (Jea Ko, 2008; Dekhil, 2010; Tsiotsou & Alexandris, 2008; Olson, 2010; Kostas *et al.*, 2007). However most of them have concentrated largely on the use of a single variable such as consumer awareness or effect of sponsor image as a predictor of sponsorship effectiveness (Jea Ko, 2008).

One reason for the limited attention to evaluation may be a lack of direction for effectively evaluating sponsorship outcomes. Attitudinal constructs such as media exposure, recognition and recall rates, attitude toward sponsors and consumer interest as well as behavioral constructs such as purchase intentions, WOM and sales figures have all been proposed as important sponsorship outcomes (Alexandris, 2007).

While previous research has advanced our understanding of effective variables of sponsorship effectiveness the current study was conducted in the context of professional sport sponsorship, aiming at investigating attitudinal factors as sponsorship outcomes. Specifically, the objectives of the present study were set as follows:

To measure sponsorship effectiveness by examining the role of sport involvement and team attachment on attitudinal outcomes of sponsorship.

1. RESEARCH BACKGROUND

Limited research on sponsorship and specially sports sponsorship has been conducted in Iran compared to foreign countries. Some of the conducted researches are as follows:

- Strategic evaluation of sports sponsorship as a marketing tool in Iranian electronics industry by Alireza Faed in 2007 at Tarbiat Moddaress university. The research objective was better understanding of whys and hows of electronic companies' participation in sports sponsorship and examination of the goals sport selection process for sponsorship and ultimately assesses the effectiveness of sponsorship costs. The results suggest that creating positive brand image, public awareness of the brand, greater exposure of the brand and access to a special target market were among the most important goals of sports sponsorship.
- Describing the factors that effect on corporate sponsors of Irans' professional football in sponsorship attraction by Alireza Izadi in 2004 at Tarbiat Modarress University. The researcher believes that one way for providing adequate budget for doing sports activities, especially in championships, is attracting sponsors from companies and organizations. The purpose of this research is to describe sponsorship goals of corporate sponsors of Irans' professional football. The results show that football sponsorship has helped companies get access to desired target market and achieve competitive advantage over competitors.
- Evaluating the effectiveness of sports sponsorship among football fans (both Steghlal and Persepolis teams) by Kamran Eshgi in 2009 at Tehran University. In this study the effect of sports sponsorship on five important variables in the process was examined. The variables include brand awareness, company's image, interest in company and its brand, purchase intention and loyalty toward the company and its products. The results show that sponsorship improves the company's image, increases purchase intention and loyalty among fans, and however it has little impact on brand awareness and interest in company and its brand.
- The role of Iranol Petroleum Company's sponsorship of national football team in advancement of Iranol and football federation by Farnam inn 2007 at Islamic republic of Iran broadcasting collage. The results show that the majority of car drivers and in other words potential engine oil consumers are familiar with Iranol brand and this shows that at the time of

introducing Iranol products to market significant efforts have been made to familiarize the consumers with its brand.

Numerous researches on sponsorship and specially on sports sponsorship have been carried out outside of Iran. One of the most famous researchers in this field is Tony Meenaghan, who has published a lot of articles in the context of sponsorship (Gilaninia & Abbaszadeh, 2011, p. 608). A number of his articles are as follows:

- Commercial sponsorship (1983)
- Sponsorship-legitimizing the media (1991)
- The role of sponsorship in communication marketing mix (1991)
- The role of media on commercial sponsorship (1991)
- Understanding the effects of sponsorship (2000)
- The influence of types of audience, involvement, interest and social-demographical variables on recalling the sponsorship at 2010 African national cup by Fawzi Dakhil in Tunisia. The objective of this research includes the examination of types of audience, involvement, interest in football in general, interest in African national team in particular, social and demographical impact on recalling the sponsor. The results show that recalling the brand name (aided or unaided) among the direct audience (due to more involvement with the sport event) is higher than those who follow the event through the media.
- The effect of sport involvement, awareness of the sports and image of the sponsoring company on purchase intention of sponsors' products by Jae Ko in 2008. The present study examines

the impact of involvement on the effectiveness of sponsorship and develops a structural model based on the relationship among involvement, image awareness and purchase intention of sponsor's products. The results show that when purchase intention of consumers is considered as the final variable, then the image of the sponsor is the best predictor of consumer behavior compared to awareness of the sponsor's brand.

- The objective of this study was to test the degree to which three sponsorship outcomes-sponsor's image, word-of-mouth, and purchase intentions-may be predicted by three attitudinal constructs: attitude toward the event, sport activity involvement (centrality and attraction), and beliefs about The results indicated that purchase intentions were significantly predicted by beliefs about sponsorship, attitudes toward the event, and the centrality dimension of involvement. The word-of-mouth and image outcomes were significantly predicted by beliefs about sponsorship and the centrality dimension of involvement.
- The impact of sports sponsorship activities, Corporate Image, prior use on consumer purchase intention is an article by Nigel Pope *et al.* in 2000. Consumer's intention to purchase derives from two main influences, a positive attitude towards the brand itself and brand familiarity obtained from brand exposure and prior use. This shows that there is a relationship between sponsorship activities, exposure and attitude toward the brand name.

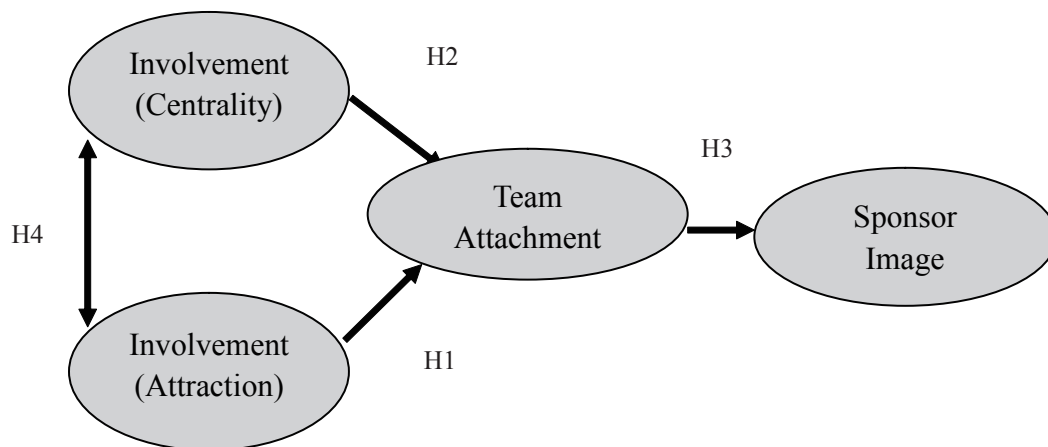


Figure 1
Sport Sponsorship Model (Tsiotsou & Alexandris, 2008)

2. RESEARCH MODEL

Numerous researches have been conducted in order to measure the effectiveness of sponsorship activities. Many of these have focused on a variable like consumer awareness brand image, as a predictor of sponsorship effectiveness (Alexandris *et al.*, 2007; Gwinner & Swanson, 2003; Alexandris & Tsaousi, 2008; Pope & Voges, 2000; Smith, Gratez & westerbeek, 2008; Pope, 1998; Jae Ko, Kim & Claussen, 2008). Despite these efforts, research on sponsorship evaluation is still not well established (Tsiotsou & Alexandris, 2008, p.359) consequently to more understand how sponsorship works in the mind of sport fans. In this research based on the model of (Tsiotsou & Alexandris, 2008), the role of Involvement and team attachment as a predictor on attitudinal sponsorship outcomes has been examined.

2.1 Sport Activity Involvement

The construct of activity involvement has received limited attention in sponsorship research (Alexandris *et al.*, 2007). Instead, fan involvement and team identification are constructs that have been widely suggested to be related to sponsorship outcomes (Bennett, 1999; Alexandris, *et al.*, 2007).

Sport activity involvement has been proposed as a central tenet in understanding how sponsorship works (Tsiotsou & Alexandris, 2008, p.361) while a number of definition have been proposed, most have conceptualized involvement in terms of personal relevance. In this sense, involvement is said to reflect the degree to which people devote themselves to an activity or associated product (Kyle, Absher, Norman, Hammaitt & Jodice, 2007; Kyle & Chick, 2002) According to Jae Ko (2008), consumer involvement has been understood as motivation to process information regarding the target object, and motivation state is governed by the perceived relevance of the target object (Jea Ko *et al.*, 2008).

Current sponsorship literature supports the idea that highly involved fans/consumers, being most aware of the sponsor's investment and the benefit arising, are most favorably disposed toward that sponsor (Meenaghan, 2001, p.110; Jea Ko *et al.*, 2008). High Involvement is generally viewed in positive terms in the leisure literature although negative terminology such as "addicted" "to running and negative consequence, including excessive participation and spending, have been identified (Havitz & Mannell, 2005, p.153).

2.2 The Dimensionality of Involvement

It is well documented that involvement is a multi-dimensional construct (Alexandris, 2007) Attraction and centrality are two dimensions of involvement that have consistently been examined in previous studies and are applicable to the context of the present study (Alexandris, 2007; Kyle *et al.*, 2007). According to Kyle *et al.* (2004), attraction refers to the perceived importance that an

activity holds for an individual and the interest, pleasure, and enjoyment derived from the activity (Kyle *et al.*, 2002; Kyle *et al.*, 2007). Centrality refers to the position that an activity has in an individual's lifestyle. According to McIntyre and Pigram (1992), centrality refer to the degree to which an individual's involvement with a leisure activity is socially derived (e.g., "Most of my friends are in some way connected with football") (Kyle *et al.*, 2007)

The importance of sport activity involvement in predicting sponsorship outcomes was supported in Alexandris *et al.*'s (2007) study, Gwinner and Swanson (2003) and also (Tsiotsou & Alexandris, 2008, p.361)

Therefore, using both dimensions of involvement we propose that attachment to a team will be stronger when consumers are highly involved with the sport activity:

H1. Involvement-attraction is positively related to team attachment.

H2. Involvement-centrality is positively related to team attachment.

H4. There is positive relationship between involvement-attraction and involvement-centrality.

2.3 Team Attachment

Attachment is considered a universal human experience that occurs throughout the lifecycle. This provides an opportunity for both self-expression as well as connection to others. (Filo, Funk, O'Brien, Danny, 2010, p.623) and refers to the degree to which physical and psychological features (i.e., attributes and benefits associated with a team such as success, star player, and stadium, identification, and community pride) take on internal psychological meaning (Funk & James, 2001) At the level of attachment, an individual has developed an emotional connection to a sport or team (Funk & James, 2001).

The attachment process represents an individual assigning emotional, functional, and symbolic meaning to an activity (Beaton, *et al.*, 2010; Funk, 2008, p.151) Emotional meaning represents a person's perception of the psychological significance and value of the sport object. Emotion represents the type of affective reaction or potency of feeling that an individual has toward a particular sport object (Funk, 2008, p.151).

Symbolism has been defined as the process of representing things by means of symbols or ascribing significance to objects, events, and relationships. This definition implies that symbolic meaning relates to both the importance and representation of the object. The current research suggests that symbolic meaning be defined as intangible feeling toward a sport object embodied in the object's overall importance derived from its capacity to allow for self-expression and the pursuit of a greater goal, as well as to inspire (Funk, 2008, p.151).

Funk and James (2006) have assessed functional meaning using knowledge of the sport object the current research advances the following definition of functional meaning: intangible feeling toward a sport object

embodied in the extrinsic benefits that can be provided by the object such as knowledge and skill acquisition, health and fitness (Filo, Funk & O'Brien, 2009, p.377)

It was hypothesized that team attachment would positively influence consumers' brand image:

H3. Team attachment is positively related to sponsor image

2.4 Sponsor Image

Only a limited number of studies focus on image effects of sponsorship. More frequently, image transfer is investigated in conjunction with awareness and/or purchase objectives.

An image of a sponsoring company exists in individuals' minds, and a single company does not have a universal corporate image. A company faces a variety of audiences (e.g., consumers, the media, employees). The current research focuses on the consumer audience (Filo, *et al.*, 2010, p.628).

Corporate image is defined as "the impressions of a particular company held by some segment of the public" (Jea Ko, 2008, p.83)

According to Walliser (2003), image transfer can be influenced positively by the number of common perceptions of the sponsor and the activity, the attitude of the spectators towards the association of the sponsor and the activity and by the spectator involvement with sponsorship process and occurred only for sponsors having high visibility during the event.

In this study, six items were used to measure the sponsor's image based on the six dimensions by Javalgi *et al.* (1994)., has good products/services, is well managed, only wants to make money, is involved in the community, responds to consumer needs, and is good company to work for (Pope & Voges, 2000, p.98) and also positive attitudes to company. Responses to the items were made using seven point Likert scales anchored by strongly disagree (1) - strongly agree (7).

3. RESEARCH METHOD

The present research is considered applied research and its method is descriptive-survey. The population of this study consists of Tracktorsazi fans in Tehran and Tabriz. The sampling for achieving the research objectives and answering research questions was done through simple random sampling. Since the population size was unlimited and data scales were qualitative, colorant formula was

used for determining the sample size. The output of this formula was 385 and in order of achieving this sample size 500 questionnaires were distributed. For ensuring of content validity in addition of professors and expert opinions, structural and confirmatory factor analyses were performed. The Cronbach alpha of the questionnaire was 0.927; therefore its reliability was confirmed. The questionnaire consisted of 56 questions and each question was evaluated on five score Likert spectrum ranging from "completely agree" to "completely disagree".

For data analysis, confirmatory factor analysis for structural validity and for testing the research hypothesis structural equation model (SEM) and path analysis were performed. A structural equation modeling is a powerful multivariate analysis from multivariate regression family. This method enables researchers to simultaneously test a set of regression equations (Human, 1384, p.11). Besides in order of examining the correlation between involvement (attractiveness) and involvement (centrality), due to abnormality of involvement indices, spearman correlation test was performed.

The determination coefficient of the model was 71% which means that 71% of the variability observed among the variables due to brand image was explained by research variables including involvement-attraction, involvement-centrality and team attachment. Therefore the approval of Cronbach alpha, reliability and validity tests determination coefficient enables us to claim that structural model of assessment tool has relative utility for relying on research findings.

4. RESEARCH FINDINGS

The results from demographic variables show that 92.6 percent of the respondents were male and more than half of them were single (66.8%). The 18-25 age groups with 48.4% score had the highest frequency and 26-35 age groups were in the second place. The majority of the respondents held bachelors degree (44%) and (20.07%) of them held masters degree.

In this section using standard equation analysis we examined the relationship between dependent and independent variables. The results hypothesis tests and research pattern are presented in Table 1. Besides in order of clarifying the relationship between research variables, Figure 2 presents the T test statistics and standardized factor loadings (standardized regression coefficients).

Table 1
Research Results

Variables	Factor loading	T-Value
Involvement-attraction		
The enjoyment of football	0.75	17.43
Satisfying	0.77	0.77
Amusing	0.79	0.79
The importance of football	0.82	0.82
Being interested in football	0.65	0.65
Involvement-centrality		
Allocating time	0.6	811.88
Central role in life	0.73	14.28
Discussing with friends	0.68	13.38
Being with friend and family	0.63	12.52
Team attachment		
Emotional meaning		
Amusing	0.59	12.97
Pleasurable	0.82	20.06
Sense of friendship	0.77	18.54
Affection to team and fans	0.85	21.26
Symbolic meaning		
Self-expression	0.8	19.3
The importance of team to individuals	0.88	22.08
Functional meaning		
Information about the team	0.69	20.34
Sponsor's brand image		
Is involved in the community	0.56	
is well managed	0.72	11.13
Is a good company	0.81	11.79
I like the company and its product	0.78	11.57
Responds to consumer needs	0.77	11.47
Positive attitudes toward sponsor	0.73	11.11
Has good products/services	0.73	11.16

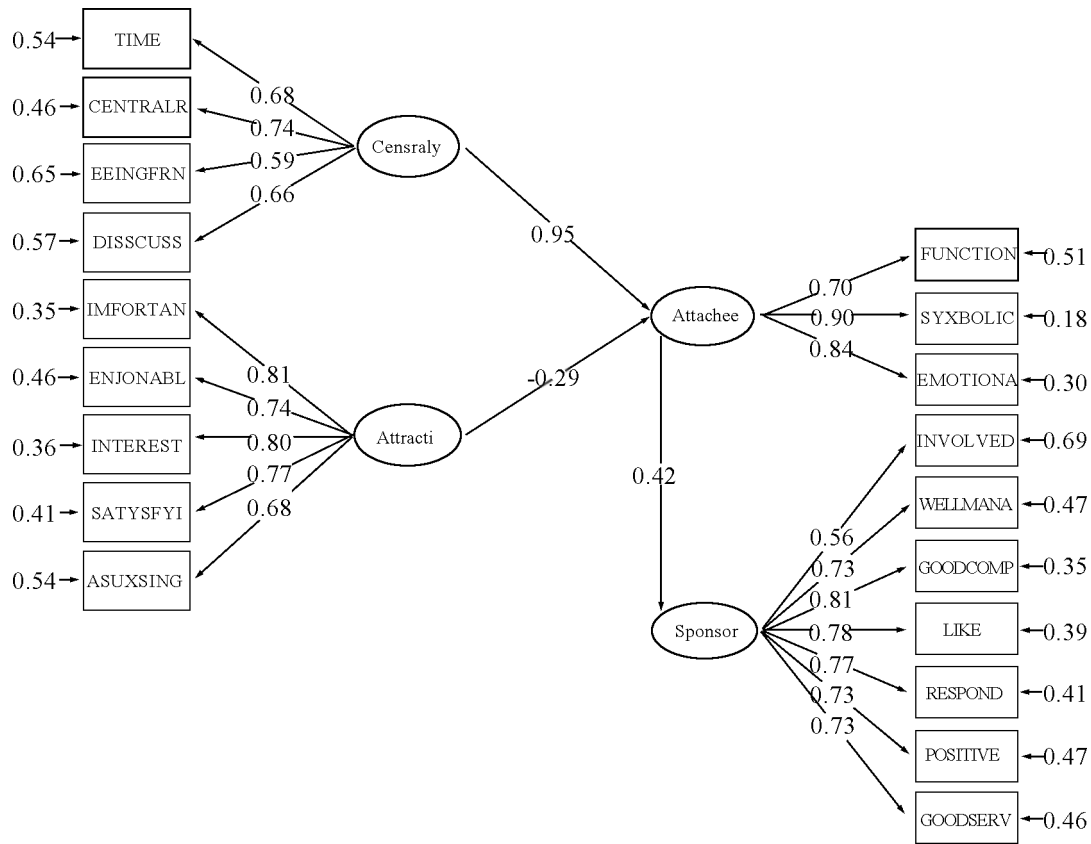


Figure 2
Analysis Results

In order to assess the relationship between the two involvement variables namely attractiveness and centrality, spearman correlation coefficient was used. The data analysis results show that the researcher’s theoretical model gives a satisfactory explanation of the relationship between variables. Although χ^2 is goodness fitting 148 with degree of freedom $df = 440.97$. Besides the examination of fitness indices show that, according to the criteria for each predictor, the overall model has satisfactory fitness. Therefore we can say that the final model gives an appropriate explanation of the relationship between research variables ($NFI = 0.9$, $RMSEA = 0.039$, $GFI = 0.9$, $CFI = 0.9$).

The following Table 2 displays all direct and indirect relationships among research variables.

Table 2

Sponsor brand image	Team attachment	Dependent variable independent and mediator variable
$-0.29 \times 0.42 = -0.12$	-0.29	Involvement-attraction
$0.95 \times 0.42 = 0.40$	0.95	Involvement-Centrality
0.42	1	Team attachment

The results show that involvement-centrality has the strongest positive relationship with team attachment

(0.95). Team attachment with a positive and direct relation score of 0.42 is in the second place. Involvement-centrality has an indirect positive relationship of 0.04 with brand image, and involvement-attraction has a negative and weak relationship with team attachment.

The results of examining the correlation between two involvement variables are in Table 3:

Table 3

Result of the test	Level of significance	Statistic value KS	Variables
Null hypothesis is rejected	0.00	2.126	Involvement-Attraction
Null hypothesis is rejected	0.00	2.057	Involvement-Centrality

Statistical hypothesis tests can be expressed as follows:

There is no correlation between involvement-centrality and involvement-attraction.

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases} \Leftrightarrow \begin{cases} H_0 : \\ H_1 : \end{cases}$$

The test results can be seen in the following table. Since the significance level in the table is lower than

the error value of 0.05, we can say that the null hypothesis at significance level of 0.05 is rejected and therefore research hypothesis based on the existing correlation between involvement-attraction and involvement-centrality is accepted. Of course the correlation exists even in significance level of 0.01.

This correlation equals 0.722, which indicates that the correlation is direct and strong.

Table 4
The Results of Spearman Correlation Coefficient for Involvement-Attraction and Involvement-Centrality

Involvement-Centrality		
0.722	correlation coefficient Spearman	
0.00	Significance Level-two sided	Involvement-Attraction
343	Total	

CONCLUSION

The main objective of this study was examining an integrated model of sports sponsorship in which team attachment is examined as an influential factor on attitudinal outcomes (brand image). The results show that team attachment has a direct and relatively strong impact on brand image of sponsors. This indicates that hardcore fans are more likely to have a positive brand image of sponsors. The role of team attachment has been confirmed by Gwinner and Swanson (2003), McDonold (1991) and Alexandris and Tsaousi (2008). Therefore we recommend that sponsors and club managers prepare information packages about the team and its achievements, games, coaches, sponsors and club history. This way they can facilitate information acquisition for fans and boost their team attachment. Allocating a space on club website for introducing the main sponsors can heighten the fan's awareness of the sponsors. Besides since a lot of people believe sponsors are only after their own economic interests, marketers by employing special strategies, holding charitable events, religious ceremonies on national holidays and humanitarian efforts can endeavor toward improving their attitude towards sponsors.

Moreover in order of determining the effectiveness of sponsorship, involvement as an influential was examined from two dimensions of attractiveness and centrality. The results show that there is a direct and strong relationship between involvement-centrality and team attachment, in other words the related hypothesis was confirmed. The findings from Gwinner and Swanson (2003) study also confirm the findings of the present study. Therefore people for whom football plays a pivotal role in their lives, enjoy being around friends & family and discuss the sport with them. And since they devote a lot of their time to their favorite sport, they get attached to a team that in addition

to providing emotional meaning and excitement provides possibility of expressing their identity. Therefore we advise the managers to develop programs and activities to attract people with high involvement (centrality) to their team. For example selling a share of club to fans and providing a set of incentives and stimulates in meetings can increase their dependence to the team and club. And also distributing membership cards for the club and providing special treats like discounted tickets for games, lotteries or membership in club website can be parts promotional programs of the club.

Despite the predictions made in the second sub-hypothesis about existing a relationship between involvement-attraction and team attachment, the sub-hypothesis was not confirmed. This was the only unexpected result in the present study. As mentioned earlier attraction refers to importance and derived pleasure from an activity. Therefore the results indicate that considering research population and its sample which is consisted of Tracktosazi Tabriz fans, entertainment and excitement derived from football games were not a factor in attracting people to this team. This relationship can be examined in future studies with different samples.

The forth hypothesis showed that there is a direct and strong relationship between the two dimensions of involvement (attractiveness and centrality). Sports and club marketers endeavor to focus on people who have a high mantel involvement with football and follow this sport because it is pleasurable and are not interested in a particular team. In fact the real chance for improving awareness and interest in a particular team resides in this group. In this stage sports marketers can use children sports marketing as one of the fastest tools to increase numbers of fans, fill the stadiums and create a future for the club.

In fact children sports marketing is one of the most suitable tools in football market, because children have a lot of power in convicting their parents to go shopping, to stadiums, ... and they can get what they want faster than adults.

FUTURE RESEARCH / LIMITATIONS

Research opportunities on sponsorship are numerous. Therefore we recommend to future researchers to:

According to the presented results and sponsor's power in influencing consumers and also lake of research & study about this topic, we advice researchers to examine sponsorship in arts, music and cultural contexts.

(1) Other consequences of sponsorship including purchase intention, certain purchase, word of mouth, satisfaction with sponsor, brand personality and familiarity with the brand can be examined separately.

(2) The impact of demographical variables on involvement and their impact on recalling the brand and

brand image of the sponsor can be examined. And also, the impact of types of the audience (direct and indirect audience) can be considered as a mediating variable, since the majority of academic studies don't consider the impact of types of audience in sponsorship studies.

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Impact of Distribution Channel Innovation on the Performance of Small and Medium Enterprises

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Received 11 July 2012; Accepted 22 August 2012

Abstract

Impact of innovation in distribution channel functions on firm performance, particularly among export-oriented, agro-based small and medium enterprises (SMEs) is under researched. Based on this literature gap, the present study examines the impact of distribution channel innovation on SMEs performance in Indonesia. A total of 120 samples were collected from export-oriented, agro based manufacturing SMEs in Yogyakarta and the surrounding areas, Java. Using a regression analysis, the findings show that innovation in assortment, information sharing and transportation coordination had positive and significant relationships with firm performance. This study also found that distribution channel effectiveness mediated the relationship between innovation in assortment and transportation coordination and firm performance. All this finding is crucial for firms, who intend to remain competitive in the global market. Future studies, however, should consider many other factors that may influence firm performance in the agro-based industry.

Key words: Distribution channel; Innovation; Effectiveness; Performance; SMEs; Indonesia

Ferri kuswantoro, M. Mohd Rosli, Radiah Abdul, Hamidreza Ghorbani (2012). Impact of Distribution Channel Innovation on the Performance of Small and Medium Enterprises. *International Business and Management*, 5(1), 52-61. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1025>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1025>

INTRODUCTION

Small and medium enterprises (SMEs) form a major part of the total business establishments around the globe (see Nagai, 2007; Yhee, 2001; Mukhamad & Kiminami, 2011). Due to its significant presence, the sector contributes substantially to Gross Domestic Product (GDP), employment, value-added creation and poverty alleviation (Agyapong, 2010; Salleh, 1991; Vandenberg, 2006). More interestingly, the increased involvement of SMEs in export activities in the recent period would make them more recognizable by competitors, better access to new markets (Ungson *et al.*, 1997), and more supportive of GDP growth (Dunusinghe, 2009; Kotz, 2011).

To be successful in the export market, however, requires many internal and external factors conducive to the exporting firms. Internal factors are variables that can be controlled by firms (Sousa *et al.*, 2008; Duenas-Caparas, 2006), whereas external factors are beyond the firms' control. Identifying the variables affecting a firm's export performance is a strategic move and triggering a vital interest among export managers, public policy makers and researchers (Mohamad *et al.*, 2009). Hence, within the past 30 years, there were a substantial number of studies devoted to identifying key variables affecting export performance of the firms (Baldauf *et al.*, 2000; Ahmed *et al.*, 2004).

Previous studies have shown that export failure was substantially contributed by the ineffective processing activities, particularly the distribution channel (Ogbeuhi & Long, 1994), instead of some other factors. Many aspects of distribution channel studied in the past were members affiliation (Anderson, 1997; Rose *et al.*, 2004; Frazier *et al.*, 1989; Brett, 1995; Morrissey, 2006; Jennifer, 2008), coordination management, conflict avoidance, sales and profits performance, information exchange, trust and commitment, all of which was regarded to improve the performance of channel members. In addition, studies on governance of distribution channel, the applications of non-formal channels, the position of channel members,

the establishments of multiple distribution channels, the establishment of importers' networks, and decentralization of channel distribution were narrowed down the performance issues, too (Weigand, 1991; Ramaseshan & Patton, 1994; Zdenko *et al.*, 2011; Mcnaughton, 2002; Rialp *et al.*, 2002; Ravi, 2000). Unfortunately, empirical studies on innovation in distribution channel activities, particularly on export-oriented, agro-based manufacturing SMEs were limited.

It is understood that innovation becomes a key driver for better competitiveness of firms. Some studies have found that innovation is closely associated with firm performance (Rosli *et al.*, 2012; Mukhamad *et al.*, 2011; Pla-Barber & Alegre, 2007; Gunday *et al.*, 2011; Gary *et al.*, 2008; Nada *et al.*, 2008; Morgado *et al.*, 2008; Gunnar *et al.*, 2009). Others suggested that the effect of process innovation produced different results for firm performance (Geroski & Machin, 1993). Eitan Naveh *et al.* (2006) found too much and too little innovation did not explain performance. Mark (2004) further argued that innovation did not explain performance, whereas others discovered that the process improvement did not influence sales growth of small firms (Wolff & Pett, 2006). Until a similar study is conducted in the distribution channel of SMEs, there will be no concrete answers whether or not innovation in the supply chain activities has impact on firm performance. This study attempts to gauge how strong that innovation in distribution channel affects the performance of SMEs, with special reference to the mediating effect of distribution channel effectiveness.

1. SMES IN INDONESIA

The Asian financial crisis in the late 1990s revealed many good and bad things about the economies of the region. The bad things were that the depreciation of many currencies in the region since the mid-1997 plunged many countries into an unprecedented economic crisis. A high dependence of the regional economy on the US dollar and the weak structure of the economy made them more exposed to global economic turbulence. In Indonesia, the crisis caused the currency depreciate sharply from around 2,500 to IDR 10,000 per U.S. dollar, whilst its GDP declined by 13 percent in 1998 (Wengel & Rodriguez, 2006). Large enterprises (LEs), which were highly dependent on imported materials and capital goods were in a deep trouble. Many large factories were either underperformed (Berry *et al.*, 2002), closed down, or had to retrench their workers.

The good news was that the Indonesian SMEs were able to respond differently to the crisis. Using local materials and simple technology, the SMEs switched their market to the global one as the demand in the domestic market got lower. At present, SMEs accounted for the largest proportion of all establishments in the country. For example, in 2009, the number of SMEs was 52.7 million or 99.9 percent of the total establishments. They provided 96.2 million employment or 97.3 percent of the total employment (Mukhamad & Kiminami, 2011); and they generated value added for 2,993,151 billion *Rupiah* or 56.5 percent of the total value added. In fact, their value-added grew positively in the 1999-2009 periods (Figure 1).

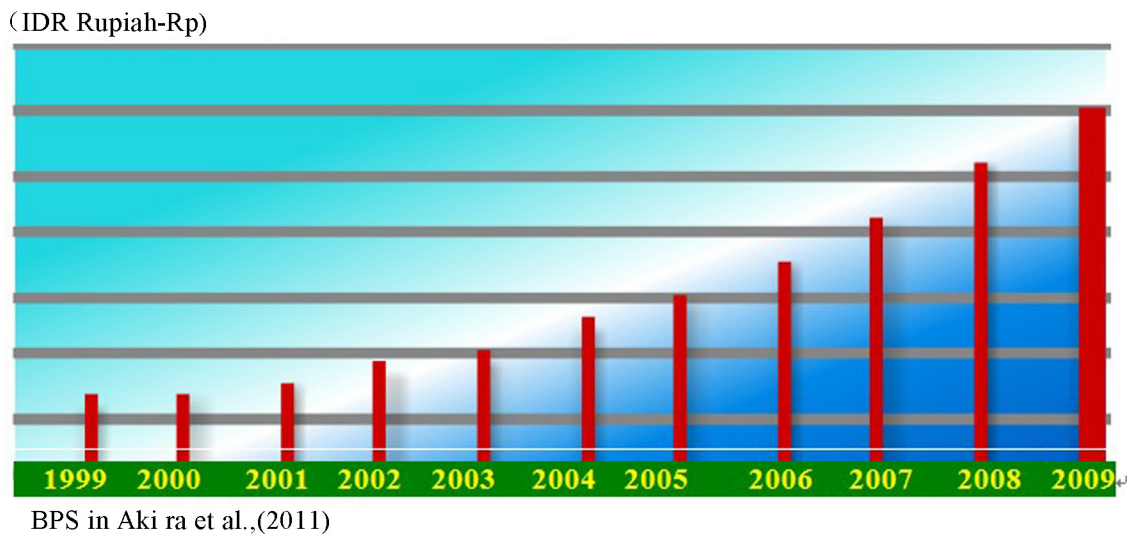


Figure 1
Value Added Growth of SEMs 1999-2009 in Indonesia

Despite the significant contribution of the sector to the economy, Indonesian SMEs, as in other parts of the globe, were hindered by various obstacles. Some of the problems were related to the internal factors, such as marketing and promotion, technology, and human capital (Manginsela, 2005; Nurul, 2008; Tulus, 2009); and some others are external in nature, like capital market and legal issues (Nurul, 2008). Many efforts have been taken by the Government to mitigate the problems facing the sector. Nevertheless, in the context of distribution channel, many local SMEs, especially those in the rural area, were still facing difficulty in dealing with customs procedures, trade regulations and infrastructure (Tulus, 2009).

2. LITERATURE REVIEW

2.1 Effectiveness as Performance Indicator

Effectiveness can be referred to as a long term firm orientation (Morgan *et al.*, 2004). Scholars often equate effectiveness to non-economic performance or non-financial measure. It is further emphasized by Ataollah *et al.* (2010) that non-financial performance is crucial for a company's future performance. Pertinent to distribution issue, Rhea *et al.* (1987) see distribution effectiveness closely related to customer satisfaction. For instance, if a customer expects a delivery of an order is on a two-week time; then, the delivery service is considered effective once the order arrives in less than two weeks or on the last day of the delivery time. Otherwise, it is said ineffective, when the order reaches the customer later than the expected time. In fact, the longer the order reaches the customer the less effective the delivery services on the eyes of the customer will be.

Innovation in distribution channel as in other cases (Rosli *et al.*, 2012; Mukhamad & Kiminami, 2011; Pla-Barber & Alegre, 2007) would enhance firm performance. However, the impact of such innovation on firm performance would be less if it does not improve the effectiveness of distribution channel functions. Previous studies overlooked this possible association, thus the present study attempts to examine the mediating effect of distribution channel effectiveness on the relationship between distribution channel innovation and firm performance.

2.2 Conceptual Framework

A distribution channel is supposed to be designed to carry out five fundamental functions, namely assortment, transfer/transportation, storage, handling and communication (Bowersox *et al.*, 1986). Another prominent scientist argues that distribution channel activities can be categorized into two general groups, i.e., assortment and logistics (Walters, 1977). Many distribution channel activities are engaged along a distribution channel connecting diverse channel members,

including suppliers, manufactures and end consumers. Nevertheless, most of the activities are concentrated in logistics (Ballou, 1978), which can be divided into inbound and outbound logistics. Inbound logistics support the materials flow from suppliers to producers, whereas outbound logistics connect producers to end users.

From the individualist perspective, innovation is triggered and driven by certain individuals in society, who have necessary characteristics to make it happen. These people are entrepreneurs, who have the capability to innovate and ultimately disturb a static equilibrium of an economy (Schumpeter, 1934). The Resource-Based View (RBV) asserts that a firm must know its valuable, rare, inimitable and non-substitutable resources and capabilities. These resources enable a firm to generate its sustainable competitive advantages. Therefore, the two concepts: the efficient versus the less efficient competitors and the effective versus the less effective firms from the viewpoint of customers will have great implications on a firm's competitive advantages (Brahma & Chakraborty, 2011).

Innovation in assortment (Fabrico, 2010; Juin, 2009), order handling (Linda *et al.*, 2009; Elliot Bendoly, 2004), information sharing (Campo *et al.*, 2010), product and distribution scheduling (Varimna, 2009; Chen, 2009; Subramanya, 2009), inventory (Chikan, 1990; Natarajan, 1991), transportation and coordination (Gunnar, 2009), warehousing and material handling (Diaz, 1988; Heragu & Xiou, 2008), packaging (Morgado, 2008) and acquisition (Graebner *et al.*, 2010) would have significant impact on distribution channel effectiveness, which in turn positively enhance firm performance. Some other scholars believe that effectiveness is strongly related to financial performance and long term orientation of a firm (Ataollah, 2010; Dossi & Pateli, 2010; Morgan *et al.*, 2004). Therefore, it is hypothesized that distribution channel effectiveness mediates the association between distribution channel innovation and SME's performance.

Besides all sorts of distribution channel innovation, some other factors, which may influence firm performance, are firm size, firm age, the industry and the environment. Firm size has impact on firm performance, but the degree and the trend of its impact is diverse. The impact of firm age on firm performance is diverse too. Kristiansen *et al.* (2003) found that the length of time in operation was significantly associated with business success. Similar positive impact of firm age can also be found in Shanmugam & Bhaduri (2002) and Birley & Westhead (1990) due to the vast social capital owned by older firms. The significant influence of different types of industry on firm performance can be seen in Gadenne (1999) and Humphreys & McClung (1981), among others due to different marketing strategies and management practices (Gadenne, 1999). The relationship between the environment hostility and firm performance is discussed in Miller & Friesen (1982).

The conceptual framework displaying the relationship among the studied variables is shown in Figure 2.

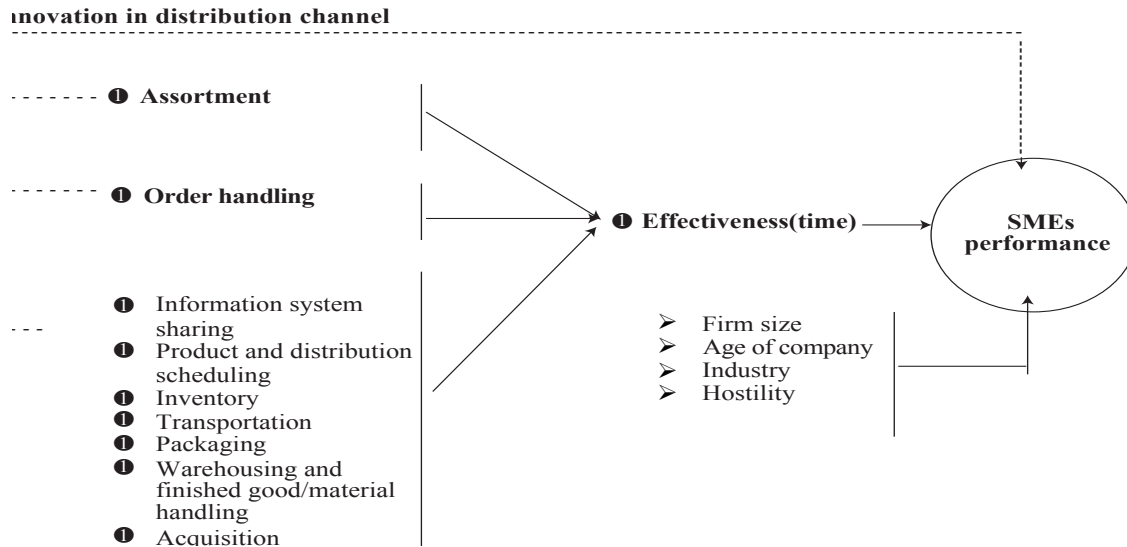


Figure 2
Conceptual Framework of the Study

3. METHODOLOGY

3.1 The Data

Following the Ministry of Cooperatives and Small and Medium Enterprises as well as the Republic of Indonesia and Central Statistic Agency (BPS), this study referred an SME as a business unit hiring less than 100 workers. Similar to other researchers (Rosli *et al.*, 2012; Mukhamad & Kiminami, 2011; Eitan *et al.*, 2006; Roper and Love, 2001), a self-administered questionnaire was used to collect data from 120 SMEs in Yogyakarta, the Special Province of Java, Indonesia and its surrounding areas. Prior to this, a pilot survey had been done to validate and test the constructs and items used in the questionnaire. A face-to-face interview as well as a “drop and collect” procedure for both the pilot and actual surveys was carried in order to ensure a high response rate among the respondents. The SMEs surveyed were involved in the export-oriented, agro-based industries. Their owners/top managers were asked to fill up the questionnaire because this group of people had the best knowledge in management and operation of the firms.

Table 1
Variables, Items and the Tests

Constructs	Reliability		Normality	
	Items	Cronbach's alpha	Skewness	Kurtosis
Assortment	5	0.908	0.683	-0.836
Order handling	5	0.968	0.238	-1.337
Information sharing	5	0.971	0.839	-0.636
Product and distribution scheduling	5	0.979	0.907	-0.502
Inventory	5	0.933	1.068	-0.125
Packaging	5	0.927	1.235	0.048
Transportation coordination	5	0.948	0.232	-0.884
Warehousing and material handling	5	0.883	0.203	-0.830
Acquisition	6	0.921	0.215	-0.758
Distribution effectiveness	2	0.850	-0.171	0.315
Hostility environment	4	0.840	0.013	-0.230
Firm performance-economic indicator	3	0.841	-0.118	0.290

Source: Based on the sample survey.

3.2 Measures

3.2.1 SME Performance

Concomitant with Kongmanila and Takahashib (2009), and Murphy *et al.* (1996), items for firm performance in this study were export sales, export intensity, and firm profitability. The respondents were asked to indicate the level of their present business performance in the three variables compared to their closest competitors in the same industry using a 7-point scale, ranging from “1 = the lowest” to “7 = the highest”.

3.2.2 Innovation in Distribution Channels

In addition to research and development (R & D) activities, innovation in distribution channels in this study comprised the application of new technologies or modification of existing methods as defined by Kongmanila & Takahashi (2009) in each function of the distribution channels. Items for each distribution channel were derived from Bowersox *et al.* (1986) and Ballou (1978).

Number of items for each variable of the distribution channel innovation and its reliability tests (Cronbach's alpha) are shown in Table 1. Cronbach's alphas for all the variables were above the acceptable minimum values of 0.7, which indicates the reliability of the scales used (Pallant, 2005). This table also shows that the values of skewness and kurtosis fell within the range of -2.0 to $+2.0$, indicating the normality of the data (George & Mallory, 1995).

3.2.3 Distribution Channel Effectiveness

Modified and adopted from Rhea *et al.* (1987), the two items used to measure the effectiveness variable were: time speed to market the products and punctuality of order delivery. Using a 7-point scale from "1= the least effective" to "7= the most effective", the respondents were requested to compare their effectiveness performance in distribution channel as compared to their closest competitors in the same industry.

3.2.4 Control Variables

Firm size and firm age were measured by net asset (excluding land and building) and years of operation respectively. The industry was measured by nominal scale; whilst competitive environment hospitality was measured in a 7-point scale, ranging from "1= the least hostile" to "7=

the most hostile". The four items regarding demographic change, rate of obsolescence in product technology, market change, governmental regulatory change and market conditions were adopted from Miller and Friesen (1982).

5. RESULTS AND DISCUSSION

Table 2 demonstrates the basic information on each variable and correlations among them. Positive significant correlations could be seen for almost all distribution channel dimensions of innovation and distribution effectiveness. The relationship between distribution channel innovation and distribution channel effectiveness is shown in Table 3. It shows that innovation in order handling ($\beta = 0.039$, $p < 0.05$) and assortment ($\beta = 0.087$, $p < 0.001$) was significantly related to distribution channel effectiveness. A detailed relationship between distribution channel innovation and distribution channel effectiveness is displayed in Table 4. It shows that innovation in information sharing ($\beta = 0.070$, $p < 0.01$) and transportation coordination ($\beta = 0.049$, $p < 0.05$) was positively and significantly associated with distribution channel effectiveness; while the others were not significant.

Table 2
Correlation Among the Variables

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Firm size	1														
Age of firm	2	0.221*													
Sector	3	-0.163	-0.149												
Hostility	4	0.232*	0.004	-0.052											
Assortment	5	0.102	0.041	-0.139	0.143										
Order handling	6	-0.199*	-0.033	0.015	-0.075	0.186*									
Information	7	0.150	-0.152	-0.146	0.044	0.393**	0.506**								
Scheduling	8	-0.075	-0.263**	-0.121	0.163	0.416**	0.345**	0.528**							
Inventory	9	0.122	-0.139	-0.181*	0.373**	0.374**	0.116	0.439**	0.447**						
Transportation	10	-0.040	-0.091	-0.095	0.220*	0.405**	0.316**	0.370**	0.447**	0.353**					
Packaging	11	0.201*	-0.079	-0.069	0.397**	0.485**	0.193*	0.373**	0.423**	0.493**	0.401**				
Warehousing	12	0.018	-0.030	-0.011	0.187*	0.307**	0.336**	0.315**	0.289**	0.407**	0.316**	0.463**			
Acquisition	13	-0.242**	0.049	-0.125	0.120	0.359**	0.277**	0.368**	0.355**	0.359**	0.413**	0.184*	0.343**		
Effectiveness	14	0.297**	0.135	-0.150	0.051	0.339**	0.193*	0.420**	0.177	0.277**	0.349**	0.243**	0.257**	0.309**	
Firm performance	15	0.244**	-0.050	-0.057	0.051	0.322**	0.127	0.374**	0.166	0.114	0.274**	0.268**	0.154	-0.006	0.597**

* Significant at the 0.05 level (2-tailed). ** Significant at the 0.01 level (2-tailed).

Source: Based on the sample survey

Table 3
Simple Regression Analysis

Regression	Dependent variables	R-Square	Adj R-Square	B	t	p-value
Assortment	Effectiveness	0.115	0.107	.087	3.914	.000***
Order handling	Effectiveness	0.037	0.029	.039	2.138	.035*

Note: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Source: Based on the sample survey.

Table 4
Multiple Regression Analysis

Variables	B	P-value
Information sharing	0.070	0.001**
Product and distribution scheduling	-0.046	0.060
Inventory	0.014	0.593
Transportation and coordination	0.049	0.040*
Packaging	0.010	0.716
Warehousing and product handling	0.015	0.548
Acquisition	0.021	0.221
Constant	8.460***	
R ²	0.260	
Adjusted R ²	0.214	
F	5.615***	

Note: Dependent variable: distribution channel effectiveness

Note: * p<0.05; **p<0.01; ***p<0.001

Source: Based on the sample survey.

In Table 5, six empirical models were estimated to evaluate the impact of distribution channel innovation and distribution channel effectiveness on firm performance. Moving from Model 1 through Model 6 can be seen that the explanatory power of the model (the R²) improved significantly with the inclusion of one variable after the

other. For the easy interpretation, however, Model 5 and Model 6 need special attention. Controlling for firm size, firm age, the industry and competitive environment hostility, Model 5 demonstrates that innovation in assortment ($\beta = 0.091, p < 0.05$), information sharing ($\beta = 0.122, p < 0.01$) and transportation coordination ($\beta = 0.082, p < 0.05$) had positive and significant relationships with firm performance. In contrast, the other distribution channel dimensions were not statistically significant.

Based on the Baron & Kenny's (1986) approach, if the inclusion of the distribution channel effectiveness variable eliminates the significance of the three innovative distribution channel dimensions, then the effectiveness variable is a mediator. As shown in Model 6, the effectiveness variable did eliminate the significance of the innovative distribution channel dimensions, particularly the assortment and transportation coordination. This suggests that the effectiveness of distribution channel mediated the relationship between innovation in assortment and transportation coordination and firm performance, but it did not mediate the innovation in other distribution channel dimensions. Hence, the hypotheses were partially supported.

Table 5
Results of the Multiple Regression

Variable	Model					
	1	2	3	4	5	6
Firm size	3.76**	1.50	3.53**	3.90**	1.77	-7.13
Firm age	-0.060	-0.078	-0.061	-0.062	-0.022	-0.047
Sector	-0.199	0.168	0.042	0.035	0.023	0.059
Hostility	-0.009	-0.002	-0.038	-0.033	-0.011	0.039
Assortment			0.130**	0.119**	0.091*	0.068
Order handling				0.041	-0.024	-0.027
Information sharing					0.122**	0.079*
Product scheduling					-0.034	-0.008
Inventory					-0.063	-0.076
Transportation coordination					0.082*	0.034
Packaging					0.021	0.028
Warehousing					0.024	0.009
Acquisition					-0.057	-0.089
Distribution effectiveness		0.966***				0.948***
Constant	13.569***	3.805*	12.216***	11.570***	11.943***	4.362*
R ²	0.072	0.383	0.164	0.177	0.281	0.494
Adjusted R ²	0.040	0.356	0.127	0.134	0.193	0.426
ΔR^2	0.072	0.312	0.092	0.014	0.104	0.213
F	2.227	14.179***	4.463**	4.063**	3.188***	7.317***

Note: dependent variable, firm performance; * p<0.05; **p<0.01; ***p<0.001

Source: Based on the sample survey.

As argued by Diehl and Poynor (2010), customers tend to be less satisfactory when they are given larger assortment. With the help of product configuration technology, diverse assortment is possible, which in turn increases effectiveness and customers' preference that ultimately improves sales (Fabrico, 2010). Juin

(2009) suggests that the right demand characteristics for each product is essential. Hence, estimating demand activities for new products in assortment can bring about effectiveness and better firm performance (Juin, 2009).

The role of transportation in improving physical distribution performance is well recognized in the

literature (Somuyiwa, 2007, 2010). This study provides new evidence that innovative transportation coordination improved distribution channel effectiveness, which in turn influenced the SME performance. This finding is plausible as about one- to two-thirds of the enterprise expenses on logistic costs are spent on transportation (Chang, 1998). It is also consistent with Gunnar Stefansson’s (2009) argument that the use of technology in transportation would result in more effective transportation coordination, such as, in selecting goods, vehicles and infrastructure, which brings about positive impact on distribution channel and firm performance.

CONCLUSION AND IMPLICATIONS

This study partially confirmed that the distribution channel effectiveness mediated the relationship between distribution channel innovation and SMEs performance. It was found that innovation in certain distribution channel functions, mainly assortment and transportation coordination enhanced the effectiveness of distribution channel, which ultimately improved the performance export-oriented SMEs. This finding provides some implications in several aspects. Theoretically, it is supportive that innovation in distribution channel is important to improve distribution

channel performance (effectiveness), which immediately enhances firm performance. Practically, export-oriented firms, albeit small in size have no choice, but to adopt innovation, particularly in product assortment and transportation coordination. Only this way can SMEs improve their distribution performance and at last the performance of their firms.

Nonetheless, there are many other factors, which would influence firm performance beyond the scope of this study. Figure 3 depicts some internal and external factors that may affect firm performance. Besides the distribution channel variables discussed, other possible factors that may explain firm performance are global orientation of the firms (Rosli *et al.*, 2012), infrastructure (Ronald, 2010; Xiaobo *et al.*, 2011), institutions (Mukhamad & Kiminami, 2011), trade friendliness of logistics services (Sumeet *et al.*, 2011) and suppliers (Koschatzky, 1999). Therefore, all the economic agents – manufacturers, government, suppliers, and the others – have to effectively play their respective role, so that export-oriented firms could enhance their performance, which finally gives positive impact on the economy of a country. Future studies should consider this researchable area.

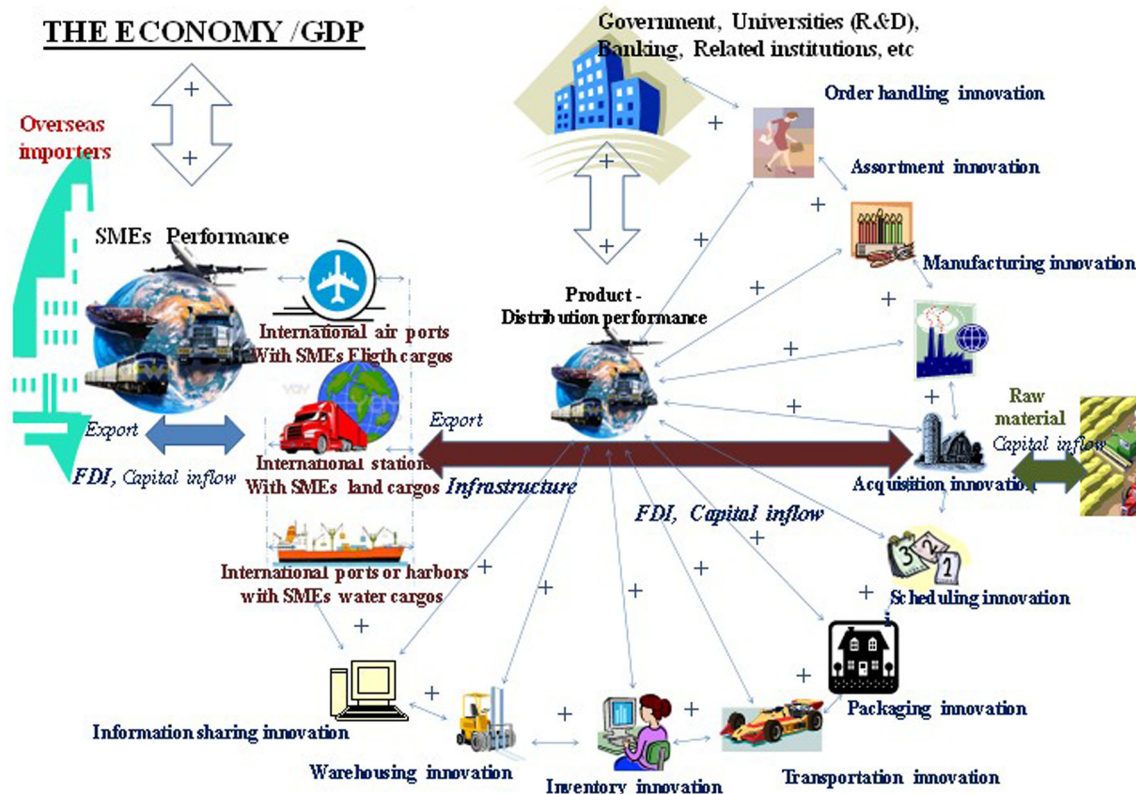


Figure 3
Variables Influencing SME Performance in a Broader Context

Data for this study were drawn from the dataset used by the first author in his PhD study at the Faculty of Economics and Administration, University of Malaya, Kuala Lumpur, Malaysia.

The findings of this paper have been presented by Ferri kuswanto in a PhD colloquium, Series 04/2012 at the Postgraduate conference room, Faculty of Economic and Administration, University of Malaya, Kuala Lumpur, Malaysia on April 2012.

Part of the results in this study was presented by Ferri kuswanto, M. Mohd Rosli and Radiah Abdul Kader (2012). The effect of distribution channel innovation and efficiency on Indonesian small and medium enterprise's performance. The *3rd International Conference on Business and Economic Research (3rd ICBER 2012)*. Proceeding.12-13 March 2012. No.172. ISBN 978-967-5705-05-2. WEBSITE: www.internationalconference.com.my. 531-545.

ACKNOWLEDGEMENT

Special thanks to the General Directorate of High Institution, Jakarta, Indonesia for providing scholarship for the study and Gabrel Basm. Abdulla Mraga (345402/1989), Union University of North Africa (Basm1988@yahoo.com) for his supporting role.

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Legal Reflections on China's Stock Market

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Received 11 July 2012; Accepted 22 August 2012

Abstract

The long-term sluggish stock market of China has got rooted in the current Chinese securities law and regulatory practice which fail to give an appropriate consideration to promoting efficiency, competition, and capital formation while focusing on maintaining the social and economic order and the public interest superficially and protecting investors nominally. Based on the provisions of the current Chinese securities law, the sluggish stock market mainly comes from the failure to integrate such three components of securities law as the public disclosure (especially IPO) system, the fiduciary system and the liability (especially civil liability) system, or rather it is mainly due to the unfair offering system, the inadequate civil liability system and the insufficient fiduciary system. Thus, correspondingly fundamental reforms are required in China.

Key words: IPO system; Civil liability; Fiduciary system

ZHANG Lu, MA Baojin (2012). Legal Reflections on China's Stock Market. *International Business and Management*, 5(1), 62-66. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1085>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1085>

INTRODUCTION

More than twenty years has passed for China's securities market since the establishment of Shanghai Stock Exchange in December 1992. In terms of contributions, China's securities market has played an undeniable role in maintaining the social and economic order and public interest, especially in promoting the development of the so-called socialist market economy.¹ As a result, a large number of state-owned enterprises (SOEs) have got rid of financial difficulties by initial public offering and listing after restructuring, while the stock market, though troubled with big problems, has taken an increasingly important role in China's financial market.

Anyway, for a long time, especially in the recent period, China's securities market has remained sluggish and nearly everyone seems like a burnt child dreading fire when talking of the stock market. "China's stock market is like a patient with lingering and serious diseases, which seem incurable with either traditional Chinese medicines or western medicines by regulators" (YUAN, 2004, p.2). Some scholars have become so disappointed that, as expressed by themselves, they would no longer do any research on China's securities market. What is the cause of such problems in China's stock market? In a legal view, it is the failure to integrate such three components of securities law as the public disclosure (especially IPO) system, the fiduciary system and the liability (especially civil liability) system, or rather it is mainly due to the unfair offering system, the inadequate civil liability system and the insufficient fiduciary system, which may be traced back in the fundamental economic system.

¹ See the purposes of the securities law as provided for in Article 1 of the Securities Law of the PRC.

1. UNFAIR OFFERING SYSTEM

The fundamental cause of the problem of China's sluggish stock market is the failure in the process of public offering to obey the principles of "publicity, fairness and justice"², the soul of the legal system of the securities market. Specifically, the relevant provisions of the offering system and practices are unfair in themselves. At the very beginning, China's stock market witnessed a rapid development due to the alliance and participation of some local interested institutions and monopoly capital, where the participation of and control by powers had facilitated the progress of reforms. However, it is such a non-market development mode that has foreshadowed the long-term distortion of the fundamental system of China's stock market. (YUAN, 2004, p.14). The stock market has consequently become the best funding source to rescue difficulty stricken SOEs as well as the place for officials to pursue private interests and seek rents. Eventually, among over 2,350 listed companies currently in Shanghai Stock Market and Shenzhen Stock Market the majority are SOEs. How could the stock market stand well where most of the shares sold and purchased were those of bad-performance enterprises?

The philosophy of securities law is publicity or disclosure, as "sunlight is said to be the best of disinfectants; electric light the most efficient policeman (Brandeis, 1932, p.92)". The securities law of almost every nation is designed around such core philosophy for ensuring the truthfulness and reliability of public disclosure. However, different ideas have formed different guiding thoughts in legislation, hence, the merit model and the disclosure model of securities regulation. As commented by Professor Stephen Bainbridge (April 22, 2012), Wendy Gerwick Couture has identified the common complaints lodged against merit review (63 Baylor L. Rev. 1):

[Merit review is] premised on the debatable notion that a security has an ascertainable fair price. In addition, by lowering offering prices below what the market will bear, [it will] divert money away from the issuer to be scooped up by speculators in the secondary market.

Other criticisms are also identified. First, merit review is widely criticized as unduly paternalistic. Second, merit review is often criticized for interposing an ill-equipped middleman (China Securities Regulatory Commission, or CSRC) between issuers and investors. Third, merit review is often maligned for preventing issuers from raising capital by denying them registration, hence unnecessarily constraining the freedom of people to do business as they see fit, discouraging entrepreneurial initiative and impeding the flow of capital to its most efficient use.

Merit review has also been blamed for impeding capital formation. "Small issuers in particular complained bitterly that the cost of complying with California's merit review standard in order to register their securities offerings for sale in this state substantially raised their capital formation costs." (30 Loy. L.A. L. Rev. 1573, 1586)

In assessment of merit review in Chinese securities law, Robin Hui Huang suggested another problem with the merit review system that merit regulation had also provided a fertile breeding ground for rent seeking and corruption by regulators. This was because the approval requirement made the right to do an IPO a scarce commodity and thus led to many rent-seeking activities in the process. (41 Hong Kong L. J. 261, 270) Merit review had also been vehemently attacked in recent times for such problems in China as associated costs, indefiniteness, inconsistency and the potential for corruption. Finally, public regulators are unable to outperform the market in evaluating financial products. Furthermore, as commented by Professor Zhu Jinqing, "In practice, there are so many formalities in the offering process in China, and it may be said that China's merit review is more than merit review." (ZHU, 2009, p.95) As a result of such review, there are only a few non-state-owned enterprises listed in Shanghai Stock Exchange and Shenzhen Stock Exchange since it is too hard for them to pass the mandatory review due to their lack of access to governmental relationship; and many high quality non-state-owned enterprises can only go listing in overseas markets, including New Oriental, Baidu, Sina, Sohu and Mengniu.

Even with such excessive merit review, rent-seeking and corruption are so popular that fraud and false listings have never stopped, including the notorious scandals of Hongguang Industrial in 1997 to Green Land in 2011. Why fraud in offering is so popular with merit review? May a stock market become prosperous without quality enterprises? It is not a surprise that the Chairman of CSRC has recently doubted whether merit review could be discarded in IPOs or not.

Such doubt is also hidden in the self-contradictory provisions of the Chinese securities law. The disclosure philosophy is reflected in Article 27 of the Securities Law of the PRC, i.e., caveat emptor, which is contradictory to the provision of Article 10 of the same law, a merit review standard practiced in China.

We should say no to such merit review of Chinese characteristics. The disclosure philosophy should be realized consistently, or the registration system should be adopted, provided a complete civil liability system should be established and practiced, especially the system of civil liquidated damages.

² See Article 3 of the Securities Law of the PRC.

2. INADEQUATE CIVIL LIABILITY SYSTEM

Protection of investors is one of the purposes of securities law. How to protect investors without a complete responsibility system for violation in securities? Investors may lose their confidence in the stock market without proper protection. The public offering system of securities may not well operate without a complete responsibility system for violation in securities, and hence, the stock market may become a casino full of frauds.

Especially, a complete civil liability system should be established and practiced. Only when investors may claim for liquidated damages conveniently through litigation can they become a positive market force to check violations including misrepresentation, misleading statements and material omissions. Under such civil liability system, responsible persons shall be liable and even go bankrupt once public disclosure is untruthful with loss to investors. In short, the cost for a lie in information disclosure shall be high enough.

There are four types of responsibilities for securities violations, i.e., civil liabilities, administrative liabilities, criminal liabilities and self-disciplinary liabilities. Though the Chinese law has corresponding provisions, there is insufficiency to varying degrees. Among the four types of responsibilities for securities violations, civil liabilities should be in a dominant position, supplemented by administrative liabilities, criminal liabilities and self-disciplinary liabilities, or in other word, damages shall be supplemented by punishment. Upon looking into the responsibility system of China's Securities Law, it can be found that administrative punishment is in a dominant position. Among the total forty-eight articles of Chapter 11 of China's Securities Law nearly all provisions cover administrative punishment, and only four articles touch civil liquidated damages as ancillary.

In terms of civil liabilities, there are twelve provisions in China's Securities Law, with a wide coverage over untruth publicity by issuers, insider trading, market manipulation, fraud by securities firms, illegal operation of consulting agencies and illegal takeovers as well as disgorgement of unauthorized offerings. Such broad provisions on civil liabilities are forward looking to some extent. Since the truthfulness of disclosure in offering by issuers is at the core position in the operation of the entire securities market, the civil liabilities thereof are the core for securities violations.

In reality, violations have become rampant in the stock market of China. With respect to civil liquidated damages in fraud cases of securities, the Supreme People's Court issued two circulars in 2001 and 2002 and one judicial interpretation in 2003, which, though opened the doors to civil liquidated damages for securities violations step by step, still left various pre-conditions as obstacle to acceptance by courts of such cases.

Market economy relies on its own adjustment mechanism and the play of the role of market force, where the supervision and punishment by government agencies may only play a residual function. Investors are the main market force to check falsification, promote due investigations by various types of persons responsible for publicity and guarantee the truthfulness in public disclosure by issuers by prosecuting wrongdoers in false statements for protecting their own legitimate rights and interests. However, the current Chinese system is like putting the cart before the horse. On one hand, governmental supervision is enhanced, and on the other hand, pre-conditions are set to prevent prosecution by investors, suppressing the underlying force of the market to check falsification and misrepresentation. That is the main cause for the problems of the stock market and the incomplete rule of law in securities, which is also the remaining obstacle to the civil litigation system. Some scholars even pointed out that the only backlog rested on courts, or rather the Supreme People's Court (ZHU, 2009, p.174.). But, are courts authorized to allow investors to sue listed SOEs to die or would courts be willing to do so in China?

Take for example, in the notorious Green Land, the court granted probation to all the five defendants and a fine of only RMB 4 million was imposed on the company. As commented by many people, the responsibility thereof is too light and the cost for breach is too low. In that case, even the People's Procuratorate could not tolerate it, and a formal protest has been lodged.

Similarly, all those enterprises could not be tolerated that go listed for the sole purpose of fund-raising by use of various privileges including status and relations. A breakthrough may be made in reforms on the offering system only with the coordination by a complete system of civil liquidated liabilities. Certainly, the system of civil liquidated liabilities is only a necessary but not a sufficient condition for the prosperity of a stock market. For a stock market to be prosperous, all the qualified enterprises, stated owned or privately run, shall have the opportunity to offer their shares in stock exchanges, that is, there shall be a fair offering system as mentioned above.

3. INSUFFICIENT FIDUCIARY SYSTEM

Also among the fundamental principles of the securities law is the fiduciary principle, or in essence, the fiduciary principle of professionals. Some scholar once commented that the fiduciary principle should be deleted from the Securities Law of the PRC because there were related provisions concerning to the good faith principle in the General Provisions on Civil Law of the PRC and the Contract Law of the PRC. That was clearly a misunderstanding. The fiduciary principle set forth in Article 4 of the Securities Law of the PRC has a special

meaning, which is in essence the fiduciary principle of professionals, totally different from the good faith principle. The fiduciary principle is one of the three pillars constituting the securities law, the other two pillars of which are publicity (including disclosure in IPOs and continuous disclosure) and liabilities (including civil liquidated damages).

The fiduciary principle is different from the good faith principle in that as required by the latter, one should respect and promote (without harm at least) others' interests and public interests while pursuing one's own interests, and the former covers a separate legal category, including special relationships with and of agents, trust, partnerships, corporate officers, lawyers, accountants, securities service agencies (Tamar, 2011, p.42-62). As one of the three pillars of the securities law, the fiduciary principle and related rules and systems are mainly designated to supervise financial intermediaries or gate keepers including securities service agencies, directors, officers, controlling shareholders and actual controllers, which are also applicable to regulators and their staff members. The provisions on presumptive fault liabilities for securities service agencies and officers and senior management of issuers set forth in Article 69 of the Securities Law of the PRC aim at enhancing the prosecution of liabilities, which reflects the requirements of the fiduciary principle.

A sole principle is of no use without specific rules, systems and measures in its implementation and law enforcement. The problems of China's stock market come from the unfair offering system and almost each case concerning securities offering is related to the frauds by intermediaries including securities firms, accountants and lawyers besides those by issuers and listed companies. The inadequate punishment against fiduciaries including intermediaries, directors and officers in the fraud listing cases of Hongguang Industrial and Green Land has indicated the shortage of legislation and enforcement in the fiduciary field of securities market. Furthermore, in Wang Xiaoshi, the hidden lover of Wang Xiaoshi, a staff member of CSRC sold the name list of reviewers involved in offering of securities for her private profits. That case indicated the rent-seeking phenomenon in the merit review system of China's securities market, which was also the embodiment of the weakness in the current fiduciary system. The normal development and prosperity of the stock market of China is in urgent need of a complete fiduciary system. In such system, government teaches the whole people by its example. If the government becomes the lawbreaker, it breeds contempt for law; it invites every man to become a law unto himself; it invites anarchy. As emphasized by the Chairman of CSRC, CSRC should take a lead in the construction of the fiduciary system.

The fiduciary principle is of three attributes, namely being subject to specific subjects, specific fields and specific rules. As required by the fiduciary principle, the act of the trustee shall be in the best interest of the beneficiaries, and the act of the trustee shall not be affected by its own interests or the interests in conflicts with those of the beneficiaries. Such requirement is higher than that of the good faith principle in civil law and contract law. The fiduciary duties are divided into the duty of loyalty and the duty of care, among which the duty of loyalty is related to the property and power entrusted and the duty of care is related to the quality and care of fiduciaries' performance of their service. Based on the duty of loyalty are the duty to follow and abide by the directives of entrustment with respect to the entrusted power or property, the duty to act in good faith in performing fiduciary services, the duty not to delegate the fiduciary services to others, the duty to account and disclose relevant information to the entrustors, and the duty to treat entrustors fairly. The duty of care requires fiduciaries to execute their services and execute them well, and when executing services, fiduciaries shall stick to the following principles: fiduciaries should possess and use the expert skills they purports to possess, fiduciaries' performance is evaluated by the process that the fiduciaries have adopted in performing their services, care may depend on the kind of "red flags" that the fiduciaries should failed to, notice, the duty if care may be affected by the legal risk imposed on the fiduciaries, the evaluation of the fiduciaries' performance is affected by the reasonable expectations of the parties and the constraints on the fiduciaries' discretion, the duty of care may vary depending on different applicable laws, and courts evaluate the performance of highly expert fiduciaries with the aid of other experts in the fiduciaries' area. (Tamar, 2011, p.101-174.) In such regard, we need to revise China's Securities Law and Securities Investment Fund Law so as to incorporate such requirements of the fiduciary principle.

CONCLUSIONS

To regulate the stock market and make it prosperous, the three pillars, or the three systems of offering, fiduciaries and civil liquidated damages must be combined organically for adopting an integral philosophy and systematical measures, and no isolated practice may reach the expected result of governance of the stock market.

Recently, no measure is thoroughly complete in any of the above-mentioned three aspects though a series of highly technical measures have been adopted, including cracking down on insider trading, piecemeal reforms on the offering system, and emphasized opinions on fiduciary behaviors on the part of CSRC.

The securities market is a market ruled by law, and the securities market is an important national asset which must be preserved and strengthened³. If one of the historical purposes of China's Securities Law were to rescue a number of difficulty-stricken SOEs and promote the institutional reforms of economy at the inception of the securities market, which has foreshadowed the long-term twisted and sluggish development of the securities market, at present, we need to revise those purposes. In the coming revision to China's Securities Law, the purposes of the securities law should be modified to include protection of the public interest and investors, and promotion of efficiency, competition and capital formation⁴.

It is comforting to note that, on July 31, 2012, CSRC released the Interim Measures for Supervision and Administration of Fiduciary Conducts of Securities and Future Markets, indicating China is thinking over how to promote construction of the fiduciary system in the securities and futures markets in an integral measure, which may be of a far-reaching significance. However, in view of the content of the Interim Measures, it can be found that there is inadequate punishment against the violation of fiduciary standards, and that a set of complete ideas have not been formed on construction of the legal liability system for the fiduciary conducts of financial intermediaries (ZHANG Lu, 2012, p.A3).

It's is easy to pretend that the sluggish securities market in China was caused by nothing more than regulation. But it wasn't; it was, in large part, the result

of a corruptly strong system of government power. And the securities market was a big part of that corruption of government power. Succinctly, the only way out for China to have a prosperous stock market is to integrate the fundamental reforms on the three systems of offering, fiduciaries and civil liquidated damages in the securities market. If such three systems are not complete, there would be no institutional safeguards for the further development of Chinese securities market, not to mention a healthy and prosperous securities market, and the expansion of the stock market and the launch of an international board would only be a mirage.

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³See Subsection (a)(1) of Section 11A of the US Securities Exchange Act of 1934.

⁴See Subsection (b) of Section 2 of the US Securities Act of 1933.



The Environments of the Manufacturing Sector in Nigeria: Strategies Towards Vision 20: 2020

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Received 10 July 2012; Accepted 22 August 2012

Abstract

The research efforts in this article had been to highlight the harsh and unfavorable environments under which the nation’s manufacturing sector operates. The major problems of this sector are: high production costs; poor infrastructures; finance; competition from fake and sub-standard imported goods; limited scope of operation; among a myriad of other obstacles. To assist the nation to be one of the twenty biggest economies in 2020, this article made far reaching recommendations for government and its various agencies to fine-tune and implement.

Key words: Manufacturing sector; Vision 20: 2020; Strategies; Environment

B. CHIMA ONUOHA (2012). The Environments of the Manufacturing Sector in Nigeria: Strategies Towards Vision 20:2020. *International Business and Management*, 5(1), 67-74. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1210> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1210>

INTRODUCTION

One important strategy used by India, China and Indonesia – nations with large populations in their quest for economic development was strong internal demand/consumption of their manufactured goods. Nigeria with a population of over 140 million people, obviously is the biggest market in Africa, and ought to be a strong market for its manufacturing sector. When West African sub-region and other African markets are added, then there is

a huge existing market for whatever quality products and services from Nigeria.

Unfortunately, this has not been so. Nigeria’s manufacturing sector has been operating under very unfavorable environments and contribution little to the nation’s GDP. And many firms had closed down due to lack – of patronage of their products both in Nigeria and beyond. Nigeria, a country that wants to be one of the twenty biggest economies in 2020 should have a developed and vibrant manufacturing sector. Such a dynamic sector will generate massive employment, fight poverty, create wealth, and enhance exports and diversify foreign exchange earnings.

Our efforts in this article were to highlight all the factors impeding effective growth of the manufacturing sector and proffered strategies which if implemented religiously will surely lead to Nigeria becoming one of the twenty biggest economies by 2020.

1. THEORETICAL FRAMEWORK

In a very broad sense, investment is the sacrifice of certain present value for (possible uncertain) future value, Sharpe (1978, p.2). Since today’s price is known, investment entails a certain sacrifice with the hope of attaining an uncertain future benefits, Hagin (1989, p.322). Investment has been described in many other ways: “the acquisition of an asset or service that will enhance income or utility in the future”, according to Simpson (1976, p.31), and the “act of producing goods that are not for immediate consumption, the goods themselves are called investment goods” in Lipsey’s opinion (1963, p.462). Finally, it is also defined as a kind of intentional spending to buy newly produced capital goods and additions to inventory. Hutchinson (1971, p.244).

One main feature of these definitions is that they point to expenditure on real goods and services (i.e., real investments) except the first definition by Sharpe which embraces both real and financial investments.

Real investment would be more relevant for our present study. This is because manufacturing entails essentially investments in real assets.

The United Nations has characterized manufacturing as the “mechanical or chemical transformation of inorganic or organic substance into new products whether the work is done in a factory or the worker’s home, and whether the products are sold at wholesale or retail”, Arikawe (1984, p.9). Manufacturing is also defined as “a process of learning to combine resources and apply technology to produce goods that satisfy people’s need”, Steel and Webster (1989, p.64).

In this study, the researcher has opted to use the term “manufacturing” because it is more specific. We observe however that in everyday usage the word “industry” and “manufacturing” are often used interchangeably. We shall them as such even though we recognize that industry is wider in scope than manufacturing. The United Nations definition of manufacturing will be adopted in this research.

Manufacturing processes which could be extractive, analytical, synthetic or fabricating should be part and parcel of the overall corporate policy of the organization. Failure to incorporate manufacturing policies into corporate policy could lead to a number of conflicts or create avoidable problems for an organization. And within the manufacturing policies, Imaga (2002, p.35) is of the view that the manufacturer or production manager should also have:

- √ Policy on the reduction of training costs;
- √ Policy on quality improvement;
- √ Policy on quicker delivery of special orders;
- √ Policy on work-in-progress and lower material stocks;
- √ Policy on higher plant utilization; and
- √ Policy on industrial flexibility, to mention but a few. Banjoko (1989, p.7) agrees with Imaga as to what the manufacturing sub-policies should be.

There is no doubt that effective and consistent government policies in the area of manufacturing will lead to industrial development and industrialization. Tadaro (1982) sees industrial development as a process of building a society’s capacity to process raw materials for the purpose of manufacturing commodities for consumption and for further production. Onyemelukwe (1984, p.109) agrees to Nigeria’s long term potential in industrial development, particularly, within the three main economic factors of production, namely, land labor and capital.

2. ENVIRONMENTS OF THE MANUFACTURING SECTOR

The manufacturing sector during the period under review was not isolated from the challenges of the harsh economic environment as evidenced by declined

activities relative to corresponding period of 2009. According to CBN, the growth rate declined from 7.03% in 2009 to 6.43% in 2010 as a result of the poor state of infrastructure, especially, energy, increased cost of funds, multiplicity of taxes, weak demand as a result of low purchasing power and trade malpractices.

- * The contribution of manufacturing sector to GDP was 4.1% in 2010 compared to 4.21% in 2009.
- * Average manufacturing capacity utilization decreased from 47% in 2009 to 45% in 2010.
- * Employment figure in the first half of 2010 recorded a decrease from 998,086 in Jan – June 2009 to 966,395 in the same corresponding period of 2010.
- * Production output declined from N183.8 billion in the first half of 2009 to 165.7 billion in the same period of 2010.
- * Business unplanned inventory increased from N5.15 billion in first half of 2009 to N11.4 billion in the same period of 2010.
- * Investment profile in the first half of 2010 had a sharp decline from N1, 280,592 billion in Jan–June 2009 to N360,232 billion in the corresponding period of 2010, (Jide, 2010, p.51).

In a study by this author on manufacturing firms in Abia State, in 2005 and revalidated recently in the Niger Delta, his research works revealed, among other things, that the manufacturing sector’s environments in Nigeria are problematic and harsh. These include: High production costs, poor infrastructures, finance, competition from imported goods, limited scope of operation, etc. (Onuoha, 2009, pp.27-37).

The findings also indicate that these problems can lead to business failure which essentially is seen as rising operational costs without increasing sales volume.

The findings conform to MAN’s observations in its various documents of factors militating against members operation. They are summarized thus:

- Poor and deteriorating infrastructural services, compounded by collapsed electricity supply which impacted negatively on capacity utilization;
- Deepening weak domestic demand arising from lack of consumer purchasing power;
- High and unplanned inventories caused by lack of patronage and distress in aggregate domestic demand;
- Unbridled influx of cheap imports of sub-standard, fake and used products, including dumping of all manner of finished goods-all in the name of trade liberalization;
- High costs of funds arising from depreciation of the Naira against major currencies coupled with high lending rates and extreme difficulties in accessing credit for working capital, particularly by small and medium-scale industries;

- Policy inconsistency and anomalies in customs duty, including the absurd case of a 5 percent increase in the duty rates of some raw materials since January 1999, while imported finished goods witnessed a corresponding reduction in duty;
- Continuing harassment of companies by some state and local governments over unauthorized multiple levies, taxes and charges in spite of the clear position of the law on the matter;
- Inadequate funding and lack of working capital for small and medium scale industries as well as weak institutional structures;
- Problems of supply of petroleum products, particularly AGO (diesel) LPFO (black oil); and
- Persistent congestion at the sea ports;
- Acute infrastructural deficiency in the nation;
- Smuggling and unbridled importation and dumping of cheap and substandard goods which usually suffocate local manufactured product;
- Non completion of the development of core industries particularly the Petro-chemical as well as Iron & Steel industries;
- Dearth of qualified skilled middle level manpower worsened by the decaying educational system;
- Slow rate of technology acquisition stemming from low investments in Research and Development and absence of the needed collaboration between the various government research institutes and the Universities on the one hand, and the manufacturing sector on the other;
- Cumbersome port administration that hinders the attainment of the 48-hour cargo clearing at the ports;
- Government fiscal expenditure as it stands currently;
- Low execution of capital budget even in the face of low capital allocation, etc.

(MAN, 2007; MAN, 2008; MAN, 2010; & Jamodu, 2010, p.47).

One major cost component of the high operation costs of the manufacturing sector in Nigeria is the exorbitant expenditures on energy. Figures released recently by the National Electricity Regulatory Commission (NERC) indicate that of the N796 billions spent to fuel generators in 2008, members of MAN spent over N350 billion. This excludes amount spent on maintenance and repairs and acquisition of new generators,

Obitayo (2001, p.24) lists the following as the problems of small-medium scale enterprises in Nigeria:

- (1) Restricted access to finance (including working capital);
- (2) Difficulties in input procurement;
- (3) Weak infrastructural facilities;

- (4) Poor demand of finished goods;
- (5) Inadequate collateral securities;
- (6) Delay in disbursement of approved fund;
- (7) Restricted access to land;
- (8) Distress in the banking sector.

These problems are also derived from the Central Bank of Nigeria (CBN) and Nigerian Industrial Development Bank Survey on the status of SMEs in 1997.

In addition to competing with genuine and cheaper imported goods, due largely to the government's uncoordinated and ill-advised liberalization policy, Nigerian manufacturers are also facing the problem of fake and counterfeit products. This problem is so devastating that MAN had to give the theme of "Combating Fake and Counterfeit Products" to its 2003 AGM. In his Presidential address, MAN's President then, Charles Ugwu captures the true picture of the problem. According to him,

... Nigeria is under unprecedented plunder and pillage by the activities of smugglers fakes counterfeit and adulterators.

He continues

... It is estimated that between 10% and 30% of cosmetics, toiletries and packaged foods; 20 -30% of electronic goods and computer peripherals as well as 40 -40 -50% of engineering and automobile parts presently in the Nigerian market are counterfeits

What is the outcome? These fake, counterfeit and smuggled goods have practically displaced local brands in the domestic market. Counterfeiting obviously damages the business of companies, while employees lose jobs due to decline in sales.

My research efforts revealed a number of unhealthy developments, inimical to effective technological and industrial development of the economy. They are:

- (1) Majority of manufacturing enterprises in Nigeria are into the production of light and consumer-oriented goods.
- (2) Their mode of manufacturing technique is both manual and machine operated complete automation of operations is still far cry.
- (3) Their major machines and raw materials are import oriented with the attendant foreign exchange implications.
- (4) Most of them had never used the research findings of some of our research institutes, have no technical partners, operating below installed capacity on average at 40% (for manufacturers in Abia State), the national average is 48.8% and have no research and development relationship with any multinational corporation or university in the country.

All these go to show the low level of indigenous technology in Nigeria. Our manufacturing enterprises are more or less completely dependent technically and

technologically. We lack innovative technology culture, as is the case by experiences of countries like Japan, South Korea, Brazil, Hong Kong, Taiwan, Malaysia, Singapore and China, etc, the economic development of which has depended on the ability to acquire, adapt, modify and improve foreign technology.

The benefits of technology are no doubt many and these include:

- a. Improving the growth rate of the national economy;
- b. Promoting employment especially in the skilled category;
- c. Saving and earning foreign exchange;
- d. Reducing prices and improving the quality of goods and services;
- e. Encouraging business competitiveness and innovation;
- f. Improving the science and technology capability of the country;
- g. Generally improving the quality of life (Industrialization Hand Book, 1992, p. 215);
- h. Weakness of the private sector executive capacity;
- i. The low level of personal income limiting the scope of individual efforts with regards to science and technology and precipitating the incidence of brain drain in the country;
- j. The need to develop a critical mass of scientists and technologists and the basic infrastructure of higher education;
- k. The cost of industrial R&D hardware and software have become prohibitive;
- l. Fiscal policy of reduced budgetary allocation resulting in inadequate funding of industrial R&D activities.
- m. Inability to effectively engage in technology transfer or acquisition due largely to inadequate negotiating capability, exorbitant payments for acquired technology, inclusion of restrictive clauses, etc. (Industrialization Handbook, 1992, pp.220-229). All these are inimical to the country's industrial development.

Oyewole (2004, p.5) lists the major constraint to include:

- ◆ Non-availability of information on commercializable inventions and R&D results;
- ◆ Poor technological entrepreneurial culture in educational institutions and research institutes;
- ◆ Inadequate curricular in the educational institutions;
- ◆ Inadequate government support for spin-off

companies;

- ◆ Inadequate infrastructures;
- ◆ Inadequate motivation for the commercialization of inventions/research results;
- ◆ Instability of government, poor planning and execution of policies;
- ◆ Inadequate operation and coordination of spin-off promotional agencies;
- ◆ Lack of funding organizations; and
- ◆ Inadequate patent education and ineffective enforcement of intellectual property rights.

3. EFFECTS OF HARSH ENVIRONMENTS ON THE MANUFACTURING SECTOR

The cumulative effects of the harsh economic environments on manufacturing enterprises in Nigeria are:

- (1) Operating below installed capacity, at 47% in 2009 and 45% in 2010.
- (2) Losing business opportunities, incurring losses and closing shop. In the area of losing business opportunities, incurring huge losses and closing shop, MAN has officially declared that of its 2000 members, 30 percent mostly small and medium scale industries (SMIS) in Nigeria have closed down, 60 percent of them ailing while just 10 percent of them, notably the multinationals currently operate at sustainable level (Mordi 2005, p.21). According to Borodo (2008, p.46), between 2000 and 2008, about 820 manufacturing companies have closed down or temporarily suspended production.
- (3) The manufacturing sector is contributing very little to the Gross Domestic Product (GDP) of the nation. In 2008, this sector contributed only 4.2% to the nation's GDP, in 2009 and 4.19% in 2010.
- (4) Inability to provide/create employment opportunities, in a country where the rate of unemployment (particularly graduate unemployment is very high.
- (5) High debt burden to financial institutions both in Nigeria and abroad.
- (6) Relocation of industries to neighboring countries
- (7) Unplanned inventories of both raw materials and finished product.
- (8) Inability to compete globally and earn foreign exchange for themselves and the economy, etc.

Table 1 shows a rough comparison of Nigeria's manufacturing sector with selected countries.

Table 1
Manufacturing Sector in Selected Countries

Country	Contribution of Manufacturing to GDP	% of Employment	GDP-Real Growth Rate	Inflation
South Africa	16%	De-industrializing – shedding jobs	4.9%	4.3%
Malaysia	32%	27%	5.7%	2.4%
India	17%	NA	8.4%	5.0%
Brazil	30.8%	13%	4.5%	4.6%
Nigeria	4.19%	De-industrializing –shedding jobs	6.4%	11%
Singapore	24%	21.6	7.9%	4.3%

Source: Compiled from different documents

4. STRATEGIES TOWARDS 2020

The agricultural and manufacturing sectors are the keys to any nation's economic and technological advancement. Unfortunately, in most third world nations, including Nigeria, the performance of these two important sectors has been very poor. Table 1 clearly shows the abysmal record of the country's manufacturing sector, in terms of its contribution to the nation's GDP vis-avis other nations. Despite the great promise of the manufacturing sector as the engine of growth, solution to unemployment, creator of wealth and panacea for sustainable development, it has suffered severe decline due largely to unfavorable business climate. For example, it contributed only 4.2% to national output in 2009 and 4.19% in 2010.

Nigeria, under President Olusegun Obasanjo started economic reforms in 2003. On assumption of office, in 2007, President Musa Yar' Adua's economic thrust is based on the administration's 7-point Agenda, aimed at transforming Nigeria to be among the top 20 economies of the world by the year 2020. No nation can be economically developed without a strong manufacturing sector. It is against this backdrop that this article will identify and discuss a number of strategies for a dynamic manufacturing sector between now and the year 2020.

- √ A major reason for the high cost of doing business in Nigeria is the country's decaying infrastructure. Basic infrastructures are vital for the effective and efficient functioning of the economy. They are also the primary dominant factors in competitiveness in both the domestic and global markets. As a matter of priority and urgency therefore, concrete efforts must be made and everything done, to provide adequate and efficient infrastructural support services in the country.
- √ Inadequate power/electricity is an impediment to a vibrant manufacturing sector. MAN members spent a whopping ₦350 billion to fuel their generating sets in 2008. Part of the power reforms of the Federal Government is to generate 6000 MW by end of 2009 and 10, 000 MW in 2010. To be a major industrial player in 2020, just eleven years away, government's

power programmes must include plans to add a minimum of 3000 MW yearly from 2011. So by 2020, the nation must generate a minimum of 45, 000 MW. In fact, the best option will be to privatize the power sector generation and distribution as in telecommunications. In that case, we would be talking of 85,000 MW or more by 2020. To underscore the importance of power to their daily operation, the Manufacturers Association of Nigeria (MAN) announced recently a strategic partnership with West-Pac Electrical Nigeria Ltd, a subsidiary of US-based West – Pac Petroleum Incorporation, towards the installation of 2000 MW of electricity in Lagos Industrial area, within the next four years for the use of the nation's manufacturers, Osagie (2009, p. 29). It is expected that 400MW will be available before December 2010.

- √ The nation's manufacturing sector contributes a mere 4.19% to the national GDP. For Nigeria to be one of the twenty biggest economies in the world, the manufacturing sector must be contributing a minimum of 15% yearly to its GDP and grow it steadily to a minimum of 30% by 2020. Therefore, government's industrial policy and other economic policies must give the manufacturing sector that enabling environment to accomplish this.
- √ The Bank of Industry (BoI) should be adequately funded and strengthened to be in a position to finance serious industrial development. Similar agencies in South-East Asia and Far East are heavens for manufacturing concerns. This and other measures (Constant power) will assist manufacturers to attain full industrial capacity utilization.
- √ There are a lot of fake products in this country. These fake and cheap products are helping to kill our own industries with the attendant high unemployment profile. Government and its agencies should identify and name the specific countries whose citizens or firms export fake and sub-standard products to Nigeria and their local collaborators. Then blacklist and prosecute

- them and in some cases demand compensation. Government must do everything possible to avoid a situation where Nigeria becomes a dumping ground for all manners of goods. This is also the only way to stem the ugly trend to relocate manufacturing firms to the neighboring countries.
- √ Agriculture and agro-business must also be given priority attention. Full agricultural development will eradicate the food security problem and provide the much needed raw materials for industries. Indiscriminant ban of raw materials that have no local sources of supply should be discouraged.
 - √ Nigerian banks should be encouraged to ensure that about 60% of their loan portfolios are to agriculture and manufacturing sectors. The high interest rate of between 18–35% is surely a disincentive to industrial advancement. To encourage investments in the manufacturing sector, costs of funds must be made reasonable and achievable. Interest rate should be between 5 -7.5%. In most advanced nations, it is lower.
 - √ Manufacturing firms currently pay multiple taxes and levies to the three tiers of government. Some of these include: withholding tax, value added tax (VAT), land use charge, sales tax, tenement rate, interstate revenue, off-loading and loading levy, highway haulage levy, cement haulage levy, signboard and advertisement permit fees, stamp duties, etc. The Federal government should harmonize these taxes and levies. For example, identify taxes/levies to be paid: to local governments; to state governments; and then to the federal government. The harmonized taxes should now be enforced across the country.
 - √ Efforts must be made to address the persistent congestion in the nation's sea ports. Clearing procedures should be in line with the recommendations of UNCTAD. Government should implement the recommendation of the 48 HRS Clearing Committee.
 - √ Due to the prevailing harsh economic conditions, indifference or ignorance, many manufacturing outfits (mostly the small scale ones) are not members of MAN, an important trade association. They are encouraged to be members of MAN, while those inactive members are advised to be active. Membership of MAN, has a number of benefits which include: credibility as a manufacturer; access to business information; capacity building for members; recognition by government; public policy advocacy; business linkages; direct intervention on problems affecting members; consultancy/advisory services; and patronage of made-in-Nigeria products, (MAN, 288, p.17).
 - √ MAN should sharpen its public policy advocacy machinery to guarantee greater influence on policies and matters that affect the industrial sector. MAN can also do this encouraging its members to contest elections into the National Assembly and lobby for other appointive posts to influence government policies in its favor and for the benefit of our economy.
 - √ Similar to the above, MAN should used its representation on the under listed numerous government boards to influence government policies its favor: Bank of Industry; Standards Organization of Nigeria; National Agency for Food and Drug Administration and Control; Nigeria Customs Service; Onne Oil & Gas Free Zone Authority; Nigerian Shipper Council; Raw Materials Research & Development Council; Industrial Training Fund (ITF); Corporate Affairs Commission; Nigerian Export Promotion Council; Nigerian Export Promotion Council; Nigerian Export Import Bank; Governing Board of Council of Registered Engineers in Nigeria (COREN); Nigerian Export Promotion Zones Authority; Governing Council of Federal Polytechnics; National Biotechnology Development Agency; Tariff Review Board; Utilities Charges Commission; National Advisory Council on Cooperative Development; National Science & Technology Fund (Board of Trustees); Nigerian Export Credit Guarantee & Insurance Corporation; Productivity, Prices & Incomes Board (PPIB); Advertising Practitioners Council of Nigeria (APCON).
 - √ It has been observed that a major factor in the ineffectiveness and inefficiency of governments' policies and programmes on entrepreneurship development in Nigeria is inconsistency, insincerity and corruption. As a result, such regulatory agencies as Standard Organization of Nigeria (SON), Economic and Financial Crimes Commission (EFCC), National Agency for Food and Drug Administration and Control (NAFDAC), etc, should be adequately empowered and independent by removing any administrative or legal bottlenecks which may hinder their effective operation. Their employees should be adequately motivated to avoid corrupt tendencies.
 - √ All research and technology oriented government agencies should be revitalized and given adequate financial resources and administrative support to actualize their mandate, in aid of industrial development in this country. Efforts

- should be made to also commercialize their research findings.
- √ The Uruguay Round Agreement and the growth of regional blocs have made it compelling for African countries to speed up regional integration schemes. Additionally, in view of the high propensity of government and its agencies to import rather than patronize domestic industries, we agree with MAN, in recommending the enactment of relevant laws in line with what obtains in the United States of America and India on procurement to the effect that:
 - (a) Where a domestic industry produces a commodity or services, government and its agencies must procure their requirements locally even if the price of such products is 25% higher than that of comparable import item, and
 - (b) Where government or its agency fails to patronize the domestic industry, the affected company or companies may seek redress and obtain compensation for this neglect.
 - √ Efforts should be made by all tiers of governments in concert with the private sector, to create an enabling environment by constructing new industrial estates or districts. Most of the few industrial estates in operation in Nigeria were constructed during the colonial era and the regional governments in the 1950s and early 1960s, especially for large-scale industries, especially subsidiaries of multinationals in the country. The construction of industrial estates for indigenous enterprises by state governments in conjunction with the private concerns will minimize the time project promoter's use in looking for land and run –after Certificates of Occupancy (C of O), which usually lead to the diversion of bank loans meant for the construction of factories. Clusters of firms into industrial estate will enhance efficiency, facilitate grouping of firms into industrial or trade associations, promote inter-firms relationship to enable them discuss new strategies. Cluster of firms will facilitate promotion of basic infrastructures, such as energy, water; good road network and technical and financial support services to group of firms which will enable them exploit economies of scale in both the domestic and export markets. Other examples of clustering firms in particular areas are the Sinos Valley in Brazil, which has for the past 40 years been used as an Industrial estate by over 600 export-oriented shoe-making firms and over 120 tanneries, and the Silicon Valley in the United States, a region of high tech enterprises, and a heaven for venture capitalists. Others are Arezzo and Modena in Italy; Valencia in Spain; Nuremberg in Germany; and Gnosjo in Sweden. All these are places for high concentration of industrial activities.
 - √ There is need for the nation's engineering infrastructure to be established in order to facilitate the local production of machinery and equipment which will strengthen the industrial growth and development of the economy. Again, concrete effort must be made towards encouraging domestic innovations and inventions, as this will facilitate the reduction of franchise agreements which preclude Nigeria manufacturers from exporting and massive gains in foreign exchange (payments for franchise agreements). As is the case in Malaysia, India and China, there must be deliberate policy on nationally acclaiming and rewarding any invention. These national honors serve as motivation to inventors and surely will lead to economic, industrial and technological break-through.
 - √ Finally, there must be consistency in policy implementation; there is need to create competitiveness, and have in the economy a highly skilled and trained labor force. All equipments, machinery, spare parts, etc, meant for agriculture and manufacturing should be duty free. And all other industrial incentive schemes, such as: Bonafide Manufacturers Scheme (MBS); Export Expansion Grant (EEG); Sector-specific concessions/waivers, etc must be implemented religiously and transparently. To increase the international competitiveness of local manufacturers, federal government, its agencies and the organized private sector must design strategies to take advantage of the following: The Uruguay Round Agreement; African Growth Opportunity Act; New Partnership for African Development (NEPAD); Common External Tariff (CET), the ECOWAS market; The African Union; among others. The target will be for indigenous manufacturing firms to be making a minimum of 25% of their turnover across the border.
 - √ To achieve this, the Nigeria Export Promotion Council (NEPC) has to be up and doing. The country's export processing free trade zones have to be fully alive. NEPC will have to partner the following stakeholders: Manufacturers Association of Nigeria Export Group (MANEG), Nigerian Association of Small and Medium Enterprises (NASME); Nigeria Association of Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA); Small and Medium Enterprises Development Agency (SMEDAN); Nigeria Association Small Scale Industrialists

(NASSI), and other professional bodies that may vital role to play in export promotion. That will be the right direction in the guest to having our own multinational corporations.

CONCLUSION

The manufacturing sector is the bedrock of development. Having highlighted the harsh environments under which the nation's manufacturing sector operates, this article gave far-reaching strategies for its development and growth. Nigeria can only be a developed economy with a strong and dynamic manufacturing sector.

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Juxtaposition of the Role of Small Businesses and the State in Ghana's Economic Development

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Received 17 June 2012; Accepted 28 July 2012

Abstract

The Ghanaian private sector is mainly composed of small businesses. The sector is expected to propel the growth and development of the Ghanaian economy. Unfortunately, the key players in the sector, small businesses, are bedeviled with a multitude of problems majority of which have been left to the highly incapacitated private sector to handle. This paper argues, conceptually, for responsibility of the state in providing the required co-ordination externalities and big pushes that are indispensable to the development of the private sector and ability of the sector to truly act as the engine of growth and development of the economy. This is achieved through review of the importance of the small business sector to global and national economies; how the Ghanaian economy has performed under the dominance of the state and the private sector since independence; and shortcomings in state policy support for private sector development.

Key words: Small businesses; The State; Private sector; Economic growth; Development; Co-ordination externalities

Mavis Serwah Benneh Mensah, Ralph Nyadu-Addo (2012). Juxtaposition of the Role of Small Businesses and the State in Ghana's Economic Development. *International Business and Management*, 5(1), 75-82. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1015> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1015>

INTRODUCTION

It is generally acknowledged that the definition of micro, small and medium-sized enterprises (herein referred to as small businesses or SMEs) vary across countries and regions. This notwithstanding, small businesses account for a greater percentage of all businesses in virtually every economy and generate the majority of private sector employment and output. For instance, the share of SMEs in the total number of enterprises stands at almost 100 percent in Indonesia and 99.9 percent in Canada and the United States of America (APEC¹ Policy Support Unit, 2010).

Thus the private sector in most countries is largely dominated by small businesses majority of which are local enterprises. This is the sector that has become the motor of growth and development in virtually every economy and is inevitable in both national and global economic activity. For example, the private sector is recognised as key role player in the resolution of global imbalances in the world economy ("Annex: IMF²...", 2006). Therefore, developing small businesses is, in effect, an upgrading of the private sector and its importance to national, regional and global economic growth and development.

The importance of small businesses is manifest in contributions to wealth creation, employment generation and poverty reduction. Moreover, small enterprises have been associated with high levels of economic adaptability and flexibility, and are seen as creating economic opportunity through innovation (Carter & Van Auken, 2006; Atherton, 2005) and regarded as the seedbed for industrialisation, especially in Africa (Siddiqi, 2006).

In developed economies, it is estimated that SMEs account for an average of 67 percent of formal employment in the manufacturing sector and contribute a sizable share to formal Gross Domestic Product (GDP)—49

¹ APEC: Asia-Pacific Economic Cooperation.

² IMF: International Monetary Fund.

percent on average in high-income countries (IFC³, 2010). For instance, as of 2006, in the European economy, SMEs contributed up to 60 percent of EU⁴- GDP and accounted for 99.8 percent of the total number of EU enterprises (UEAPME⁵, 2006).

In developing economies, SMEs account for an average of 45 percent of formal employment in the manufacturing sector (IFC, 2010). Specifically, it is estimated that SMEs account for about 92 percent of businesses in Ghana (Abor & Quartey, 2010) and more than 70 and 90 percent of all registered businesses in Tanzania and Indonesia respectively (APEC Policy Support Unit, 2010; Confederation of Tanzania Industries, 2009).

Moreover, the contribution of SMEs to formal GDP in low-income countries is about 29 percent on average (IFC, 2010) with some lower middle income countries, such as Ghana, recording higher contributions. For example, contribution of SMEs to GDP is estimated at 40 percent in Tanzania, 70 percent in Ghana, 75 percent in Uganda and 97 percent in Indonesia (Abor & Quartey, 2010; APEC Policy Support Unit, 2010; Confederation of Tanzania Industries, 2009; Okello-Obura, Minishi-Majanja, Cloete & Ikoja-Odongo, 2008).

Furthermore, several studies have found that SMEs create more jobs than large firms do, both in developing and developed countries. Net job creation is also higher in SMEs than in large firms (IFC, 2010). However, there is evidence that in developing economies, SMEs could contribute more to economic development than they currently do (IFC, 2010) if given the needed boost. In addition, because most small businesses are local enterprises, they have a greater capacity to fuel economic growth and development of a nation through the retention of wealth in the economy as against large foreign enterprises that usually repatriate profits to their home countries.

The case of China is a good example of the economic importance of small businesses which are practically local enterprises. China has grown quickly over the past decade and has recently been a leader together with the USA in world economic growth ("Annex: Summing Up...", 2005). This growth has largely come about from small enterprises, in particular Township and Village Enterprises, owned by local communities and partly controlled by local government (Gibb & Li, 2003).

The valuable contributions of the small business sector to national and global economies have earned the sector a boost in most developed nations and international communities. Examples are the Small Business Service of the United Kingdom (UK) and the European Union's (EU)

Green Paper on Entrepreneurship aimed at developing the sector to unleash its full potentials for economic growth and development. In Ghana, currently, national policy support programmes for the small business sector are mostly channelled through the National Board for Small Scale Industries (NBSSI) and its implementing agency, the Business Advisory Centres (BACs).

In spite of the valuable contributions of the small business sector to Ghana's economy, the sector is not delivering on its expectation as a key driver of growth and development. This paper aims at tracing the growing importance of the private sector (of which small businesses constitute a greater percentage) in Ghana's economy since independence and the unparalleled support that the sector receives. The paper primarily reiterates a number of recent calls for countries, such as Ghana, to approach the development of the private sector with a focus on coordinated expansion of the domestic market through state planning and incentives.

The paper is outlined into four sections, including the introduction. The next section provides an overview of the role of the state and the private sector in Ghana's economy since independence. This is followed by an exposition of the role of the state in private sector development with a focus on highlighting important missing links for policy attention. The paper ends with a conclusion on key policy considerations for boosting activities of the Ghanaian private sector.

1. THE ROLE OF THE STATE AND THE PRIVATE SECTOR IN GHANA'S ECONOMY SINCE 1957

Between 1957 and 1980, statism dominated the economic policy front of Ghana. Statism was chosen for several reasons. Prominent among them was the conviction that the state was at the time, the best option for the huge investments in economic projects that the economy required, particularly, at independence in 1957. This was because these projects were "considered too risky and complex for what was essentially a highly underdeveloped and unsophisticated private sector" (Mbaku, 2003, p. 217).

Other reasons for the choice of statism over active private sector participation were the need to generate wealth, fight poverty and to provide the people with employment opportunities. The economy, at independence in most of Sub-Saharan Africa (SSA), was one of mass poverty deprivations worsened by spatial inequalities. The concern of development, in that era, was the "eradication

³ International Finance Co-operation.

⁴ EU: European Union.

⁵ UEAPME: Union Européenne de L'Artisanat et des Petites et.

Moyennes Entreprises/European Association of Craft, Small and Medium-Sized Enterprises.

of colonially created core-periphery spatial differences that had engendered spatial inequity and inefficiency” (Yeboah, 2006) and the need to reconstruct and rehabilitate societies that had been devastated by colonial exploitation (Mbaku, 2003).

The Ghanaian public sector, therefore, became the main engine of economic activities and growth and for that matter for striving towards governments’ goal of large-scale industrial development, which had import substitution industrialisation strategy at its core. Governments under Nkrumah, Busia and Supreme Military Council regimes embarked on massive state investments in public projects such as the Tema industrial city and the Akosombo Dam (Yeboah, 2006). Other major investments were the establishment of processing plants such as the Ghana Food Company (GAFCO), the Bolgatanga Meat Factory, and the Ghana Textiles Printing (GTP) Company.

The results of statism with redistributive economic policies at its core were twofold. Positive results were felt in the life of the ordinary person who benefited from the redistributive policy of governments. In the early 1960s, Ghana had the highest level of GDP per capita in Sub-Sahara Africa (Tetty, Pupilampu & Berman, 2003), stood almost at par in economic terms with countries such as South Korea and Malaysia (Codjoe, 2003), but unfortunately slipped away from being classified as a middle income country by the World Bank (Tetty, Pupilampu & Berman, 2003; Killick, as cited in Aryeetey & Fosu, n.d).

Thus the positive economic turnaround was short-lived and soon gave way to a declining economy from the late 1960s. This has been highly blamed, at the formal discussion front, on the politicisation of resources by governments, debt-financing strategy, and high managerial inefficiencies in the public sector - the custodian of industrial activities at the time (Mbaku, 2003) with adverse features of corruption, nepotism and rent seeking.

However, all the while, the private sector had been neglected in terms of developing it to become part of the economic development process in Ghana. With economic activities vastly in the hands of highly subsidised and inefficient State-Owned Enterprises (SOEs), growth in the Ghanaian economy declined with worse and turbulent records in real GDP and GDP per capita growth between 1971 and 1984 (with exceptional positive growths in 1973 and 1978). For instance, growths in real GDP and real per capita GDP stood at approximately -3 and -6 percent in 1972, -13 and -17 percent in 1975 and -7 and -10 in 1982 respectively (McKay & Aryeetey, 2004).

In addition, Ghana’s foreign reserves dwindled and the nation’s debt rose. Real wages kept dropping, while public sector and industrial earnings also kept falling. By the 1980s, the rate of inflation in Ghana was estimated to be over 100 percent and per capita GDP had fallen from

its 1960 levels of \$1009 to \$739 with national poverty incidence level rising to 37 percent in 1988 (see Takyi & Addai, 2003).

The deteriorating economic situation in Ghana prompted the Bretton Woods Institutions (the World Bank and the IMF at its forefront) in the early 1980s to institute conditions attached to borrowing for reforms in Ghana. As Yeboah (2006, p. 50) describes it, “because of increasing national debt, the collapse of the Ghanaian economy, and the vampire state in Ghana”, the then government under the Provisional National Defence Council (PNDC) regime had no alternative but to rely upon global sources of capital to finance Ghana’s development. This was a major turning point in Ghana’s economic policies, as it had since the 1980s taken a much external orientation with some writers such as Yeboah (2006, p. 50ff.) describing Ghana’s development as “being coached within the notion of development funds”.

By 1982, Ghana’s real GDP had declined to -7 percent (McKay & Aryeetey, 2004) and inflation was as high as 123 percent in 1983 (Gyimah-Boadi, 1997) while, at the same time, terms of trade had deteriorated and the nation’s accounts recorded large fiscal imbalances. The industrial sector was in total shambles with the collapse of the manufacturing sector during the severe economic crisis of the early 1980s. In fact, previous governments relied on import of machinery and spare parts for the industrial sector without instituting measures for the production of, at least needed, components that could be produced within Ghana.

Between April 1983 and December 2000, Ghana implemented the World Bank/IMF recommended Economic Recovery Programme (ERP) Phase I, Structural Adjustment Programme (SAP), and the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) to restore the economy back on track. The objectives of the ERP included improvements in debt repayment, restoration of the nation’s international creditworthiness, and attracting foreign capital to rehabilitate infrastructure. The ERP and SAP had at their core increased extraction of raw materials with emphasis on the development of infrastructure for improved extraction of gold, timber, and cocoa for export (Yeboah, 2006). Moreover, currency devaluation, trade liberalisation, reduction in public sector employment with associated retrenchment of labour, limited state involvement in the economy and privatisation of SOEs are some of the policies that were implemented under the SAP.

One of the most cited advantages of the SAP is that privatisation of SOEs, which began with the passing of privatisation law in 1993, brought the country, during the 1990s, revenues valued at 21.6 percent of the nation’s GDP. This enabled Ghana to reduce its outstanding IMF obligations as percentage of GDP from 12.7 percent in

1990 to 4.0 percent by 1999 (Brune, Garrett & Kogut, 2004). In addition, the Ghanaian economy recorded consistent increases in GDP within the period 1984-2000 with an average of 4.7 percent (McKay & Aryeetey, 2004).

However, the SAP brought considerable hardships on the general populace which necessitated another strategy of poverty reduction under the PAMSCAD. Reforms which started in 1983 could not arrest in a sustainable way, within the short to medium term, the falling Ghanaian economy such that in 1990 economic growth had stalled. Agricultural and manufacturing outputs drastically fell in the 1990s. For instance, in 1990, food processing and textile manufacturing were less than 60 percent of their volumes in 1977. This, among other factors, saw the increase in official development assistance (ODA) to Ghana (McKay & Aryeetey, 2004). Similarly, in 1998, manufacturing output for all industries was below the 1970s level while in 1999 export in cocoa (the country's leading export commodity) fell by 40 percent (Yusuf & Saffu, 2005). Average annual rate of inflation rose from 25 percent in 1989 to 37.7 percent in 1990 and fell again to a low of 15 percent in 1991-2 (Gyimah-Boadi, 1997).

Moreover, the share of private investments in the economy continued to be very low – after an initial increase from 2 percent in 1982 to 4.4 percent in 1984, it stood at a low of 3 percent by 1992 (Gyimah-Boadi, 1997). Furthermore, Ghana's debt rose. As Gyimah-Boadi (1997, p. 311) vividly puts it "...Ghana did not enter the ERP/SAP with a debt problem, but it came to have one". The country's total foreign debt rose from 1.6 billion in 1980 to 3.6 billion in 1988 while debt service ratios was on the average over 50 percent to a high of 75 per cent in 1988 (Whitfield & Jones, 2007). In effect, cost of living continued to rise for the populace with no significant reductions in poverty; national poverty incidence level stood at 51.7 percent in 1991/2 (Osei, 2012). It is important to note that the deteriorating economic situation in Ghana was exacerbated by a fall in world commodity prices. For example, in 1999 alone, the price of gold (one of Ghana's main export commodities) declined by 13 percent (Gyimah-Boadi, 1997).

In recent times, Ghana's economic policy continues to be highly directed by its agriculture-based economy, although the service sector has, since 2008, taken over agriculture as highest contributor to GDP⁶. A turning point is that the role of the private sector is becoming increasingly prominent in achieving growth targets spelt under Ghana's long term development plan, Vision 2020 submitted to Parliament in 1995. Vision 2020 targets an average economic growth of 8 percent per annum through a strategy of human capital development, improved macro-economic policies, diversification of the economy,

the creation of a business friendly environment, and trade openness. To drive the nation towards the attainment of targets set under Vision 2020 are national policies such as the National Medium Term Private Sector Development Strategy (NMTPSDS 2004-2008) and the growth and poverty reduction strategy I and II, and the Ghana Micro, Small and Medium-sized Enterprise (MSME) project.

With the private sector as the main engine for growth, Ghana entered the twenty-first century with low economic performance. The period 2003-2008 recorded inconsistent real GDP growth rates from a low of 5.1 percent in 2003 to 8.4 percent in 2008. The year 2009 recorded a massive decline in real GDP (stood at 4.4 percent) (International Monetary Fund, 2011). This was possibly due to the financial crisis that hit the world economy and slower economic activity resulting from a change in government early that year. However, the impact of the crisis on the Ghanaian economy, and most countries in Sub-Sahara Africa, was not that intense and long lasting because of their limited integration into global manufacturing and financial networks (International Monetary Fund, 2011).

Moreover, the last wave of the Ghana Living Standards Survey (GLSS V) has the proportion of Ghanaian households described as poor to be 28.5 percent in 2005/6, although inequality and underemployment have worsened (Osei, 2012; see also Annim, Mariwah & Sebu, 2012). In addition, larger regional disparities exist with poverty incidence in some areas above 85 percent (Ofori, 2011). Export of goods and services as a percent of GDP has not seen steady growth – exports fell from 42.4 percent in 2002 to 36.1 percent in 2005 and went up in 2006 to 38.2 percent. Investments as a percentage of GDP, however, rose to 29.1 percent in 2006 from 19.7 percent in 2002 (International Monetary Fund, 2007).

On a more positive note, the country's external debt to official creditors steadily decreased to a low of 7.7 percent in 2006 from a high of 117.7 percent in 2002. This dramatic reduction in external debt is highly explained by debt relief awarded in 2002 under the enhanced Highly Indebted Poor Country (HIPC) initiative when Ghana reached a decision point to qualify for debt relief. More so, increase in investment is partly attributed to increase in public spending (government expenditure highly financed from aid) as spelt out in Ghana's Growth and Poverty Reduction Strategy II (National Development Planning Commission, 2006) and directed by conditionalities under the HIPC initiative.

Since 2011, Ghana is classified as a lower middle income country. This new and welcoming status was mainly driven by the discovery of oil in commercial quantities in 2008 and export since 2010. Consequently, real GDP rose from 7.7 percent in 2010 to 14.4 percent

⁶ See http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED&DIMENSIONS=90

boosted by oil production and a rebounded construction sector (International Monetary Fund, 2011; The World Bank, 2012). However, current account deficit widened by 38 percent in 2011 mainly fuelled by increases in nonoil imports volumes and services and income outflows while external debt increased by 7.2 percent and stood at 19.9 percent of GDP. On a positive note, export receipts increased by 61 percent due mainly to increased production of cocoa and oil exports, in the same year. However, GDP is expected to decelerate to 7.5 percent in 2012 as oil production reaches its plateau (The World Bank, 2012).

From the preceding discussion, the performance of the Ghanaian economy under the dominance of the public sector, mainly driven by SOEs from 1957 to 1990, can be described as uneven and unimpressive in most part. Standard of living was relatively poor for most Ghanaians. However, from 1990 to date, with the private sector as the main engine for growth, the country has seen some consistent (though not substantial in most cases) increase in GDP and decrease in national poverty incidence level. This notwithstanding, unemployment remains a challenge especially, rising graduate unemployment. The needed growth in private investments to propel and sustain significant growth into the future is still lacking. Level of investment as well as efficiency of investment is low. There remains a lot that the state can and must do to ensure that the private sector delivers on its mandate as the driving pillar of the economy.

2. THE ROLE OF THE STATE IN PRIVATE SECTOR DEVELOPMENT

The Private Sector Development Strategy (PSDS) Phase I (2005-2009) and Phase II (2010-2015) and the Ghana National Industrial Policy are two national strategic documents that describe government's commitment to develop Ghana's private sector. The two policy documents are interrelated in that the Ghana National Industrial Policy derives its strategic thrust from the PSDS I and II.

The purpose of PSDS II is to develop a thriving private sector that creates jobs and enhances livelihoods for all. This is to be achieved by creating a more business-friendly investment climate, and economic transformation. Specific interventions include reducing the costs and risks of doing business; reducing infrastructure deficit, developing an efficient financial sector that increases private sector access to affordable credit and innovative products. The Ghana National Industrial Policy, on the other hand, aims at expanding productive employment and technological capacity in the manufacturing sector, and promoting agro-based industrial development and spatial distribution of industries. Small businesses are the focal point of the government's efforts to spur growth and reduce poverty.

With the conviction that lack of finance is the major constraint to SME development in the country, the promotion of SME activities has largely centred on enhancing SMEs' access to finance. The PSDS I had as one of its strategic core, enhancing access of enterprises to market. However, recent studies indicate that market access for enterprises and access to business information, technology and other business-related services are still a problem for Ghanaian enterprises (Mensah, 2012; Kufour, 2008; Kayanula & Quartey, 2000). Resolving these problems will transform the enterprises into credit worthy entities that will enhance their access to credit. Besides, the nation needs to continue to work at improving SMEs' access to market and technology to ensure that enterprises are well prepared to capitalise on the provisions under the PSDS II.

In line with these, investment-led growth is what Ghana needs to boost and sustain its development. However, record shows that Ghana has been stagnating around the mid twenties in terms of total investment as a percentage of GDP; 1997-2001 average: 24 percent; 2002-2006 average: 26 percent (International Monetary Fund, 2007). This proves the need for increased investment in the economy for "There will only be sustainable development ... if the increase in government aid flows is complemented by a resurgence of enterprise" (Ending Africa's Poverty, 2004, p.176).

Growth can be spurred by significant and sustainable increases in productive public sector and private sector investments. In the case of Ghana, the private sector accounts for a greater percentage of investments in recent times. For instance, the ratio of private investment to that of central government as a percent of GDP were 21.6: 0.0 percent in 2006, 16.6:3.5 percent in 2007, 17.9:1.7 percent in 2009, and estimated at 18.7:1.8 in 2011 (International Monetary Fund, 2011). The state's dual role as pioneer of development and promoter of an enabling environment for private sector development should, therefore, be geared towards identifying priorities for the development of the private sector and, for that matter, small businesses (Mbire-Banrunji, 2004).

Similarly, Jackson (2004) stresses the need for effective government support for the private sector and provides a picture of the dilemma that many African countries, including Ghana, face: "The public sector and the state owned enterprises in ... Sub-Saharan Africa specifically have been widely criticised as being too large, bureaucratic and change resistant. There is broad agreement concerning the poor performance of the public sector ... Yet there is little empirical evidence to suggest that private sector organisations are any better equipped to meet the challenges of change and development in Africa" (Jackson, 2004, p.23). Consequently, there is the need for change and entrepreneurial behaviour from all public and private sector stakeholders (Gibb & Li, 2003).

In order to nurture and realise the full potentials and benefits of the Ghanaian private sector, which is predominantly made up of small businesses, it is imperative to create an enabling business climate that will support the sector to flourish and boost wealth creation. This is what Siddiqi (2006, p.14) describes as the “best poverty attack”. Fortunately, the state has, in recent times, made considerable progress in improving the Ghanaian investment climate.

This notwithstanding, the Ghanaian economy is not doing well under the dominance of the private sector. With over 90 percent of all registered Ghanaian businesses being SMEs (Abor & Quartey, 2010), whose operations are highly limited to the “small” Ghanaian market coupled with less substantial FDIs (Osei, 2012), the market system is not able to generate by itself the needed coordination externalities that are so crucial for the effective functioning of the economy.

The state, therefore, remains the key organ for creating the market system that coordinates effectively and efficiently to bring about the needed externalities (Rosenstein-Rodan, 1984 as cited in Asche, 2006). These coordination externalities basically include pecuniary external economies, and technological external economies. Pecuniary external economies come about through coexistence and functioning of different industries that complement each other to yield economies of scale. This is what Porter (1990, as cited in Daniels, Radebaugh & Sullivan, 2007) describes as “related and supporting industries”, one of the four key country and firm-specific elements that interact to determine the success of a nation in a particular industry and success internationally.

However, the market may be so small - as is the case of Ghana - that it may fail to support the existence of these industries to bring about the expected benefits. Practically, private enterprises may not be interested in investing in such support industries due to anticipated poor returns on the huge investment required to provide the services. However, these support services are so crucial to the development of any industry such that once underdeveloped, the industry also remains undeveloped and unable to function well. In such an instance, the state must act to create the necessary platform for the emergence of critical support industries. As Asche (2006, p. 24) reiterates, “in spite of the fact that conditions for export-oriented growth were much better for the East Asian Newly Industrialising Economies than for African countries today, coordinated expansion of the domestic market through state planning and incentives was essential.”

This appears to be the missing link for the Ghanaian economy. Most of the policy initiatives outlined in the Ghana National Industrial Policy, for example, place the onus of creating support industries in the hands of the private sector. The catchy phrase: “government will

encourage...institutions” leaves much to be desired. The Ghanaian situation is one that inevitably requires the state, in most instances, to act and provide the needed externalities.

Equally important are technological external economies which emanate from the existence of technological capabilities developed through vocational training, on-the-job training and the formation of human capital needed to support industry. They also arise from networking/business linkages among industries. Even, in this case, the government is seen as a central actor in the creation of such external economies (Nurkse, 1953 as cited in Asche, 2006).

In Ghana's National Industrial Policy, the government makes selective commitment towards developing technical skills in the oil and gas industry, although the policy broadly aims at developing the technological capacity of the manufacturing sector. Responsibility for the latter is placed in the hands of the private sector with the government promising to encourage the sector towards the provision of the needed capacity.

A major challenge for developing technological external economies is that demand for the ensuing skills and expertise (if export is not the primary goal) must be present locally to justify and direct any investment thereof. Development of pecuniary external economies, therefore, becomes crucial in propelling the growth and development of key industries in the economy to provide the necessary direction for the development of technological external economies. However, in the case of Ghana, these are not well-developed and the private sector is currently not in the right state to provide these externalities. Accordingly, the state must act.

The inevitability of coordination externalities has been stressed in growth literature as a form of big push which governments can offer to their economies to bring them out of the so-called poverty trap. Rodrik (1995, as cited in Asche, 2006, p.24) draws two critical claims from earlier works that associate Taiwan's and South Korea's economic breakthroughs with this kind of big push: “... (1) both countries were ready for economic take-off by the early to mid-1960s, but economic growth was blocked by a coordination failure; (2) governments in both countries were able to undertake the measures needed to override this coordination failure.”

Moreover, big pushes can take the form of (a) incentives, (b) protective mechanisms, and (c) creation of public enterprises that take up core investments when neglected by the private sector. These were much used during the planning euphoria from the 1940s to 1960s (Asche, 2006). It is imperative that the state spearheads the provision of the needed coordination externalities and the necessary big pushes to ensure that they are well developed for private sector activities to thrive and flourish.

As noted earlier, in the 1960s, Ghana had the highest level of GDP per capita in Sub-Sahara Africa (Tettey, Pupilampu & Berman, 2003), stood almost at par in economic terms with countries such as South Korea and Malaysia (Codjoe, 2003), but unfortunately slipped away from attaining a middle income country status (Tettey, Pupilampu & Berman, 2003; Killick, as cited in Aryeetey & Fosu, n.d.).

It has taken over fifty years for Ghana to rise again not to the level of its 1960 contemporaries but as a lower middle income country that still struggles with poverty and income disparities. The big pushes which its contemporaries received in the 1960s still remain relevant and a must for fuelling and sustaining the new growth which the country is currently experiencing. This is highly indispensable for the realisation of the desired development and poverty reduction. Otherwise, the current growth (which is largely fuelled by revenues from oil export) will be short-lived.

CONCLUSION

The relevance of the Ghanaian small business sector (which constitutes a greater percentage of the private sector) and its strategic role as the key engine for the country's growth and development is well acknowledged. However, as a sector that had been relegated to the background for nearly 30 years after independence and still suffers from poor access to technology, market, finance and particularly co-ordination failure, it is imperative that it receives the required state support to deliver on its mandate. The state has the unflinching responsibility to spearhead the provision of the needed coordination externalities and the necessary big pushes for private sector development for the growth and development of the Ghanaian economy.

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Human Resources Capacity Development for Effective Delivery of Education in Nigeria

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Received 7 July 2012; Accepted 12 August 2012

Abstract

This paper explores how human resources capacity development can be used for the effective delivery of education in Nigeria. The development of the various human resources in the education sector is important if educators are to provide quality education for the teeming youths of the nation and this cannot be overemphasized. The various human resources categories in the education sector were critically examined and their roles analyzed. The various ways in which capacity building for these human resources can be carried out was also looked at. Since education is a symbiosis between the teacher and the taught, this means that no group should be left out of the development process as per continuous training. Recommendations were then made on how to use proper Human Resources Management tools such as training, communication, recognition for job well done and even national awards when necessary so that there can be job satisfaction in the education sector in Nigeria and personnel there can contribute their quota to the development of the country.

Key words: Capacity building; Human resources; Management tools; Job satisfactions and quality education

OLAWEPO Gabriel Tejumola (2012). Human Resources Capacity Development for Effective Delivery of Education in Nigeria. *International Business and Management*, 5(1), 83-85. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1250>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1250>

INTRODUCTION

With a growing focus on the importance of knowledge societies for equipping countries with a suitable workforce, issues around human resources within the education sector come under greater scrutiny. The human resource element has two important dimension; education supplies human resource, but equally it is essential that those responsible for education receive quality training and opportunities in order to fulfill their role. For the education sector to be able to effectively and efficiently supply quality human resources to other sectors of the Nigerian society, it also has to develop its own human resource.

Good teachers are essential in any education system, but to what extent does capacity building facilitate this the more and how does it impact on the education provided?

Ogbeifun and Olisa (2001) posit that with the troubling revelation of the shortage and half-baked teachers employed to teach in the nation's schools, how is one certain that the education sector in Nigeria is not heading for the rocks? The federal government reported that the falling standard of education is caused amongst other factors, by acute shortage of qualified teachers at all levels of education but mostly at the primary level where about 23% of over 400,000 teachers employed in the nation's primary schools do not possess the National Certificate of Education (NCE) is the minimum requirement one should possess to teach in the nations primary schools. Even for those with the required certificate training and capacity building stops immediately after they have left school. They thereby end up giving students archaic knowledge, passing down what they were taught years or even decades ago notwithstanding the fact that new knowledge and new complex technologies are daily being discovered.

For the education sector to thrive and take its place of pride in the nation's economy, human resources in this

sector have to be developed through training and constant retraining. To improve the standard of education in Nigeria, it is necessary to first educate the educators and motivate them to perform their duties well (Dike, 2000). The UNICEF in its state of the world's children report for 1999 pointed out that about four million Nigerian children have no access to basic quality education and that majority of those that are "Lucky" to enter schools are given sub-standard education.(Akhaine, 1999).

1. FRAMEWORK FOR HUMAN RESOURCE DEVELOPMENT

Human resource capacity development is a framework for the expansion of human capital within an organization or a nation. Human resource development is a combination of training, education and motivation in the broad context of adequate employment policies that ensures continual improvement and growth of both the individual, the organization and the national human resources.

Nadler (1984) sees human resource capacity development not as a defined object but as a series of organized process with a specific learning objective, within the national context, it becomes strategic approach to inter sectoral linkages between all the factors affecting development.

Human resources capacity development is the framework for helping employees develop their personal and organizational goals, knowledge and abilities. It includes such opportunities as employee training, career development, performance management, mentoring tuition assistance, key employee identification and organizational development. The focus of all aspects of human resources capacity development is on developing a more superior workforce so that the organization and individual employee can accomplish their work goals. A successful human resource development programme prepares the individual to undertake a higher level of work organized learning over a period of time, to provide the possibility of performance change. Therefore human resource development is the framework that focuses on the organization's competencies at the first stage, training and then developing the employee through education, job satisfaction to satisfy the organization's long term needs and the individual's career goals and employee value to their present and future employers.

2. STRUCTURE OF HUMAN RESOURCE CAPACITY DEVELOPMENT

Human resources development allows for individual development, potentially satisfying the organization or the national goals. Development of the individuals benefits the individual, the organization and the nation and its citizens.

In the corporate vein, the human resources capacity development structure views employees as an asset to the enterprise, whose value is enhanced by development.

Elwood, Olton and Trott (1996) say that human resources capacity development's primary focus is on growth and employee development, emphasizing developing individual potential and skills. Human resource development at the national level can be a broad inter-sector approach to fostering creative contributions to national productivity.

A successful human resource development prepares the individual to undertake a higher level of work organized learning over a period of time to provide the possibility of performance change.

3. PROBLEMS TO HUMAN RESOURCES CAPACITY DEVELOPMENT IN NIGERIA

Moja (2002) posits that human resource capacity development is essential for the effectiveness of the education sector in Nigeria in as much as there are various needs for this in administrative management, research and teaching as well as for the support and technical staff. There is an urgent need for capacity building in the various commission charged with responsibility for governing and managing different aspects of education in Nigeria.

One problem facing human resource development in the education sector in Nigeria is that planning, supervision and monitoring mechanisms for the entire education system have been very weak. Management problems within the system have also been cited often as a factor that impacts negatively on the success of projects and policies that have been supported by international development agencies.

Another problem facing human resource development in the education sector is that of uncontrolled growth in the system that far out paces the growth of human resources. Lack of data and unprocessed data in the education sector have also made planning if not totally impossible, inadequate. The system has thus suffered from lack of adequate planning for the implementation of policies that are essential to improved quality and expansion (Kayode, 2010). Human resources in schools have also been faced with poor quality of training especially for colleges of education responsible for training teachers. The training method and approaches are outdated and do not take into consideration the changes taking place in both the local environment and a more technological global environment. Also, teachers in service and administrative officials do not have opportunities for high quality staff development. Their knowledge and skills are often outdated and the inspectors are not providing the necessary pedagogical support for further development.

Furthermore, the Nigerian society has a warped value system where education is not put on the pedestal it should be. This weird value system is seen when priorities are turned on their heads. The salaries of the less educated local government counselors are much higher than those of university dons. This weirdness is also seen when known fraudsters are hailed and praised notwithstanding the source of wealth. This value system has so degraded the education sector that policy makers no longer reckon with it since you can become rich without being educated.

4. WAYS OF DEVELOPING HUMAN RESOURCES IN THE EDUCATION SECTOR

To make the educator viable in the present dispensation of things in Nigeria, those in charge of policy in the education sector should adopt the following ways of human resource capacity development.

- Training: quality training and management skills should be constantly done for the personnel in education so as to position them firmly in the new technological era. This is to make them competent in the complexity of the new technologies and the rapidity of their evolution. This training can be in form of workshops, seminars, symposia's for discussion.
- Educational systems should be made challenging and stimulating then encourage lateral thinking and emphasize the capacity for the human mind to imagine new dimension and concepts.
- Courses must be geared towards solving practical problems instead of being single subject based.
- Development of structured career development plans for the staff to keep learning new things in their various fields must also be done.
- Emoluments and salaries should be appropriate to rank and be promptly paid. This should be done in accordance with what obtains in other sectors of the economy so as to create job satisfaction.
- Mentioning: This is essential to foster relevance in the individual. Senior colleagues with credibility in the profession should mentor younger ones not by being tribalistic or showing undue favoritism but by personal training and mentioning for more effectiveness on the job. This is effective because it is face to face instead of having more people.

CONCLUSIONS AND RECOMMENDATIONS

The decline in quality education in Nigeria has been a major concern and is due to the rapid expansion in student

numbers without comparable expansion in resources both human and material.

For Nigeria's educational sector to take its pride of place in Nigeria and the world at large, government and policy makers should do their utmost to see that the educators are also educated and well remunerated. The educational sector should be made more attractive by giving honour to whom honour is due. The warped value system of the country where salaries of people in the educational sector who have contributed immensely to the human resource development of the country are mere stipends compared to that of politicians who have not made any meaningful contributions to the nation's development are paid far higher salaries.

Recognition in the form of merit awards should also be extended to deserving persons in the education sector of Nigeria. Human resources capacity development also encompasses recognition for job well done whenever necessary.

In conclusion, the fact that whatever input is made into the educational sector of any country ultimately reflects on all other sectors of the economy should make human resources capacity development in the education sector, a must for the government and those concerned.

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An Economic Analysis of the Specialization and Marketization of Convention and Exhibition Industry

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Received 5 June 2012; Accepted 25 July 2012

Abstract

Exhibition industry can not only create huge economic and social benefits itself but also have a strong driving effect towards a variety of industries such as transportation, tourism, catering, accommodation and related industries, thus promoting the industry agglomeration. This paper has made in-depth analysis on the connotation and dialectical relationship between the specialization and marketization of exhibition industry from an economic point of view. The analysis reveals the basic principle of interactive development of the exhibition industry and the regional industrial clusters. It is considered that the regional industry cluster is a basic support for the specialization and marketization of the exhibition industry. Finally, this paper proposes the sector structure mode and exhibition industry cluster method through in-depth analysis of the downstream, mid-stream and upper stream of the exhibition industry chain. On this basis, the market operation mechanism of the exhibition industry chain is outlined.

Key words: Exhibition industry; Specialization; Marketization; Industry cluster

LIU Xiaoming (2012). An Economic Analysis of the Specialization and Marketization of Convention and Exhibition Industry. *International Business and Management*, 5(1), 86-92. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0120>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0120>

INTRODUCTION

Exhibition is a service circulation process in social reproduction for the smooth social mobility of goods. Exhibition industry expands the social economy mainly in this process (ZENG, 2005). Facts have shown that approaches of both professional and marketization provides intensified platform for the exhibition businesses, which expands rapidly the exhibition from social public relations level to the socio-economic level and makes them powerful thrusters for the socio-economic growth (ZHAO, 2012).

1. THEORETICAL CONNOTATION OF SPECIALIZATION AND MARKETIZATION OF THE EXHIBITION

1.1 Essential Attributes and Economic Foundations of the Exhibition

The exhibition is essentially a special form of the market. It is a social service activity that delivers and exchanges information through visual display under certain time and space conditions in accordance with the social needs so as to allow viewers to make purchases and sales, investment decisions, or to learn and so on. On the one hand, the exhibition activities contribute to market transactions; on the other hand, they improve the efficiency of resource usage to maximize the economic interests of both buyers and sellers. Economic functions of the exhibition include trade promotion function, information dissemination function and the competition promotion function (YU, 2006; LI, 2011; CHENG, 2011; CHEN, 2011)

1.2 Definition of Specialization and Marketization of the Exhibition

The first part of specialization of exhibition industry refers to the specialization of the exhibition theme, namely a theme based on an industry with a certain category of

goods and a certain kind of technology and service as the core, involving professional firms in the industry and mainly open to professional visitors. The second part is the specialization of exhibition management and operation. That is to say, the economic activities of the exhibition are divided into several parts: The exhibition planning, the overall launch, exhibition and investment invitation, venue layout and support services, etc. They work together and form specialized systems like professional meeting organizers, professional exhibition organizers, destination management companies, special event planning and management companies to create the exhibition industry chain with the division of labor and mutual support among enterprises. The third is the specialization of operational personnel. The highly professional exhibition industry will inevitably require employees with specialized knowledge and quality. Those countries with prosperous exhibition industry have education systems to train exhibition professionals, which is an important support in promoting the healthy development of exhibition industry.

The marketization of the exhibition industry is to introduce the mechanism of market competition in accordance with market economy rules. Enterprises determine the exhibition projects according to market need and cultivate the exhibition brands to achieve economic benefits through the commercial operation. To achieve the marketization of the exhibition industry, firstly, the market orientation and the theme, the form, undertaker, management and operation of the exhibition must be decided by the market; secondly, the rules of the market comes first, the most important is that the price is determined by market supply and demand. Thirdly, it is necessary to allocate resources through the market mechanism for exhibition services concerning the organization of exhibition and investment invitation, exhibition activities as well as various ancillary services. Fourth, make clear the market main players and advocate fair competition.

1.3 The Dialectical Relationships Between Specialization and Marketization

1.3.1 Specialization is the Foundation of and Promotes Marketization

Within the framework of neoclassical economics, division of labor based on specialization is a systematic and structural arrangement of economic organizations. Specialization and division of labor are two concepts closely connected with each other and represent the two aspects of one thing. Stigler, 1951, considered that economic activities of an enterprise include many functions that are split to be undertaken by other specialized enterprises in the process of the division of labor or specialization. It lengthens the chain (various specialized organizations between production and consumption) connecting the production and consumption in the market structure, namely it's a continuous extension

of the functions and dimensions of the specialized organizations.

From a historical perspective, marketization is a phenomenon under a dynamic analysis of the market. It refers to continuous expansion of the market scope (the types of transactions, the main body of the transaction and the expansion of the market place) as well as deepening of trading dimensions. In the process of market evolution, specialization or division of labor has played a fundamental role. Specialization can achieve the economies of scale and lower transaction costs, which contribute to the deepening of the market process. On the one hand, as specialization can provide production functions to the market in large-scale to achieve economies of scale in the competition state, thus unit costs are lowered; on the other hand, it offers the market with certain functions (operations) by means of specialized production, making market trading and technology trading more efficient, greatly improving the efficiency of the trading activities and reducing market transaction costs. Therefore, space of the trading activities is enlarged and the development of marketization is promoted.

1.3.2 Marketization is the Base of Specialization and Determines Specialization

Specialization is resulted from exchange. Adam Smith pointed out that the division of labor "is a result caused slowly and gradually by a human tendency not aiming at the utility of the majority (pursued by people), this tendency refers to the disposition to truck, barter, and exchange". However, the degree of specialization is limited by the exchange capacity. Taking exchange capacity as the scope of the market, as the exchange activities and exchange relations constitute a market, the stronger the exchange capacity is, the greater the market radius is and the more extensive the market scope is.

In "Wealth of Nations", Adam Smith puts forward the view of "the division of labor is limited by the market scope", that is, only if the demand for a product or service has grown to a certain degree with the expansion of the market, can specialized producers occur and exist actually. With the expansion of the market scope, people will gradually or occasionally recognize the benefits of division of labor and specialization. As a result, the market monopoly will be broken, moreover, the reduction of the degree of monopoly and development of competition will reduce market transaction costs, which will encourage people to adopt the specialized strategies. The continuous expansion of the market scope provides an opportunity for the development of division of labor and specialization, and will determine their development condition.

1.4 Basic Means to Realize Specialization and Marketization

1.4.1 Means to Realize Specialization

Specialization of China's exhibition industry is to be cultivated in three main areas, namely, "marketization of

the organization of exhibition project”, “marketization of the management of exhibition business” and “marketization of the system construction of the exhibition industry”. Firstly, the government exhibition market has become the focus of reform of the industry, and the exhibition of the government level should be operated by means of restructuring, breaking up, joint ventures, mergers and so on. Besides, property rights and management rights reform has become the focus of course, so the government should pay particular attention the loss of state assets in this process. Furthermore, the increased private and foreign companies have considerably changed the awareness and concepts of the main bodies. The marketization of the exhibition enterprises is mainly reflected in the construction of modern enterprise system, such as business organizations, business modes, management methods, human resources construction and corporate information transformation, etc.

1.4.2 Means to Realize Marketization

As the repetition of domestic exhibitions often takes place, exhibitors are less and less interested in attending the exhibitions. As a result, the exhibition is getting more and more depressed and number of visitors is diminishing, hence the specialization of exhibition needs urgently to be improved. Firstly, specialized exhibitions should be organized proactively so as to attract professional customers. Secondly, professional services should be provided to establish a specialty brand. Finally, we must earnestly cultivate and organize more professional visitors and establish a complete professional visitor database, to make exhibition marketing target-oriented and avoid “paying damages to make calls out”.

2. SUPPORT FOR THE SPECIALIZATION AND MARKETIZATION OF THE EXHIBITION INDUSTRY: REGIONAL INDUSTRIAL CLUSTERS

2.1 Meaning of Industrial Cluster and Cause of Its Formation

Industry cluster refers that an industry and its related enterprises of this industry as well as related social institutions cluster in an area of a certain geographical space and form the network structure of mutual association, cooperation and competition. There are three main characteristics of industrial clusters. The first one is the specialization of the industry and products. Industrial clusters are formed around a particular industry and are often connected with the local industries and products of a certain competitive advantage. The second one is the centralization of the regions. Industrial clusters are based upon the geographical adjacency instead of administrative regions. The relative centralized area is naturally

formed by the market mechanism and is economically coordinated and unified. The third is the network of market players which builds up the competing and cooperative relationship. The last is the spillover effect of cluster memory on knowledge. The rapid dissemination and diffusion of technological innovation makes the technological innovation quasi-public goods within the clusters.

In addition to the effect of the natural advantages of agglomeration force, the cause of industrial clusters lies in the pursuit of “external economies” and circumvention of the transaction costs. Industrial clusters aggregate associated products for production in a particular area in the form of clusters according to the plan so as to save production costs and transaction costs, which enables the individual enterprises within the region to get the competitive edge in the market and benefits the growth and development of the enterprises.

2.2 The Regional Industrial Cluster is the Economic Support of Exhibition

Industry cluster is the basis for sustainable development of exhibition industry. An industry cluster whose role is to promote the process of industrialization and the rapid development of the regional economy has a coupling relationship with the exhibition economy. Industrial clusters can form the supply aggregation effect that realizes the gathering of professional workers, specialization of specialized investments and services, availability of supplier teams and a unique spillover characteristic. A large number of companies gathered in groups can also enlarge the market demand and enable a variety of specialized suppliers to survive and form a specialized network of suppliers. Regional industry cluster is the basis for sustainable development of exhibition industry, it can be concluded that the greater the effect of industrial cluster is, stronger and more stable the effect of the exhibition economy is. To develop exhibition economy in areas that lack of scale effect of the industrial cluster and concentrated factor of production is bound to result in untenable development of exhibition economy. For instance, the International Horticultural Exposition held in Kunming in 1999 was once momentarily sensational, but due to lack of support from relevant industry cluster, the Expo exhibition site could only be turned into an “attraction” but by no means has any coupling relationship with the horticultural industry and the flower industry cluster.

The exhibition is a representation of the industrial cluster. The spatial concentration of industrial clusters directly determines the location of the exhibition industry. At the same time, it brings about the aggregation of key elements and the industrial structure of the same industry. In this sense, exhibition activities with relatively concentrated time, space, and industrial elements is also one of the manifestations of the industry cluster. Many

of the world's renowned international exhibitions are adjacent to the industry clusters, or in the region of the industrial clusters. Hamburg is Germany's important economic and trade center where the five industrial clusters concerning mainly the aerospace, electronics, ships, precise mechanics and optical manufacturing, machinery manufacturing and chemical industry. On this basis, the exhibitions held there have fully embodied the advantages of local industry clusters, such as the International Electronics and Building Technology Exhibition, the Electronics and Building Automation Fair, the International Boat Exhibition, the International Shipbuilding, the Ship Machinery and Technology Exposition, International Metal and Plastics Processing Exhibition and so on. The Yangtze River Delta is one of the important economic zones in China, industrial clusters involving the machinery, chemical, automobile, pharmaceutical, environment protection, IT and other industries have formed in the region. As the economic center of Yangtze River Delta, the International Automotive Industry Exhibition in Shanghai, China International Mould Technology and Equipment Exhibition, China International Pharmaceutical Industry Exhibition and China International Packaging and Processing Exhibition also reflect the advantage of the regional industrial clusters (FANG, 2010).

2.3 Interactive Development Between the Exhibition Industries and Regional Industrial Clusters

2.3.1 Exhibition Industry is the Marketing Platform for Regional Industrial Cluster

Industrial cluster is the geographical concentration of related businesses. Companies produce their products aiming at selling them in the market to realize their value, but due to the restrictions of time and space, information and resources, companies can not find the right buyer immediately when the products are finished. In order to sell their products out, enterprises must search for buyers and related information through some media. Exhibition is the aggregation of associated enterprises with same businesses in time and space within a cluster. In this platform, companies can display the features and functions of their products integrally, objectively and authentically and show corporate culture in all aspects by the modern means such as pictures, videos, booth layout to let customers learn more about the company's products and recognize the enterprise more deeply; the exhibition helps companies collect market information, conduct technical exchanges, seek potential customers, expand the corporate reputation, build the corporate brand and lay a solid foundation to expand their market scales. As the exhibition is characterized as centralized, intuitive, convenient and interactive, except the above advantages, it also significantly reduces the costs of market transactions like market search, information acquisition and contract

forming at the same time. Therefore, the exhibition is important marketing platform for the cluster and plays an important strategic role in the enterprise marketing activities.

2.3.2 Exhibition Industry Promotes the Deepening of the Division of Labor and thus Promotes the Deepening and Development of Regional Industrial Clusters

Regional industry cluster is the basis of exhibition industry in the stage of sustainable development, the development of exhibition industry can contribute to the deepening and development of industrial clusters. There is a coupling linkage between the exhibition and the industrial cluster. Exhibition, as a special form of the specialized market, promotes the deepening of the division of labor and then further promotes the development of industrial clusters. The longer the product value chain is, the more probably the technical process decomposes, while the closer contact the enterprises of different processes have with each other, the more likely the industrial clusters will be formed. Exhibition activity greatly reduces the coordination costs in the early division of labor and allows the development of division of labor among enterprises. Secondly, the information advantage of the exhibition promotes the sound development of industrial clusters in the region. The exhibition event brings together a large quantity of diversified information concerning production, supply and marketing and accelerates the spreading of new technologies, new products and new thinking. Through rapid feedback and delivery of these information and technologies, enterprises can see clearly and timely the change of market environment and capture favorable market opportunities. Besides, they can adjust the products structure and the corresponding inventory in time so as to avoid or reduce the losses resulting from the market changes and lead the direction, level and scale of industry cluster development. Finally, the exhibition activities can bring a free market environment of complete competitive which motivates and presses the cluster enterprises to improve their technology. Therefore, it encourages enterprises to accelerate the pace of technology development in order to ensure their market positions and constantly improve the management methods and product quality to reduce production costs, thus promoting the optimization of the products, technologies and corporate structure within the industrial clusters and promote restructuring and upgrading of the industrial cluster.

There are numerous examples of interactive development of exhibition economy and industrial clusters. The footwear industry with its related products in Jinjiang City, Fujian has become an important pillar industry. Since 1999, Jinjiang has organized the annual "Jinjiang International Footwear Exhibition" which has an extensive economic impact. "Jinjiang shoes" has become nationally renowned and plays an important role

to open the market for the local footwear manufacturers. While footwear manufacturers of the place are actively expanding the domestic market, they make full use of various means to establish an international “network” and participate and organize exhibitions in Germany, the United States, Hungary and other countries. Also by establishing the offices or marketing outlets at home and abroad, these enterprises succeed in expanding both domestic and foreign markets. All these consolidate and strengthen the development of the local footwear industry cluster and promote the interactive development of the exhibition industry and footwear industry.

2.4 The Development of Exhibition Industrial Cluster

The development of exhibition industrial cluster is reduced to the following three stages:

The first stage is the preliminary period for the development of exhibition industrial cluster, the scale of the cluster is small, and the cluster enterprises mainly concentrate on the core part of the industrial chain.

When it comes to the second stage, the cluster grows stronger and its competitiveness and brand image constantly improves. From the perspective of both subjective desire and the objective needs, the exhibition industry clusters must promote the creativity of the design

and innovation of service to a higher level. Accordingly, the emerging businesses and industrial sectors (such as professional exhibition institutions, personnel training institutions, etc.) stand out, the original core of the exhibition industry chain will change and the trend of longitudinal extension take place.

In the third stage, as the market demands for “exhibition products” are constantly changing, the division of industrial cluster should put more emphasis on “flexible specialization”, enterprises of the same part must be able to provide diversified and series of exhibition planning or services to meet different market segments, which contributed to the lateral extension of the single-industry links. It is through the above three stages that the exhibition industry cluster achieves its vertical and horizontal expansion. This development path is based on type of clusters neither of the natural endowments nor of the economies of scale. Instead, it emphasizes the production mode of “flexible specialization” to meet the various demands of the all kinds of exhibition consumer groups and create value. Exhibition industry clusters require more for knowledge sharing and mutual cooperation and set more serious requirements for functional integration and integration of resources, thus creating a “Chain Cluster” structure (WANG & GUO, 2011). As shown below:

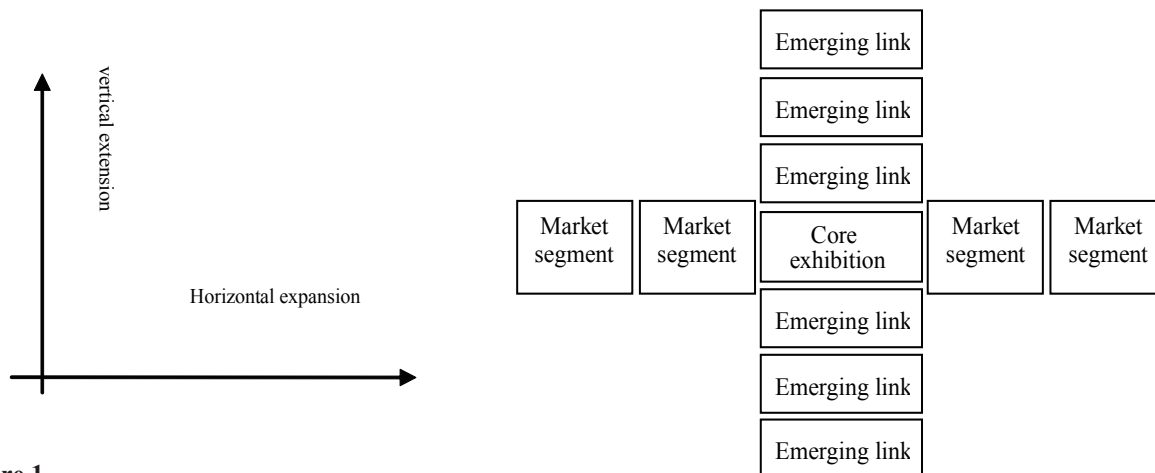


Figure 1
“Chain Cluster” Structure of the Exhibition Cluster

3. THE CENTER OF PROFESSIONAL AND MARKETING DEVELOPMENT OF THE EXHIBITION INDUSTRY: MARKET OPERATING MECHANISM

3.1 The Meaning and Characteristic of the Exhibition Industrial Chain

The industrial chain is a cohesive relationship among the enterprises which is formed voluntarily in the market competition. It is to analysis the supply relationship

between the industries and conform the value ratio of input-output around the direction of production factors aiming at some industries. The amount of factor constitution, the size of control right, the length of chain and the thickness of chain decide the correlations among enterprise, the development tendency of industrial structure and interdependency and influences to other enterprises.

The main characteristic of the industrial chain has three points: The first one is the dependency of every link. The core enterprises and relative supporting enterprises in the industrial chain form complex and ordered network

relationship. In the process of integrative logistics extending, raw material, semi-finished products and production, supply, marketing and final consumption of finished products are connected with each other and none can be ignored. The second one is the integrity of value. The commercial value of industrial chain is created by every link of industry. It emphasizes cooperative relationship between the core enterprises and relative supporting enterprises in the downstream enterprises. It reflects the whole ability that the industrial chain creates values. The last one is the scope of economy. The size of enterprise can't be expanded without limits. The size depends on that the management fee is equal to marketing dealings fee. Therefore, the industrial chain can't be lengthen and widen freely without considering the ratio between costs. When pursuing the industrial sizes, the positive effect of scale economy is in the first places. If it is necessary the consolidation of enterprises in the industrial chain is allowed to reduce the transaction costs of market and gain the scale economic benefits.

3.2 The Inner Structures of Exhibition Industrial Chain

The exhibition industrial chain can be divided into three links including upstream, midstream and downstream. The upstream link of exhibition industrial chain treats the exhibition company as the center to form the specific business including the plan and development of exhibition, the implement of exhibition organization and the publicity of exhibition, etc.. The midstream link means the specific operation, organization and executor of exhibition project, i.e. generally speaking, it is the destination management corporation (DMC). The main involved venues are the exhibition of center, the lease and management of meeting and activity space, the maintain and updating of venue facilities and exhibition service, etc.. The downstream link of means the supporting department of exhibition activity including directly or indirectly provide service for professional conference organizer, DMC, exhibitor and audience. The flow chart of exhibition activity is as followed, see Figure 2:

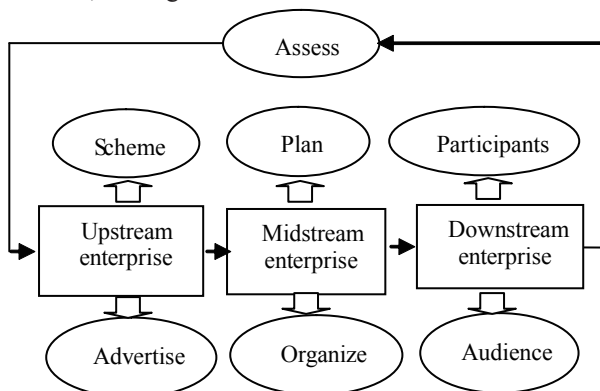


Figure 2
The Flow Chart of Exhibition Activity

3.3 The Tactic Pattern of Exhibition Industrial Chain

It doesn't mean the finality of exhibition activity when exhibition activity has passed upstream, midstream and downstream. Because every exhibition activity must be assessed in order to make exhibition activity go ahead and develop continually and then find problems and sum up experience. The upstream, midstream and downstream links in the exhibition industrial chain assess the exhibition activity results, which make up the main activity contents of exhibition industry and show the main process of exhibition activity from scheme and publicity in starting stage, plan and organization, coordination and canvass in implementation phase to assessment and recuperative in control stage.

PCO is the main link in the exhibition industrial chain and forms the professional division. As the representative venue of DMC, PCO is the expanding platform of exhibition activity. The exhibition enterprises and relative supporting enterprises in the industrial chain close to each other in a certain areas, which is convenient for participants (exhibitor and professional audiences) and common audiences to visit, increase the overflow benefit of enterprise, reduce the search and delivery cost of information. The undertaking organization use industrial connective effect to forge exhibition brand and promote exhibition economy to grow stronger and stronger.

The key exhibition industrial chain includes exhibition scheming, exhibition venue, exhibition service and exhibition consumption, etc., fore links. These links doesn't present "linear" range of traditional industrial chain but present the structure of "sector" (WANG & GUO, 2011). The specification is shown in the Figure 3. Therefore, for the traditional industry the finished product links will face the final consumer, but for exhibition industry every links in the industrial chain must face the exhibition consumer (exhibitor, professional audience and participants). Only when all these links reach the function integration and resource integration the whole exhibition industrial chain can become clear and powerful, and the creation of value can be realized.

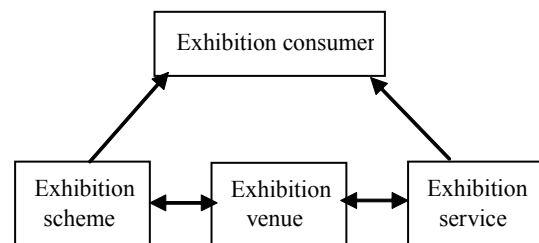


Figure 3
The "Sector" Structure of Exhibition Industrial Chain

3.4 Market Operating Mechanism of Exhibition Industrial Chain

3.4.1 Participated Subject of Exhibition

The participated subject of exhibition generally includes government, exhibition planner, professional conference organizer (PCO), exhibition company, conference handle agent (CHA), destination management company (DMC), exhibitor, conventioneer, audience and other intermediary organization.

3.4.2 Market Operating Mechanism of Conference Industry

The conference planners sell conference products to PCO, and PCO organizes the buyer of conference (participants) to buy products, and the receiving link is accomplished by DMC. Now DMC can directly communicate with the planner of conference and sell the conference products. Therefore, we say that now the DMC undertakes some responsibilities of PCO. The market operating pattern which is made up by every subject in the conference market is shown in the following Figure 4:

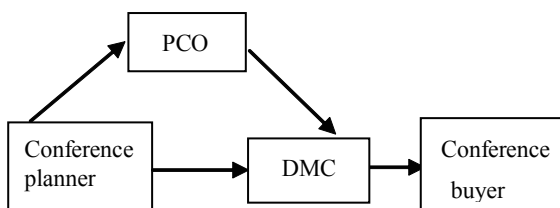


Figure 4
Market Operating Mechanism of Conference

3.4.3 Market Operating Mechanism of Exhibition Industry

The organizers sell the exhibition products (originality, theme and brand) to exhibition company, and exhibition company organizes exhibitor (the buyer of exhibition products) to buy products. The organizers need to organize audiences in order to attract exhibitor, and the reception will be done by DMC. Now DMC directly communicates with organizers and even organizes the exhibition by themselves and sells the exhibition products. Therefore, we say that now the DMC undertakes some responsibilities of exhibition company. The participants' mechanism of different subjects in the exhibition market is shown in the following Figure 5:

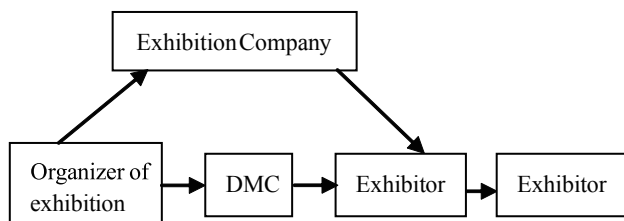


Figure 5
Market Operating Mechanism of Exhibition Market

CONCLUSION

With the continuous and rapid growth of our economy and the further reinforcement with every country from the world about economy and trade association, our country's exhibition industry enter into a new stage of rapid development and generally is formed (Rose Yan, 2011; XIONG, 2011). With the increase of our exhibition industrial professional standard and the deepening of marketing degree, by positively building region industrial cluster and grasping scientifically market operating mechanism, a number of international famous brand exhibitions will appear to make our country become "exhibition powerful country" from "exhibition big country".

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Assessment of Application of Due-Process Policy in Public Procurement and Contracts Under Obasanjo Administration in Nigeria, 2003-2007

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Received 21 June 2012; Accepted 29 July 2012

Abstract

Many Nigerians identify corruption and poverty as the bane of the nation's development paralysis. The Obasanjo administration in the country was determined to enthrone the principle of transparency and accountability in public life in Nigeria. The government of President Olusegun Obasanjo believes that without probity in public life, the ultimate aim of providing for the happiness and welfare of the citizenry will be an illusion. It is in the light of the above that the government embarked on a number of public sector reform programmes aimed at blocking leakages of all sorts in public sector service delivery and transactions. The official instrument designed to achieve this much desired honesty, transparency and accountability in the conduct of government business especially in the award of contracts and procurement in the ministries, parastatals and departments in Nigeria is the introduction of the Due Process Policy.

Key words: Due process; Public procurement; Administration

Stephen Ocheni, Basil C. Nwankwo (2012). Assessment of Application of Due-Process Policy in Public Procurement and Contracts Under Obasanjo Administration in Nigeria, 2003-2007. *International Business and Management*, 5(1), 93-98. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1193>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1193>

INTRODUCTION

One of the cardinal objectives of the Obasanjo administration was the enthronement of the principle of transparency and accountability in public life. The government of President Olusegun Obasanjo believes that, without probity in public life, the ultimate aim of providing for the happiness and welfare of the citizenry will be an illusion. It is in the light of the above that the government embarked on a number of public sector reform programmes aimed at blocking leakages of all sorts in public sectors services delivery and transactions. The Corrupt Practices and other related offences Act, 2000 was signed into law, to punish corruptible officers who regard government money as private treasury that can be operated to suit their whims and caprices. Another area of great concern is the way and manner public officers go about circumventing laid down procedures in award of contracts and other transactions; thereby contravening Due Processes laid down by the system (Chijioko, 2004). The question now is what is Due Process and what is it all about? This is what we intend to discuss in details next.

1. CONCEPTUAL EXPLICATION AND THE EPISTEMOLOGY OF DUE PROCESS AND THE APPLICABILITY AT THE THREE TIERS OF GOVERNMENT IN NIGERIA – FEDERAL, STATE AND LOCAL GOVERNMENTS

Many Nigerians identify corruption and poverty as the bane of the nation's development paralysis. The President Olusegun Obasanjo possesses the credentials of a corruption adverse leader, having been one of the pioneers of Transparency International, the international anti-corruption group that awoke the world on the grave consequences of corruption to development (Ezekwesili, 2002, p.2).

Hence, in practical demonstration of the president's anti-corruption activism as one time chairman of the International Advisory Council of Transparency International, and in fulfillment of the promise made to the Nigerian people to curb corruption in the public sector, the administration committed itself to fiscal transparency and accountability. It committed itself to using the budget to generate sustainable growth, reasonable investment and significantly reduce poverty. We required fresh and creative ideas on the instruments that could reasonably achieve these lofty goals and found this in the Due Process Compliance (DPC) instrument. It is an instrument designed to enforce compliance with due process in budgeting, procurement and expenditure by all federal spending units and, by extension, states and local governments. The instrument of the due process helps to ensure that budgets, procurement and spending are not only based on authentic, reasonable and fair costing, but are also appropriately geared to the realization of set priorities and targets that were generated from medium range strategic plans. The administration created the Budget Monitoring and Price Intelligence Unit (BMPIU) to execute the mandate. The location of the unit in the Office of the President was a clear signal that highest political will to guarantee its effectiveness existed (Ezekwesili, 2002, p.3).

Except for a few who are driven by altruistic goals, most people are unfortunately attracted to public offices by the control of state resources as symbolized by the Budget. The Budget is the single most important instrument of power and governance, whether in a democracy or in any of its aberrant alternatives. It is therefore the case that access to state resources, wherever no form of oversight and sanction exist, provides the non-altruistic seekers of public office the huge opportunities and incentives for massive corruption. The antidote therefore is to crystallize budgetary and public expenditure management systems and procedures that have transparent and effective oversight. Recognizing this to be the story of our nation, the President, Olusegun Obasanjo, in demonstration of the personal commitment to transparency and accountability spearheaded the move for budgetary and expenditure management reforms.

The reforms started with the creation of the Budget Monitoring and Price Intelligence Unit in the Office of the President early 2001. Through the Due Process Review of the Budget and expenditure Management Process embarked upon by the BMPIU between May and August, 2001, many lessons were learnt of the systematic flaws that facilitated misappropriation and corruption in the financial activities of government (Ezekwesili, 2002).

In a nutshell, what is Due Process? Due Process could be conceptualized simply as a "Mechanism for ensuring strict compliance with the openness, competition and cost accuracy rules and procedures that should guide contract

award within the Federal Government of Nigeria" (BMPIU publication 2005, p.1). It has become the popularly adopted short form for the Budget Monitoring and Price Intelligence Unit (BMPIU), which is the unit tasked with implementing the program. The BMPIU was established by President Olusegun Obasanjo in 2001 in fulfillment of his tenacious commitment to ensuring transparency and accountability in the management of our public resources.

A diagnostic study conducted in 2001 into the state of Federal Government Public Procurement revealed that Nigeria may have lost several hundred billions of Naira over the last two decades, because of flagrant abuse of procedures for award of public contracts, inflation of contract cost, lack of transparency, lack of competence-based competition and merit as the fundamental criteria for award of public contracts. The findings of the study made it imperative that we urgently needed to reform the procurement system if we were to reduce the large-scale corruption and waste that had reduced the efficiency of the Nigerian Public sector. The vision of BMPIU is to help move Nigeria "to a level where public procurement (public contracting) is governed by the principles of integrity, transparency, competences and competitiveness as national ethos". The Mission of the BMPIU is "to use the Due Process Mechanism to re-establish and sustain an open, transparent and competitive Federal Procurement System and, by extension those of states and local governments, that are integrity-driven, upholds spending within Budget and ensures speedy implementation of projects in order to achieve value for money outcomes without sacrificing quality and standards".

The main objectives of the Due Processes are:

- (1) To harmonize and update all Federal Government policies and practices on public procurement and, by extension or implication, those of the state and local governments.
- (2) To ensure that project conceptualization and packaging match the defined priorities and targets as set in Annual Appropriations.
- (3) To strictly enforce the Due Process principles of transparency, competition and efficiency and value-for-money in the procurement of public goods, works and services.
- (4) To ensure efficient and integrity-based monitoring of the implementation of all Federal Government Projects and by extension those of the state and local governments, in line with Due Process Principles.
- (5) To prevent extra budgetary spending by ministries, departments and agencies by ensuring that only projects with due Appropriation by the National Assembly and, by extension, the State House of Assembly and the Local Government Councils are certified and thus funded for execution.
- (6) To prevent contract inflation by ensuring cost reasonableness, accuracy and comparability of

all public contracts with national, regional, and global costs.

For the effective operations, workings and functioning of the Due Process Policy, the following important functions were designed and assigned to the BMPIU, which is the husband of the Due Process. The functions are as follows:

- (1) Regulates and sets standards to enforce harmonized Bidding and Tender Documents for all Federal Government contracts.
- (2) Formulates general policies and guidelines on public sector procurements.
- (3) Upholds professional ethics and reports erring procurement personnel, public officials, departments and private sector companies and their personnel to relevant authorities for appropriate application of prescribed sanctions.
- (4) Monitors prices of tendered items and provide price data base advisory services to the public sector. Performs procurement audits.
- (5) Documents and monitors Federal Government projects from point of award until completion.
- (6) Coordinates training to promote capacity building of procurement personnel and development of systems and standards in the public sector.
- (7) Sensitizes, promotes and educates the public on public procurement issues.
- (8) Advises the President on states of Federal Government procurement in relation to the Annual Appropriation.
- (9) Provides relevant procurement and budget performance information to any interested parties and institutions.

The BMPIU reviews and certifies Federal Government Contracts according to established and approved thresholds, to ensure that compliance with the principles of rights procedures (transparency, competition and merit, and right costs) guide all Federal Government Contracts for goods, works and services from the award stage through to the successful execution and completion (Due Process Manual, 2005).

2. THE ADMINISTRATION, STRUCTURAL AND ORGANIZATIONAL FUNCTIONING OF THE DUE PROCESS POLICY

The application of the due process policy especially on public procurement and award of contract in Government Ministries/Parastatals are predicated on three main thresholds, namely:

2.1 Contracts Below ₦1 Million

For this category of contract the Permanent Secretary/Chief Executive of a Ministry/Department or Agency can approve the award of such a contract, provided that the

Due Process guidelines are strongly adhered to according to the laid down rules and regulations.

2.2 Contracts Above ₦1 Million but Below ₦20 Million

Contracts under this category requires the constitution of a Due Process Committee to comprise the following:

The Permanent Secretary/DG	-	Chairman
Director of Finance/Accounts	-	Member
Director of Research and Statistics	-	Member
Director of Admin/Finance/Supplies	-	Member
A representative of BMPIU	-	Member

In the case of parastatals for contract above ₦700,000 but below ₦20 million thresholds, the composition of the Resident Due Process Team (RDPT) shall be as follows:

The Chairman of the Board	-	Chairman
The Chief Executive	-	Member
Director, Finance and Administration,		
Research & Statistics	-	Member
A representative of the BMPIU	-	Member

Contracts above ₦20 million is referred to the Ministerial Tenders Board (Treasury [Try] Circular, 2002).

2.3 Contract of ₦50 Million and Above

Contracts under this category, are processed by the relevant Ministry, Department or Agency in accordance with the Treasury Circular Try/A4 & B4/2002 of July 1, 2002 on Due Process Guidelines for Award of contracts on capital projects. Upon conclusion of the contract requirements, the Ministerial Tenders Board forwards their conclusions and all relevant supporting documentation to (BMPI) unit for Due Process. Compliance Review and Certificate is issued by the (BMPI) unit; the ministry, department or agency concerned will immediately forward the project to the Federal Executive Council for final approval and award of contract (Due Process ABC Manual, 2005).

3. THE ADMINISTRATION PROCEDURE FOR IMPLEMENTING THE DUE PROCESS POLICY

The following administrative procedure guides the implementation of the due process guidelines for contract award in each ministry, extra-ministerial office, parastatal agency and other arms of government. These are:

3.1 The Tender Process

According to a framework for an open and competitive tendering process released in Circular Ref. No. F.P5775 of 2nd June, 2001, for all contracts below ₦50 million to be considered, a memorandum should be presented to the Tenders Board by the Executive Department or Unit. The memorandum should contain the following information in order to enable the Tenders Board to make an informed decision:

(1) Title of the memorandum.
(2) Purpose of the memorandum.
(3) Evidence that all aspects of internal preparation for project implementation readiness has been completed; principally:

- Project dossier containing summary details on project objectives and scope.
- Specification of all items of works.
- Bill of quantities.
- Project design.
- Schedule of basic rates where relevant.
- Implementation schedule and execution period.
- Responsibility for supervision and how capacity building is being addressed for sustainable operations and management (O&M).
- Cost of the project and financial provision available from previous allocations and current budget.
- Terms of payment to be used.

3.2 Advertisement for Award of Contracts

It is a Due Process requirement that all contracts must be publicly advertised. Once the Tenders Board is ready to award a contract, it must authorize for the advertisement of the contract under which the conditions for the pre-qualification for the contract would be made public. Contracts above ₦1 million but below ₦10 million should have notices for pre-qualification placed on the Notice Board of the Ministry, parastatals, agency or other arms of government concerned. For contracts of ₦10 million and above, advertisement must be placed in at least two national newspapers and government gazette for “invitation for pre-qualification”. The submission period must not exceed two weeks from the date of first advertisement and all pre-qualification documents must be submitted at a time and location to be specified. The invitation for pre-qualification should include the following:

- (1) Name and address of the processing agency.
- (2) A brief description of the objective and technical specification of the project.
- (3) The qualification and category of the contractors expected to tender.
- (4) The invitation for pre-qualification Reference Number – this will eventually become the contract number.
- (5) The date by which documents must be returned (A minimum of 2 weeks should be allowed for submission).
- (6) The place and time for pre-qualification document return (An addressed label should be used for this purpose).
- (7) The contact details of the procurement staff member responsible for the invitation for pre-qualification.
- (8) Details of the procurement for dealing with

queries during the pre-qualification period; and

- (9) Pre-qualification Evaluation criteria.

It is important to note that the evaluation criteria should be clearly defined in the pre-qualification document. The pre-qualified contractors’ list should be based solely on the criteria so defined.

3.3 Pre-Qualification of Contractors

A pre-qualification document is usually issued to all firms that responded to the advertisement notice. All the responses to the advertisement are subjected to a pre-qualification process. The pre-qualification scrutiny are usually carried out to discover the technical, managerial and financial capability including the previous experience in performing similar projects and the suitability as likely bidders for the project. All specifications are standardized to ensure that a common denominator is used for the determination of all pre-qualification respondents.

As a norm, a pre-qualification Evaluation Committee is usually set up, made up of professionals. The Tender’s Board Secretary often serves as the Secretary of the committee, and at the same time a representative of BMPIU is appointed to monitor compliance with the Due Process Guidelines. If considered necessary, pre-bid meetings may be organized with likely contractors, to clarify any points or issues which seem to appear ambiguous in the bidding documents. Once accepted for submission, bids should not be allowed to be withdrawn for any alterations.

3.4 Invitation to Tender/Bid

The completion of the pre-qualification evaluation exercise by the committee is closely followed by the issuance of bid document to all the qualified contractors, which they must complete and return within six weeks of the invitation to bid.

3.5 Opening of Tender and Financial Evaluation

Opening of tender should take place immediately after the closing of the bidding period. The bidders or their representatives, members of civil society and the press should be encouraged through invitation to witness the tender opening.

Finally, the tender which offers the cheapest price or best-evaluated tender cost wins the contract.

3.6 Contract Agreement

At this stage an agreement of contract is entered into by all the parties concerned, with a provision in the contract agreement stipulated that any contract which is not covered by a Due Process Certification shall be null and void.

3.7 Transmission of Ministry Due Process Certificate (MDPC) to the Accountant-General of the Federation

Once the contract process has been completed and the

award of the contract approved, the Resident Due Process Team would issue the contract award certificate, which is immediately forwarded to the Accountant General of the Federation for clearance of payment of mobilization at the Central Bank of Nigeria.

3.8 Guidelines for Stages of Works Completion Certification for Projects Within and Below ₦20 Million Thresholds

With the initiation of a project following the payment of a mobilization fee, all further payments are conditional and predicated upon the certification by the Resident Due Process Team that preliminary investigations carried out strongly indicate that reasonable progress has been made toward completion of the work. Based on this satisfactory progress report, the project consultant/manager would be required to submit a technical and financial progress report to enable the Resident Due Process Team effectively evaluate the value for the money to be released. However, the project consultant/manager is expected to inform the Resident Due Process Team on the certification schedules for each project as to minimize the overall administrative demands of the certification process. The completion valuation certificates for a capital project should not exceed four. It is important to mention that the full mobilization fee earlier paid must be recovered completely from the first of the four certificates.

The ground on which certification should be based include:

- Funds released earlier have been fully utilized;
- Site visit has been carried out to assess progress of work on contract;
- Contract work is being carried out as agreed in the contract;
- Percentage of work completed is commensurate with funds spent;
- Anticipated project results are being achieved or if not, appropriate measures have been taken to ensure that results and goals identified under the contract are fully achieved.

3.9 Finalization of Internal Due Process Cycle

It is a mandatory requirement for the ministry or spending unit concerned for its Due Process team at monthly interval to submit the records of aggregate certificates issued in the proceeding month to the BMPIU for the procedural oversight with the necessary reports, facts and information to enable the BMPIU complete the Due Process Cycle for each capital project.

3.10 The Procedure for Project Certification Above Fifty Million Naira Thresholds

The sole mandate for certification of projects above the fifty million Naira thresholds is exclusively reserved for the BMPIU. As a result a submission of any memorandum to the Federal Executive Council for the award of any contract above fifty million Naira should follow the approved guidelines as stated hereunder:

- Tender documents have been prepared in line with Federal Government Guidelines
- Tender process and selection have been carried out as per guidelines
- Lowest/best evaluated bidder determined to be qualified to perform the contract satisfactorily was recommended for the award of the contract;
- Management/Tenders Board has approved the selection on good reasons for change in recommendation have been provided
- The selected contractor can still do the job at the time of contract award
- Contract price is comparable with local, national, regional or international experiences as may be appropriate.
- It has been verified that successful bidder continues to meet pre-qualification requirements; and
- Appropriate performance security has been indicated

The procedure for certification is that each spending unit should inform the BMPIU when it intends to commence the contract award process for contracts above ₦50 million thresholds. The BMPIU expert(s) are expected to monitor the procurement process from the point of advertisement, pre-qualification, invitation to bid and selection of successful bidder. The certification by the BMPIU should be on satisfactory compliance with all the aspects of the procurement guidelines by the Ministry/Spending Unit. A Due Process Contract Award Certificate would be issued to the office of the Accountant General of the Federation through the Federal Ministry of Finance, to make funds available for project execution.

3.11 Guidelines for Completion Work Certification

Once the project is initiated as characterized by the down payment (mobilization fees), further payments are conditional upon the certification by spending units/ministries, in conjunction with BMPI that satisfactory progress is being made toward completion of the work. To this end, spending units/ministries are required to prepare and submit to the BMPI a technical and financial progress report with advice on possible modifications, cost implications and timing for completion, to enable the BMPI effectively evaluate value-for-money to be released. The joint certification by BMPI and spending unit requires that the former must notify the latter of certification schedules for each project, in order to minimize over-all administrative demands of the certification process. Each capital project certificate is issued annually.

The basis for certification shall be that:

- Fund released earlier has fully been utilized;
- Site visit has been carried out to assess progress of work on contract;
- Contract work is being carried out as agreed in the contract;

- Percentage of work completed is commensurate with funds spent;
- Anticipated project results are being achieved or, if not, appropriate measures have been taken to ensure that results and goals identified under the contract are fully achieved. (Ezekwesili, 2002).

CONCLUSION

The Due Process policy, from evaluation and analysis, has laid the necessary foundation for rejuvenating and reinventing “honesty” and “transparency” in the conduct of government business in Nigeria, especially in procurement and award of contracts by Ministries, Departments, Agencies etc. The benefits of the Due Process could be listed as follows:

Good governance of public money and assets, resulting in the reduction of corruption.

Improved system planning and project preparation work leading to accuracy of costing, cost/benefit analysis and prioritizations in deciding the spending pattern and plan for any given year.

Improved fiscal management through more effective expenditure management, institutions, processes and control mechanism.

Improved liquidity management of public funds.

Improved technical efficiency in managing and utilizing resources through improved information flows. More relevant decision responsibilities of managers.

Enhance transparency and accountability of government providing better information as a guide to the future.

The rebuilding of the confidence of average Nigerian in government’s conduct of public and financial activities.

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The Impact of Marketing Mix on Attracting Audiences to the Cinema

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Received 10 June 2012; Accepted 22 July 2012

Abstract

It is common knowledge that movie production and marketing feature, is a risky business. Extending our knowledge of factors affecting movie sales and attracting people to theaters can help reduce the risk of the film industry. In this paper, we tried to identify influential factors in attracting people to cinema from marketing mix (4P's) point of view and prioritize their indices from the perspective of movie goers in Tehran. The population of this study consists of Movie goers in Tehran, Iran. In this study, 455 questionnaires were distributed in five cinema of Tehran. In order to analysis data, Kolmogorov-Smirnov, Binomial or relative, t-student and Friedman tests has been used. The results revealed that all marketing mix variables except the "price" are influential in attracting audiences. Prioritizing these four variables shows that "place" has the highest priority. Also "film Genre" and "director" in product variable, "promotion" and "word of mouth" and "Movie review" in promotion variables, respectively were the most important indices.

Key words: Motion picture industry; Cinema marketing; Marketing mix

Mahmoud Mohammadian, Elham Sezavar Habibi (2012). The Impact of Marketing Mix on Attracting Audiences to the Cinema. *International Business and Management*, 5(1), 99-106. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1010> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1010>

INTRODUCTION

Iran is one of the few countries that have had a complete cycle of moviemaking activities, including film production, distribution and display, for a long time. Due to social and cultural role of movie and cinema, the importance of acquiring a place among film industry giants is not a secret to anyone. However, despite the very high number of Iranian films, the amount of theaters, audience and film sales are very low. A cinema without audience doesn't make sense and having audience is considered the requirement for prosperity and development of movie industry. Therefore by analyzing problems and finding their roots, identifying influential factors in movie sales and its marketing can enable us to attract audiences to cinema and improve the community's vision and culture. Being successful in attracting audiences, increases per capita of movie going which leads not only to reduce the risk of movie industry but also augmentation the profitability.

The main objective of this study is to discover the influential factors (the 4P's in marketing mix) in attracting audiences to cinema and prioritizing these factors.

Research hypotheses are as follows:

- The product factor is influential in attracting Iranian movie audiences to cinema.
- The price factor is influential in attracting Iranian movie audiences to cinema.
- The place factor is influential in attracting Iranian movie audiences to cinema.
- The promotion factor is influential in attracting Iranian movie audiences to cinema.

1. RESEARCH METHOD

The present research is considered applied research and its method is descriptive-survey. The population of this

study consists of Tehran citizens who went to Tehran’s cinema and watched Iranian films during the course of this study. The sampling for achieving the research objectives was done through systematic random sampling. Since the population size was unlimited and data scales were qualitative, colorant formula was used for determining the sample size. The output of this formula was 385 and in order of achieving this sample size 500 questionnaires were distributed in five cinemas in Tehran (in different geographical regions (Central, North, South, East and West) which has been selected randomly) and 455 were returned for evaluation.

The survey questionnaire consisted of 21 questions and each of them was assessed on Likert’s five score scale

(the scores ranging from very low to very high).

For ensuring of content validity in addition of reviewing relevant articles and questionnaires, consulting with supervisors and advisors and used experts’ opinions were performed. Reliability of the questionnaire was tested by Cronbach alpha. The result was 0.894, indicating that the questionnaire has acceptable reliability.

2. LITERATURE AND RESEARCH MODEL

Based on the marketing mix model (4P’s) and previous research done in the film industry, the following indices in figure 1 have been determined for each variable (product, price, place and promotion).

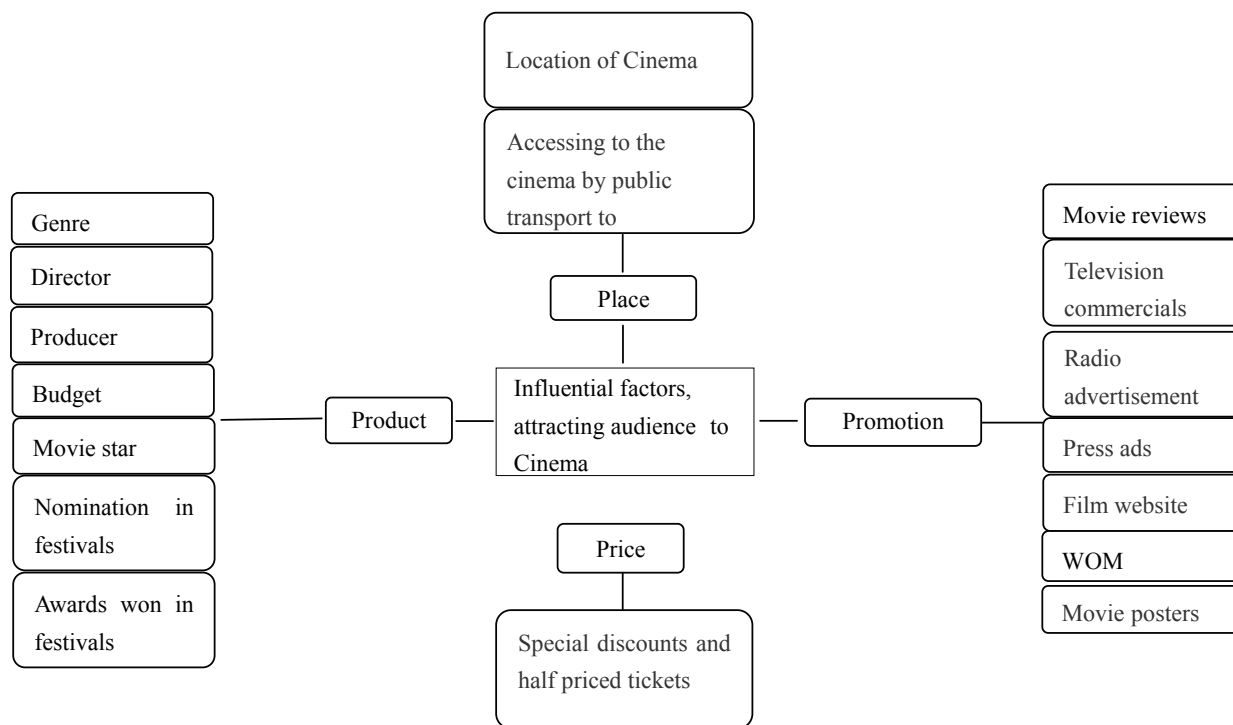


Figure 1
Conceptual Model

2.1 Product

A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Lilien, Kotler & Sridhar, 1992, p.218). Products include more than just tangible goods. Broadly defined, products include physical objects, services, events, persons, places, organizations, ideas, or mixes of these entities (Kotler & Armstrong, 2008, p.218). The product offered in cinema is a movie. Movies are intangible objects consumed for pleasure rather than for the maximization of an economic benefit (Eliashberg & Shugan, 1997, p.69). Hence, the primary reason for movie consumer is to experience it, rather than expecting to fulfill their physiological need. In other words hedonic value (e.g., pleasure, thrill) is the main motive for

experiential consumption, while utilitarian motives play an ancillary role (Hennig Thurau, Houston & Walsh, 2007, p.66). As with all experience goods, there is an inherent difficulty in assessing the quality of a motion picture prior to viewing (Suarez Vazquez, 2011, p.119; Elliott & Simmons, 2008, p.93).

In product variable of a movie the production team (including a director, film star, producer), film budgets, genre, music and nomination and awards won in film festivals should be considered as the parameters influencing movie choice by the audience.

- Director: The director is a film’s artistic maître d’oeuvre. They are in charge of its artistic completion, and have significant influence over the selection of its key creative and technical contributors (Hadida, 2009, p.299). For the

- audience, the director's performance is much more difficult to evaluate than that of the actors because the director's work is 'invisible'. The director's performance can be inferred from the movie's quality (Hennig thurau, Walsh & wruck, 2001). Directors have a more indirect effect on consumers: good directors make good movies, good movies have positive word of mouth, positive word of mouth delays peak sales (Ainslie, Drèze & zufryden, 2005, p.515).
- Producer: the producer is a film's business project leader. The producer is then contractually responsible for the completion of the movie within set financial, location and time constraints and for estimating its commercial Success (Hadida, 2009, p.299). Producers finance a movie's production and because of this great financial responsibility, they tend to have far-reaching control over production-related aspects (Hennig thurau, Walsh & wruck, 2001).
 - Film star: films have very few tangible attributes. One of the tangible hallmarks of quality in which this blurring effect is particularly evident is the cast and the presence of big stars, which are an indication of quality on a number of levels (Suarez Vazquez, 2011, p.120). Ravid's (1999) measures are directly related to the two types of reputations that, in general, can be the source of stars' power: an economic reputation, derived from their box office success, and an artistic reputation, derived from the recognition of critics or peers. A star's artistic reputation, which in the motion picture industry is primarily revealed through awards or nominations, is a sign of quality for audiences, executives, the media, and other constituencies (Elberse, 2007, pp.103-104). Researches generally have had mixed results over the impact of film stars on the success of the film. For example, Sochay (1994), and Neelamegham and Chintagunta (1999), Sawhney and Eliashberg (1996) and Ainslie, Drèze, and Zufryden found that there is a positive relationship between the presence of a famous star in the film and its sales. In contrast Ravid (1999), De Vany and Walls. (1999) and Litman (1983) didn't find any significant relationship between these two.
 - Film budget: Another attribute of a film is the size of budget. A large production budget could be taken as a signal of higher quality. (Elliott & Simmons, 2008, p.94) and greater box office popularity (Basuroy, Chatterjee & Ravid, 2003, p.106). Litman concluded film budget has a positive impact on its sales (Litman, 1983, p.170)
 - Genre: During the last thirty years genre has occupied an important place in film studies and typically it includes examples such as Western movies, musical, horror, melodrama, comedy and so on. The relative popularity of genres shifts,

over time, and we do not have any particular hypothesis about which genres will be associated with success in our sample (Prag & Casavant, 1994, p.219). hazf beshe aya? Marketers must constantly consider the audience's the genre preferences.

- Nomination or award winning in festivals: The majority of studies conducted on award nomination or award winning concentrated on the impact of winning an Academy Award on film sales. Litman (1983) and Sochay (1994) concluded in their research that nominating or winning an Academy Award can have a positive impact on film sales. In this study nomination or winning an award by Iranian film in domestic and foreign countries were intended. Dodds and Holbrook (1988) evaluate the impact of the Academy Awards on film revenues and find significant effects of best picture, best actor, and best actress awards on post-award revenues (Eliashberg & shugan, 1997, p.69).

2.2 Place of Distribution

The location of the cinema besides pedestrian access must be easily accessible by different vehicles as well (Management and Planning Organization of the country, 2002, p.67) An audience, who can reach the cinema with minimal cost and minimal waste of his time, is more willing to go to movies than an audience who is far away from the cinema. The accessibility of the cinema can be one of the influential factors in attracting the audience. Therefore the cinema must be scattered across the city so the audience can easily reach them (Alamdari, 2000, p.60). In case of place two indices were considered: the location of the cinema and the possibility of using public transport to reach it.

2.3 Promotion

Promotion includes: "Direct and indirect communications with individuals, groups and organizations in order of informing and motivation them toward buying the company's products or services." (Lamb, Hair & McDaniel, 1998, p.460).

Indicators considered in this section include word of mouth, movie reviews, movie posters, and television, radio, press and Internet commercials.

- Word of mouth: In general, word-of-mouth involves informal, non-commercial communication between consumers concerning positive or negative consumption experiences with regard to goods or services, including movies (Hennig thurau & Walsh, 2001). WOM is usually perceived as more credible and trustworthy for consumers (LIU, 2006, p.74). The two measures of WOM, volume and valence, influence moviegoers through different cognition-behavior routes .the volume of WOM mainly has an informative role to enhance consumer awareness. Not surprisingly, greater

awareness tends to generate greater sales (LIU, 2006, p.77). Conversely, the role of WOM valence, because of its positive/negative nature, is more of a persuasive one that influences consumer attitude (LIU, 2006, p.78).

- Movie reviews: Critics play a significant role in consumers' decisions in many industries (Basuroy, Chatterjee & Ravid, 2003, p.103, p.115; Boatwright, Basuroy & Kamakura, 2007, p.401). According to the industry jargon, the term critics refers to "persons usually employed by newspapers, television stations or other media who screen newly released movies and provide their subjective views and comments on the movie for the public's information (Eliashberg & Shugan, 1997, p.70). West and Broniarczyk (1998) argued that the influence of critics on consumer judgments is substantial because critics' access to product previews typically makes them one of the first links in the diffusion of information about new products, and their professional status lends them credibility (Desai & Basuroy, 2005, p.208; Basuroy, Chatterjee & Ravid, 2003, p.104). Sawhney and Eliashberg (1996) found a positive relationship between the movie reviews and its sales.
- Movie poster: Movie poster is the first tool in its sales and activities related to its design usually starts from early stages of film production (Pauli, 2002, p.93). A poster represents an extract of the movie and its main attraction, which includes visual information about its plot, stars and titles of its main stakeholders (Mehrabi, 2011, p.124). Movie posters can be one of the factors that will attract people to the cinemas.
- Television, radio, press advertising and movie website: TV ads for films are usually 10 to 20 seconds. Longer advertisements are also possible but they will certainly cost more to get airplay. Movie ads on TV are usually featured 5 to 10 days before the movie release (Pauli, 2002, p.93). At least 40% of advertising budgets is spent on television, with a special focus on the 2, 3 days prior to opening (King, 2007, p.174).
- Television is the most influential tool for reaching the audience; however it is the most expensive one. The broadcasters depending on their film sometimes use radio for advertisement (Johnson, 2002, p.103). Radio advertising is one of the fastest, easiest and the cheapest method of advertising (Arens, Weigold & Arens, 2009, p.407).
- Advertising campaign for the film, in the print media, usually start two weeks before the movie release and the ads can be published on daily or weekly basis (Jafari Nejad, 2007, p.125).

- The creation of a website potentially serves as a source of information about the film (e.g., plot, stars, trailers, etc.). In addition, it may serve to induce awareness of a new film, to enhance the site visitors' intentions to see a film, and consequently increases the likelihood of ticket purchase upon opening (Zufryden, 2000, p.55).

2.4 Price

Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible elements of the marketing mix. Price can be change quickly (Armstrong & Kotler, 2000, 290). The art of successful pricing is to establish a price level which is sufficiently low that an exchange represents good value to buyers, yet is high enough to allow a service provider to achieve its financial objectives (Palmer, 2005, p.344).

In Iranian movie industry there is no direct relationship between a movie's cost and its revenue. In fact there is no direct connection between a movie's cost and its ticket prices, because the price of most of the movie tickets is fixed (Dadgu, 1991, pp.55-56). In terms of ticket prices we can refer to special discounts. These special discounts can be given in specific days in every year (such as National Day holidays or National cinema day). Discounts can also include a special class of people (e.g., Festival ticket prices are discounted for students). Moreover, ticket price can be cut in to half for everyone, once a week.

3. FINDINGS

Results from the demographic data showed that 55.6% of respondents were female; most of them (40.2%) were in 26 to 30 years age group. The majority of them (55.4%) went to movies 1 to 4 times per year and 85.1% of respondents held bachelor degree or higher.

In this study in order of verifying the normal distribution of the variables and indices, the Kolmogorov-Smirnov test was performed. The results of this test showed that only two variables of product and promotion had normal distribution and the others had abnormal distribution. Then for testing whether each of these variables or indicators were influential in attracting the respondents to cinema or not, t-student and binominal tests were performed. Product and promotion variables were tested via t-student test. Indicators and variables that had abnormal distribution were tested via binomial test. The results are summarized in Tables 1 to 2.

In Tables 1 to 2 if significance level is lower than error value of 0.05, the null hypothesis is rejected which means that the mentioned variable or indices is influential in attracting people to cinema. Otherwise it is not influential or their influence is not significant.

Table 1
The Result of T-Student Test for Product & Promotion Variable

Variable	Mean	Standard deviation	T-student statistic	Freedom degree	Significance level	Influence/no influence
Product	3.18	0.27	6.522	454	0.000	influence
Promotion	0.443	0.03	12.365	454	0.005	influence

Table 2
The Result of Binominal Test for Product, Price, Place & Promotion Variable

Variable & indices	Category	Numbers observed	Observed probability	Significance level	Error	Influence/no influence
Director	3 \geq	120	0.26	.000 ^a	0.05	influence
	3<	335	0.74			
	total	455	1			
Movie star	3 \geq	121	0.27	.000 ^a	0.05	influence
	3<	334	0.73			
	total	455	1			
Producer	3 \geq	36	0.08	.000 ^a	0.05	influence
	3<	419	0.92			
	total	455	1			
Genre	3 \geq	85	0.19	.000 ^a	0.05	influence
	3<	370	0.81			
	total	455	1			
Budget	3 \geq	428	0.94	1.000 ^a	0.05	No influence
	3<	27	0.06			
	total	455	1			
Nomination in festivals	3 \geq	186	0.41	.000 ^a	0.05	influence
	3<	269	0.59			
	total	455	1			
Awards won in festivals	3 \geq	177	0.39	.000 ^a	0.05	influence
	3<	278	0.61			
	total	455	1			
Special discounts and half priced tickets	3 \geq	242	0.53	0.189	0.05	No influence
	3<	213	0.47			
	total	455	1			
Place	3 \geq	114	0.25	.000 ^a	0.05	influence
	3<	341	0.75			
	total	455	1			
Location of cinema	3 \geq	127	0.28	.000 ^a	0.05	influence
	3<	328	0.72			
	total	455	1			
Possibility of using public transport to access the cinema	3 \geq	178	0.390	.000 ^a	0.05	influence
	3<	277	0.610			
	total	455	1			
Press ads	3 \geq	83	0.180	.000 ^a	0.05	influence
	3<	372	0.820			
	total	455	1			
Radio advertisement	3 \geq	25	0.50	.000 ^a	0.05	influence
	3<	430	0.950			
	total	455	1			
Television commercials	3 \geq	112	0.250	.000 ^a	0.05	influence
	3<	343	0.750			
	total	455	1			
Film website	3 \geq	29	0.060	.000 ^a	0.05	influence
	3<	426	0.940			
	total	455	1			
WOM	3 \geq	156	0.660	.000 ^a	0.05	influence
	3<	299	0.340			
	total	455	1			
Movie posters	3 \geq	365	0.200	.000 ^a	0.05	influence
	3<	90	0.800			
	total	455	1			
Movie reviews	3 \geq	205	0.450	.039 ^a	0.05	influence
	3<	250	0.550			
	total	455	1			

Regarding the “price” it can be mentioned that about 38.2 percent respondents considered ticket prices expensive and very expensive and 53.8% average and 8 percent cheap and very cheap.

As the significance level is lower than 0.05 for product and promotion variables, therefore these two variables are influential in attracting people to cinema. But the results of binominal test for price, promotion and the indices for four key variables (4P’s) indicates that among all indices, “movie budget”, “special discounts and half price tickets” and “price” variable do not have significant impact in attracting people to cinema.

3.1 The Ranking of the Research Variables

The Friedman test was performed for ranking respectively the indices and main variables in research model. In order to perform this test, the chi-square statistic and the significance level for each variable has been examined. As shown in Tables 3 and 4 for all variables and indices the significance level was higher than 0.05, therefore there is a significant differences between them in terms of their impact on attracting people to cinema so they can be ranked. These rankings are shown in Tables 3 to 8.

Table 3
The Result of Friedman Test for Ranking the Indices of Product, Place and Promotion Variables

Variable	Chi square	Significance level	Numbers
Price	1571.388	0.000	455
Place	235.937	0.000	455
Promotion	1.842E3	0.000	455

Table 4
The Result of Friedman Test for Ranking the Variables

Chi square	Significance level	Numbers
616.171	0.000	455

Table 5
Ranking of Product Indices

Index	Mean rank	Rank
Genre	6.13	1
Director	5.84	2
Movie star	5.67	3
Nomination in festivals	5.28	4
Awards won in festivals	5.06	5
Producer	2.30	6

Table 6
Ranking of Place Indices

Index	Mean rank	Rank
location of Movie Theater	2.16	1
Possibility of using public transport to access the cinema	1.56	2

Table 7
Ranking of Promotion Indices

Index	Mean rank	Rank
WOM	11	1
Movie reviews	9.24	2
Television commercials	7.63	3
Press ads	7.54	4
Movie posters	7.42	5
Radio advertisement	5.24	6
Film website	5.15	7

Table 8
Ranking of the Research Variables

Variable	Mean rank	Rank
Place	4.874	1
Product	3.57	2
Promotion	1.98	3
price	1.65	4

CONCLUSION

The results showed that all of the hypotheses except the second hypothesis were confirmed.

- (1) Based on the results, place was the most influential variable in attracting audiences and the priority of its indices were: the location of Cinema and the possibility of using public transport to access the cinema.
- (2) The results showed that product has the second place among the four variables in attracting the audience. All indices of this variable except “movie budget” were found to be influential in attracting audiences and their priorities were respectively: film genre, director, movie star, awards won and nomination at the festivals and producer.
- (3) The results showed that the promotion variables and its 7 indices are influential in attracting audiences. The priorities of indices were respectively: word of mouth, movie reviews, television commercials, press ads, movie posters, radio advertisement and film website.
- (4) The results showed that price and its index were not an influential variable in attracting audiences and it is the only unexpected result in the present study. The majority of respondents believed the price of the ticket is average or cheap.

DISCUSSION

The results show that place is the most influential variable in attracting audiences to cinema. This result was not unexpected, because the majority of cinema in Tehran are located in the most crowded parts of the city and the existing traffic restrictions, makes these areas not easy accessible for all citizens. Therefore it can be suggested that cinema builder via the collaboration of government agencies, select the location which can be easily accessible by public or private transportation.

Since the majority of movie audiences are interested in foreign movies and they are not only aware of today's standards of movie making in the world, but also the quality of Iranian movie doesn't fulfill their need and expectation compared to foreign movies, the product variable was the second most important variable in the eyes of the audience.

So it can be suggested that in order to absorb more audience to cinema, decreasing the number of movies produced in one year, allocating more budgets for each of them and showing foreign movies in cinema can be effective.

Because people have lost their trust to media advertising, promotion variable has the third rank after place and price. Word of mouth and movie reviews are the reasons that make this variable still effective. WOM based on the scientific research is such a successful tool in selling consumer product, due to its creditability and trustworthiness. Movie as a product is not an exempt from this rule.

Using broadcast news and publishing professionals review about the film before its release in any city, is a useful method for starting a wave of information and stimulate public opinion and increase its word of mouth. WOM (recommendation of friends and critics about film) is more believable than advertising among audience.

Unlike the popular belief that society is sensitive to the price of the tickets and expensiveness of it, results show that only 38.2 percent of respondents believed that movie tickets are expensive or very expensive. The majority believed that the prices are average or lower. Therefore these people are not sensitive to price variable and higher prices not only wouldn't decrease their number of selling ticket but also would increase the cinema's profit. From other point of view, constructing luxurious cinema in addition to offer superior services and presence motivation provides more money and profit for cinema holders.

But for that portion of the audience who are sensitive to prices, based on the following proposition, different ticket prices can be designed:

- Dividing the seats of cinema in accordance to their view toward the screen.
- The quality of the film.

SUGGESTIONS TO FUTURE RESEARCHER

- Examine the impact of cultural, political, economic, social and technological factors on movie sales.
- Divided the movie goers to professional goers and people who go to movies for entertainment and pleasure, then examine the impact of promotional tools used for attracting these two groups to cinema.
- Examine the impact of emerging media such as satellite networks on attracting people to cinema.

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Research of the Suppliers' Risk Evaluation and Prevention Based on the Type a Cooperation Relationship

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Supported by Academic Human Resources Development in Institutions of Higher Learning under the Jurisdiction of Beijing Municipality (PHR (IHLB)) under Grant PHR2012; Research on Business Operation and Business Service Innovative, Beijing Wuzi University (2012).

Received 2 June 2012; Accepted 14 July 2012

Abstract

The current economic environment is full of competition and uncertainty, all kinds of uncertain factors contain risk in the integrated supply chain. As the upstream supply chain enterprises, suppliers are playing an important role. The suppliers' risk is one of the main sources of the supply chain risk, so it becomes the important issue in the current economic environment. From the perspective of the cooperation relationships between enterprise and supplier, the risk evaluation indexes of type a cooperation are identified combined with the current market characteristics. The Fuzzy Model is used to have a comprehensive supplier risk assessment and the effective risk prevention measures are put forward based on the theory which aims to provide references for enterprises' risk evaluation and prevention.

Key words: Supplier risk; Type a cooperation; Risk evaluation; Fuzzy model; Risk protection

LIU Yongsheng, LIU Hui (2012). Research of the Suppliers' Risk Evaluation and Prevention Based on the Type a Cooperation Relationship. *International Business and Management*, 5(1), 107-112. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0404>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0404>

INTRODUCTION

With the development of the supply chain, the way that buyer purchase goods from the supplier has changed from the traditional raw materials and spare parts to the high industrialization specialized system and local assembly which calls for the close cooperation between the partners. In this situation, when problem happen, they will suffer greater risk and loss because the partners invest a lot into their business which will go in vain immediately (Peter & Thomas, 2011). So it becomes the key point for enterprises to evaluate and prevent the suppliers' risk effectively and accordingly.

Recently, as the awareness of the suppliers' risk is improving, the related researches also carry out deeply. Some analyzed the source of the suppliers' risk from the perspective of the whole supply chain, the multilevel supplier risk index system is provided based on the theory, the suppliers' risk management is discussed, which pointed that the way to reduce the suppliers' risk is to strengthen the control of the supply chain's optimization (SUN, 2009; WU, LIU & ZHANG, 2008). But the measure are not mentioned to prevent the suppliers' risk accordingly; some provided the third party logistics supplier selection should be based on the business experience, technical level, strategic objectives, compatibility and other aspects from the perspective of industrial and commercial enterprises (YU, 2008). But it lacks the prevention measures for enterprise and supplier in the dynamic cooperation. Some are based on the specific environment such as the electronic commerce and the disordered environment, which discussed suppliers' risk prediction and management, analyzed the supply chain structure according to the specific circumstances of the endogenous and exogenous risk, then they could control and manage risk factors effectively in choosing suppliers (SUN, 2008; CHEN, 2011; HU, 2010). But one particular perspective have limitations for suppliers' risk

assessment and prevention which can only provided a kind of suppliers' risk. Some based on the mathematical model such as Grey Prediction, Grey Hierarchy Analysis Grey Clustering, established the comprehensive suppliers' risk assessment index system according to the suppliers' risk management requirements and combined with some experts' knowledge and some relevant authorities' measure indexes. By using the mathematical model, we can enhance the result more accurately, objectively and comprehensively (GU, 2011; LIANG, JIANG & XIA, 2010). But this kind of index system are lack of pertinence, especially for small companies, which not only lead to higher evaluation cost, but also can not reflect the degree of risk effectively, and eventually damage the interests of enterprises. Some are based on the development of the supply chain and information systems, the traditional evaluation method were reformed which have been unable to meet the risk management, then the way to manage risk was discussed, and some theories were provided for the suppliers' risk prevention (Ari Salonen, 2011; FENG & LI, 2011). But most of the methods remained in the theory level which application rate is low and the applicability is limited. So it is necessary for us to study suppliers' risk assessment and prevention according to the current trend of social development and enterprises' own characteristics. According to supply chain structure division, the cooperation relationships between enterprise and supplier are divided into type A, type V and type T. A further study is done on type A. The main contents include: (1) Indexes selection. From the perspective of the cooperation type, combined with the changes in the domestic market and development situation, some risk factors are selected, which were easily ignored by us and can reflect the risk. (2) Mathematical modeling. Fuzzy analysis method is used to have a quantitative supplier risk evaluation. (3) Risk prevention. To solve the problem calls for the cooperation between the enterprise and supplier to take the measures to prevent risk before it happen.

1. ANALYSIS ON SUPPLIERS' RISK INDEXES BASED ON TYPE A COOPERATION RELATION

The structure of the supply chain can be divided into three types: Divergence type, Convergence type, Adaptability type. According to this, the form of the cooperation can be divided into type A, type V and type T. Type A relationship refers to the enterprise who is in the core of the cooperation, such as plane industry, automobile industry, boat industry, which call for high technology. This kind of cooperation usually calls for Early Supplier Involvement (ESI), design and develop product together, and Vendor-managed Inventory (VMI). So in addition to carry out a strict inspection and assessment about the supplier's finished goods, quality, inventory, orders, some

factors such as the inflation, personnel loss and other factors that often be overlooked should be taken into considered (Brindley, 2009). According to the internal risks and external risks, select some of the main factors for the construction of the risk index system.

1.1 External Risks

(1) Natural disaster: A lot of enterprises and suppliers didn't put the natural disaster into their risk evaluation system when they cooperate, considering that it won't happen. But when we reviewed the cases in recent years, we could find that various disasters occurred frequently. For example, the south snow disaster and a giant 8-magnitude quake off the country in 2009; 8 typhoon storm swept across the coastlines of China; Earthquake happened in Haiti and Qinghai, a catastrophic debris flow happened in our country in 2010; Flood disaster happened in Thailand, a giant 9-magnitude quake off in Japan triggered the nuclear leak in 2011. This kind of enterprises usually choose one supplier to have a deeper cooperation due to the cooperation relationship, so when the natural disaster happened, he supply chain will be interrupted easily because of the suppliers inadequate. So we choose the disaster alert degree and emergency scheme as the main indexes.

(2) Inflation: Inflation is an important phenomenon in Chinese market now. Under this background, to some suppliers, the worst consequence is that some management and investment funds will lost, and after a certain period of funds circulation they will come to a bad situation such as lack of money and orders, declining in sales and inventory increases. On-process inventory, finished goods inventory (dead sales), raw material inventory and accounts receivables inventory all will increase the suppliers' cost. These signals may reflect that supplier have come into financial problems which even will lead to bankruptcy. So the risk indexes include the total inventory cost, cash flow, capital return rate, debt repay ability, profitability, operation ability, growth ability, and the main indexes are the capital return rate and the debt repay ability.

1.2 Internal Risks

(1) Finished goods quality: Suppliers' finished goods quality is the main risk factors of type A cooperation. In addition to the suppliers' own goods quality, the transportation, unreasonable packaging, rough handling, the loss of parts and other factors will affect the quality of products. Recently, safety and quality of the warehousing and distribution product is taking on greater significance after dangerous events happened frequently in all walks of life: Explosion ripped through warehouse at plant because of the badly damaged building and machine which had been used for years; car accidents happened because of heavy-loaded and fast speed (Bharadwaj & Neeraj, 2004). So we choosing the explosion facility condition, facility cleanliness, staff quality, open box of product, Mean Time

Between Failure (MTBF) as the risk indexes, and the main indexes are the open box of product and MTBF.

(2) Technical staff drain: The talent distribution of the enterprise is also conform to the laws of Pareto, which means 20% stuff contribute to 80% value (LIU, 2008). Unreasonable downsizing and technical staff job-hopping will cause the loss of technical personnel. They usually have a rich experience, keen judgment, multi-angle analysis ability. These technical personnel loss often cannot catch enough attention by their boss in a short-term, which will not only reduce the enterprise operation efficiency, but also will destruct the original interpersonal relationship network of the enterprise. As more work are moved to suppliers, their manufacturing expertise and engineering prowess developed substantially, the technical staff job-hopping frequently will lead to the threat that the enterprises' supplier will become their competitors. So we choose the department of personnel fixed degree and organizational structure fixed degree as the main risk indexes.

(3) Enterprise culture: Close cooperation calls for the unanimous agreement, coordination and trust. So enterprise culture's consistency in cooperation is particularly important. The risk of cultural differences happen in various aspects of the cooperation. For example, are they willing to develop new products and new technology according to the market creatively together? Such as the electronic products which have a short product life cycle. Is the atmosphere there full of bribing and corruption that suppliers would probably concentrate on wooing the enterprise buyer and ignore the quality and the service of the products? Are they willing to share the information with each other in some kind of field to keep the enterprise operation transparency? So we choose the cooperation satisfaction index, compatible degree, information sharing degree, leadership quality as the risk indexes, the main indexes are the cooperation satisfaction index and the information sharing degree.

(4) Environmental protection: Environmental protection has become the focus of every country in the world now. China reduced its greenhouse gas emissions by 1.5b tons between 2006 and 2010, the biggest decrease of any country in the period. In the upstream supply chain, suppliers are obliged to fulfill the green consciousness and the policies and regulations well formulated by the government when cooperated with the downstream partners in order to achieve the goal of green sourcing and green production, to conserve and utilize the resource measurably. So the risk indexes include energy conservation degree, environmental awareness degree, product pollution degree and emission reduction rate, the main risk indexes are the energy conservation degree and the product pollution degree.

2. SUPPLIERS' RISK INDEXES SYSTEM CONSTRUCTION BASED ON THE TYPE A COOPERATION RELATIONSHIP

From the perspective of the high probability of risk and greater loss and according to the principle of the system design, we select the indexes that are easily measured and quantified for the type A suppliers. The second level risk evaluation system should have greater adaptability in case of the harder work and higher cost, so it could be suitable for most cases. In view of this, the evaluation index system consists of 6 first level and 12 second level indexes. As shown in Table 1.

Table 1
The Suppliers' Risk Evaluation Indexes System Based on Type a Cooperation

Risk Classification	First level indexes (U_i)	Second level indexes (U_{ij})
External risk	natural disaster(U_1)	disaster alert degree(U_{11}) emergency scheme(U_{12})
	inflation(U_2)	capital return rate(U_{21}) debt repay ability(U_{22})
	finished goods quality(U_3)	open box of product (U_{31}) MTBF(U_{32})
	technical staff drain(U_4)	department of personnel fixed degree(U_{41}) organizational structure fixed degree(U_{42})
Internal risk	enterprise culture(U_5)	cooperation satisfaction index(U_{51}) information sharing degree(U_{52})
		energy conservation degree(U_{61}) product pollution degree(U_{62})
	Environmental protection(U_6)	

3. THE CONSTRUCTION OF THE SUPPLIERS' RISK EVALUATION MATHEMATICAL MODEL BASED ON TYPE A COOPERATION

3.1 The Application of the Fuzzy Model

Based on the type A cooperation, the suppliers' risks contain the external risk effected by natural factors and market volatility factors and the internal risk effected by the change of internal factors in the dynamic cooperation systems. Because the influence of factors are random and fuzzy, it is usually inaccurate for suppliers' risk prediction. From this perspective, the method is used based on the likelihood of the fuzzy mathematics to study the suppliers' risk degree, which will make suppliers' risk evaluation more accurate. The general statistical samples can be seen as random set projection theory of single point, fuzzy sets can be manifested as random sets and random sets of fall shadow also conform to shadow of large number theory (QIN & WEI, 2008). Therefore, the fuzzy mathematics method is adopted to evaluate the cooperation of A type.

3.2 Expert Group Judgment

In order to improve the accuracy of the results, we targeted the 10 experts among finance, logistics, environmental protection and other specialists in different areas to have a independent judgment, in case of its field limitation which will cause the risk evaluation result unreasonable. We adopted hundred-mark system, the lower the expert marked, the lower the final evaluation value is, which suggesting that this factor will cause higher and greater risk in cooperation. There is a prediction based on the cooperation of type A for its supplier, as shown in Table 2.

Table 2
The Prediction Made by Expert Based on a Type Cooperation for a Company's Supplier

	U ₁	U ₂	U ₃	U ₄	U ₅	U ₆
Expert 1	100	90	90	90	90	100
Expert 2	80	90	60	70	80	100
Expert 3	70	90	60	75	85	90
Expert 4	80	80	75	80	80	90
Expert 5	100	90	80	90	80	100
Expert 6	90	85	75	85	85	95
Expert 7	85	80	80	80	80	90
Expert 8	85	75	65	75	85	95
Expert 9	80	90	60	75	85	80
Expert 10	70	70	75	80	80	80
Average	84	84	72	80	83	92
Normalized	0.169	0.169	0.145	0.161	0.167	0.185

* According to the theory of fuzzy mathematics, each factors has different effect to the prediction to some extent, so the average value should be figured out first, the sum of it are 495, then normalized it: A = (0.169, 0.169, 0.145, 0.161, 0.167, 0.185).

3.3 Establish the Set of the Suppliers' Evaluation

According to five risk levels of safety, good, vigilance, risk, loss, 10 experts made an independent evaluation about the 12 second level indexes. Similarly, we adopt hundred-mark system, the lower the expert marked, the lower the final evaluation value is which suggesting that this factor will cause higher and greater risk in cooperation. V = (V1, V2, V3, V4, V5) = (safety, good, vigilance, risk, loss). The set of the suppliers' evaluation based on type A cooperation are shown in Table 3.

Table 3
The Set of the Suppliers' Evaluation Based on Type a Cooperation

		Safety	Good	Vigilance	Risk	Loss
U ₁	U ₁₁	2	3	4	1	0
	U ₁₂	0	3	5	1	1
U ₂	U ₂₁	3	2	3	2	0
	U ₂₂	1	3	6	0	0
U ₃	U ₃₁	0	1	3	4	2
	U ₃₂	0	0	2	6	2
U ₄	U ₄₁	3	4	2	1	0
	U ₄₂	1	4	4	1	0
U ₅	U ₅₁	2	3	3	2	0
	U ₅₂	2	3	4	0	1
U ₆	U ₆₁	0	3	4	2	1
	U ₆₂	0	2	5	2	1

According to the Table 3, results can be found:

$$R = \begin{pmatrix} 0.2 & 0.3 & 0.4 & 0.1 & 0 \\ 0 & 0.3 & 0.5 & 0.1 & 0.1 \\ 0.3 & 0.2 & 0.3 & 0.2 & 0 \\ 0.1 & 0.3 & 0.6 & 0 & 0 \\ 0 & 0.1 & 0.3 & 0.4 & 0.2 \\ 0 & 0 & 0.2 & 0.6 & 0.2 \\ 0.3 & 0.4 & 0.2 & 0.1 & 0 \\ 0.1 & 0.4 & 0.4 & 0.1 & 0 \\ 0.2 & 0.3 & 0.3 & 0.2 & 0 \\ 0.2 & 0.3 & 0.4 & 0 & 0.1 \\ 0 & 0.3 & 0.4 & 0.2 & 0.1 \\ 0 & 0.2 & 0.5 & 0.2 & 0.1 \end{pmatrix}$$

The fuzzy model of M (*, +) is used for comprehensive evaluation, results can be found:

$$B = A * R = (0.338, 0.522, 0.757, 0.352, 0.129).$$

3.4 Results and Analysis

Because the 0.757 is the maximum value, according to the principle of maximum degree, the enterprise risk degree goes to vigilance, which means that this company should alert for its supplier and adjust risk link timely. As the same time, the external risks consist of natural disaster and inflation got a lower evaluation marks, and the internal risks consist of finished goods quality and technical staff drain got a lower evaluation marks, which indicates that these factors should be given more attention because of the higher risk degree by analyzing the Table 2. To have a further analysis of Table 3, results can be found that most expert take an vigilance attitude towards the disaster emergency plan number in the natural disasters, he debt paying ability of the inflation risk and structure fixed degree of the technical staff drain risk, they take an risk attitude towards the MTBF of the finished goods quality risk. Therefore, more attention should be paid to the factors of MTBF, number of emergency plan and the debt paying ability, strict inspection and prevent should be taken to these risks accordingly.

4. SUPPLIERS' RISK PREVENTION BASED ON TYPE A COOPERATION

4.1 Natural Disasters

To do the disaster prevention work. Many enterprises consider that the probability of occurrence is very small, and it will never take place on them. But when we review these years, the supply risk caused by natural disasters happened everywhere. So the enterprises should take the risk prevention seriously, formulate the alternatives before cooperation. In cooperation with suppliers, they should

negotiate with them in advance about the products delay, financial disputes and other matters caused by the natural disaster. At the same time, the internal quality of staff training should be taken into consideration to ensure that they have the risk guard consciousness, master the basic self-help method, and will keep the enterprises' normal operation as much as possible.

4.2 Inflation

To improve its logistics management level as well as to have a comprehensive study of suppliers. Some suppliers will sale their products in the form of paper sale, which will put the enterprises into the situation of "negative stock" crisis (CAI, 2012). So enterprises themselves should improve logistics management level, and standardize their regulations at first. In the cooperation of the suppliers, check whether the suppliers' balance sheets have good performance; whether they own the toxic assets; whether they have own the good assets and semi flowing assets instead of cash, which can help them to get more profits instead of order decreasing and reduce the probability of getting into financial crisis due to market volatility. Enterprises should take conservative financial plan, pay attention to the accumulation of funds, reduce the liabilities and focus on cash flow, maintain financial flexibility and patency. When there is a fluctuation in the market and the economic situation is not stable, they could operate their company and cooperate with their suppliers easily and stably.

4.3 Finished Goods Quality

Examine the production and related aspects of the quality and safety strictly. First of all, examine the supplier's production and quality of products strictly. Check the product once qualified rate rather than the production qualified rate, the open box of product and other statistical indicators to ensure the suppliers' product quality. At the same time, companies should establish a set of auditing suppliers' transportation standards. This procedure includes risk scores and a series of basis standards depending on the risk grade levels, suppliers in accordance with these terms are qualified for high value goods products transportation. In the process of cooperation, they should have an Improvement Continuity Management (ICM): do a inspection grading assessment about the production or warehouse environment regularly, identify problems and pointed out timely, eliminate unsafe factors caused by the disasters. By operating Total Productive Maintenance (TPM), we can reduce the number of wrong parts and improve the comprehensive efficiency of the equipment so that the quality of the products can be ensured. Pay attention to the safety training, helping them to master the relevant professional knowledge and have a good problem consciousness. In the ordinary weekday, works should pay more attention to their own devices, such as sound, vibration, heat, which will improve their ability to deal with the abnormal problems, thereby

improving the ability of problems solving. Having a clean, warm and efficient work environment will help them to lay a stable foundation for long-term cooperation in the future (GAO, 2009).

4.4 Technical Staff Drain

Transfer the organization structure scientifically. Research shows that many enterprises believe that it is inevitable to do job cut in order to eliminate employees to reduce costs and enhance the profit. However this kind of view is totally wrong. What should the enterprise do first is to study and analysis the learning curve, and have a reasonable downsizing after that. Those in the edge of the organization who have little network contact are much easier to be ignored, and are more likely to leave, leading to the loss of expertise and external knowledge. For example, the computer maintenance personnel can not only solve the problem of network virus with a shorter period of time than others, but provide some creative ideas combined with practical issues, which can be free from other members of the interference. To avoid such problems, enterprises must make great efforts to find and attach importance to such technical talent, to use some measures, such as the common project which will allow them to participate in and show their talents fully in this process, to realize their own values, to act as full membership of this organization, thus arousing their creativity and retain their hearts.

4.5 Enterprise Culture

Strengthen consciousness of the idea exchange between enterprises and supplier. The enterprise and supplier have common interests, by strengthening the communication and exchange ideas, they will achieve the goal of interdependence, integration, institutionalization ultimately. In the pursuit of maximum profits, the asymmetry information should be eliminated as much as possible. Trust your suppliers. It is known that the total cost will eventually pass on the enterprises themselves. So when facing dangerous, don't embarrass your suppliers, conduct the price squeeze or ask for its increase in inventory so that we can lay the stable foundation for a long-term cooperation. Any enterprise's success is short-lived, it is only have cooperation with their partners and built logistics alliance, where they can achieve the information integration, technology and customer sharing, develop new ways, accumulate experiences together, can the supplier actually form a sense of belonging, share weal and woe with the enterprise forever.

4.6 Environmental Protection

Take the responsibility to the environmental protection, energy saving and emission reduction. Attention should be paid to the environmental protection from every aspect of the cooperation by enterprises and suppliers. In addition to deal with cost issues, enterprises and suppliers need to reach a consensus that it is more important to have the

environmental protection awareness. Although from a financial perspective, some green investment can't achieve a desired effect right now, but definitely there is a return in the long term. Technical innovation is one of the main methods to make profits through low carbon production. Therefore, enterprises and suppliers should work together actively to the development the new technologies, and improve the utilization rate of resources. For example, Sky NRG, a Dutch-based jet fuel supplier, provides jet fuel for KLM Royal Dutch Airlines, which successfully completed a flight from Amsterdam to Paris with fuel produced from gutter oil in June, 2011, becoming the first airline company to do so. Sky NRG has purchased 20 tons of gutter oil as a sample from Qingdao to be used on airlines for tested. The company said it will purchase 120,000 tons each year from China if the oil is usable. This cooperation not only conserves jet fuel energy and protects environment, but also create more opportunities and profits for more companies.

CONCLUSION

According to the current development of the society and the enterprise's own characteristics, a deep study is made on type A based on the cooperation relationship. The fuzzy comprehensive evaluation is taken for an example to show the process of the suppliers' risk assessment and prevention. Finally, according to the risk, some specific suggestions are put forward for reference in order to enhance the enterprises' risk awareness. Further study of the cooperation relationship of type V and type T haven't been taken. More attention will be paid to the two aspects of this research in the future to provide a theoretical support for enterprises' risk assessment and prevention.

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Financial Predicament in the Midst of Abundant Natural Resources: A Study of the Fishing Business in the Coaster Area of Ondo State, Nigeria

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Received 24 June 2012; Accepted 5 August 2012

Abstract

This paper examines the reasons for the poor economic development in the Coaster Area of Ondo State, Nigeria, despite the presence of the rich natural resources (mineral, water, land, forest and touristic resources), and how to enhance the financial status of the people in the oil-rich region, who mainly engaged in fishing activities. Descriptive statistic was employed to analyse the primary data collected through well-structured face-to-face interviews and focused group discussions (FGD) with the fishermen and community leaders. The paper proves that the financial predicament of the people emanates from the exploration and exploitation activities of the oil companies operating in the region which had resulted to environmental degradation causing poverty, lack of access to finance, and poor infrastructure. The paper suggests that, in view of the great economic value of fishing all over the world and its contributions to economic development, government and the intervention agencies must provide financial resources and facilitate investment in fishing equipment and infrastructural development, as well as proper management of environmental degradation and eradication of poverty for sustainable fishing business and economic well-being of the people in the area.

Key words: Financial status; Fishing business; Coaster area; Poverty; Economic development

Tomola Marshal Obamuyi (2012). Financial Predicament in the Midst of Abundant Natural Resources: A Study of the Fishing Business in the Coaster Area of Ondo State, Nigeria. *International Business and Management*, 5(1), 113-119. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1145> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1145>

INTRODUCTION

The coaster area of Ondo State, Nigeria, presents a paradox: the area is richly endowed with natural resources (mineral, water, land, forest and touristic resources), but the people are poor. Ondo State, along with the other eight States of the 36 States in Nigeria, which are known as the Niger Delta Region, contributes more than 50% of the entire domestic Nigerian fish supply (Akankali & Jamabo, 2011). The fishing activity in the Region is aided by the presence of Lagoons, Rivers and the Atlantic at the coast which provide avenues for a number of economically-viable small and medium scale fishing enterprises. Fishing could be maritime or fresh water (in-land). Among the Ilaje people, sea fishing had larger scale, and used more sophisticated tools than in-land fishing. During rough period of the sea, some professional fishermen would resort to in-land fishing, hence industrious fishermen would acquire both sea and in-land fishing skills for economic security and subsistence (Ehinmore, 2007). However, the natural resources, which were supposed to bring blessings to the region turned out to negatively affect fishing activities, which is the main source of livelihood in the region, making the people to be pauperised. Thus, the people are experiencing financial predicament in the midst of abundant natural resources. This is because the natural resources attracted the oil companies to the region, and their exploration activities, with frequent oil spillage, resulted to environmental degradation, with drastic negative consequences on the economic activities and the well being of the people.

Therefore, the problem is how to bring rapid sustainable development to a large number of people in the region and their small and medium fishing businesses dispersed across a difficult terrain. It is important, therefore, that challenges be identified and overcome when developing fishing business in the oil-rich Region of Nigeria. This is the main motivation for this study. Specifically, the objectives of this research are to:

- (1) Examine the reasons for the poor economic development in the Coaster Area of Ondo State, Nigeria, despite the presence of rich natural resources (mineral, water, land, forest and touristic resources).
- (2) Identify the challenges to fishing business development and how to enhance the financial status of the people in the oil-rich region; and
- (3) Suggest ways to bring rapid sustainable development to a large number of people in the region and their small and medium fishing businesses dispersed across a difficult terrain.

The paper is organised under seven sub-heads as follows: introduction; the study area; method of data collection and analysis; fishing business and economic development; challenges to viable fishing enterprise development; approaches for enhancing the financial status of the people in the coaster area and the concluding remarks.

1. THE STUDY AREA

The coastal area of Ondo State, which is coterminous with Ilaje Local Government Area, lies between 4° 50' and 5° 15' E and 6° 00' and 6° 25' N. The area is situated at the southern part of the State, and it is richly endowed with natural resources (mineral, water, land, forest and touristic resources). The Coastline is about 80 km and runs in a northwest to southeast direction (Ssentongo, Ukpe, and Ajayi, 1986). This area is mainly inhabited by the Ilajes, who are the major fish producers in Ondo State, with over 80 fishing communities along the coastline (Akegbejo-Samsons, 1995, as cited in Adeparusi, *et al.*, 2003).

The people in the region have some peculiar characteristics which affect entrepreneurship development in the Region. Majority of them are poor and do not have the basic literacy. The entrepreneurs are all sole proprietors engaging mainly in fishing. Their level of education is lower than the national average, especially for women. The ordinary or liberal education of the people does not prepare them for entrepreneurial activities. The entrepreneurs' family size is also larger than the national economy (average of 15 for the coastal region versus 6 for national economy). The fact that the wealth of the entrepreneurs is measured by the number of wives and children is responsible for the large family that is kept by these entrepreneurs. These family members are trained in

the art of fishing and provide a source of trusted workers. Mostly, the eldest children are less educated. This is because of the nature of the entrepreneurs' work, which demands that the first child assist the father or mother entrepreneurs, depending on whether the first child is a male or female. Each of the male fishermen is also likely to be married to two or more wives, who are also engaged in different stages of fish processing, so that all of them can combine their businesses along the stages of fishing. For instance, a fisherman is likely to marry a fish monger who smokes and sells the fish caught by the husband. At times, a family member or close relative who is engaging in fishing business is allowed to take a male child as canoe boy, and this increases the likelihood of starting fishing business.

2. METHOD OF DATA COLLECTION AND ANALYSIS

This study was conducted in the Coaster Region of Ondo State, Nigeria. Twenty two (22) communities were selected for the study, based on their population and the intensity of fishing. The data collection process required preliminary surveys in order to construct the sampling frames and draw a sample. A pilot survey was conducted for the purpose with 6 entrepreneurs from 2 of the communities. The pilot survey was used to modify the main questionnaire both in contents and structures. The two communities for the pilot study were excluded from the main study, to avoid visiting them twice, which may bias the responses and correctness of the findings, leaving a total of 20 communities. The population includes two levels: (i) the entrepreneurs and (ii) the community leaders in the region. Since there is no official register of individual entrepreneurs operating in this region, it was not possible to have a list of the entrepreneurs. Ten entrepreneurs were purposively selected from each of the twenty communities.

Thus, the primary data were collected through a well-structured questionnaire administered on the 200 entrepreneurs (owner-managers) of small and medium fishing business and four community leaders. The entrepreneurs were visited during business hours while the community leaders were visited in their different homes. The questionnaires were hand-delivered and carefully read out to the respondents in their native dialects. Thus, the interviews allow for better data collection from the population that has limited English skill. The intention was to identify the factors affecting fishing development as perceived by the entrepreneurs themselves and the areas of assistance and to ensure that all the questionnaires were retrieved. There was a follow up to confirm some of the responses provided by the respondents.

The study also made use of focused group discussions (FGD) organised by OSOPADEC, which were held

separately in many communities with the elderly, women group and the youths. To achieve its objectives, the study is descriptive in perspective.

3. FISHING AND ECONOMIC DEVELOPMENT

Fishing is of great economic value all over the world. Debnath (2009) observed that about one billion human beings worldwide depend on fish as their primary means of animal protein. In Nigeria, fisheries' contribution to the Gross Domestic Product is about 1 billion dollars (Sotolu, 2011). Stressing the importance of fishing to economic development, Osalor (2011) argued that fishing, by itself, has the potential of driving considerable enterprise development, transforming rural economies and generating direct and indirect employment opportunities in the process.

Thus, apart from the proteins and other benefits derived from consuming fish, it leads to employment generation of the youth, improved income and reduction in poverty level, and socioeconomic development of the communities. Akinwunmi, *et al.* (2011) stressed that the fishery of the area could support the strides towards employment generation, poverty alleviation and supply of animal protein to the teeming Nigerian population. For instance, the fishing activities are expected to create employment for many peasant fishermen and traders all over the world. In their various communities, they employed male indigenes as canoe men and female as fish processors and as customers in fish trade (Ehinmore, 2007). Based on the foregoing literature, one agrees with Osalor (2011) that the fishing sector presents unique opportunities as both a poverty alleviation strategy and a tool for rapid entrepreneurial growth. As Osalor (2011) posited, fishing relies heavily on small and middle scale ancillary industries like canning, net-making and boat building, while supporting an additional base of activities in storage, processing and marketing. The net scope for employment generation, business development and poverty eradication through these allied activities make fishing deeply relevant to Nigeria's quest for inclusive economic growth. FAO (2005), as cited in Sotolu (2011), affirmed that fish already makes a vital contribution to the food and nutritional security of over 200 million Africans and provides income for over 10 million mostly small-scale fishers, farmers and entrepreneurs majority of who live in the riverine and coastal communities. Sotolu (2011) concluded that based on the numerous advantages and roles played by fisheries in human existence and nation development, sustainable exploitation of fisheries resources becomes imperative.

The worry, however, is that despite all the economic importance of fishing to development, the people in the coaster area have remained pauperised and the economy miserable. There had been low level of fishing activities

resulting from environmental hazards, which has led to low income, low demand for goods and services and ultimately high poverty level. More than 95% of the people live below poverty level. The poverty level is compounded by lower education, the larger family size and low income, which imply lower economic status. The high level of poverty has induced large scale deforestation, especially of the mangrove vegetation on the coastal plain, as mangrove trees are the main source of energy. Thus, poverty induces resources depletion and environmental degradation, which in turn reduces the ability of the people to meet their basic needs, thus heightening the poverty level (Ebisemiju, 2001). From the foregoing, it is only natural that when the economic environment changes from favourable to unfavourable conditions, as a result of resource curse, many businesses, especially small organisations, are doomed to fail. It is, therefore, sacrosanct that, in providing solution to the problem of financial predicament of the people, government must give adequate attention to environmental problems which also affect economic growth of the region. As Olutunla (2001) argued, the environmental hazard has contributed to the migratory nature of the fishing groups; the rigid hours of fishing and high cost of transportation. For instance, on the average, settlements are moved from one location to the other every four years (Ebisemiju, 2001), thereby depleting their capital. Meanwhile, it is important to stress that once the financial problem is solved, other problems can be surmountable.

4. CHALLENGES TO VIABLE FISHING BUSINESS DEVELOPMENT IN THE COASTER AREA

Fishing business in the coaster area is faced with a number of opportunities and challenges. Most of the study participants agreed that there are good opportunities for the development of fishing business in the Coaster Region of Ondo State, Nigeria. The good opportunities relate to the abundant resources available in the area such as the presence of Lagoons, Rivers and the Atlantic at the coast which provide avenues for a number of economically-viable small and medium scale fishing enterprises.

However, the fishing activities of the region are constrained by myriad of problems including poverty, harsh economic environment, shortage of finance, absence of financial institutions, lack of collateral, low effective demands, low profitability and high costs of setting up fishing business. All these problems have continued to make development to elude the area. Scudder and Conelly (1985) highlighted other problems that have continued to threaten the viability of riverine fisheries as follows:

- (1) Over-exploitation of certain fish stocks by local commercial fishermen.
- (2) Pressure placed on the capacity of fisheries by the

- immigration of outsiders and the encroachment of non-local fishermen; and
- (3) Environmental modifications that reduce the productivity of fisheries resulting from (a) the construction of dams and irrigation canals; (b) the pollution of fisheries from both agricultural and industrial sources; and (c) the clearance of upper catchment basins and floodplain forests for agricultural, fuel wood and other purposes.

Consequently, Osalor (2011) identified the underlisted challenges as restraining the expansion of Nigerian fishing:

- (1) The absence of a sustainable and progressive fisheries policy represents a fundamental hurdle, with lax government regulation routinely forcing small-scale operations out of business.
- (2) Population expansion in coastal areas is giving rise to over-fishing and unscientific practices, destroying marine ecosystems and threatening

- underwater environments.
- (3) Organised fishing attracts high capital expenditure in Nigeria as most of the necessary equipment, boats, feed, technology and know-how has to be imported.
 - (4) Infrastructure deficits severely hamper the storage, transport and marketing of fish in rural areas, making profitable urban markets unavailable to traditional fishing communities.
 - (5) Despite specific government efforts, commercial deep-sea fishing is out of reach for local entrepreneurs; the activity remains limited to the purview of foreign-owned companies.

The study participants, however, identified seven critical factors affecting the financial status of the fisher folks, and which have contributed to the under-development of the region and reaped the people of the benefits of the natural endowments (Table 1).

Table 1
Factors Affecting the Financial Status of Fisherfolks in the Coaster Region of Ondo State

Nature of problems	Number of respondents	Percentage
Poverty and Lack of Financial Assistance	189	95
Poor Infrastructure	187	94
Low effective demand	177	89
Inadequate equipment	173	87
Environmental problem	165	83
Economic instability	154	77
Lack of entrepreneurship education and training	145	73

Note: Multiple responses were allowed

The study participants considered poverty and lack of financial assistance, poor infrastructure, low effective demand, inadequate equipment and environmental degradation as the most important factors affecting entrepreneurs' fishing development in the Region.

(1) Poverty and Lack of Financial Assistance. Most of the participants considered lack of finance as the major bane of entrepreneurs' fishing development. The people of the region are poor, and have low income, which does not allow for the cultivation of modern saving/investment cultures. Money are kept under the pillows or in cellophane bags hidden secretly in the house. This conservative behaviour could be attributed to the non-existence of any financial institution in the entire coaster area, the meagre level of income and level of education of the people.

There is evidence that the entrepreneurs tend to rely on informal funding sources for their businesses rather than banks. Informal funding includes personal savings and loans from cooperatives societies, friends and family. About 79.5% of the respondents source their money from the Cooperative Societies. The different cooperative

societies include the Baale Credit Association, Market Women Association, Fishermen Association, Oil Producing Communities Association and other Esusu/Ajo Associations. As Bennett and Ramsden (2007) observed, associations provide a range of functions, offering social opportunities, marketing and collective purchasing, self-regulation and lobbying, and representation of the interest of the business. The banks are reluctant to grant loans mainly because of moral hazard, adverse selection, asymmetric information, and the fact that most of the enterprises could not provide tangible collateral. The inability of the entrepreneurs to raise funds either from personal savings or from banks has reduced the amount of money available to start or expand their businesses.

The effect of finance was mostly felt by women-owned businesses. Although, the issues of financial discrimination against women could not be established, it could be due to the fact that women are generally afraid of debt and that female entrepreneurs are involved in retailing businesses. They are usually seen selling their goods (fish, gari, vegetables, clothes, etc.) by roadsides and in paddled canoes/boats and in small kiosks, indicating the smallness

of their businesses. The female entrepreneurs claimed that they are poor and therefore, need financial assistance from government and non-governmental organisations (NGOs) to expand their businesses.

The consensus of the study participants is that, fishing business development in the region is fundamentally constrained by inadequate funding, emanating from high level of poverty and lack of government assistance in the region.

(2) Poor Infrastructure. The region is rural and operates mainly on fishing economy and almost 95% of the fishes consumed in the State are from the region. Similarly, traders from every part of the country are known to buy fishes in commercial quantities from the region to be sold thereafter. But the region has no access roads and growth centres which can facilitate business development. Also, there are no storage facilities for preserving fishes during the season. Fish of various kinds are either dried in the sun or smoked in order to preserve them for long or short term market. Fresh fish were said to be marketed mostly in short distance areas owing to the perishable nature and problem of storage facility. As Adeparusi *et al.* (2003) posited, one of the greatest problems affecting the fishing industry all over the world is fish spoilage. The dry fish are regularly transported on water by boats in order to be sold at the main markets. At present, there is no such market in the area. The entrepreneurs from the area are forced to seek markets in other regions, which are distant and external to the area for their products. Such markets are located in places like Okitipupa, Ondo, Akure, Benin, Makun, Lagos, Sapele, Warri, Port Harcourt and Abuja, which according to Ebisemiju (2001), are not in a position to reciprocate with 'trickle down' ingredients of development. The entrepreneurs are, therefore faced with the problem of glut in the market, high cost of transportation for the few boats available and long hours of travelling on water. The effect is that the income of the entrepreneurs will be drastically reduced. Majority of the entrepreneurs complained that most of their revenues are lost to wastage/under-pricing during the harvest season.

The housing situation in the region is also quite perplexing. After the Ijaw-Ilaje war of 1998-1999, there were no buildings for the people to occupy. A community leader commented as follows:

"our communities are disadvantaged in the provision of decent housing facilities. Houses are built with palm fronts, zink and planks, and shared by large family members."

The entrepreneurs and community leaders also complained about the deplorable conditions of other infrastructural facilities. The people obtain drinking water from creeks, streams and canals. Most communities use table lanterns and fire wood to generate power or energy. In most cases, the health centres are without required drugs and the facilities are obsolete, and they are manned only by few medical personnel. As claimed by a

community leader,

"the effects of all the problems of infrastructural facilities to business development in the region has been that only local and uneducated people stay and do business in the region."

The combined effect of the poor infrastructural facilities has been that the region presents a paradox: The region is rich, but the people are poor and all indicators of economic wellbeing point to a high level of poverty in the midst of abundant natural resources.

(3) Low Demand for Goods and Services. Fishing development in the region is also constrained by low demands, because of the low income of the people based on the high poverty level, poor infrastructural facilities, high illiteracy level, high migration to urban centres and environmental degradation. More than 95% of the people live below poverty level. There is high rate of poverty in the area, deriving from the low income of majority, forming a vicious cycle. Their major source of livelihood (fishing) had been negatively affected by the exploration activities of the oil companies. Thus, they are pauperised, and this does not give room for effective demand.

(4) Environmental Degradation. According to most of the study participants, environmental degradation is a major constraint to the industrialisation of the area and it affects fishing business development and the people's productivity, with implication for the economy and the well-being of the people. The exploration activities with frequent oil spillages have negatively affected the fishing activities and contributed to the migratory nature of their fishing groups. As Ebisemiju (2001) observed, the fishing economy, which has always been the major source of revenue of the people, has been adversely affected in the freshwater creeks and in the near shore zone of the Atlantic Ocean, forcing the fishermen to travel far into the sea, with implication for additional funds for investment, which may not be easily obtained. This has led to increase in the prices of fish in the region. As stated by Akankali and Abowei (2010), cited in Akankali and Jamabo (2011), the associated adverse environmental impact of pollutants on fisheries resources in the Niger Delta region is quite high.

5. APPROACHES FOR ENHANCING THE FINANCIAL STATUS OF THE FISHERFOLKS IN THE COASTER AREA

There seem to be a consensus among the study participants that all the challenges to fishing development are surmountable, if the governments and the intervention agencies could understand the main problems of the area. Based on the recommendations of the study participants, the following represent the integrated or multi-stakeholder approaches for enhancing the financial status of the fisher folks in the area.

(1) Facilitating Investment in Fishing Equipment.

There could be micro-credit institutions set up to finance fishing business, in addition to donation of fishing incentives such as outboard-engines, fishing nets and trawlers. With the provision of loans to fishermen for the purchase of outboard engines, boats and fishing gears and the development of trawling, fishing in the near shore zone can be intensified. The various trade groups in the region should re-organise themselves to form cooperative societies/micro credit association in order to access funds at lower rates. The entrepreneurs can exploit the value system of ‘*àgbájo ọwọ la fi í Soyà*’ (there is strength in unity) and ‘*èniyàn la ọ̀so mii*’ (people are the secret behind my success). The entrepreneurs should cultivate saving/investment culture, which is virtually non-existence. The people should adopt modern methods of banking with financial/credit institutions, rather than keeping money under pillow. This modern saving culture will lead to established banking relationship between the banks and the entrepreneurs, and creates avenues for adequate funding.

(2) Infrastructural Development. This requires a deliberate development of central towns and places with adequate infrastructure and sets of industries. As formulated by Perroux (1955), cited in Ebisemiju (2001), a “Growth Centre Strategy” for implementation is needed in the region. The growth centre develops through the set of industries forming the growth poles, which are effectively linked up with the other regions of Nigeria by transportation network including waterways, rural and local roads, and other communication system, generating growth through spill over and multiplier effect in the rest of the economy. According to Ebisemiju (2001), the expected growth and development benefits which would follow the creation of such towns and places are as follows. First, the centre would serve as a more convenient terminal for both inland and offshore fishing industries. Second, the flora resources of the area can support a good amount of saw milling and wood processing industries, which could be established by investors. Third, such growth centres will become business centres for indigenes of the region where they can start small businesses and get out of poverty. Fourth, the new towns could provide residential facilities and other support services for the “naval presence” and the oil industry and in the process tie these multi million naira establishments to the economy of Ondo State. Fifth, the tourist industry could also capitalise on the unique and interesting coastal sceneries as well as the presence of lagoons and habitants of swamp dwelling fauna. All these benefits derivable from the growth centre strategy will ultimately facilitate development of fishing business and reduce the level of poverty in the region.

(3) Breaking the Vicious Cycle of Poverty. There is the need for the government to stimulate the level of demand, reduce the level of poverty and increase

accessibility to basic amenities in the region. More financial support should be made available by government to support people with a fishing proposition that looks viable, but who lack sufficient resources to get started and cannot attract bank finance. The intervention agencies must play prominent roles to ensure funds accessibility.

(4) Promoting a Society Friendly Environment. The oil companies should make their activities environmentally friendly by avoiding oil spillage that negatively affects business activities, and promptly paying reasonable compensation in case of its occurrence. The implication is that the communities are assured of the safety of their investment and the people will be encouraged to start new ventures or expand their existing businesses.

(5) Sound Economic Policies. The government should formulate entrepreneurship policies that match interventions with the scale of the problems of the region. Different intervention agencies should be established in different segments and should not be hijacked and used as conduit pipes for some political office holders who were only interested in embezzling the money. The intervention agencies should pursue business development from the priority of the communities. The policies must ensure effective management of the allocated revenue, with proper monitoring of projects and judicious use of resources to develop fishing activities.

(6) Fostering Inclusive Entrepreneurship Education. The government, intervention agencies and the communities must develop sustainable enlightenment programmes on entrepreneurship education and training. There is the need for value re-orientation of the entrepreneurs on loan repayments and the culture of community leaders towards government projects. The series of meeting organised by the Ondo State Oil Producing Areas Development Commission (OSOPADEC), one of the intervention agencies operating in the region, to sensitise the people towards setting priority for business development in their communities is in the right direction.

(7) Improving the Traditional Value System. In recent years, the region has been a hot bed of violence, hijacking, hostage taking and other violent activities, especially during the Ilaje-Ijaw war, which resulted to destruction of businesses and property. This unrest is capable of destabilising economic development and hence reduces business activities. The implication is that the region must be peaceful for any government programme to impact on entrepreneurship in the region. The traditional rulers, as agents of peace-making, must be alive to their responsibility of maintaining peace in their domains.

CONCLUDING REMARKS

The people of the coaster area of Ondo State, for long time, had experienced financial predicament, resulting from poverty, shortage of finance, poor infrastructure

and environmental degradation, despite the presence of abundant rich natural resources in the area. The people are poor and there is poverty in the land. This is because the exploration and exploitation activities of the oil companies have drastically destroyed the main economic activities of the region. Thus, it is only natural that when the economic environment changes from favourable to unfavourable conditions, many businesses, especially small organisations, are doomed to fail. This has serious implications for policy making and business development in the country. The problems of the region must be seen as global problems that need urgent intervention by the national and international communities for sustainable and inclusive entrepreneurship development.

Therefore, entrepreneurship development in the region must be undertaken through deliberate and sustained strategy by the government. This is because there is a significant causal relationship between entrepreneurship development, economic growth and poverty reduction (Chowdhury, 2007). The government, relevant intervention agencies and the multinational oil companies should collaborate to introduce community based micro-credit schemes, specifically tailored to meet the needs of the entrepreneurs in the region. This is because fishing can only be done on a lucrative level if the resources are available, given the effect of the environmental degradation. The government must take a leading position by providing financial assistance and other incentives to the economically active poor entrepreneurs and the communities. The government should also encourage growth centre strategy and clustering of firms in the region, with the added economies of scale. Finally, the entrepreneurs should pool their limited resources together through the formation of cooperative societies to establish medium and large enterprises and imbibe modern saving/investment culture. The issues raised in this study are relevant to other regions of most developing countries with abundant natural resources, but are deprived because of their difficult terrains.

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Integrating Managerial Pattern and Competitive Advantages: The Moderation of Competitive Inertia

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Supported by National Natural Science Foundation of China (No. 70832003).

Received 19 May 2012; Accepted 7 July 2012

Abstract

In dynamic competition, the competitive inertia is determined by components both inside and outside of company. This paper investigated that, after integration, how can firm appropriately alter their integrating managerial pattern, according to competitive inertia, in order to achieve better advantages cause from integration. Through 10-year data of the oligopoly enterprises in air-conditioner industry in China, the analysis demonstrated that, improving flexibilities of integration managerial pattern helps to build differentiation advantages, while negative to cost advantages; while firm competitive inertia grew, systematicness of integration managerial pattern would have positive effects on differentiation advantages, while negative on cost advantages.

Key words: Integrating managerial pattern; Competitive dynamics; Competitive inertia; Competitive advantages

PI Shenglei, KUANG Cong, LAN Hailin (2012). Integrating Managerial Pattern and Competitive Advantages: The Moderation of Competitive Inertia. *International Business and Management*, 5(1), 120-125. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0534>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0534>

INTRODUCTION

Competition is a unavoidable issue during growth of enterprises. For competing better and gaining larger advantages, most of enterprises decide to integrate horizontally or vertically. These integration strategies, most of which are crossing regions, help firms form the situation of multi-market competition (Edwards, 1955). While vertical integration often brings enterprises coordination and resources synergy between different sections in the value chain, then in competition they can complicate their actions, which are more likely to win. However, not all firm with integration have the same engagement, and achieve higher performance (Sirower, 1997). Enterprises after integration need an appropriate integrating management to run. When only inner management cannot gain the advantages, firms need cautiously plan the competitive repertoire.

Competitive repertoire refers to “actions pursued by an organization to attract, serve, and keep customers and is a novel way to examine a firm’s strategy” (Miller & CHEN, 1996). While the inertia refers to the level of activities by a firm practicing differentiated competitive action in a repertoire (Miller & CHEN, 1994), the less inertia the stronger firm react with differentiated ways. Chen indicated that inertia has negative relationship with firm performance. But Chen ignored the interaction between inertia and patterns of management, simply decrease the inertia will cause higher management costs and risks. With the competitive environment growing dynamic and competitive inertia of a firm been pushed to low, what kind of managerial pattern can support the firm to adopt such flexible repertoire to engage bigger advantages? Till now, very few research involves the effects of managerial pattern designation to building advantages under a certain inertia.

This paper has mainly contributed on this problem on two dimensions: 1) analysed the repertoire and advantages of three oligopolies in the air-conditioner industry in China; 2) analysed the managerial pattern of the three companies basing on transaction costs theory (TCE), and figure out the interaction between inertia and patterns of management while effecting advantages.

1. INTEGRATING MANAGERIAL PATTERNS BASING ON TCE

1.1 Integrating Managerial Pattern and Its Basic Characters

The concept of "Integration" came from Follett (1987), after which the scholarship and entrepreneurs widely adopted. As integration contains various ways including allying and merger and acquisition (M&As), this paper focus on the integration strategies on those with M&As, both in horizontal and vertical. Managerial pattern refers to the managerial institutional system designed by organization manager (LI, 2003), therefore integrating managerial pattern refers to a set of managerial methods and process system adopted for solving key problems during the integration strategy. In fact, on another word, the integrating managerial pattern is basic characters of rules and institution, differ from those in other company, designed for horizontal or vertical integration by a company.

Though there are various reasons for integration, the fundamental objective of integration is gaining continuous advantages (LAN, 2007). To enhance competitiveness and maintain advantages, enterprises have to maximum scale and scope effects through integration, and meanwhile maintain the flexibility and sense of reaction in regional market (LAN, & PI, 2011). Therefore the basic goal of integrating managerial pattern is to effectively engage the synergy and to play the advantages from integration. To achieve so, there are two basic characters that integrating managerial pattern must achieve, in a certain extent:

Firstly, the systematicness of new organization after integration. There is a fresh new organizational boundary in horizontal or vertical after a company integrates with M&As. Thus how can engage the synergy of different resources and systematic operation in the new organization is the first problem that managerial pattern have to resolve. According to the researches, resources synergy after integration affects positively the growth of corporate performance (Campbell & Luchs, 1992; Brunsmann *et al.*, 1998), while the biggest challenge to merger company is merger without integration--difficult to have all resources and departments coordination and cooperation after M&As (Ivancevich *et al.*, 1987; PI & LAN, 2011). In approach of dynamic competition, systematic allocation in different sections and regions helps enterprises to have

more multi-point advantages (Edwards, 1955; Gnyawali & Madhavan, 2001).

Secondly, the flexibility of the new organization after integration. After horizontal or vertical integration, a organizational structure which contains headquarter and subsidiaries will be built, for united and control departments in different sections, regions, or even industries. And to different departments and subsidiaries, the top managers have to re-design their authorities and duties, which becomes the other problem that managerial pattern must face. As M&As extant the organizational scale and scope, then for more effective resources allocation by headquarter, more decision authorities should be gathered in top level, and the flexibilities of headquarter will be increased. As the decision process is longer by integration and organization growth, to maintain flexibility of subsidiaries, part of authorities should be handed down, so as to reduce the costs of headquarter, enhance the flexibilities and learning capabilities of the organization (WANG, 2003), and help technical and managerial innovation (Sonenshine, 2011).

1.2 Managerial Pattern Basing on TCE

Integrating managerial pattern, as its definition, is an abstract concept, which is hard to directly measure with a comprehensive index. Transaction cost theory can describe and analyse institution in perspective of costs in transaction behaviour, thus the two characters of managerial pattern, can be analysed with TCE.

In approach of TCE, the systematicness comprehensively represents the inner transaction costs (TCs). If the systematicness after integration is low, then the coordination between different department and section will be weak. Thus there will be more wastes, faults, problems for negotiation between managers, and even issues required decided by top mangers in inner procedure, which means higher inner TCs. On contrast, if a more systematic managerial pattern are designed, with clear duties and authorities for each department and position, then the coordination will be higher, and inner TCs will be low down. Therefore, inner TCs can be a measuring index for the systematicness of integrating managerial pattern.

The flexibilities of managerial pattern can be represented by the sharing of inner TCs between headquarter and subsidiaries. According to Agent Theory (Mayer & Salomon, 2006), relationship between headquarter and subsidiaries is a certain of bargaining relationship, which can be regarded as a transaction on managerial authorities and information between managers in the two levels. When other condition stay, the sharing of inner TCs between the two management levels is directly upon the extent and content the managerial authorities are separated, thus revealing the flexibilities. When headquarter gathers more authorities up and control more operation and information, gaining more flexibilities, it also has to cover the more inner TCs, including searching,

analysing, planning, negotiating, and communicating. Vice versa. Therefore sharing TCs between headquarter and subsidiaries can measure the character of flexibilities of integrating managerial patterns.

Notice that, the two characters of integrating managerial pattern have to be “fit”. Over systematicness will cause an weaken in flexibilities (either in headquarter or subsidiaries); while over flexibilities may lead company into disperse. Therefore, managerial pattern should be fit for context of competition, industrial development, and so on.

2. HYPOTHESIS

According to the analysis above, systematicness of integrating managerial pattern emphasizes the coordination and cooperation between departments after integration, thus the more systematic, the higher effectively, lower costs and faster reaction enterprise competes, which driving to build differentiation advantages by searching diversified demand and market segment. On the other hand, flexibilities emphasizes authorities allocation to regional subsidiaries after integration, so that differentiation advantages can be build basing on different regional situation. Though, chasing either systematicness or flexibilities causes operating costs increases, and weaken the costs advantages building.

H1a: Systematicness of integrating managerial pattern has positive influence to differentiation advantages building.

H1b: Flexibilities of integrating managerial pattern has positive influence to differentiation advantages building.

H1c: Flexibilities of integrating managerial pattern has negative influence to costs advantages building.

H1d: Systematicness of integrating managerial pattern has negative influence to costs advantages building.

While industry increases dynamics, enterprises with different characters will react with different competitive repertoire which with various inertia. The higher the inertia, the less flexible the repertoire enterprises adopted. Without flexibilities in repertoire, the flexibilities in organization will turn to be a weakens which cause more difficulties in building either differentiation or costs advantages. On the other hand, the higher inertia, the more effective protection brought from systematicness. When inertia is high, enterprises are actually repeating some similar actions. Thus if inner management is systematic, costs could be reduced and efficiency could be improved, and advantages could be easier to engage.

H2a: While competitive inertia grows, the effects of flexibilities of integrating managerial pattern to differentiation advantages building will be weakened.

H2b: While competitive inertia grows, the effects of systematicness of integrating managerial pattern to differentiation advantages building will be improved.

H2c: While competitive inertia grows, the effects of

systematicness of integrating managerial pattern to costs advantages building will be improved.

H2d: While competitive inertia grows, the effects of flexibilities of integrating managerial pattern to costs advantages building will be weakened.

3. SAMPLE AND DATA

3.1 Sample

We have chosen the Chinese air conditioner market as the industry sample. The air conditioning industry is one of the industries which considered to be with higher degree of marketization. In the air conditioning industry, the concentration of competition is also high. From 2008 to 2009, the market share of Gree, Midea and Haier accounted for nearly half of China’s air conditioner market. Our sample objects are the annual competitive behavior, management model and competitive advantage. The sample data comes from three aspects:

- Retrieve and collect the news reports of the three giants of air conditioning industry: Gree, Midea, Haier related to competitive behavior from 2001 to 2010 through Infobank Economic News. And use the structured content analysis method (Miller & CHEN, 1996) to analyze which have learnt from Ming-Jer Chen, etc. Ultimately, we identified and collected 268-competitive behavior reported in the past 10 years of the three companies.
- We used the scale following a number of scholars (Chandler G, & Hanks SH, 1994; Kaleka & Berthon, 2006; LI & ZHOU, 2010; Song & ME, 1997; Narver & Slater, 1990; Tomaz ýater, Barbara ýater, 2009; SUN, 2007) to measure competitive advantage. We completed the measurement through the expert scoring for the three companies’ Board Report section in the company’s annual report from 2001 to 2010. “Board Report” is an overview of the strategic focus and main business activities during the reporting year. The “Board Report” of listed companies reflected the firm’s major focus and achievements in this year. We scored by reading this part to observe the length (The longer the length, the more prominent) of related content and the order (The more front it sort, the more prominent and more important it is) of different keywords, such as cost, quality, and innovation in the report.
- We get the data which used to measure the systematic and flexibility of enterprises’ integrated management model through the financial reporting data in the annual reports of listed companies.

3.2 Variable

Dependent variable: competitive advantage. Porter argued that the enterprise may have two types of competitive advantage: differentiation and cost advantages. In this study, the measure of competitive advantage is divided into the measure of differentiation and the measure low cost which following the Porter's view. The scores of the two variables are the average scores of scale in the overall measure and various aspects of measure.

Independent variables: the integrated management model. According to the discussion of Section II, the systemic of integrated management model can be measured through the internal transaction costs, and the flexibility can be measured through the sharing of internal transaction costs by headquarters and divisions. Although transaction costs can't be directly measured accurately, but the cost of enterprise management can be used as substitution variables of the internal transaction costs. So we used the management fees and finance charges (combined number) in the annual reports of listed companies to measure the total management costs. Taking into account that different companies have different size and different degree of differentiation, only use the management cost can't explain the systematic of enterprises' integrated management. So in this article, enterprise management cost was divided by the enterprise operating income to remove the impact of other factors. In addition, we measure the apportionment of the internal transaction costs by the ratio of the parent company's and the merger management fees and finance charges in the annual reports, to express the degree of centralization of enterprises' integrated management. The reverse interpretation of the centralization degree is the degree of flexibility.

Competitive inertia: Competitive inertia refers to the level of activity that a firm demonstrates in altering its competitive stand. It reflects the number of market-oriented changes a company makes in trying to attract customers and outmaneuver competitors. (Miller & CHEN, 1994).

This article uses the activity index to measure the competitive inertia, which followed the methods of measurement of Miller and Chen (1994). Assume in year t , the number of decision-making to take a j type action for a certain i company is $x_{i,j,t}$. Each year, the number of different types of decision-making is different. So all companies' and all years' $x_{i,j,t}$ value were standardized to $z_{i,j,t}$. Sum the standardized scores $z_{i,j,t}$, divided by the logarithmic of business operations scale, and then seek the logarithm, this variable showed normal distribution:

$$ActivityIndex = \ln \left[\frac{\sum_j z_{i,j,t}}{\ln(OperationScale_{i,t})} \right] \quad (1)$$

Value the activity index in the opposite symbol, in order to measure the competitive inertia.

4. RESULTS

Using SPSS 16 to analyse the data, the Pearson Correlation analysis, as Table 1, indicates that, the differentiation (Dg) and costs (Cg) advantages exist negative relationship, which testifies the ideal of enterprises should focus one single advantage to build by Porter (1985). While the correlation between differentiation advantages and the three independent variables (RatioTC, HQTC, and Inertia) are not supported, costs advantage has significantly positive relationship with headquarter control (HQTC).

To testify the hypothesis, an ANOVA was applied, with the result reported in Table 2. In Model 1, influence of inner TCs (RatioTC) to differentiation advantages is not significant, thus H1a is not supported. And headquarter TCs sharing (HQTC) has significantly negative influence (-0.566, $p=0.045$) to differentiation advantage, which means that the more flexible integration management is, the easier to build differentiation advantages. H1b is supported. In Model 2, comparing to Model 1, influence of inner TCs to differentiation turns to significantly positive (1.562, $p=0.033$), while the influence of headquarter TC sharing to differentiation advantage is not significant. Therefore, H2b is supported, but H2a is not.

In Model 3, inner TCs has insignificant effects to cost advantage, while headquarter TCs sharing has significantly positive effects (0.637, $p=0.021$) to cost advantage. This demonstrates that the more flexibly enterprises manage after integration, the harder to build costs advantages. Therefore, H1c is supported while H1d is not. In Model 4, comparing to Model 3, the influence of inner TCs to costs advantage turns to significantly negative (-1.332, $p=0.038$), revealing that, when the inertia is high, systematicness of integrating management will weaken cost advantage building. Meanwhile, the effects of headquarter TCs sharing to cost advantage is stronger, but not significant. So, H2c is support but H2d is not.

Table 1
Correlation of Variables

	Dg	Cg	RatioTC	HQTC	Inertia
Dg	1	-.485**	.154	-.351	.234
Cg	-.485**	1	-.289	.488**	.103
RatioTC	.154	-.289	1	-.762**	-.011
HQTC	-.351	.488**	-.762**	1	.024
Inertia	.234	.103	-.011	.024	1

a. **. P < 0.01 level (2-tailed)

Tabel 2
AVONVA Result

	Dg		Cg	
	Model 1	Model 2	Model 3	Model 4
RatioTC	-0.275	1.562*	0.198	-1.332*
HQTC	-0.566*	0.164	0.637*	0.744
Inertia	0.245	-3.867*	0.09	3.154*
RatioTC*Inerita		4.044**		-3.536**
HQTC*Inerita		0.983		0.081
F	2.357	3.368	3.094	5.725
Sig.	0.095	0.019	0.044	0.001

a.*.p<0.05 level (2-tailed); **.P<0.01 level (2-tailed).

DISCUSSION

For a long time, how the interaction between enterprise managerial mechanism designation and competitive behaviour influence performance has been controversy. This paper attempts to explore this issue, with data from China's air conditioner industry, in approaches of competitive dynamics and integrating managerial patterns. Competitive inertia is caused by many reasons including environment and competitor behaviour, while managerial patterns is comparatively closed system designed by managers after deep thinking, and altered according to different competition stage. For strategies is for gaining advantages, then integration managerial pattern supports the advantage building. Flexibilities of integrating management has more or less positive effects on both differentiation and costs advantages building. If company wanted to increase systematicness to gain differentiation advantages, they would have to boost inertia, to same cots, improve efficiency of organization learning (March, 1991), and avoid interrupting customers and competitors (Amburgey, Kelly, & Barnett, 1993). On the other hand, for special reasons like regional differences in China, when inertia is high, company should not chase systematicness of integration management too much, so as to help building costs advantages.

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Determinants of Income Distribution in the Nigeria Economy: 1977-2005

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Received 19 June 2012; Accepted 30 July 2012

Abstract

The study carried out an investigation of a number of factors which determine income distribution in Nigeria by making empirical analysis of the relationship between the determinants and income distribution using the co-integration technique. The empirical findings in the study revealed that, Gini Coefficient is very high in Nigeria, indicating a high level of income inequality. Also, employment rate, inflation rate, Gross Domestic Product and social spending were true determinants of income distribution in the Nigerian economy during the period under review (1977-2005). The study also found that, both the growth rate of output and government health expenditure exhibited an inverse relationship with Gini coefficient of income distribution in the Nigerian economy while employment rate, inflation rate and government education expenditure had direct relationship with Gini coefficient of income distribution in the Nigerian economy. Moreso, the findings showed the existence of a long run relationship between income distribution and its determinants in Nigeria. Finally, from the empirical findings in this research work and based on the relationship each determinant exhibited with the Gini coefficient of income distribution in Nigerian economy, a set of policy recommendations were made such as: government ensuring the formulation and implementation of more pragmatic employment policies in Nigeria, government ensuring proper monitoring of its spending on education and health through appropriate policy measures and policies that bring about more equitable distribution of income and associated income earning opportunities were suggested among others.

Key words: Income distribution; Inequitate; Gini coefficient enploment rate; Nigeria economy

A.A. Awe, Olawumi Ojo Rufus (2012). Determinants of Income Distribution in the Nigeria Economy: 1977-2005. *International Business and Management*, 5(1), 126-137. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1020>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1020>

INTRODUCTION

Increasing income inequality and poverty continue to be the most challenging economic trend facing most developing countries, particularly Nigeria. There are enough evidences to show that poverty and income inequalities are on the increase. For instance, Canagarajah, *et al.* (1997), reported increased level of poverty over the period spanning the 1980s and 1990s in Nigeria. The study further revealed high level of income inequality over the same period. This inequality was established by an increase in Gini coefficient from 38.1 percent in 1985 to 44.9 percent in 1992.

The Nigerian economy is characterized by a large rural agricultural-based traditional sector that encompasses about two-third of the population in the low-income class. Most of these people at the bottom of the income distribution chart are living in abject poverty (Canagarajah *et al.*, 1997). Also, a high rate of unemployment and under employment, a large public sector, low wage and poor working conditions characterized the labour market in Nigeria. Also, varying degree of income inequality compounded by a keen middle class has continued to exhibit a strong influence on the nature and pattern of income distribution in the Nigerian economy (Alayande, 2003).

In the 1960s and 1970s, the Nigerian economy provided jobs for its teeming population and absorbed considerable imported labour in the key sectors of the economy. The wage rate which dictated the income level

competed favourably with international standard and there was relative industrial peace in the whole economy (Nnnanna *et al.*, 2003). Following the oil boom of the 1970s, there was mass migration of people, especially the youth to the urban areas seeking for jobs. This movement worsened the employment situation in the urban areas as the employers of labour found it difficult to accommodate this massive influx of rural dwellers who are mostly youths. The reason however, was not unconnected with the shortage of funds to pay the income of the prospective job seekers. However, following the downturn in the economy in the 1980's, the problem of unemployment started to manifest, precipitating the introduction of the Structural Adjustment Programme (SAP), the rapid depreciation of the naira exchange rate and inability of most industries to import raw materials required to sustain their output levels (Nnnanna *et al.*, 2003).

A major consequence of the rapid depreciation of the naira after SAP was the sharp rise in the general price level, leading to a significant decline in the real income. The low income in turn aggravated a weakening purchasing power of income earners and declining aggregate demand. Consequently, industries started to accumulate unintended inventories and all sectors in the economy started to rationalize their work force thereby compounding the problem of unemployment and income inequality in the country. As a corollary to this, the public sector of the Nigerian economy places an embargo on employment due to lack of the required capacity to pay their income. With the simultaneous rapid expansion in educational sector, new entrants into the labour market increased beyond the absorptive capacity of the economy. Thus the avowed government objective of achieving full employment failed to materialize.

Income distribution is central to the development of any nation. This simply explains the popularity which issues on income distribution have gained among various scholars in Economics. Income distribution has become a contemporary issue in the developing economies which has enjoyed the patronage of some researchers such as Aboyade (1978), Fajana (1985), Deininger and Squire (1996), Bulir (2001), Rossana and Hoenen (2001), Jose and Teilings (2002), Alayande (2003), Ogwumike *et al.* (2003), Dodson (2005), Awoyemi (2005), Jones (2007), Oguntuase (2007), among others who have contributed to the concept of income distribution. For instance, Fajana (1985) expressed employment rate as an important determinant of income distribution using Nigeria data. He employed the Ordinary Least Square technique of analysis of established the nexus between the variables.

In the same vein, Deininger and Squire (1996) expressed number of declared vacancies as a determinant of income distribution and relied on the Ordinary Least Square method of analysis to establish the nexus between the variables. Jose and Teilings (2002) in their view, expressed the Gini coefficient of income distribution as

a function of a number of explanatory variables such as; employment rate, education, government social, inflationary rate, GDP per capita and percentage of old people above sixty years using the Ordinary Least Square method of estimation. In congruence to the view of Jose and Teilings (2002), Oguntuase (2007) in an empirical study on the determinants of income distribution in the manufacturing sector of the Nigerian economy, expressed Gini coefficient of income distribution as a function of employment rate, literacy rate (proxy for education), inflationary rate and manufacturing sector share of the GDP. He made use of the cointegration analysis and the Error Correction Model to establish the nexus among the variables.

However, considering critically the various views earlier explained, the major question that arises is; what is the long-run relationship that existed among the variables? It was observed that none of these views explained the time series properties of the variables, which may help to determine whether there is a long run relationship among the variables in the Nigerian economy. Only Oguntuase (2007) who delved into the verification of the long-run relationship among income distribution and some explanatory variables focused on the manufacturing sector of the Nigerian economy. A sectoral appraisal of the determinants of income distribution is only a means to an end and not an end in itself. Therefore, the study is set to fill the missing gaps created by past researchers. Firstly, by incorporating variables which represents the existing views on determinants of income distribution; secondly, by assessing the long-run relationship among the variables; which past researchers emphasized.

1. REVIEW OF EMPIRICAL WORKS

Major studies on income distribution centered on descriptive method of analysis, various results of surveys on income distribution were compiled by different authors in the past. Income distribution has been seen summarily as the pattern of earnings of the rich and the poor in any economy. One of the earliest works on income distribution is the Kuznet's hypothesis by Professor Kuznet. He was the first economist to study income distribution empirically. In his 1955 study, it was revealed that in LDCs 60% of the poorest received 30% and less of national income, whereas in DCs, they received more than 30% of national income. So far as the richest 20% in LDCs are concerned, they received 50% and more of national income. In DCs, they received 45% and less. Kuznet (1955) came to the conclusion that, the size distribution income was more unequal in LDCs than in DCs. It was high (1.67 to 2.33) in LDCs and low (1.25 to 1.29) in DCs.

Also Kuznet (1963) developed an inverted U-shaped hypothesis by taking the data of 18 countries by size distribution of income, from where he constructed

different Lorenz curves for DCs and derived their Gini coefficient. It was 0.37 percent for DCs and 0.44 percent for LDCs. It showed that income inequalities were higher in LDCs than DCs. This was explained in the graph of Lorenz curve in figure 2.1 above, where the 45° straight line OD is of equal income distribution, the thick curve to the right and nearest to this line is the Lorenz curve of developed countries (DCs). The dotted curve further to the right represented the Lorenz curve of less Developed Countries (LDCs). However, Kuznet's study was criticized based on the fact that he took average small sample of developing and developed countries. Todaro (2000) maintains that Kuznet's analysis was based on 5% empirical information and 95% speculation.

Based on the forgoing, some authors that followed Kuznet have tried to narrow down the scope by focusing on one or two economies for the basis of their studies. One of these is the research work on income distribution and employment in Nigerian urban sector by Fajana (1985). Aboyade and Yakubu acknowledge the good empirical work of Fajana titled, "the empirical analysis of the relationship between differential in earnings of employed and employee power in some selected manufacturing firms in Nigeria". He focused on differential in earnings (income distribution). Fajana captured income distribution by using four categories of employee's earnings and assessed the impact of employee's power (employment rate) of an industry on each of them. Average earnings of employees were divided into earnings of clerical officer, manual/casual operatives (junior employee), professional and managerial employees (senior employees). After critical analysis of this model and concluding from his findings, Fajana (1985), logically deduced that casual factors of the differences in labour power i.e. employment rate constitutes an integral part of the explanatory hypothesis for inter industry wage differentials in Nigeria.

Moreover, Adesimi (1990) analyzed the structure of rural-urban income distribution vis-à-vis occupational group, and conducted a survey of the four major states in the western part of the country that is, Lagos, Ogun, Ondo and Oyo. The economy was divided into rural and urban sector which has been weighted and scored for the divisions on the basis of population, major economic activity, services and level of industrialization. He observed that the rural sector received 38.3% of the tax payers income in the three states of Oyo, Ondo and Ogun for which data are available.

The reason for this lopsided distribution between the urban and the rural sectors are many, but one obvious explanation is the pattern of income distribution among various occupational groups within each sector. From his study, it was easily observed that most of the income in the rural areas is received by the farmers, fishermen and hunters who constitute the primary producers. The percentage share of the total income received by this group ranged between 77.4% and 74.7%. This group is

essentially in the low income bracket, the low share of income by the professional group is a reflection of their low numbers in the rural areas. Unlike the rural areas, most of the income in the urban sector is received by the salary/wage earner group.

The percentage share of this group ranged between 43 and 67 whereas in the rural sector, this same group received less than 0.5% of rural income. He concluded by saying that most of the income in the rural sector goes to the primary producers while the salary/wage earners received the bulk of urban income. In another dimension, Piesse *et al.* (1998) carried a study titled, "Modernization, multiple income source and equity: a Gini decomposition for the communal lands in Zimbabwe" and made use of a Gini decomposition to analyze the effects of crop, animal and non-farm income on the distribution of total income in the communal lands in Zimbabwe. Results show that non-farm income decreases inequality in Chiweshe, which is near Harare. Particularly, a substantial part of reduction in equality arises from greater non farm incomes at the bottom of the scale, so poverty is reduced by access to alternative income sources. However, in the more remote and traditional region of Gokwe, non-farm income increases inequality, accruing particularly to the relatively well off rather than the poor. Thus, it was concluded that the opportunities offered by the development of markets and non-farm opportunities appear to be important to poverty reduction.

Adams (1999) made use of household-level data from a nationally representative survey to analyze the impact of nonfarm income on income inequality in rural Egypt. The decomposition was done using rural income among five sources of incomes, which were nonfarm, agricultural, livestock, rental and transfer. The analysis shows that while nonfarm income represent the most important inequality-decreasing source of income, agricultural income represents the most important inequality-increasing source of income.

Also, Jacobs (2000) in an empirical work found that in Japan, Taiwan and South Korea, total income inequality accounted for by differences between age groups is very low (less or equal to 5%). Inequality as much more prevalent between individuals of the same age category than between the mean of different age groups. In other words, age does not explain much of the observed income inequality in any of the three countries. In the same vein, Bouillon *et al.* (2001) made use of a simulation empirical framework to identify the contribution of microeconomic factors to increasing income inequality in Mexico in 1984 and 1994. Having specified different regression equations for the determinants of per capita income in 1984 and 1994, they proceeded to simulate the impact of changes in observable and unobservable characteristics. The micro-simulation method decomposes the observed changes in the distribution of income into "return effect", "population effect" and the "effect of unobservable". Results showed

that changes in returns to household characteristics, in particular changes are responsible for about 50 percent increase in Gini-coefficients. The deteriorating conditions in rural areas relative to the urban areas and of the southern region relative to other regions account for another 25 percent increase in the Gini.

The work of Rossana and Hoeven (2001) titled, "Is inflation bad for income inequality": explores theoretical and empirical evidence to study the effects of monetary policy and inflation on income inequality in developed economies. The ordinary least square regression was used to regress the data collected from US and a sample of 15 OECD countries. Their findings revealed that in high inflation countries, restrictive monetary policy is often beneficial for income inequality. In a slight different manner, Odedokun and Jeffery (2001) carried out an empirical study on the determinants of income inequality and its effects on economic growth: evidence from African countries. They attempted to demonstrate a much more complete interplay of the variables. They collected data from 35 countries over different periods in the last four decades and OLS method was adopted and their findings revealed that, level of economic development, attained regional factors size of government budget and the amount devoted to subsidies and transfers, phase of economic cycle, share of agricultural sector in total labour force, as well as human and land resources endowment affects income distribution. They submitted that an increase in the output will reduce income inequality in the economy.

Bulir (1998) in an empirical study titled, "Income inequality: Does inflation matter?", contributed to the income inequality literature that was based on traditional Kuznet model. Income inequality was expressed as a function of level of development, state employment, fiscal redistribution and price stability. He found that the impact of price stability on income distribution is nonlinear. He concluded that, the reduction in inflation from hyperinflationary levels significantly lowers income inequality while further reduction toward a very low level of inflation seems to bring about negligible additional gains in the Gini coefficient of income distribution.

A more comprehensive empirical work was carried out by Jose and Teilings (2002) by conducting a research with a view to investigating the causes of substantial changes in income inequality overtime. They made use of a model where they captured income distribution or changes in income inequality in transitional countries by a number of explanatory variables. Precisely, the GINI coefficient of income inequality (GINI) was expressed as a function of adjusted GDP per capita (GDPPCS), inflation rate (INFL), employment rate (EMP), government consumption percentage of the GDP (CONSG), industrial output as a percentage of GDP (INVA), private sector share of the GDP (PRIVS), percentage of old people above 60 years (SH60), government social employment and the error term (U).

The regression model was estimated using 24 transitional countries and findings from the regression result showed that, there was a strong negative relationship between income inequality and per capita GDP which implies that inequality may rise during recession. Also, the squared GDP per capita showed a negative relationship indicating the normal U-shaped relationship between income inequality and economic development (Kuznet Hypothesis). Inflation was found to increase income inequality while employment rate and government consumption failed to have any significant effect on income inequality. The industrial sector output share of the GDP showed a strong negative relationship, which means that when industrial output drops, there will be an increase in income inequality. Conversely, a positive relationship was obtained between the size of private sector and income inequality i.e., as the share of private sector rises, the more the upward provocative effect on income inequality, while the government social expenditure will lead to a fall in income inequality. Finally, the share of population aged 60 years and above was found to have a strong adverse effect on income inequality.

Morduch and Sicular (2002) in their work titled, "Rethinking Inequality Decomposition with Evidence from Rural China" introduced a new regression-based approach for decomposing inequality indices with household-level data, and examined the strengths and weaknesses of inequality decompositions by income source in light of the way that they are commonly interpreted. The approach uses estimated income flows from variables in linear income equations to decompose aggregate inequality indices. The integrated approach provides an efficient and flexible way to quantify the roles of variables like education, age, infrastructure, and social status in a multivariate context. The evidence from China illustrates the sharp differences that can result when using decomposition methods with varying properties, and it demonstrates advantages of the proposed, integrated method. The empirical results show the importance that spatial segmentations play in increasing inequality: village of residence strongly drives inequality in the sample. This force is counter-balanced in part by the relatively equitable distribution of human capital, especially demographic variables. Contrary to other recent findings, affiliation with the Communists Party and measures of social status have a very limited role in explaining inequality.

Alayande (2003) in an empirical work titled, "Decomposition of Inequality Reconsidered: Some Evidence from Nigeria" decomposed income inequality and poverty in Nigeria with the regression-based decomposition approach developed by Morduch and Sicular (2002), showed that primary and post-secondary educational attainments are important in reducing income inequality in Nigeria, while the number of unemployed in the households contributed positively to income

inequality. Also Elbers *et al.* (2003) in their work titled, *Are Neighbours Equal?* estimated income inequality for Ecuador, Mozambique and Madagascar. Based on statistical procedure that combines household survey data with population census, their analysis showed that the share of within-community inequality in overall inequality is high. Specifically, computed Gini-coefficients were between 0.320 – 0.518 and 0.320 – 0.440 in Madagascar and Mozambique respectively.

Ogumike *et al.* (2003) in their work titled, “Labour force participation, earnings and income inequality in Nigeria” demonstrated a unique and relationship between labour earnings and income inequality. They analyzes among other things, the distributions of structure of main job earnings, determinants and income inequality in Nigerian labour market. The study uses tabular presentations, Gini coefficient, Theil’s Entropy Index, Ordinary Least Squares techniques, Heckman’s two-stage selectivity bias correction procedure, Tobit analytical technique as well as descriptive statistics for analysis. The results show that inequality is more pronounced in paid employment than in self-employed segment of the Nigerian labour force, it is higher among women involvement in paid employment than in the self employment segment, it is higher among self-employed men than their female counterparts. It is generally higher in the rural areas than in the urban areas and within group inequality mainly explains income inequality in Nigeria.

Cornia (2005) in his work titled, “policy reform and income distribution”, analyzed the relationship between within-country income inequality and policies of domestic liberalization and external globalization. He used a number of models such as the Heckscher – Ohlin model to predict a decline inequality. Finding from Cornia study revealed that, inequality often rose with the introduction of such reforms. Also Awoyemi (2005) employed a regression based decomposition methods which can be seen as an attempt at bringing together hitherto separated statistical and human capital theoretical approaches to the study of income distribution. The Gini coefficient was used as a measure of income inequality. His findings shows that household size has negative and highest impact on the level of household consumption level. The study also shows that, education, age and productive hours committed to primary occupation will impact positively on the level of income. Another empirical work reviewed in this study, is the work of Oyekale, *et al.* (2005) titled, “sources of income inequality and poverty in rural and urban Nigeria”. The study attempted an estimation of the level of income inequality using the data from National Integrated Households’ Survey collected by the Federal Bureau of Statistics (FOS) in 2003. The mean, standard deviation, and coefficient of variation was used to measure income inequality. The socio-economic determinants of per capita income, which is a measure of welfare was derived through the Ordinary Least Square (OLS)

regression. Their findings revealed that, income inequality is detrimental to economic growth and development and that income inequality is increasing in the rural and urban areas in Nigeria, which can be linked to the growing dimension of poverty.

Also, Jones (2007) in his work titled, “income inequality, poverty and social spending in Japan”, stressed that, income inequality and relative poverty among the working-age population in Japan have risen to levels above the OECD average. The study revealed that, social spending as a share of GDP has been expanding in the context of population ageing, and also the impact of social spending on inequality and poverty is weak compared to other OECD countries and inadequate to offset the deterioration in market income. He concluded that, the scope for increasing social spending is constrained by the fiscal situation and that reversing the upward trend in inequality and poverty requires reforms to reduce labour market dualism and better target social spending on low-income households, particularly single parents.

Furthermore, Oguntuase (2007) also conducted an empirical work on income distribution titled, “an empirical investigation into the determinants of income distribution in the Nigerian manufacturing sector”. The study expressed the Gini coefficient of income distribution in the manufacturing sector as a function of a number of explanatory variables such as: Employment Rate (EMP), Inflationary Rate (INFR), Manufacturing sector share of the Nigerian GDP (MGDP), government expenditure on social services (GSEXP), and literacy rate (Proxy for Education) LITR.

The method of analysis and estimating technique used in the study was the co-integration and error correction model. The empirical results of the study revealed that level of education, manufacturing sector share of the GDP, government social expenditure and employment rate were true determinants of income distribution in the Nigerian manufacturing sector. It was revealed from the study that both manufacturing sector share of the GDP and employment rate exhibited an inverse relationship with the Gini coefficient of income distribution in the Nigerian manufacturing sector, while both government social expenditure and literacy rate (proxy for education) had a direct relationship with the Gini coefficient of income distribution in the Nigerian manufacturing sector. Also the study revealed that, there existed a long run relationship between income distribution and all the explanatory variables in the Nigerian manufacturing sector. In another slight different manner, Aboiyade (1978) stressed that in analyzing the disparities in the current salary structure according to educational levels, it should be noted that, the lowest paid workers in the public service are expected to have a minimum qualification of complete primary school education. The income distribution among employees in relation to their education background was summarized in their findings which indicated that the salary of a

secondary school graduate is 65% higher than that of the primary school while that of university graduate or post secondary school graduate is between 115% - 170% higher than that of secondary school's graduate. The irony of the whole issue is that many employees in the public service will remain perpetually in the junior cadre regardless of their years of service due to the nature of the current salary or career structure in public service which is also in use in most of the private sectors. Friedman of the WIDER concluded that, the returns to higher education have been rising all over the world, especially since the early 1990s when there was a rapid increase in the salary premium enjoined by university graduates. Therefore, education plays important role in determining rate of employment and pattern of income distribution in an economy.

Finally, the World Institute for Development Economics Research – WIDER (2006) focused on education and how it affects employment vis-à-vis income distribution in the face of globalization. Though some authors like Diejomaoh and Anosionwu (1985) had empirically studied education and income inequalities in Nigeria, there findings were supported by the WIDER study. From their survey of some developing countries, about 67% of the Nigeria labour force are illiterate, out of this, 26% had primary education and about 7% had secondary education while less than 0.5% had university education. It was further observed that 95% of the illiterates were self employed, also it was observed that secondary school graduates earn about twice the level of earnings of primary school graduates and university graduates earn more than twice the level of earnings of secondary school graduates. However, while the ratio of the average university graduates wage to an illiterate is about twelve times, the ratio of lifetime stream of earnings between the two groups is about 25.1. The WIDER findings revealed that the analysis above accounts for income inequality between junior and senior employees in various establishment in many countries.

Concluding from all the empirical works reviewed so far, it is very apparent that there have been diverse views on the type of nexus existing between the variables. From the empirical works reviewed so far in this study, it is observed that most of the views were centered on the short run analysis of the variables of interest, apart from Oguntuase (2007) who delved into the verification of longrun relationship among the variables, but concentrated on the manufacturing sector of the Nigerian economy. A sectoral appraisal of the determinants of income distribution is only a means to an end and not an end in itself. Hence, in an attempt to fill the missing gap created by the various empirical works reviewed, the study focused on determining the longrun relationship between the endogenous variable and the explanatory variables in the Nigerian economy.

2. METHODOLOGICAL FRAMEWORK

2.1 Model Specification

In order to ascertain the true determinants of income distribution in Nigeria, the model for this study is specified thus:

$$\begin{aligned} \text{GINIC} &= f(\text{EMPR}, \text{INFR}, \text{GDP}, \text{HE}, \text{EDE})_t \\ \text{GINIC} &= \alpha_0 + \alpha_1 \text{EMPR}_t + \alpha_2 \text{INFR}_t + \alpha_3 \text{GDP}_t + \alpha_4 \text{HE}_t + \alpha_5 \text{EDE}_t + U_t \end{aligned}$$

Where,

GINIC_t = Gini coefficient of income distribution in the Nigeria economy.

EMPR_t = Employment rate in the Nigerian economy

INFR_t = Inflation rate in the Nigerian economy

GDP_t = Growth Rate of Output in the Nigerian economy

HE_t = Government Expenditure on Health in the Nigerian economy proxied by recurrent expenditure on health.

EDE_t = Government Expenditure on Education in the Nigerian economy proxied by recurrent expenditure on education.

U_t = Stochastic variables

α_0 = Intercept of the relationship

$\alpha_1 - \alpha_5$ = Slope Coefficients

2.2 Apriori Expectation

The Gini coefficient of income distribution (GINIC) is expected to have an inverse relationship with Employment Rate (EMPR), Growth Rate of Output (GDP), Government Expenditure on Health (HE) and Government Expenditure on Education (EDE). Also Gini coefficient (GINIC) is expected to have a positive relationship with inflation rate.

These expected relationship are represented symbolically as follows;

$$\begin{aligned} \frac{\partial \text{GINIC}_t}{\partial \text{EMPR}_t} &< 0 & \frac{\partial \text{GINIC}_t}{\partial \text{GDP}_t} &< 0 & \frac{\partial \text{GINIC}_t}{\partial \text{HE}_t} &< 0 \\ \frac{\partial \text{GINIC}_t}{\partial \text{EDE}_t} &< 0 & \frac{\partial \text{GINIC}_t}{\partial \text{INFR}_t} &> 0 \end{aligned}$$

2.3 Estimation Technique

The method of estimation employed for this study is the co-integration analysis and the Error Correction Model (ECM). The model examined the time series properties of the variables using the Philip Peron unit root test. The Johansen co-integration rank technique was used to test for co-integration among the variables. These estimation techniques are discussed briefly as follows.

2.4 Unit Root Test

The unit root test is the first step and very important determinant of the stationarity of a time series. A series X_t is said to be stationary if it has a constant mean, finite variance, and the tendency to return to mean value equilibrium when there is disequilibrium as well as zero order of integration $I(0)$.

In general terms, if the series needs to be differenced times in order to achieve $I(0)$, then the series is said to be integrated of order 'n' and can be expressed as $X_t \sim I(n)$. The study made use of Philip-Peron (PP) unit root test to test the stationarity of the variables at their levels and at their first differences. This test is an improvement of the Augmented Dickey Fuller (ADF) test which does not take into account the less restrictive nature of the error process. The use of Philip Peron (PP) stationarity test according to Nyong (2003), replaces the use of lags in the Augmented Dickey Fuller (ADF) unit root test

2.5 Co-Integration Regression

One of the specific objectives of this research work is the determination of the existence of long run relationship among GINI coefficient of Income Distribution, Employment Rate, Inflation Rate, Growth Rate of Output and Government Social Expenditure in the Nigerian economy. The long run relationship cannot be achieved in the absence of the co-integration technique. The concept of co-integration creates the link between integration process and the concept of steady state equilibrium. (Granger 1981, 1986; Mill 1990).

The original co-integration regression can be specified as follows;

$$GINIC_t = \alpha_0 + \alpha_1 EMPR_t + \alpha_2 INFR_t + \alpha_3 GDP_t + \alpha_4 HE_t + \alpha_5 EDE_t + e_t \quad (1)$$

Where "GINIC_t" represent the endogenous variable which is the GINI coefficient of income distribution in the Nigerian economy. "EMPR_t, INFR_t, GDP_t, HE_t and EDE_t" are the exogenous variables earlier specified. While "e_t" is the stochastic variables, $\alpha_0, \alpha_1, \alpha_2, \alpha_3, \alpha_4,$ and α_5 are the intercept and slope co-efficient respectively.

To provide a more definite answer to the non-stationary in each time series, the Philip Peron (PP) regression is estimated as shown in equation (3.2) for a unit root test. If λ equals zero, e_t is non stationary, as a result GINIC_t and EMPR_t, INFR_t, GDP_t, HE_t, EDE_t are not co-integrated, in other words, if λ is significantly different from zero, GINIC_t and EMPR_t, INFR_t, GDP_t, HE_t, EDE_t are found integrated individually. If $\lambda = 0$ it is equivalent to $\alpha = 1$ for $GINIC_t = \alpha G_{t-1} + e_t$ for a unit root test.

The null hypothesis of no co-integration is accepted if the estimated Philip Peron (PP) test statistics is less negative than the critical values at 1% and 5% levels and vice versa.

2.6 Error Correction Model

If GINIC_t and EMPR_t, INFR_t, GDP_t, HE_t, EDE_t are found to be co-integrated, then there must exist an associated Error Correction Model (ECM) according to Engle and Granger (1987).

The usual ECM may take the following form;

$$GINIC_t = \delta_0 e_{t-1} + \sum \alpha_j \Delta GINIC_{t-j} + \sum \alpha_1 \Delta EMPR_{t-j} + \sum \alpha_2 \Delta INFR_{t-j} + \sum \Delta GDP_{t-j} - \sum \alpha_4 \Delta HE_{t-j} - \sum \alpha_5 \Delta EDE_{t-j} + V_t \quad (2)$$

$j = 1$

Where Δ denotes first difference operator, e_{t-1} is the error correction term, T is the number of lags require to obtain white noise and V_t is another random disturbance term. If $I(0)_t$ is significantly different from zero, then the dependent variable (GINIC) and the explanatory variables (EMPR, INFR, GDP, HE and EDE) will have a long run relationship which establishes co-movement among them.

The usual form of presenting error correction model is shown in equation (2) above, the error correction term (e_{t-1}) expresses the extent of disequilibrium among the endogeneous and explanatory variables. The ECM reveals further that the changes in GINIC_t is not only a function of the lagged changes in EMPR_t, INFR_t, GDP_t, HE_t and EDE_t, but also on its own lagged changes.

The ECM according to Hendry and Richard (1983) is very appealing due to its ability to induce flexibility by combining the short run and long run dynamics in a unified system. Also the consistency and efficiency of estimate of the parameters of ECM makes the model more dynamic.

2.7 Source of Data

Given the design of this research work, secondary data were sourced to conduct an empirical investigation of the determinants of income distribution in the Nigerian economy.

Data on income earned proxied by employment rate and data on average income levels from which the GINI coefficient of income distribution for Nigeria was computed, were extracted from the Nigerian Statistical Fact Sheets on Economic and Social Development, National Bureau of Statistics, various issues and CBN Statistical Bulletin 2007 edition respectively. Also data on inflation rate, government social expenditure and growth rate of output were sourced from the CBN Statistical Bulletin 2007 edition.

3. EMPIRICAL RESULTS

This section analyzes the long-run relationship between income distribution and its determinants in Nigeria. The variables in the model include: Gini coefficient of income distribution (GINIC), a measure of inequality of income distribution. It is defined as a ratio with values between 0 and 1, inflation rate (INF) which is the major determinant of real income or the purchasing power of income, health expenditure (HE) and education expenditure (EDE), the two major measures of social spending, growth rate of output (GDP), a measure of national output and employment rate (EMR) which determine the source and flow of income to individuals. Also, the section reports the results of both the descriptive and empirical analysis of the results. The results of the various empirical tests conducted in the study are presented. This includes; the Philip Peron (PP) unit root test, cointegration and error correction mechanism.

Table 1
Descriptive Statistics of Selected Variables

Variables	Observation	Mean	Std. deviation
GINIC	29	0.4649	0.2323
EMPR	29	83.95	5.05
INFR	29	212.07	17.99
GDP	29	2.72	6.59
HE	29	8109.1	14943.78
EDE	29	17660.87	29129.79

Source: Computed from data 2007

Table 1 presents the descriptive statistics of the variables. It can be observed that all the variables have relatively high variability. This suggest that the variables at their levels, show high deviation from their means. Other time series characteristic displayed by variables is discussed in subsequent sections.

Table 2
Correlation Matrix of Selected Variables

	GINIC	INF	HE	GDP	EMPR	EDE
GINIC	1.0000	0.036	0.73	0.27	0.14	0.77
EMPR	0.14	0.47	-0.29	0.07	1.00	-0.29
INFR	0.036	1.000	-0.175	0.15	0.47	-0.18
GDP	0.27	0.15	0.165	1.000	-0.07	0.17
HE	0.73	-0.175	1.000	0.165	-0.29	0.97
EDE	0.77	-0.18	0.97	0.17	-0.29	1.000

Source: Computed from data 2007

Table 3
Philip Peron Unit Root Test for Selected Series

Series	PP statistics		Critical value		Order of Integration
	Level	Ist Diff.	1%	5%	
GINIC	5.7806	-14.1816	-3.6852	-2.9705	I(1)
EMPR	-1.5465	-6.2712	-3.6852	-2.9705	I(1)
INFR	-2.6877	-5.1640	-3.6852	-2.9705	I(1)
GDP	-4.928	-10.879	-3.6852	-2.9705	I(1)
HE	1.3854	-5.051	-3.6852	-2.9705	I(1)
EDE	0.8782	-8.0463	-3.6852	-2.9705	I(1)

Source: Computed from Data 2007

The results in Table 3 therefore indicates that all variables are non-stationary at their levels, but are made stationary at their first differences. The economic implication of non-stationary series is that of a persistent shock if there is a disturbance on the variable. The results therefore imply that all variables are integrated of order one, denoted as I(1). This property exhibited by

The correlation coefficients between the variables are presented in Table 2. This correlation table gives a preliminary idea of the relationship between the variables. Specifically, the relationship between Gini coefficient of income distribution and the selected determinants. As observed from the table, Gini coefficient (GINIC) is positively correlated with all the selected determinants.

But, due to the high variability of the variables, one may not draw out any meaningful inference from the variables, hence, we consider the time series characteristics of the data. This is presented in Table 3.

3.1 Time Series Properties of Variables in the Model

The Philip Peron test for unit root was conducted for each of the variables in the model. The results of the test at levels and first differences are presented in table 3 below.

Accordingly, the null hypothesis for the unit root test is that there is a unit root in each of the variables. That is, each variable is non-stationary.

As usual, the rule of thumb is that the null hypothesis of unit root should be accepted if the PP statistic is less negative than the critical value, otherwise, the null hypothesis is rejected in the direction of the alternative hypothesis of no unit root.

the time series variables create the necessary condition for cointegration test. The results of the Johansen's Cointegration rank test is reported in the next section.

3.2 Johansen's Cointegration Rank Test on the Determinants of Income Distribution in Nigeria Economy

Table 4
Johansen Multivariate Cointegration Test

Ho	Ha	Trace statistic	Trace (0.95)	Trace (0.99)	Egen Value
r = 0	r = 1	181.45	94.15	103.18	0.9480
r ≤ 4	r = 5	11.70	15.41	20.04	0.2922
r ≤ 1	r = 2	101.59	68.52	76.07	0.8114
r ≤ 3	r = 4	25.79	29.68	35.65	0.4066
r ≤ 2	r = 3	56.56	47.21	54.46	0.6799
r ≤ 5	r = 6	2.37	3.76	6.65	0.0842

Source: Computed from Data 2007

$$\begin{aligned}
 \text{GINIC} = & -6331.16 + 74.367\text{EMPR} + 0.3298\text{INF} - 2.3194\text{GDP} - 0.0105\text{HE} \\
 & (17.77) \quad (0.1088) \quad (0.3107) \quad (0.002) \\
 & + 0.0046\text{EDE} \dots\dots\dots (3) \\
 & (0.0011)
 \end{aligned}$$

The Likelihood Ratio (LR) test based on the trace statistic is reported in Table 4. The null hypothesis of no cointegration is rejected up to $r \leq 2$, implying that there are at least 3 cointegrating equations at 1% and 5% significance level, among the I(1) variables. This is so because at $r \leq 0$, $r \leq 1$ and $r \leq 2$ the trace statistics are greater than the critical values respectively at 1% and 5% levels.

The evidence of cointegration indicates that, inflation rate, employment rate, growth rate of output, health and education expenditure are long-run determinants of income distribution. The long-run relationship was represented in equation (3). It is observed from the equation that employment rate, inflation rate and education expenditure all show positive relationship to the Gini coefficient, while, growth rate of output and health expenditure show negative relationship.

Note, that GINI coefficient is a measure of the rate of inequality of income distribution in an economy. The higher the coefficient the higher the inequality of income distribution. As discussed under the trend of income distribution in Nigeria, the coefficient has been on the increase in Nigeria, tending towards extreme inequality (above 0.75). The relationship in equation (3) is justifiable, the rate of employment in Nigeria has not been sufficient to reduce inequality of income distribution, else, it widens the gap. A unit of employment created increases inequality with about 74 percent. In most cases, employment generated are mainly to sustain living and not for wealth creation, thus, instead of redistributing income, it further creates low-level income earners.

Also, inflation rate increases the gap between the rich and the poor. A unit increase in inflation rate widens the inequality gap with about 0.33 percent. This is so because, inflation rate reduces the purchasing power of income, and this mostly affects the low-income earners. The rate at which education expenditure affects GINI coefficient in the long-run is low and more or less insignificant.

Growth of output (GDP) was found to reduce inequality in the longrun as shown in equation (3). The precise shape of inequality-growth relationship is not totally depicted by equation (3) as the relationship could be more than unidirectional.

We have first established that income distribution and its determinants are cointegrated; that is, a long term or equilibrium relationship existed among the variables. In the short run, there may be disequilibrium. The error term in equation (3) is treated as the disequilibrium error, the sign and magnitude of which links the short-run and long-run relationship. The results of the Error-Correction Mechanism (ECM) is reported in the next section.

3.3 Error Correction Mechanism (ECM)

When co-integration exists, the Engle-Granger theorem, establishes the encompassing power of ECM over other forms of dynamic specifications. The over-parametized form of ECM is presented in Table 5. The lag length of the ECM was selected using the Akaike Information Criterion (AIC).

From the result, it appears that the error correction terms is well defined.

Table 5
Overparametized ECM

Variable	Coefficient	Standard error
Δ GINIC(-1)	-30.6356	316.13
Δ GINIC(-2)	-0.2077	0.5983
Δ EMPR(-1)	-1.0367	2.7550
Δ EMPR(-2)	-3.3878	2.6264
Δ INFR(-1)	0.0361	0.2294
Δ INFR(-2)	0.0268	0.3052
Δ GDP (-1)	0.0599	0.5237
Δ GDP (-2)	0.0794	0.5561
Δ HE(-1)	-0.0005	0.0031
Δ HE(-2)	0.0019	0.0028
Δ EDE(-1)	-0.0002	0.0018
Δ EDE(-2)	-0.0019	0.0014
C	8.6086	12.2650

Source: Computed from Data 2007

The associated coefficient of the ECM is negative, this indicate a feedback of approximately 20.7 percent of the previous years disequilibrium. Simply put, the result in Table 5 states that Δ GINIC depends on changes in all the variables and also on the equilibrium error term (ECM). Since the ECM is non-zero, then the model is out of equilibrium. The term is expected to be negative and it is so, meaning that the GINIC is below equilibrium or below optimal level. Therefore some changes in the variables; employment rate, inflation rate, growth rate of output, social spending, are necessary to restore the equilibrium.

Moreover, the path of adjustment of equilibrium is measured by the absolute value of the ECM (-1). Here it is 0.207, that is the disequilibrium in income distribution is being corrected by the selected determinants but at a very slow rate.

3.4 Inferences from the Cointegration and ECM Tests

The following deductions are made from the results of the cointegration and error correction model.

- (1) A unit increase in inflation rate increases the disequilibrium of income. It does so by reducing the value of income in the hand of low income earners especially, thereby widening the gap between the rich and the poor.
- (2) The rate of employment also increases disequilibrium in income. This is contrary to expectation as employment is supposed to create income. But, a look at the structure of income in form of salaries and personal income in Nigeria suggests that, employment in Nigeria only create sustenance income and not wealth creation which can reduce gini coefficient.
- (3) Growth rate of output was found to reduce income inequality. This satisfies theoretical expectation. When output grows, income increases, and wealth is created in the hands of producers which in turn improves the distribution of income.

- (4) Social spending shows a dual relationship with income distribution. While education expenditure was found to have widen the inequality gap, health expenditure closes the gap. The relationship of government education expenditure to income distribution observed here support the argument of Anand (1983), that if human capital is not well distributed or insufficient, it brings about inequality in income rather than welfare. For some times now, the education sector in Nigeria have been under-funded thereby making the sector less effective in solving the problem of inequality in income distribution.
- (5) Improvements in all the determinants, according to ECM results, was found to have been correcting the disequilibrium in income distribution but at a very slow rate.

CONCLUSION

Sequel to the results and the findings in this study, the following logical, coherent and sequential conclusions are made:

- (1) There is a longrun positive relationship between employment rate and Gini Coefficient of income distribution in Nigeria. That is, employment rate increases income inequality in Nigeria.
- (2) There is a longrun positive relationship between inflation rate and Gini Coefficient of income distribution in Nigeria, since, inflation rate widens the gap between the rich and the poor. Also inflation rate reduces the purchasing power of income of the junior workers thereby widening income gap in Nigeria.
- (3) There is longrun, inverse relationship between output growth and Gini Coefficient of income distribution in Nigeria. Growth rate of output (GDP) increases income and wealth is created in the economy which increases the distribution of income in Nigeria.
- (4) Also, there is a longrun positive relationship between government education expenditure and Gini Coefficient of income distribution in Nigeria i.e. expenditure on education rather than reducing income inequality, widens it in Nigeria while government health expenditure exhibited and inverse relationship with Gini coefficient of income distribution i.e. health expenditure closes income gap in Nigeria but at a very slow rate.
- (5) The study also concluded that, employment rate, inflation rate, Gross Domestic Product and social spending are true determinants of income distribution in Nigeria.
- (6) A negative coefficient of the overparametized ECM which shows that changes in the Gini coefficient of income distribution depends on changes in all the variables and also on the equilibrium error term (ECM), further justifies the existence of long run relationship between income distribution and its determinants.

POLICY RECOMMENDATIONS

From the empirical findings in this research work and based on the relationship each determinant of income exhibited with the Gini coefficient of income distribution in Nigeria economy, the following recommendations are made to enhance a more evenly distribution of income which would in effect, reduce income gap and poverty in Nigeria.

- (1) Efforts of the government should be mobilized towards the formulation and implementation of more pragmatic employment policies in Nigeria. Since the empirical findings in this research work have shown that a rise in employment rate has not been sufficient to reduce inequality of income distribution in Nigeria. A more pragmatic employment policy would enable workers to create wealth from their income (and not just for sustenance) which enhances a more evenly distribution of income.
- (2) If the efforts of Nigerian government on wage increase is going to yield more positive result then, a policy to reduce the current inflation rate of 2-digits to 1-digit must be priotised. A considerable rate of inflation would help increase the real value of income in the hand of workers especially the low income earners thereby closing the gap between the rich and the poor. Our findings in this empirical work indicated that a rise in inflation rate widens income gap in Nigeria, therefore, simultaneous policies for wage increase and that which controls the growth rate of inflation should be given more priority in Nigeria.
- (3) Also, empirical findings from this research work indicated that, output growth reduces inequality of income distribution. Odedokun and Jeffery (2001) found that increase in output would reduce inequality of income in the economy. Therefore, effort of the government should be geared towards the improvement of national output (GDP) in the Nigerian economy.
- (4) Government should also ensure proper monitoring of its spending on education and health, through appropriate policy measures. This will checkmate the diversion of funds meant to boost educational growth and health care delivery in Nigeria. Todaro (2000) stated that the lack of prudence in LDC's public expenditure management has contributed immensely to the wide gap between the rich and the poor. The empirical findings in this research work indicated that, a rise in education expenditure rather than reducing inequality of income distribution, widens it. This implies that expenditure on education does not commensurate with the output realized. Hence, policies that would enhance proper monitoring of these processes should be formulated and implemented by Nigerian government. Also, the empirical findings from the study revealed that a rise in health expenditure

reduces gini coefficient of income distribution in Nigeria. Therefore, government should intensify efforts in ensuring proper monitoring of funds allocated to the health sector, so as to boost health care delivery in the country.

- (5) Finally, a set of policies designed to bring about a more equitable distribution of income, equal access to education and associated income earning opportunities should be given priority in Nigeria. Such policies should be targeted towards ensuring that the income gap between the rich individuals and the poor individual in Nigeria is further closed.

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APPENDIX: ESTIMATION OF GINI COEFFICIENT

The Gini coefficient is a measure of inequality of income distribution. It is defined as a ratio with values between 0 and 1. According to Lorenz Curve principle, the numerator is the area between the Lorenz curve of the distribution and the uniform (perfect) distribution line. The denominator is the area under the uniform distribution line as shown in the figure below.

Gini index is the Gini coefficient expressed as a percentage and is equal to the Gini coefficient multiplied by 100.

When the Gini coefficient is 0, it correspond to perfect income equality (i.e. everyone has the same income) and 1 corresponds to perfect income inequality (i.e. one person has all the income, while everyone also has zero income).

If the Lorenz curve is represented by the function $Y = f(x)$, where Y is the cumulated share of income earned and X is the cumulated share of proportion of population earning the income. That is the employment rate, the value of Gini coefficient was estimated with integration and:

$$\begin{aligned} \text{GINIC} &= 1 - 2 \int_0^1 f(x) dx \\ Y &= f(x) \text{ is a non-constant term function} \\ &\text{written explicitly as} \\ Y &= bx \end{aligned}$$

Data on income earned was proxied by employment rate, between 1977 and 2005, sourced from The Nigerian Statistical fact sheets on Economics and Social Development, National Bureau of Statistics, various issues. Data on average income levels were also sourced from CBN statistical Bulletin (2007). The cumulated shares of the variables that is Y and X are presented in Table A.

OLS Regression was used to estimate the Lorenz curve function $Y = f(x)$, a non-constant regression. The function was estimated to be:

$$Y = 1.006X$$

The Gini coefficient was estimated as

$$\text{GINIC} = 1 - 2 \int_0^1 (1.006x) dx \quad \dots \quad 2$$

Note that the equation (2) above represents the last cumulated value of x, which is 1 (i.e. 2005). For 1977 for example,

$$\text{GINIC} = 1 - 2 \int_0^1 (1.06x) dx$$

The estimated Gini coefficient is presented in Table B.

Table A
Lorenz Curve Function

Year	Cum. share of income	Cum. share of working population
1977	0.006152	0.033191
1978	0.012305	0.67738
1979	0.018776	0.010176
1980	0.25415	0.134613
1981	0.032192	0.168626
1982	0.039315	0.202803
1983	0.046438	0.236734
1984	0.053612	0.269761
1985	0.060786	0.3025
1986	0.06796	0.334705
1987	0.075134	0.366993
1988	0.088825	0.399321
1989	0.102517	0.433663
1990	0.116208	0.469647
1991	0.184415	0.505919
1992	0.217906	0.542315
1993	0.259093	0.579696
1994	0.30766	0.61794
1995	0.363436	0.656019
1996	0.419212	0.692866
1997	0.474988	0.729097
1998	0.530764	0.765698
1999	0.593625	0.802093
2000	0.656487	0.834094
2001	0.724788	0.870201
2002	0.79309	0.90483
2003	0.861392	0.937972
2004	0.930696	0.96952
2005	1.00000	1.0000

Table B
Estimated Gini Coefficient for Nigeria

Year	GINI coefficient
1977	0.0334
1978	0.0681
1979	0.1018
1980	0.1696
1981	0.2040
1982	0.2382
1983	0.2714
1984	0.3043
1985	0.3367
1986	0.4017
1987	0.4017
1988	0.4725
1989	0.4725
1990	0.5090
1991	0.5456
1992	0.5832
1993	0.6216
1994	0.6600
1995	0.6970
1996	0.7335
1997	0.7200
1998	0.7069
1999	0.7391
2000	0.6754
2001	0.6436
2002	0.6436
2003	0.7432
2004	0.7391
2005	0.6320

Research on Enterprises Reputation Evaluation Based on B2B Transaction Platform

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Supported by Heilongjiang Province Philosophy social science planning project (10D050).

Received 24 May 2012; Accepted 17 July 2012

Abstract

Based on traders' goods, service, the way of transaction and transaction time, the paper establishes the B2B traders' reputation evaluation index system, and applies the Analytic Hierarchy Process to give weight. Using the reputation evaluation model, the paper takes into account evaluators' own reputation, transaction amount, transaction time and other factors, dynamically adjusting reputation value and generating the reputation value of traders which is as the basis for the traders to choose the trading partners, and to promote the development of B2B e-commerce.

Key words: B2B; Traders; Enterprises reputation; Evaluation

XIAO Yanling, LI Lin (2012). Research on Enterprises Reputation Evaluation Based on B2B Transaction Platform. *International Business and Management*, 5(1), 138-141. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0589>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0589>

INTRODUCTION

With the rapid development of economy, the mode of face to face negotiation makes the transaction more and more limited by space, low efficiency and high

cost between enterprises (LENG & GAO, 2010), B2B trading platform provides a broader trading platform for enterprises. Enterprises can get variety supply and demand information by B2B and cooperate with the dispersed geographical location enterprise nodes, so to greatly expand the transaction and the cooperation scope of B2B nodes (FU, QIN & HUANG, 2011). However, when the nodes of supply and demand net choose the partners of transaction and cooperation, it is necessary to consider risks this may lead to, for example, the operation ability, goods quality, with or without malicious breach of contract and other aspects of the other side. In a word, it is necessary to consider the other side's reputation. The sharing of reputation information of enterprises is the implement foundation of the B2B e-commerce mode, every enterprise node is willing to have transaction and cooperation with partners who have a good reputation (HUANG, 2005). Reputation evaluation belongs to another security measures, which is different from encryption and firewall to protect the information confidentiality and integrity technical (ZHAO, WU, JIANG & HU, 2011). Enterprises can conveniently learn the reputation of transaction partners by the system of reputation evaluation to efficiency control the enterprises' opportunism behavior and reduce the transaction risk (HU & WU, 2011). The theory and the practice field have already begun to study and use reputation evaluation mode. In the theoretical field, there is still lack of depth study of reputation evaluation of the B2B enterprises nodes; in the practical field, application model is relatively simple and the evaluation is not comprehensive enough to fully reflect the reputation of the each enterprise. The paper establishes the enterprises' evaluation index system of B2B transaction websites, and explores the calculation method of enterprises reputation based on which to provide decision reference for effective operation.

1. ESTABLISHMENT OF THE B2B ENTERPRISES' REPUTATION EVALUATION INDEX SYSTEM

1.1 Selecting the Principles of the Reputation Evaluation Index

Scientific and rational selection of reputation evaluation index is to ensure that traders' reputation evaluation results are objective and effective prerequisite based on the B2B websites. Following principles are needed to establish a scientific and rational index evaluation system:

(1) **Accuracy principle:** Select the evaluation index which can efficiently reflect the reputation of the parties in the transaction.

(2) **Dynamic principle:** Select the reputation evaluation index which can make traders have new trading expectations in order to prompt traders to improve their reputation level constantly.

(3) **Measurable principle:** In order to quantitatively handle reputation evaluation results, therefore, the selected

reputation evaluation index should be convenient to be applied into analysis and calculation.

1.2 The Composition of the Index System of the Reputation Evaluation

Based on the principles discussed above, starting from the essential connotation of the reputation, combining with the characteristics of B2B trading platform, and learning from the basis of the existing reputation evaluation methods, from two points of view of buyer and seller to see the reputation evaluation system of B2B enterprises, seller reputation includes three primary indexes including product reputation and eight secondary indexes consist of product quality, meanwhile, buyer reputation includes two primary indexes including payment reputation and three secondary indexes including payment method. Due to the different importance of each indexes in the process of the reputation evaluation, we need to determine the weight of the each indexes. We use the analytic hierarchy process to determine the index weight, getting the evaluation indexes and their weights shown in Table 1.

Table 1
Indexes and Weight of Reputation Evaluation of Both Parties

Evaluation object	Primary index	Secondary index
Seller reputation	Product reputation (0.72)	Products quality (0.48)
		Products number (0.22)
		Products price (0.20)
		Products description (0.10)
Service reputation (0.18)	Reputation of transaction process (0.10)	Consultation and communication (0.48)
		After-sales service (0.52)
Buyer reputation	Payment reputation (0.80)	Transaction method (0.51)
		Transaction time (0.49)
		Payment method (0.38)
		Payment time (0.62)
	Feedback reputation (0.20)	Communication and feedback (1.00)

According to the results of the weights, we can see that for the seller, the indicator which affects their reputation the most is the "product reputation", the weight is the greatest overall; the secondary indicator "product quality" belongs to which is the most concern of buyers. For the buyers, the weight of index "payment reputation" is the largest, and the buyers are most concerned about the secondary indicator "payment time". It reflects the focused transaction of the traders when trading in an e-commerce trading center.

2. REPUTATION EVALUATION PROCESS BASED ON THE TRADERS OF B2B WEBSITE

2.1 The Establishment of the Reputation Evaluation Grades

The evaluation level is the comment grades given by both buyer and seller to each other according to the reputation evaluation indexes and degree of satisfaction after the completion of the transaction (ZHANG & CHEN, 2011). Normally, some existing grades of reputation evaluation

are divided into three levels of good, medium and poor, it cannot make a detailed assessment for the reputation. Some scholars believe that in most cases the reputation grades which are divided into will five or seven will be better (YANG, HU & ZHANG, 2005). Therefore, we divide the reputation into seven levels, its value interval is (0, 1.00] and which is shown in Table 2.

Table 2
The Reputation Grades and Its Value

Best	(0.90, 1.00]
Good	(0.80, 0.90]
Acceptable	(0.60, 0.80]
Normal	(0.40, 0.60]
Unsatisfactory	(0.30, 0.40]
Bad	(0.20, 0.30]
Poor	(0, 0.20]

2.2 The Calculation of Subjective Evaluation Value

Based on the evaluation levels of both sides, the two parties evaluate each other’s reputation according to the transaction. The primary index is got as the product of weights of secondary indexes and the reputation grades value, and this calculation process is repeated to get the subjective evaluation value, with range of (0,1.00]. In order to reflect the reputation of both parties more objectively and truly, subjective factors need to be excluded, which means that the subjective evaluation value requires a series of processing to generate the final objective and valid reputation value.

2.3 The Calculation of the Trusted Evaluation Value

Trusted evaluation value is the obtained value after processing of the subjective evaluation value. In network transaction, on the one hand, traders themselves have certain reputation values; on the other hand there may be deceptive behaviors. In order to minimize the impact of these two kinds of factors on the subjective evaluation value, it needs to be further processed with the following formulas:

$$R_3 = R_1 \times R_2 + (1 - R_2) \times R_1 \quad R_1 \geq K \quad (1)$$

$$R_3 = K + (R_2 - k) \times e^{-(K/R_1)} \quad R_1 < K \quad (2)$$

In the formulas, R_1 is the current reputation value of trading party A; R_2 is the subjective evaluation value A makes for the trading party B; R_3 is the calculated trusted evaluation value after trading party A makes the subjective evaluation for trading party B; K is the trusted threshold, which can adjust the influence of the above two factors, and its value is determined by B2B actual needs.

2.4 Reputation Evaluation Values Calculation Considering the Volume of Transactions

Consider the volume of transactions of the reputation evaluation values is that the trusted evaluation values combine with the current volume of transactions, and get the value by a series of calculation process. Currently most of the reputation evaluation model ignores the influence of volume of transactions to the evaluation values, to make the evaluation value is closer to the objective reality, based on the trusted evaluation value, transaction volume coefficient of the introduction is as the variable impact such as shown in Table 3, its value is determined by the average transaction volume of each B2B trading center.

Table 3
Transaction Volume Coefficient Table

Amount coefficient	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Volume of transactions (Ten thousand Yuan)	<1	1-10	10-40	40-100	100-250	250-350	350-450	450-550	>550

After considering the volume of transactions, the reputation evaluation value adjusts as follows:

$$R_4 = R_3^{1-(V/2)} \quad (3)$$

Among them, R_4 is the evaluation value generated from the combination of trusted evaluation value and the volume of transactions, V is the coefficient of transaction volume, and R_3 is trusted evaluation value. If the volume of transactions isn’t taken into account as the traditional algorithm did, trusted evaluation values of many traders may be equal.

2.5 The Calculation of the Overall Reputation Value

The overall reputation value combines the evaluation value of the volume of transactions with the reputation value of the evaluators before this transaction generate reputation value by a certain treatment.

Most traditional reputation evaluation model is to simply accumulate the reputation evaluation of before the traders which may generate some problems. On the one hand, if the traders of high value of reputation evaluation once generate the fraud behaviors, it cannot be reflected by the traditional methods. On the other hand, traders of the low reputation value because of recently entering the B2B website will get fewer opportunities of transactions. In order to avoid the two situations above, based on the above evaluation value, introduce the overall reputation value of the traders, the formula for it is as follows:

$$R_5 = a \times R_0 + b \times R_4 \quad (4)$$

Among them, R_5 is the overall reputation value of the traders, R_0 is reputation value of before trading, and R_4

is the evaluation value combined with volume of transactions, a is the transaction weights before this transaction, b is the weight representative of the transaction. From the psychology and behavior of people, traders are most concerned about the transaction behavior of other traders in recent period, so the weight of a is bigger than b, and a plus b is equal to one. By the experiments conducted by Josang, it shows that when trading weights is 0.6, it can best reflect the conformity of the reputation grades and honesty, so in this paper we set b as 0.6 (Josang, & Tran, 2003).

2.6 The Calculation of Current Reputation Value

In order to avoid the situation that some parties in the transaction will never be rehabilitated after a mistake, it needs to introduce time index to adjust the reputation value, and makes traders who have made mistakes before in the B2B website getting opportunities in the next transaction, at the same time adjusts the trader's reputation value to make the reputation value of the traders to be more objective and reasonable. Current reputation value is calculated by,

$$R_6 = K - (K - R_5) \times e^{-R_5 \times t} \quad (5)$$

Here, $R_5 < K$. In above equation R_6 is the current reputation value of traders; R_5 is the overall reputation value of traders; K is the threshold value of the reputation adjustment; t is time interval of traders last transaction and the current transaction which value is determined according to the actual situation of each B2B websites, the unit of t can be day, month or year. If traders don't have any transaction in a period of time, reputation value can also adjusted by this formula.

CONCLUSIONS

Compared to the traditional reputation evaluation model, the innovation of reputation evaluation model in this paper lies in the following aspects:

- Detailed analysis and processing of the evaluation indexes affecting reputation. It divides the level into two indexes, and uses AHP to determine its weight to construct index system of reputation evaluation of traders.
- The established reputation grades are more detailed. The past reputation grade generally consists of three levels, while the model in this paper divides reputation grades into seven levels, in order to make a more precise evaluation of the traders' reputation.

- Consider the evaluator's own reputation values, by analyzing and processing the subjective evaluation value to get the more comprehensive trusted evaluation value.
- According to different volumes of transaction, the results of reputation evaluation are also different; this combines the reputation evaluation value with volume of transaction together, and makes the calculated reputation value more objective.
- Comprehensively take some of the traders' own situations into account, measure reputation and adjust reputation value constantly and dynamically to make the traders' final reputation value more compatible with the objective reality and the transactions more secure in the B2B website, and thus reduces the risks in the transaction.

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The Improvement and Application of Econometric Model for Reverse Spillover Effect of Technology Sourcing FDI

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Supported by Shandong province higher school of humanities and social science research project (number:J11WF63).

Received 11 June 2012; Accepted 23 July 2012

Abstract

Domestic enterprises expect to obtain foreign advanced technology through foreign direct investment, but its reverse spillover effect has been the lack of effective measurement. This paper use foreign research results for reference, and tries to improve and apply the econometric model for reverse spillover effect of technology sourcing FDI.

Key words: Technology sourcing FDI; Econometric model; Test

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 FU Yuanzhai, ZHAO Jiaying, LI Hongyu (2012). The Improvement and Application of Econometric Model for Reverse Spillover Effect of Technology Sourcing FDI. *International Business and Management*, 5(1), 142-145. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0789>
 DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0789>

INTRODUCTION

Under the unsatisfactory circumstances of technology spillover effect of FDI, more and more competitive China's enterprises began to conduct foreign direct investment to acquire foreign advanced technology, and the research proves that the reverse spillover effect of technology sourcing FDI could improve total factor productivity of the national industries or enterprises of home country. However, the actual effect of this kind

of FDI has been the lack of corresponding metrological analysis, so it has important practical significance to analyze the reverse spillover effect of technology sourcing FDI of China's enterprises at the national level.

1. THE IMPROVEMENT OF REVERSE SPILLOVER EFFECT MODEL

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 Coe and Helpman (1995) proposed international R&D spillover effect model:

$$\text{Log}F_{it} = \alpha_i + \alpha^d \log SD_{it} + \alpha^f \log SF_{it} + \varepsilon_{it} \quad (1)$$

Wherein, i means different countries; t indicates time; $\text{Log}F$ shows the natural logarithm form of total factor productivity; SD stands for domestic R&D capital stock; SF expresses foreign R&D capital stock; α_i is cross-sectional data items of country i ; α^d signifies the output elasticity of domestic R&D capital stock; α^f represents the output elasticity of foreign R&D capital stock; ε is error items. This model reflects that the growth rate of a country's total factor productivity is not only influenced by domestic R&D capital stock, but also affected by foreign R&D capital stock.

Van Pottelsberghe de la Potterie (2001) took FDI outflows as spillover channel and introduced it into this model for the first time to test the spillover effect of technology sourcing FDI. S_i^{ft} can be shown as:

$$S_i^{ft} = \sum_{j \neq i} \frac{t_{ij}}{k_j} S_j^d, \text{ of which, } t_{ij} \text{ means the foreign direct}$$

investment flows of investor i to j country; k_j shows the gross fixed capital formation of investee country j ; S_j^d expresses domestic R&D capital stock of investee

country. $\frac{t_{ij}}{k_j}$ stands for adjusting weight of the investee

country's R&D capital stock, which reflects the contrast relation between FDI from investor country and domestic investment of investee country.

Jürgen Bitzer (2005) believes that the above model ignored the third-country effect of R&D spillovers. So he improved foreign R&D stock based on FDI S_{ct}^{ft}

$$:S_{ct}^{ft} = \frac{f_{ct}^{out}}{k_{ct}} \sum_{l \neq c} S_{it}^D, \text{ of which, } f_{ct}^{out} \text{ indicates the FDI}$$

stock of the investor country in period t, and k_{ct} signifies the physical capital stock of the investor country in period t. $\sum_{l \neq c} S_{it}^D$ represents the sum of R&D capital stock within countries except for investor country, including the third-country effect.

Considering the advantages and disadvantages of these two models, and combined with the actual situation of China's statistical data, the author improved the model as follows:

$$LnTFP_t = \alpha_0 + \alpha_1 LnSD_t + \alpha_2 LnSF_t + \varepsilon_t \quad (2)$$

Of which, TFP_t is total factor productivity of China in period t; SD_t means the domestic R&D capital stock in China in period t; SF_t refers to the reverse spillover of foreign R&D capital stock through FDI in China in period t. $SF_t = \frac{OFDI_t}{K_t} \sum_m SD_{mt}$, of which, $OFDI_t$ indicates China's FDI stock in period t; K_t stands for China's physical capital stock in period t. $\sum_m SD_{mt}$ represents the sum of R&D capital stock of foreign countries in period t. The meaning of this model is that the growth rate of China's total factor productivity is not only influenced by domestic R&D capital stock but also affected by foreign R&D capital stock through the way of China's FDI.

2. THE APPLICATION OF IMPROVED ECONOMETRIC MODEL

Select the 23 years' data from 1988 to 2010 to conduct analysis.

2.1 The Calculation of Total Factor Productivity TFP_t

Take Solow Residual Method to estimate the $LnTFP_t$. Assuming that the Cobb-Douglas production function $Y_t = A_t K_t^\alpha L_t^\beta$ to satisfy the Hicks neutral, which means technical progress does not affect the marginal rate of substitution between K and L ; additionally, the returns to scale of K and L are invariable, which means $\alpha + \beta = 1$, and the total factor productivity:

$$LnTFP_t = LnY_t - \alpha LnK_t - \beta LnL_t \quad (3)$$

In order to obtain $LnTFP_t$, it needs to estimate α and β firstly. Y_t selects 23 the value of real GDP; K_t means physical capital stock of each year; L_t stands for the quantity of employment at each end of year. Taking use of regression equation $Ln(\frac{Y_t}{L_t}) = LnA + \alpha Ln(\frac{K_t}{L_t}) + \varepsilon$ with the constraints of $\alpha + \beta = 1$ to conduct OLS estimation for α , and adds variables of AR(1) and AR(2) to eliminate the autocorrelation, so it is: $Ln(\frac{Y_t}{L_t}) = -0.856018 + 0.762697 Ln(\frac{K_t}{L_t}) + [AR(1) = 1.200582, AR(2) = -0.480634]$, so $\alpha = 0.763, \beta = 0.237$, takes them into equation(3) to calculate the value of $LnTFP_t$.

2.2 The Calculation of Domestic R&D Capital

Stock SD_t

$SD_t = (1 - \delta)SD_{t-1} + R_t$, of which, δ is depreciation rate of R&D capital stock, as 5%; R_t means R&D expenditure in period t; the R&D stock in period 0 refers to the R&D stock in 1987 $SD_0 = \frac{R_0}{\delta + g}$, g stands for the average growth rate in form of logarithm of R&D expenditure in each period.

2.3 The Calculation of Foreign R&D Capital Stock

Spillover SF_t

Using the calculation method of Jürgen Bitzer (2005) for reference, $SF_t = \frac{OFDI_t}{K_t} \sum_m SD_{mt}$, calculates the reverse spillover to China of foreign R&D capital stock through FDI channels of China's enterprises. The calculation method of SD_{mt} is the same as that of domestic R&D capital stock, and δ is also 5%. For the selection of foreign country m , combined with the mainly destinations of technology sourcing FDI of China's enterprises, the author chooses 14 countries, such as the United States, to represent the R&D overall stock of the rest countries in the world except for China, and the ever year R&D expenditure of different countries is obtained by the proportion of yearly R&D expenditure to GDP multiplies by the yearly real GDP.

2.4 The Stability ADF Test

Because the macroeconomic variables are usually non-stationary, therefore, it is necessary to conduct the stability ADF test for time series before analysis. Take the ADF unit root test method to conduct the stability test for $LnTFP_t, LnSD_t$ and $LnSF_t$. Shown as Table 1:

Table 1
Adf Unit Root Test Results

Variable	Test form	ADF test Statistic	Critical value	Stability	Order of integration
LnTFP	(1,c)	-2.355613	-3.012363	unstable	I(1)
D(LnTFP)	(0,n)	-2.973797	-1.958088	stable	
LnSD	(1,n)	2.056422	-3.012363	unstable	I(2)
D(LnSD)	(0,n)	3.889785	-1.958088	unstable	
D(LnSD,2)	(0,t)	-3.935869	-3.658446	stable	I(1)
LnSF	(0,c)	-2.795166	-3.004861	unstable	
D(LnSF)	(0,c)	-4.426329	-3.012363	stable	

It is clear that $LnTFP_t$, $LnSD_t$ and $LnSF_t$ are all unstable time series, so it needs further co-integration analysis to $LnTFP_t$ and $LnSF_t$.

2.5 Johanson Co-Integration Test

According to the Akaike Information Criterion (AIC) and Schwarz Criterion (SC) minimum standards, it confirms the lag order is 3 orders. The test form is to choose a sequence of a linear trend and the co-integration equation only with cross-sectional data items. The test results are shown as Table 2:

Table 2
Johansen Co-Integration Test

Null Hypothesis	Eigenvalue	Trace statistic	Trace statistic 5% critical value	P value
No Co-integration Relationship At Least Existence of a Co-integration Vector	0.866004	38.19548	15.49471	0.0000
	0.000340	0.006466	3.841466	0.9354

It is clear that: the trace statistic of the first null hypothesis is larger than its critical value (38.08230 > 15.49471), so the first null hypothesis is rejected; however, the trace statistic of the second null hypothesis is smaller than its critical value (0.006108 < 3.841466), which means the second null hypothesis is accepted. Therefore, it shows that there is a long-term co-integration relationship between $LnTFP$ and $LnSF$. Additionally, Eviews5.0 provides co-integration regression equation between $LnTFP_t$ and $LnSF_t$ as follows:

$$ECM = LnTFP_t + 0.037927 LnSF_t \tag{4}$$

Of which, ECM indicates non-equilibrium error, and it reflects that there is a negative correlation relationship between the growth rate of China’s total factor productivity and foreign R&D stock, which means the growth of China’s FDI not only failed to bring positive reverse spillover effect to promote China’s total factor productivity; on the contrary, it produced negative effect, which hinders the improvement of China’s total factor productivity.

2.6 The Error Correct Model

Granger theory points that if several non-stationary variables exist co-integration relationship, these variables must have error correction model expression. Established error correction model of $LnTFP_t$ and $LnSF_t$ as follows:

$$\Delta LnTFP_t = \alpha_0 + \alpha_1 ECM_{t-1} + \sum_i^n \alpha_{2i} \Delta LnTFP_{t-i} + \sum_i^n \alpha_{3i} \Delta LnSF_{t-i} + \varepsilon_t$$

Of which, ECM_{t-1} is a lag of non-equilibrium error, and it means the control and correction of long-term co-integration relationship of $LnTFP$ and $LnTFP$ for short waves of $LnTFP$ ($\Delta LnTFP_t$), and its coefficient α_1 is a correction factor, which means the correction speed of non-equilibrium error for the short-term fluctuations of $LnTFP$, and $\alpha_1 ECM_{t-1}$ is called error correction item. n is the optimal lag order number which takes the residual ε_t as white noise, and selects the lag order 3.

The short waves of $LnTFP$ are influenced not only by error correction term but also by the short waves of hysteretic $LnSF$. Take advantage of Eviews5.0 to estimate error correct model as follows:

$$\begin{aligned} \Delta LnTFP = & -0.429779(LnTFP(-1) \\ & + .037927 LnSF(-1) \\ & + 0.673961) + 0.701634 \Delta LnTFP(-1) \\ & -0.323169 \Delta LnTFP(-2) + 0.274358 \Delta LnTFP(-3) \\ & -0.023356 \Delta LnSF(-1) - 0.036205 \Delta LnSF(-2) \\ & -0.033089 \Delta LnSF(-3) + 0.02101 \end{aligned}$$

It can be perceived that the correction factor is -0.429779, and its absolute value is smaller than 1, which means it is not very obvious for long-term equilibrium system of $LnTFP$ and $LnSF$ to the short waves of $LnTFP$. The coefficient of $LnTFP$ is significantly negative, which illustrates the negative correlation between short-term total factor productivity in China and foreign R&D spillover, and the growth or decline of the short-term foreign R&D spillover would lead to reverse change of China’s total factor productivity.

CONCLUSION

Based on above analysis, it is clear that, no matter long-term or short-term, the technology sourcing FDI of China’s enterprises not only failed to form positive reserves spillover effect, but it hinders the improvement

of China's total factor productivity. Although it may be derived from the model and data problems, from the model point of view, it is mainly caused by the scale limitation of the technology sourcing FDI of China's

enterprises. In the model, $\frac{OFDI_t}{K_t}$ as the adjustment

coefficient of foreign R&D stock, which means the larger the scale of FDI, the more foreign R&D stock would spill, and it would contribute to the improvement of total factor productivity in the home country. According to the survey made by Roland Berger Company, only 16% China's leading enterprises operate overseas business in order to obtain advanced technology and brand assets; in the selection of overseas operational aspects, R&D only accounts for 16%. Compared with the large scale economic capacity, such small scale foreign investment is not enough to become the effective carrier and channel of reverse spillover to transfer foreign R&D resources. In addition, many reasons, for example, the insufficiency of absorptive and embedded ability of China's enterprises in subsidiaries or R&D institutions in host countries, the dislocation between obtained technology and the development demand of domestic enterprise and market,

the potential crowding-out effect for domestic R&D investment and the insufficiency of spillover mechanism at the industry and country level, lead to the weak spillover effect, which should be taken actions based on above reasons.

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An Empirical Study of Consumer Buying Behavior and Its Influence on Consumer Preference in Iranian FMCG Market: A Case Study

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Received 6 July 2012; Accepted 15 August 2012

Abstract

This research is to evaluate the attributes which influence on consumer buying behavior and their preference in Iranian FMCG market. In this study 700 questionnaires were distributed and 374 questionnaires were returned providing a 53.4% response rate. The questionnaire used five point Likert scale. To achieve diverse response from a expand scope of ideas, age, education, income and type of occupation used; different places such as shopping center, club and university. The respondents were asked to reflect the range of the amount of impact of variables on measured variable (shampoo attributes) from very high to very low. Researcher also discovered that reinforcement, antidandruff, attractive packaging, and shiny are most important attributes to influence on consumer buying attitude in Iranian market. However the sustainability, price and quality are considered as the main reason to buy branded shampoo and it should consider as main competitive advantage strategy for branded shampoo.

Key words: Buying behavior; Preference; Consumer choice; Marketing strategy; FMCG; Iran

Alireza Miremadi, Elham Faghanie (2012). An Empirical Study of Consumer Buying Behavior and Its Influence on Consumer Preference in Iranian FMCG Market: A Case Study. *International Business and Management*, 5(1), 146-152. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1115> DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1115>

INTRODUCTION

The long-term success of manufacturer marketing action softens depends on consumer response, and reaction of retailer and competitor (Ailawadi & Kusum, 2001). Furthermore, the convey toward category management, indicates that retailers may react to price promotions of wholesale with alters in prices for competing brands (Joseph, 2002). Although the effects of the elements are different, some factors such as location of store, design and physical facilities, merchandise assortment, advertising and sale promotion, store staff, customer services and client (social-class membership) implement immense influences on choice of store (Sinha, 2004). So the highly competitive market place and rapidly changing consumer trend in fast moving consumer goods (FMCG) encourage us to obtain more information about consumer preferences and their attitudes in this aspect especially in shampoo segmentation in Iranian markets. This research conduct a survey based on consumer behavior and attitudes in shampoo segmentation as a one of the FMCG products in IRAN. Products which have a quick turnover, and relatively low cost or inexpensive and frequently purchase and rapidly consume which purchaser exert only minimal purchasing effort are known as Fast Moving Consumer Goods (FMCG). Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, shampoo, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods (Mahesh Babaria & Dharod, 2009). The overall objective of this research is to investigate significant features based on consumer perspective in shampoo context in our country.

1. LITERATURE REVIEW

1.1 Retail Industry

Retail recently has been one of the developing regions in the global economy. It has testified a high growth rate in the developed countries and is balanced for an exponential growth, in the revealed economies. At the same time as the rapid growth, retailing has been described by growing competition and appearance of increasingly new formats of retailing (Leszczyc, Sinha & Timmermans, 2000). The retail industry is a unit of the economy that consists of individuals and firms dealing with sales of final products to terminate user or consumers (Farfan, 2011). During the past decade, the retail industry underwent main changes which have resulted in the appearance and strength of domestic and international corporate power (Tokatli & Boyaci, 1998).

1.2 The Definition of Retailing

Retailing includes the companies which basically deal with the activity of purchasing products from other firms with the purpose of reselling them to final customers, totally without transformation, and transferring incidental services to sales department. The retailing process is the last step regarding distributing the goods; thus, retailers are arranged to sell merchandise in small quantities to the public. The services which are added to the products normally entail transportation and stock storage in order to ascertain that the products are accessible by the time they are going to be sold (Zentes, Morschett, & Schramm-Klein, 2007). In other words, retailing includes business affairs involved in selling goods and providing consumers with services considering their individual, family, or household application. This involves per sale to the final consumer that ranges various services from cars to meals at restaurants, and movie tickets. Retailing is the last step in the process of distributing (Barman & Evans, 2010).

1.3 The Formats of Retailing

According to the studies which were conducted before, it was discovered that there exist 5 formats for retailing that are categorized as the following:

- **Food Retailing:** Food retailing experts are totally small retail outlets that are not related to national or international chains, such as fruit and vegetable stores, bakeries, butcheries and fishmongers. In contrast with many non-food items, food is not usually an elastic one (Eurostat, 2007). Food retailing stores involve convenience stores, conventional supermarkets, food-based superstores, combination stores, box (limited line) stores, and warehouse store (Barry Barman & Evans, 2010).
- **Non-Food Retailing:** This kind of retailing includes: dispensing chemists, medical, orthopedic, cosmetic and toilet items retailers and

other specialized in-store retailing of brand new goods, for instance, clothes stores, shoe stores, furniture stores, book stores, and electrical items stores (Eurostat, 2007).

- **Store-Based Retail Formats:** The most prominent types of store-based retail formats include: Convenience stores, Conventional supermarkets, Food-based superstores, Combination stores, Box stores, house appliance stores, specialty stores, variety stores, traditional malls, full-line discount stores, off-price chain stores, factory outlets, membership clubs, and flea markets (Barman & Evans, 2010).
- **Non-Store Retail Formats (Retail sales not in stores):** These tasks involve retail sales through stalls, markets, and house to house sales, as well as distant sales which are done through the internet, mobile phone sales or through vending machines (Eurostat, 2007).
- **Multi-Channel Retailing:** Some of the retailers also provide customer with services such as present packing, delivery, and installation in order to be more attracted by customers. Most of the retailers manage both physical stores and web sites to make shopping more comfortable and to attain customers' goals. Some parts of selling are even done through retail stores, mail orders, web sites, and a toll-free phone number (Barman & Evans, 2010).

Store choice has been a subject of many researches and has been studied from different point of views, brand choice behavior of the consumers are alike to the store choice behavior of shoppers, but in store choice there is a little difference in the incorporation of the spatial dimension (Sinha & Banerjee, 2004). Hence, while brand choice is autonomous of the location perspective, and is not influenced by it, the store choice is immensely affected by location (Fotheringham, 1988; Meyer & Eagle, 1982). One perspective, in the store choice literature gives superiority to the store location and thinks that the consumers are affected by the travel costs of shopping (Brown, 1989; Craig, Avijit Ghosh, & McLafferty, 1984; Huff, 1964). And hence location of store plays a significant role in the store choice. A number of studies, have regarded, and indicated the superiority of store location (Arnold, Oum & Tigert, 1983; Freymann, 2002) in store choice.

1.3.1 Marketing Mix Strategy

There is important theoretical evidence for the influence of advertisements on consumers' choice of products. Some theoretician believe that advertisements decrease consumers price sensitivity (Anil Kaul & Wittink, 1995; Comanor William & Wilson, 1974). In addition, promotional ads motivate people to obtain more information about the present products (Spake & Joseph, 2007). Consumer

competitions are one of the reputable promotional tools that used by food retailers (Sue, 1998). Retailers also use samples, pop displays, free products and discounts in order to intensify of brand awareness, enhance sales and draw attention of new customers (Sandra, 2001). Promotional ads can **persuade brand switching but aren't able to influence on repurchase** (John Deighton, Henderson & Neslin, 1994). In addition, frequent revealing of households to promotional tender reduces customer choice in terms of product categories (Carl F Mela, Jedidi & Douglas Bowman, 1998). Due to negative feeling of the word "discount" in the memory customers, sometimes discounts tend to lower purchase purposes. Furthermore, buying decisions are need rational estimation across emotional grounds (Kim & Hyeong, 2006). **Achieving lower consumers price sensitivity** we requires higher level of advertising (Lakshman

Krishnamurthi & Raj, 1985). Also strategies of price promotion conducted to price sensitivity and consequently reducing prices. (Anil Kaul & Wittink, 1995). So promotion didn't have long-term impact on the brand (John, 2004).

Sales promotions don't have any positive impacts. Thus, they just substitute for demand from one brand to another or from one week to another (Blattberg & Fox, 1995; Dekimpe Marnik & Dominique, 1995; Papatla Purushottam & Lakshman, 1996). Income had negative impact on reaction to promotion (Allenby & Rossi, 1991)

1.3.2 Top Global Retail Companies List

The biggest parts of the world's largest retailers are demonstrated in the top half of the list, even though there were small numbers of major shifts in the world's largest retailers (Farfan, 2011).

Table1
Top Global Retailer companies

World's largest retailers by country	Ranking	Country of origin
Wal-Mart	1	The United stated
Carrefour	2	France
Metro AG	3	Germany

Based on the studies which were carried out in the past, Fast moving consumer goods (FMCG) are distributed via these retailing formats. Regarding this study, the emphasis was on shampoo as one of the FMCG products. The hair care market can be divided into hair oils, shampoos, hair colorants & conditioners, and hair gels (Mahesh & Dharod, 2009).

1.4 The FMCG (Fast Moving Consumer Goods)

The FMCG are applied, consumed, and substituted within a short period of time while being purchased. It can differ between an hour, a day, a week, a month, and up to a year (Smith, 2010). In addition to the products which have a quick turnover, and relatively low price (Mahesh & Dharod, 2009). This is the world of FMCG, speed, adaptability, quality and scale (Smith, 2010). The FMCG involves food and drink, papers and magazines, medicines and pharmaceuticals, everyday electrical goods, cleaning and household products, and etc. (Smith, 2010). Examples of FMCG entail a comprehensive range of most purchased consumer products. The examples include: toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods (Mahesh & Dharod, 2009). In this study, most of the attention will be paid to shampoo. The FMCG companies produce and sell goods with a short shelf life as a result of high consumer demand or since the products get useless very quickly (Vyas, 2005). The FMCG Industry is determined by a well-established distribution network, low penetration levels, low operating price, lower per capita consumption and intense competition

between the organized and unorganized segments (Mahesh & Dharod, 2009). Sales promotions are significant marketing activity for fast moving consumer goods which imply the most of manufacturers' marketing budgets become 16% of their revenues (Associates, 2001). However, manufacturers examine the effectiveness of this practice as (1) the retailer to endure and support price cuts over time may become fail (Armstrong, 1991; Chevalier & Curhan, 1976), (2) competitors may reciprocate with their own promotion (Leeflang & Wittink, 1996), and for promotion consumer may have "lie-in-wait"(Mela, Carl, Kamel Jedidi & Bowman, 1998) .

Top 10 Fast Moving Consumer Goods

Before making an appropriate decision about the popularity of fast moving consumer goods, the opinion of the consumer and the view of the marketer are taken into account. In consumer's idea, those products which are mostly purchased can be considered as top selling products. The other factor here is brand loyalty. A large number of consumers always buy to a particular brand as they are satisfied with its quality. Price is a prominent factor as well. From marketer's perspective, the volume of sales, margin, distribution network and stock turnover are the crucial factors for a product to become bestselling. So when both of these opinions are analyzed and matched with real facts and figures, then just a crystal clear picture appears ("Top 10 Fast Moving Consumer Goods", 2011). The following 10 companies are Forbes' highest-ranking FMCG companies, respectively, among its top 2,000 for 2010 (Falconetti, 2011; "Top 10 Fast Moving Consumer Goods", 2011)

Table 2
Top Ten FMCG

Top 10 fast moving consumer goods	Number on the overall list	Country of origin
Proctor & Gamble	29	The United States
Nestlé	36	Switzerland
Anheuser-Busch	70	America
Unilever	85	British-Dutch
Coca-Cola	104	Atlanta
PepsiCo	106	New York
Kraft Foods	109	The United States
Philip Morris International	132	The United States
British American Tobacco	133	Britain, America
Nokia	135	Helsinki, capital of Finland

1.5 The Role of Retailing Industry in Iran

Retailing in Iran offers insight into major tendencies and developments while running the industry. The report examines all retail channels to provide sector insight. Channels entail hypermarkets, supermarkets, discounters, convenience stores, mixed retailers, health and beauty retailers, clothing and footwear retailers, furniture and furnishing stores, DIY and hardware stores, durable goods retailers, leisure, and personal merchandise retailers. There are profiles of leading retailers, with analysis of their activities and the challenges which they face. There is also an accessible analysis of non-store retailing: vending, home shopping, internet retailing, and direct selling (Euromonitor, 2010).

2. METHODOLOGY

The purpose of this study is to find consumer buying behavior about FMCG product in Iranian market about domestic and international shampoo I Iranian market, In other words, the objective is to answer the following research questions.

H1: To understand the most significant attributes that impact on consumer buying attitude in Iranian market.

H2: To understand the most important attributes which provides the customer satisfaction in consumer buying behavior in FMCG product in Iranian market.

H3: To discover the reason for brand switching in shampoo products.

H4: There is a significant association between gender and income about the choosing the domestic or foreign product.

H5: There is a significant association between gender and education about the choosing the domestic or foreign product.

We started with conducting an exploratory research on Iranian consumer behavior to determine the most important attribute adopted by them. The research gradually shifted from exploratory research to quantitative

research. According to (Fisher, 2007), a survey approach is suitable when the researcher is trying to obtain a broad and representative overview of a situation. In this research survey method was used for data gathering. In addition to descriptive statistics, Friedman Test was used to provide a rank order with respect to the importance of the identified most important attributes.

Through extensive literature review and conducting deep interviews with the experts, we have divided the questionnaire in three sections. **The method of administration** for questionnaires is through drop off and pick up. The first section, we asked about demographic information of the respondents, the second section, the respondents asked about the reason for buying shampoo, brand switching, types of shampoo or focused on consumer behavior and attitudes about consuming shampoo and the last part we asked about the most important components or factor which impact on consumer buying behavior in Iranian market, furthermore the questionnaire used five point Likert scale. The respondents were asked to reflect the range of the amount of impact of variables on measured variable (shampoo attributes) from very high to very low.

2.1 Sampling Size

In this research, a simple random sampling was selected as the sampling method. The customers of Fmcg in Iran were sampled to respond to the questionnaires. To achieve diverse response from a expand scope of ideas, age, education, income and type of occupation used; different places such a shopping center, club, university. According to Fisher (2007) the number of distributed questionnaires will have to be larger than the minimum required and the response rate of 30% is considered very good. In this study 700 questionnaires were distributed and 374 questionnaires were returned providing a 53.4% response rate.

2.2 Data Analysis and Interpretation

Following Table 1 presents the characteristic reference to personal profile from Table 3 shows that 59.6% of respondent were male and 40.4% of respondent are female.

Table 3
Respondents' Profiles

		Frequency	Percent
Sex	MEN	223	59.6
	WOMEN	151	40.4
	Total	374	100.0
Age	LESS 20	22	5.9
	20-30	203	54.3
	30-40	91	24.3
	40-50	46	12.3
	MORE 50	12	3.2
	Total	374	100.0
	Under diploma	32	8.6
Education	Bachelor	205	54.8
	Master	128	34.2
	PHD	9	2.4
	Total	374	100.0
Income	More than 1	72	19.3
	800-1	102	27.3
	400-700	119	31.8
	less 400	81	21.7
	Total	374	100.0

Internal consistency or reliability of the instrument was conducted by finding the Cronbach alpha coefficient. Cronbach's alpha is an index of reliability associated with calculating the reliability of items that are not scored right versus wrong (Fraenkel & NE, 2003). The higher the score, the more reliable the scale is (Nunnally, 1978) has indicated 0.7 to be an acceptable reliability coefficient which our study achieved .772.

Table 6
Main Reason of Buying Shampoo

	Frequency	Percent	Valid percent	Cumulative percent
Smell,Price,Brand	45	12.0	13.9	13.9
Integration,Price,Fashion	48	12.8	14.8	28.7
Sutability, Price, Quality	169	45.2	52.2	80.9
Packaging,Quality,Price	62	16.6	19.1	100.0
Total	324	86.6	100.0	

The reason for brand switching in shampoo products is also one of the critical issues and should take into consideration in next marketing strategy plan or marketing campaign to increase customer satisfaction and gradually shifted to customer loyalty for our brand. Researcher dis-

Table 7
Reason for Switching Brand

	Frequency	Percent	Valid percent	Cumulative percent
Frequently	60	16.0	16.0	16.0
Price	18	4.8	4.8	20.9
Experience	232	62.0	62.0	82.9
Loyaltt	64	17.1	17.1	100.0
Total	374	100.0	100.0	

Table 4
Reliability Statistics

Cronbach's alpha	N of items
.772	10

With respect to our statistical inferential, the most important attribute which induce consumer to buy or even think about these brand are reinforcement, antidandruff, attractive packaging and shiny which are really important for them and it gives an opportunity for company to work on these attributes and provides the better just noticeable difference (JND) or USP for consumer in their integrated marketing communication (Table 5).

Table 5
Most Important Attributes in FMCG Market

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.447 ^a	.227	.225	.68234
2	.536 ^b	.287	.283	.65642
3	.555 ^c	.308	.302	.64768
4	.564 ^d	.318	.311	.64351

- a. Predictors: (Constant), Reinforcement
- b. Predictors: (Constant), Reinforcement, Antidandruff
- c. Predictors: (Constant), Reinforcement, Antidandruff, Attractiveness packaging
- d. Predictors: (Constant), Reinforcement, Antidandruff, Attractiveness packaging, Shiny

Our research also reveal that the most vital attributes which provides better customer satisfaction in consumer buying behavior for FMCG product in Iran are suitability, price and quality, which we retrieved through with highest frequency percentage o45.2 % from Iranian consumer buying behavior of Shampoo (Table 6).

covered that the reason of brand switching is just finding product insufficient once they used the product and they want to get the new experiences with 62 % and it normally happened in Iranian FMCG market more than one year of using the product (Table 7, 8, 9).

Table 8
How Often Switching to Other Brands

	Frequency	Percent	Valid percent	Cumulative percent
1-3 month	56	15.0	15.0	15.0
4-6 month	91	24.3	24.3	39.3
more than 1 year	152	40.6	40.6	79.9
Never	75	20.1	20.1	100.0
Total	374	100.0	100.0	

Table 9
What Influence in Changing to Other Brand

	Frequency	Percent	Valid percent	Cumulative percent
Sensitivity	53	14.2	14.2	14.2
Unsufficient	159	42.5	42.5	56.7
Curious	148	39.6	39.6	96.3

Table 10
Association Between Gender and Income on Consumer Buying Behavior

		Income				Total
		More than 1	800-1	400-700	Less 400	
Sex	MEN	61	61	65	36	223
	WOMEN	11	41	54	45	151
Total		72	102	119	81	374
Pearson Chi –square		Value (27.831)		Df.3	Asymp.Sig .000	
Contingency coefficient		Value.263		.000		

Table 11
Association Between Gender and Education on Consumer Buying Behaviour

		Education				Total
		Under diploma	Bachelor	Master	PHD	
Sex	MEN	24	125	69	5	223
	WOMEN	8	80	59	4	151
Total		32	205	128	9	374
Pearson Chi –square		Value (5.098.831)		Df.3	Asymp.Sig .165	
Contingency coefficient		Value.116		.165		

CONCLUSION

Across the Iranian fast moving consumer goods (FMCG) market where the research study was conducted, it was found that reinforcement, antidandruff, attractive packaging, and shiny are most important attributes to influence on consumer buying attitude in Iranian market. However the sustainability, price and quality are considered as the main reason to buy branded shampoo and it should consider as main competitive advantage strategy for branded shampoo. Marketing manager should increase the quality of their product to prevent consumer switching brand to their competitor brand. Researched discovered the main reason for switching the brand is not sufficient and consumer prefer the get new experience of our competitor product. It is also interesting to know that the association between gender and education which influence on buying behavior of domestic and international brand in Iranian fmcg market.

The study also discovered whether there is association between gender and income as well as gender and education in selecting domestic and foreign product.

The small value of Pearson's chi –square test clearly states that there exists a significant inter-relationship between the dependent and independent variables. The contingency coefficient give s us the measure of strength of output, if value close to 0, there is no strong correlation between the two variables, however, if the value ranges between 0.5 and 1, there exists a strong correlation. From the (Table 10, 11), we can therefore conclude that the there exists a correlation between the independent variables (income) and the dependent variable (gender), but there is no strong correlation whereas a there is strong correlation between education as independent variables and gender as dependent variables.

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Professionalizing Family Businesses in the South-East Region of Nigeria

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Received 3 July 2012; Accepted 14 August 2012

Abstract

This article is on Professionalizing Family Businesses in The South-East Region of Nigeria. The survey research covered the eight commercial cities of the region. The study revealed that virtually all the family businesses surveyed are not professionalized. Majority of family enterprises have no clearly stated vision and mission statements, they rarely attended seminars and training programmes; have few graduates and professionals in their employment, have poor wages and salaries structure; not incorporated; few are members of professional and trade associations; and largely not aware of government incentive policies on entrepreneurship development. It is against this backdrop that the paper made far reaching recommendations: such as incorporating family businesses, employing graduates and professionals, having functional boards of directors, employing the services of consultants, striving to be the best at something, etc, and highlighted the advantages of professionalizing family businesses to the benefit of the enterprises themselves and the Nigerian economy.

Key words: Professionalizing; Family businesses; Government policies; Entrepreneurship development; Strategies; South-East Nigeria

B. Chima Onuoha (2012). Professionalizing Family Businesses in the South-East Region of Nigeria. *International Business and Management*, 5(1), 153-161. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.1075>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.1075>

INTRODUCTION

In most international fora, as well as global publications and documents, Nigeria is often described as a third world or developing nation. When a nation is considered developed or advanced, it is the private sector, dominated by entrepreneurs and SMEs, of that nation that is developed. The reverse is also true. When a nation is described as under developed or developing, its private sector is under developed or developing. Nigeria as a developing nation has a developing private sector. Majority of enterprises in the private sector are family businesses. They provide more resources for entrepreneurial economy than any other source. Family businesses are very significant because they hold the linkage for social and economic wealth, creation of communities, states, nations and maintenance of regions and competition across the globe.

The nation's quest to be one of the biggest twenty economies in the World by the year 2020 cannot be realized without the contributions of small-to-medium scale enterprises (SMEs), majority of which are family businesses. This will be possible when this category of business is properly and legally structured, well managed, and professionalized. By so doing, they will be contributing to the GDP of the country and increasing her global visibility via active participation in international trade.

While there are institutional and regulatory frameworks to encourage the continuous growth and development of the small-to-medium scale enterprises in the advanced nations, including incorporation, much have not been done in the Third World, including Nigeria. The result is that most of these enterprises operate blindly, and without professionalism.

It is against this backdrop that, this article is going to discuss the various strategies which will greatly assist family businesses in South-East Nigeria and indeed other regions in the country to professionalize.

1. THEORETICAL FRAMEWORK

The family enterprises are business concerns in which members of a nuclear or extended family hold majority shareholdings in them. They are also those whose boards and management teams are dominated by the siblings of a particular family-nuclear or extended. When we hear the phrase family business, images of high-flying, harvesting entrepreneurs are not usually the first thoughts that come to our mind. We more often think of small kiosks, provision stores, barbing salons, patent medicine stores, etc around us, or the large business family fights, conflicts and struggles over properties and other investments, mostly by polygamous rich families we regularly read in newspapers and magazines in Nigeria.

Timmons and Spinelli (2009, p.592) are of the view that families do not always look and act entrepreneurially. Why? They can focus on serving local markets, sustaining the family’s lifestyle, or providing jobs to family members. They are often conflicted due to family dynamics constrained by nepotism or limited by their conservative risk profile.

Family-owned businesses may be the oldest form of business organization, but it is only in recent decades have their benefits and roles in the economy been researched into. More than 70 percent of companies in most countries are family owned.

The contributions of SMEs and family-owned enterprises in an economy are numerous, diverse and integrated. Some of them include: stimulation of indigenous entrepreneurship, creation of thousands and millions of employment opportunities and openings, maintenance of competition, greater innovations and creativity, paying taxes, earning foreign exchange, mobilizing savings and contributing reasonably to a nation’s gross domestic product.

Family enterprises may include various combinations, including husbands and wives, children and parents, extended families, two or more generations in the forms

of employees, stock holders, advisors, partners, board members, etc (Lannarelli and Bianco, 2010). This scenario of multiple membership of family businesses is mostly common in the US and Europe. In most developing countries, including Nigeria, ownership and membership of family enterprises are limited to nuclear and sometimes, the extended family, coupled with conflicts that may also account for the reason why family businesses have high mortality rate in Nigeria.

The percentage family businesses occupy in some of the important economies are as follows: Brazil – 90%, USA – 96%, Belgium – 70%, Finland – 80%, France – 60%, Germany - 60%, Netherlands – 74%, Poland – 80%, Portugal – 70%, Spain – 79%, UK – 70%, Australia – 75% (Timmons and Spinelli, 2009, 596). The percentage in the Third World Nations are similar if not more. These statistics underscore the dominance of family businesses in most economies.

2. METHODOLOGY

This is essentially a survey research. It covered the major commercial centres of all the South-East States – Abakailiki (Ebonyi States), Enugu (Enugu State), Nnewi and Onitsha (Anambra State), Orlu and Owerri (Imo State), Aba and Umuahia (Abia State). These towns are the commercial nerve centers of the South – East. The South – East, Nigeria has a long history of entrepreneurship in West Africa. The researcher with the assistance of his postgraduate students that served as research assistants distributed 2,300 questionnaire to owner-managers of enterprises in the above listed cities. Out of this number, 2000 were correctly filled out and returned, representing – 87% response rate. The major objective of this research is to find out to what extent family businesses in the South-East are managed professionally which will enable us proffer strategies which will help them to professionalize and for the other regions in Nigerian to follow suit.

3. SURVEY FINDINGS

Table1
Professional Exposure of the Enterprises

Question	Response	Respondents	Percentage	Total
Do you have clear vision and mission statement ?	Yes	215	10.75%	-
	No	1785	89.35%	-
Have you attended any kind of in-service training before	Yes	250	12.5%	2000
	No	1750	87.5%	-
If yes, indicate the frequency of attendance	(a)Very often	80	4%	250
	(b) Regularly	120	6%	
	(c)Occasionally	50	2.5%	
	(d) Rarely	-	-	
If no, give reasons	Distance	300	15%	1750
	No Time	450	22.5%	
	No Interest	520	26.5%	
	Financial Burden	480	24%	

To be continued

Continued

Question	Response	Respondents	Percentage	Total
Are you a member of any of these trade associations?	a) NACCIMA	220	11%	
	b) NASSI	150	7.5%	
	c) IoD	-	-	
	d) NECA	-	-	
	e) MAN	70	3.5%	-
	f) None	1560	78%	
How many of your staff are graduates in different disciplines	-	150	7.5%	-
How many of your staff have one form of professional or the other ?	Like ICAN, ANAN, COREN, NIM, CIB, etc	175	8.75%	-

Source: Survey date, 2012

Table 1 shows poor professional exposure of enterprises in the South-East. Due to the fact that majority of enterprises surveyed operate un-incorporated, a large number of these enterprises – 1785 or 89.25% have no vision and mission statements, and by extension not involved in strategic management. Again, 1750 or 87.5% have not undertaken any form of in-service or manpower development programmes. Some of the reasons adduced for this ugly professional posture range from distance, no time, no interest to financial implications of such training activities.

It was also found out that over 1560 or 78% are not members of such very relevant trade associations

(crucial members of the Organized Private Sector – OPS) as National Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA); National Association of Small Scale Industrialists (NASSI); Institute of Directors (IoD); Nigerian Employers Consultative Association (NECA) and Manufacturers Association of Nigeria (MAN). Membership of these associations entails many benefits which most family owned enterprises in the South-East are missing.

In terms of having graduates and employees with professional qualifications in their employment, the outcomes were abysmally poor: 7.5% and 8.75% respectively.

Table 2
Knowlege of Government Policies on Entrpreneurship

Question	Responss	Respondents	Percentage
Are you aware of the existence of a number of government policies to encourage entrepreneurship development in the country?	Yes	450	22.5%
	No	1550	77.50%
Have you benefited from any of these government incentive packages?	Yes	-	-
	No	2000	100%
How many of your employees have benefited from training, seminars/conferences or trade exhibitions or extension programmes by governments or their agencies	Yes	112	5.6
	No	1,888	94.4

Source: Survey Data, 2012

The survey showed that majority of the entrepreneurs and their enterprises – 1550 or 77.5% are not aware of the existence of government policies and incentives for effective entrepreneurship development in the country. Emanating from this ignorance, 1888 enterprises or 94.4% revealed that their employees have not benefited from numerous government sponsored training, seminars, conferences, trade exhibitions and extension programmes. This is also an indication of poor professional orientation and practice, which must be reversed in the interest of the enterprises themselves and the economy.

4. STRATEGIES FOR PROFESSIONALIZING FAMILY BUSINESSES

It is imperative that we start this section by making a distinction between professionalization of a trade or occupation and a family business.

Professionalization of a trade or occupation is the social process by which a trade or occupation transforms itself into a true profession of the highest integrity and competence (Henrik, 2007). This process tends to involve establishing acceptable qualifications, a professional body or association to oversee the conduct of members of the profession and some degree of demarcation of the qualified from unqualified amateurs. This demarcation is also referred to “occupational closure” (Weeden, 2001). The implication is that the profession has become closed or restricted to entry from outsiders, amateurs and the unqualified. By so doing, it promotes professionalism, certification, self-branding and relevance in the industry.

Professions also possess power, prestige, high income, high social status and privileges (Johnson, 1972) and establishing group norms and code of conduct. The following disciplines-Accounting, Management, Marketing, Banking and Finance, Public Relations, Engineering, Medicine, etc, all have professional bodies or associations.

On the other hand, professionalizing family business management is the process of transitioning from an informal management style to a more formal management style. The major challenge becomes particularly evident when the business is moving from a founder/owner managed business environment to a professionally managed business environment.

Experts on family businesses such as Schwerzler (2010), recommend that professionalizing family business should be an evolutionary process. The import of this suggestion, is that professionalizing can not be said to be complete by mere hiring of a high priced executive from outside the enterprise. As an evolution, the basic philosophy, values, goals (objectives), corporate culture and other stakeholders-employees, suppliers etc., have to be re-evaluated or else, it is bound to be fail.

Though the two concepts highlighted above are interwoven and complement each other, our interest is on the latter. It is against this backdrop that this section will discuss some of the relevant strategies that can greatly assist family businesses in South-East, Nigeria to professionalize. They include:

4.1 Incorporating Family Businesses

Incorporation is a legal process by which a business seeks a legal permission from a government or its agency to operate as a distinct and unique legal entity, different from its owners or founders. The business, on incorporation becomes an individual or entity that can own property in its own name, sue and be sued, earn income, pay taxes, incur liabilities and enjoys all the privileges and rights incorporation confers on it. By incorporating, we mean that the family businesses should be incorporated as limited liability entities and not mere business names. **Incorporating** will enhance professionalism, corporate governance and competitiveness.

The government agency responsible for incorporating businesses in Nigeria is the Corporate Affairs commission (CAC), deriving its powers from the Companies and Allied Matter Act, 1990. Parts II, sections p.18, p.20 and p.35 have relevant information on the formation and registration of companies. As from the commencement of CAMA, any two or more persons may form and incorporate a company by complying with the requirements of this Act in respect of registration of such company (section 18).

Section 20 sub-section 2 specifies the qualifications of people who want to form companies. An individual shall not join in the formation of a company under this act if - (a) he is less than 18 years of age; (b) he is of unsound mind and has been so found by a court in Nigeria or elsewhere; (c) he is an undercharged bankrupt; (d) he is disqualified under section 254 of this Act from being a director of a company; (e) if it is a corporate body in liquidation; (f) an alien may join in the formation of a company provided he complies with the provisions of any enactment regulating the rights of aliens to engage in business in Nigeria.

Before a company is registered the following documents shall be delivered to the Commission.

(1) **The memorandum of association and articles of association** of the proposed company.

(2) The notice of the address of the registered office of the company and the head office if different from the registered office.

(3) A statement in the prescribed form containing the list and particulars together with the consent of the persons who are to be the first directors of the company.

(4) A statement of the authorized share capital signed by at least one director.

(5) **Statutory declaration of compliance with the provisions** of the Act signed by a legal practitioner on a prescribed form.

(6) Return of allotment of nominal share capital.

(7) Particulars of the secretary, where he is mentioned in the Article of Association;

(8) Any other document required by the Commission to satisfy the requirements of the law relating to the formation of a company.

4.2 Having Mission and Vision Statements

It is very crucial that family enterprises should have good mission and vision statements. A company's mission is a key reason for its existence. A mission statement conveys a sense of purpose to employees and projects the company's image to the customer(s). The major features of a company's mission statements include: its underlying values and philosophy; its stakeholders; its core technologies; its public image; its economic goals (Goldberg & Sifonis, 1994, p.176; Onuoha, 2011, p.4-5).

Three issues have become so prominent in the strategic planning for organizations that they are now integral parts in the development and revisions of mission statements: sensitivity to customer wants, concern for quality and statement of company vision (Pearce II and Robinson, 2011, p.30).

Whereas the mission statement expresses an answer to the question "What business are we in"? A company's vision statement expresses the aspirations of the executive leadership. A vision statement presents the firm's strategic intent that focuses the energies and resources of the company on achieving a desirable future. However, in actual practice, the mission and vision statements are frequently combined into a single statement. When they are separated, the vision is often a single sentence, designed to be memorable (Pearce II & Robinson, 2011, p. 33). For examples, a) Ford Motor Company's vision – to become the world's leading consumer company for automobile products and services; b) Microsoft's vision is enable people and businesses throughout the world to realize their full potentials; c) General Electric Corporate vision – we bring good things to life.

4.3 Active Involvement in Strategic Management

A major obstacle to the development of most family-

owned enterprises and SMEs in the Third World Nations to becoming multinational corporations is their poor attitude to strategic management. This accounts for their high mortality rates and poor global competitiveness, hence abysmal contribution to their countries' gross domestic product (GDP) and economic advancement.

Strategic or institutional management is the conduct of drafting, implementing and evaluating cross functional decisions that will enable an organization to achieve its long-term objectives (Nag, *et al.*, 2007). Strategic management can also be viewed as that set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning (both internal and external) strategy formulation (strategic or long-range planning) strategy implementation, and evaluation and control (Wheelen & Hunger, 2008, p.3).

4.4 Employing Graduates and Professionals

Family businesses do not have the zeal to employ graduates and professionals. To re-engineer their operations and make them competitive in an increasing hostile business environment, it is advisable that they have in their employment a sizeable number of graduates and professionals. They should also ensure their continuous training and development, coupled with appropriate salaries and other incentives and conducive working environments.

4.5 Having Functional Boards of Directors

Family enterprises are encouraged to have functional Boards of Directors consisting of objective and experienced people who are not family members or managers of the business, in addition to family siblings. These people may include bankers, lawyers, accountants, consultants or indeed people whose training and experiences will improve the fortune and profile of the enterprise.

4.6 Registering as Members of Professional and Trade Associations

Owner-managers of businesses and their key staff should endeavour to be members of professional and trade associations. Trade associations are the major forms of the Organized Private Sector (OPS). The major trade associations include: Manufacturers Association of Nigeria (MAN); National Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA); National Association of Small-Scale Industrialists (NASSI); Nigerian Employers Consultative Association (NECA); National Association of Small-to-Medium Enterprises (NASME). The roles of these associations to members and the economy are clearly highlighted in their functions.

4.7 Employing the Services of Consultants

There are some aspects of the business operations where the enterprise may not have key staff or experts to handle. From time to time, organizations usually have challenges

outside or beyond their control. Again, government agencies often make certain demands on enterprises before they can operate or access funds or other incentives which they find difficult to meet. In such cases, it is advisable to seek outside expertise or help from consultants. There are consultants in many areas of business who may be of immense assistance to the operation of family enterprises.

4.8 Strive to Be the Best at Something

One sure way of professionalizing is making concrete efforts to be the best at something in terms of pricing, quality, reliability, etc of a product or service. In other words, building a unique brand in a particular sub-sector or sector of the economy. For example, ABC Transport is a known name in the passenger and haulage business in Nigeria; in terms of motor cycle tyres, tube and spare parts, Ogbuawa and Sons is a foremost business name; and you cannot talk of electrical wires and cables in South-East and Nigeria, without mentioning Cutix Nigeria Ltd.

5. ADVANTAGES OF PROFESSIONALIZING FAMILY BUSINESSES

There are numerous advantages derivable from professionalizing family businesses, first to themselves for survival, growth and competitiveness; to the sub-sector or industry they are operating in; and to the economy as a whole.

5.1 Benefits of Incorporation

The implications of incorporation have been highlighted by many researchers in this area including Sofowora (1992, p.27-28) and Onuoha (1996, p.50), and are summarized thus:

(1) Being the creation of law, a company possesses those properties which the certificate of incorporation confers upon it, either expressly or as incidental to its existence.

(2) As an independent legal entity, it may have perpetual life and perpetual succession. This implies that the death of a member does not affect the existence of the company.

(3) It can hold or own property in its name and can transact business in the same capacity.

(4) The liabilities of the owners are limited to their investments in the business.

(5) It has capacity to sue and be sued in its own name. As a legal personality, it can take action to enforce its legal rights or be sued for breach of legal duties or obligations.

(6) Members' shares are easily transferable unless there is restriction to that effect.

(7) An incorporated company finds it easier to raise money by borrowing. It now possesses a higher ability to provide effective security to avoid default in the repayment of the loan.

(8) As result of the principle of corporate personality, it had been held where a person works for a company and the assets of that company are transferred to another company, that, such a person is not obliged to work for the transferee company.

5.2 Benefits of Mission Statement and Strategic Management

King and Cleland (1979) quoted in Pearce II and Robinson (1982, p.82) had identified the merits of a well-articulated mission to include:

- To ensure unanimity of purpose within the organization.
- To provide a basis for the motivation of the organizational personnel.
- To develop a basis or standard for allocating organizational resources.
- To establish a general tone of organizational climate, example, to suggest a business like operation.
- To serve as a focal point for those who can identify with the organization's purpose and as an explication to deter those who cannot from participating further in the organization's activities.
- To facilitate the translation of objectives and goals into a work breakdown structure involving the assignment of tasks to responsible elements within the organization.
- To provide a specification of organizational purpose and the translation of those purposes into goals in such a way that the cost, time and performance parameters of the organization's activities can be assessed and controlled.
- Research findings and actual practices indicate that organizations that engage in strategic management generally outperform and are more successful than those that do not.
- A survey of 50 corporations in a variety of countries and industries found the three most highly rated benefits of strategic management to be:
 - Clearer sense of strategic vision for the firm.
 - Sharper focus on what is strategic vision for the firm.
 - Improved understanding of a rapidly changing environment (Wilson, 1994, p.20).

Pearce II and Robinson (2011, p.9-10) have identified five benefits which are:

- (1) Strategy formulation activities enhance the firm's ability to prevent problems. Managers who encourage subordinates' attention to planning are aided in their monitoring and forecasting responsibilities by subordinates who are aware of the needs of strategic planning.
- (2) Group-based strategic decisions are likely to be drawn from the best available alternatives. The

strategic management process results in better decisions because group interaction generates a greater variety of strategies and because forecasts based on the specialized perspectives of group members improve the screening of options.

- (3) The involvement of employees in strategy formulation improves their understanding of the productivity – reward relationship in every strategic plan and, thus, heightens their motivation.
- (4) Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarified differences in roles.
- (5) Resistance to change is reduced. Though, the participants in strategy formulation may be no more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions.

5.3 Making Employment in Family Businesses More Attractive

Professionalizing family businesses will make job opportunities and openings and working in them more attractive to new or future employees, particularly graduates/professionals and new generation workers. New generation workers are younger, more educated at entry point, mobile, more vocal on issues that directly affect them, want more interesting and challenging jobs, want to see themselves to be socially and economically useful to the society and not mere working tools used to make profits for companies, and so on. There is also the feeling of working for a profitable enterprise associated with professionalism.

5.4 Enhanced Credit Rating by Financial Houses

Professionalizing will greatly enhance the credit rating of family business by financial institutions in the country. Positive and favorable rating will surely address some of the financing problems and challenges of SMEs, which family businesses are in greater majority. Some of these challenges include: poor capital structure; inadequate sources of funds for investment; poor financial management practices including untrue and misleading financial records; high costs of bank financing and debt ratio, lack of adequate collateral security; aversion to financial and accounting disclosure; etc.; (Onuoha, 2008, p.37). There are also tax advantages such as tax deferral potentials.

5.5 Effective Use of Boards of Directors

One of the benefits of professional management is effective use of boards of directors or advisory boards, made up of family and non-family members. A company's Board of Directors usually has a great deal of influence on the basic missions, objectives and strategies of the organization, Burton and Thakur (1997). What are the

qualifications of would-be members of boards of family businesses? It is imperative that companies should look out for certain qualifications in who would be a director in their organizations. These include relevant academic and professional qualifications, experiences, special trainings, skills, qualities and attitude. In fact, there are no hard and fast rule. One thing is certain, the individual must add value to the organization (Onuoha, 2011, p. 122).

In a survey of directors of US corporations, the following were revealed as the criteria of a good director: Is willing to challenge management when necessary; has special expertise important to the company; is available for outside meetings to advise management; has expertise on global business issues; understands the firm's key technologies and processes; brings external contacts that are potentially valuable to the firm; has detailed knowledge of the firm's industry; has high visibility in his or her field/profession; is accomplished at representing the firm to stakeholders; (26 Annual Board of Directors Study, 1999, p. 30).

5.6 Benefiting from Membership of Professional and Trade Associations

Professionalized family businesses are in a better position to be members of professional and trade associations, which are the core members of the Organized Private Sector (OPS).

The functions and benefits of most trade associations tend to be similar with only minor modifications in line with the individual association's objectives. Nwabuzor (1990, p. 98-99), identified the functions to include:

- (1) Disseminate information to their members about the developments in government thinking and regulations.
- (2) Make representations to government on issues affecting their various businesses.
- (3) Provide relevant data to the members for both business decisions and meeting government requirements.
- (4) Interpret State and Federal annual budgets as well as legislations and/or regulations to the benefit of the members.
- (5) Organize seminars and workshops for their members in the area of government relations so as to know government agencies to approach given certain problems.
- (6) Organize visits and tours for the benefit of government officials who will be better informed about the association's problems. The objective is to drive home the impact of such problems to government officials.
- (7) Prepare and send documents concerning the associations and the economy to the relevant government agencies to guide them in their decisions, etc..

5.7 Training Ground

Family businesses provide the best on the job training opportunities. A major factor for choosing a particular line of investment or line of business by entrepreneurs and SMEs is familiarity with a particular line of business. This is made possible by early exposure to business by parents

or relations and apprenticeship. Again research findings indicate that apprenticeship is the most popular model of entrepreneurship development in the South-East, Nigeria. This is the same in the other geo-political zones of the country.

To effectively and efficiently harness sustainable growth and development, entrepreneurs and SMEs need to upgrade their management skills, their capacity to gather information and their technology base. The other key success factors have been identified by Utomi (1998, p. 411-416): Identifying the opportunities; visioning the idea; forming the strategy; developing a business plan; marshalling resources; and institutionalizing the venture.

5.8 Improved Corporate Governance

A well managed and professionalized enterprises will surely improve corporate governance. Corporate governance is concerned with promoting corporate fairness, accountability and transparency. It seeks to protect shareholders' value, ensure market integrity through greater vigilance by regulators and enforcement agencies, high level of compliance by operators with market rules and regulations, maintenance of greater internal controls, better risk management, etc., Armstrong (2003) and Wilson (2003).

Good corporate governance consists of a system of structuring, operating and controlling a company so as to achieve the following:

- (1) Long-term strategic goals of the owners, which consist of building shareholder values or establishing a dominant market share or maintaining a technical lead in chosen activities.
- (2) Accommodate the interests of employees, assist to plan future human resource needs, recruitment, and training, working environment, severance and retirement procedures.
- (3) Maintain excellent relations with both customers and employees, in terms of such matters as quality of service provided, etc..
- (4) Maintain proper compliance with all the applicable legal and regulatory requirements under which the company is carrying out its activities (Nzotta, 2010, p.19).

5.9 Access to Government Incentive Packages on Entrepreneurship Development

Majority of enterprises surveyed indicated that they are aware of the numerous incentive packages of federal and state governments on entrepreneurship development in Nigeria. With professionalization, it will be easier and possible for indigenous SMEs and family owned enterprises to access these incentives.

5.10 Benefits to the Economy

Professionalization of enterprises is also beneficial to the economy, in various ways, such as:

- (1) SMEs pay taxes and other economic levies which governments at all levels use in running their affairs and

providing security and amenities. Some of the levies SMEs and entrepreneurs pay, particularly, to the local governments are: economic rehabilitation levies; business premises payments; city permits; township, operational, sales promotion levies; mobile adverts; environmental sanitation; mobile sanitation; income/business taxes; and all sorts of demands too numerous to list here.

(2) They engage in competition which provide high quality products and services to the benefit of the citizenry and the economy.

(3) They stem rural-urban migration, thus helping to decongest the cities.

(4) They help to earn foreign exchange needed to finance economic development, and increase foreign reserves.

(5) The proactive nature of most SMEs has become a major source of innovations, creativity, and technological breakthroughs (Onuoha, 2012).

5.11 Enhancing Succession Planning in Family Businesses

Owner-managers of professionalized enterprises are in a better position to ensure effective succession planning than those that are not. They are likely to avoid the most common mistakes in family-based succession plans such as: not preparing themselves, not preparing the successor(s), not preparing the businesses for succession, no really giving up control, hanging on too long, not securing retirement money, not including their successors in the planning process and not doing a commercially sensible deal. They are also better placed intellectually and professionally to manage some other challenges and problems of succession planning in family enterprises like-control-oriented parents, intra-family communication problems, sibling rivalry, preferring blood to management ability, not preparing the family, coercing kids into the business, asking the business to support many families and not doing what is in the interest of the family (www.thompsonlaw.ca).

CONCLUSION

Our efforts in this article was to carry out a survey on the level of professionalization of family businesses in South-East, Nigeria, and made far reaching recommendations in that regard. Entrepreneurs and SMEs are agents of economic and technological advancement. The quest for Nigeria to be one of the biggest twenty economies in the year 2020 in the World can only be achieved by having thousands and millions, of well managed and professionalized Small-to-Medium enterprises, majority of which are family businesses.

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The Research Summary on Logistics Safety in China

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Supported by Academic Human Resources Development in Institutions of Higher Learning under the Jurisdiction of Beijing Municipality (PHR (IHLB)) under Grant PHR2012; Research on Business Operation and Business Service Innovative, Beijing Wuzi University (2012).

Received 7 June 2012; Accepted 20 July 2012

Abstract

With the rise and rapid development of logistics industry, the safety problems which appear in the logistic operations constantly win wide attention in logistic industry. But seen from the domestic research, there are relatively few researches on logistic safety. In order to put forward constructive suggests for our country on the research of problems of logistic safety, and this article analyses research literature selected from the relevant domestic logistic safety researches through five dimensions that are the author, date of publication, published journals, research methods and research scope, then summarize the relevant results.

Key words: Logistic safety; Research method; Research summary

LIU Yongsheng, LIN Xiangxiang, YU Rong (2012). The Research Summary on Logistics Safety in China. *International Business and Management*, 5(1), 162-168. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820120501.Z0412>
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820120501.Z0412>

INTRODUCTION

In China since 1998, government at all levels and many enterprises pay close attention to logistics, it has become the consensus to develop modern logistics, and a new

round of “logistics fever” is on the rise. At the same time, with the rise and rapid development of logistics industry, the continuous problems in logistics operation also win widespread attention in logistics industry. Nowadays, logistics has been widely considered as an important factor that has impact on the competitiveness of enterprises; moreover, the logistics industry is a “connecting link” industry in the national economy, and has a strong correlation with economic growth. It’s estimated that since the 1990s the correlation coefficient between the total social logistics and GDP reaches up to 97.6%, and according to the latest data released by China United Property Group, what’s more, in 2010, Chinese total social logistics and the added value of logistics industry were up to 125 trillion Yuan and 2.7 trillion Yuan respectively, that realize double in 5 years, the added value of Chinese logistics industry accounts for up to 7% of GDP and 16% of the third industry approximately, it can be seen that the safety situation of logistics operation will directly affect economic development.

Today, logistics has been become the artery of the national economy and is the link that connects the various parts of the national economy; the progress of logistics technology and economic development are the important factors to determine the national economic scale of production and the changes of industrial structure; And logistics is not only the premise of continuous production process, but also is the material basis to realize commodity circulation.

However, seen from the domestic situation of logistics research currently, there are still relatively small researches on logistics safety, and the discussed relevant contents are far from to form a unified and complete system theory. Scientifically sustainable and harmonious development is the main theme of today’s society, paying attention to logistics safety problems will be an inevitable trend of the theoretical development of increasingly sophisticated logistics. Therefore, in general,

it's apparently necessary to have a systematic research summary on China's logistics safety.

1. THE DEFINITION OF THE CONCEPT AND SCOPE OF LOGISTICS SAFETY

Seen from the understanding level, currently there is no a uniform definition of China's logistics safety, there are no uniform standards for scoping definition

of logistics safety issues too, and different scholars defined logistics safety from different views. There is no the "logistics safety term" in logistics term.

LI (2005) thinks that logistics safety mainly includes equipment, personnel and operating process specification and so on, from a practical view to analyze the logistics safety, and they complement each other to form a complete safety system.

LUO (2006) thinks that logistics safety includes four aspects that are information safety, transportation safety, processing safety and store safety.

ZHANG and SHAN (2006) attributed logistics safety to contents of two aspects, and the contents are the logistics safety of general commodities and special commodities.

CHEN, CHEN and HUANG (2007) think that logistics safety is to prevent and eliminate different kinds of destructive factors that lead logistics carrier and logistics operation process to loss, and destructive factors about surrounding human health, environment and society caused by logistics operation, through effective safety management measures.

LI (2009) thinks that so-called logistics safety is a time course that all dangers can be controlled within human's acceptable range in the logistics process.

WONG, SONG and WANG (2009a, 2010b) think that logistics safety is the accident caused by the intersect of the unsafe acts of people and unsafe condition of objects in the logistics process, that will not only broke the entire logistics chain, but also may have unpredictable impact on the surrounding environment, on the basis of the crossover theory and combined with their own understanding of the logistics safety problems.

The focuses of above definitions of logistics safety are very different. CHEN defined the logistics safety from the hidden dangers of logistic safety and problems that may arise; While LUO and LI defined the logistics safety from the composition of logistics safety systems.

This article integrated the above definitions of logistics safety from different views, bases on the energy accident release theory, and references WONG's definition of logistics safety, and thinks that the logistics safety is the damage and destruction of logistics equipment and facilities, staff's life and health, ecological environment, commodities, production and consumption caused by

the unsafe acts of people, unsafe condition of objects and environment in every link of logistics activities. Logistics system is mainly made up of procurement, handing, transportation, distribution processing, storage, packaging, distribution and logistics information and so on, and the overall function of logistics is achieved through the organic integration of all aspects of logistics, so the overall logistics safety can't be separated from the safety of every functional activity. Therefore, the safety of logistics activities should first be built on the basis of every functional activity and every aspect, and finally realize the logistics system safety through a systematic and integrated management.

2. NUMBER TO THE SELECTED PAPERS

First, search the "China Academic Journal Net (CNKI)" by cross-database, using keywords logistics and safety, and the limit of time is from 1979 to 2010, finally the selected databases are "China Journal Full-text Database", "Full-text Database of Chinese Excellent Master's Degree Thesis", and "Full-text Database of Chinese Doctoral Thesis", finally there are totally 52 articles through retrieval and screening. The specific number is shown as Table 1.

Table 1
Number Table of the Selected Papers

Number
[1], [2], [3], [4], [5], [6], [7], [8], [9], [10], [11], [12], [13], [14], [15], [16], [17], [18], [19], [20], [21], [22], [23], [24], [25], [26], [27], [28], [29], [30], [31], [32], [33], [34], [35], [36], [37], [38], [39], [40], [41], [42], [43], [44], [45], [46], [47], [48], [49], [50], [51], [52]

3. THE ANALYSIS OF DOMESTIC RESEARCH RESULT

Through comprehensively referring to the categorizing criterion of essays on logistics and safety management, this study analyses a series of references regarding to logistic safety from five perspectives, including authors, year of publishing, published journals, methods of researching and range of researching.

3.1 Analysis on Authors

This study analyzes the numbers of essays that those authors who are selected have participated in, and every essay is considered as his or her own work, no matter what he is the principal author or assistant. The Table 2 shows that the total number of references of logistics safety of each participant who have exceeded publishing two studies.

Table 2
Authors—Number of Reference

Name of authors	Number of references
XIE, R. H.	[8]
QIU, Z. Q.	[5]
LIU, Y.	[2]
LUO, Y. X.	[2]
SONG, S. X.	[2]
WANG, Y. D.	[2]
WANG, J.	[2]
WONG, Y. N.	[2]
ZHENG, Z. W.	[2]
ZOU, Y. F.	[2]

As can be seen from Table 2, XIE R. H. has participated in the most number of thesis composing, with 8 essays. Then, ZOU Z. Q., 5. While the rest share the same number, 2. As for those who aren't listed in the table above, each of them yields only one. Therefore, we can speculate that there's lacking a number of experts of logistics safety and short of related studies in our country. Most of our researchers in logistics field have not yet noticed the importance of logistics safety. Compared with European countries and US, the progress in logistics safety researching is falling behind, lacking a great deal of related studies, especially on a complicated systematic perspective and a systematic theory of logistics safety.

3.2 Analysis on Year of Publishing

Figure 1 indicates the analysis based on the perspective of year of releasing. According to Figure 1, the earliest and the only essay about logistics safety appeared in 1994, followed by a nearly absence of studies in this field in a decade. This situation was not changed until two more essays were released in 2004 and another three in 2005. References were still insufficient even though there have been some changes. From 2006 to 2010, the number of essays about logistics safety increase sharply compared to that in 2004, with each year increasing similarly. 2006, 10; 2007, 7; 2008, 9; 2009, 7. In 2010, the number reached the record high, 13. The increasing of studies about logistics safety in recent years indicates that this subject has become an emerging researching field and has drawn more and more attentions of our logistics researchers. It's believed that more and more researchers will join in this camp.

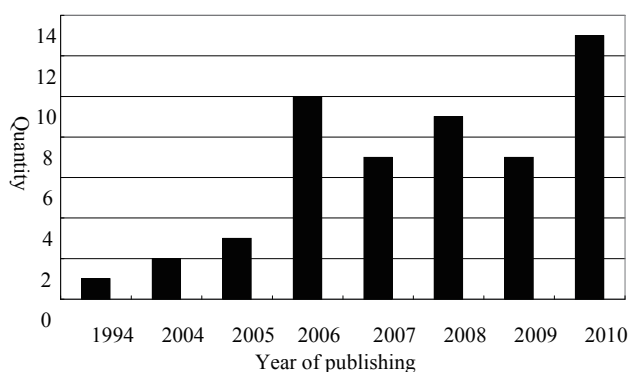


Figure 1
Statistics Figure of Publishing Year

3.3 Analysis on Published Journals

This study also undertakes analysis from the perspective of published journals. Figure 2 shows the journals that contains more than two articles about logistics safety.

Seen from Figure 2, the magazine in which published the most number of articles about logistics safety is logistics technology, 7 articles. Then, China safety science journal, 4. Logistics Sci-Tech, 3. Industrial Engineering Journal; Storage, Transportation & Preservation of Commodities and Market Modernization published 2 articles respectively. Those which are not depicted in figure 2 published only 1 article, such as Authority Forum, Contemporary Manager. As showed in table 3, among 52 pieces of references analyzed in this study, 5 have been published in core journals, 6 are masters' papers and 4 are released in university reports.

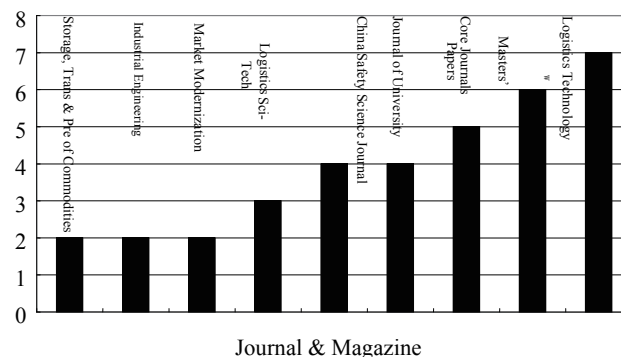


Figure 2
Statistics Figure of Journals

It can be concluded from Figure 2 and Table 3, *logistics technology* published most of domestic researches regarding to logistics safety, and the rest of magazines mostly cover only one article. Thus, we haven't focused on the journals published on magazines. Among 52 pieces of references analyzed in this study, 5 of which are published in core journals, 6 are masters' papers, and 4 are published in journals of university. Therefore the researches in logistics safety have a certain level of quality, though the articles about this field are insufficient.

Table 3
Core Journals, Masters' Thesis and University Reports

Core journals	Masters' papers	University reports
Science & Technology Review (1)	Dalian Maritime University (2)	Journal of Guangzhou University (1)
Industry Engineering Journal (2)	Capital University of Economics and Business (1)	Journal of Central South University of Forestry & Technology (1)
Enterprise Economy (1)	Lanzhou University (1)	Journal of Southeast University (Philosophy and society science) (1)
Journal of Southeast University (Philosophy and society science) (1)	Guangxi University (1)	Journal of Wuhan University of Technology (Transportation Science & Engineering) (1)
	Qufu Teachers' University (1)	

3.4 Statistics on Study Methods

This article counts the study methods of all selected papers. If some papers use two or more than two study approaches, the frequency will increase in the corresponding method. The following Figure 3 shows the frequency of research methods used in all selected papers. From the Figure 3, we can know that the descriptive study method is the research method that is used most, there are 43 papers that use this research method, followed by cross-study method, 21; then survey method and quantitative analysis method, 5; and case analysis method, 4; model analysis method, 3; finally documentary research method and experiential summary method, each only 1.

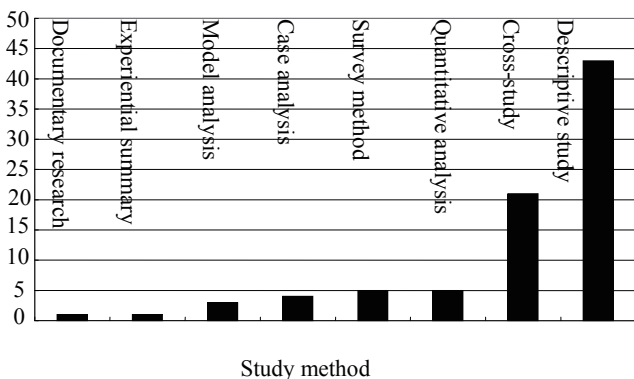


Figure 3
Statistical Figure of Study Methods

From the statistical results, we can know that China's current study methods of most papers related to logistics safety are descriptive study method and cross-study method, while the other methods are relatively less, especially experimental study method, so it's obvious that the research method is still relatively simple. At present in the field of logistics safety in China, most of the published papers have just a theoretical description, or use other disciplinary theories, methods, technology and results to analyze and study logistics safety. This situation may be related to the just started domestic research of logistics safety and insufficient attention to research methods, such as case, experience, and model and so on.

3.5 Statistics on Research Range

The statistics of the selected papers according to the range of study is shown in Figure 4. At present, seen from the scope of study in domestic study of logistics safety, the corporation logistics is studied mostly, there are 21 papers, and then food logistics, 16; Dangerous goods logistics, 6; Industrial chemical logistics, 3; Finally Third-party logistics, machinery manufacturing enterprises logistics, feed logistics, commodity vehicle logistics, tobacco logistics and medical waste logistics each has only 1 paper.

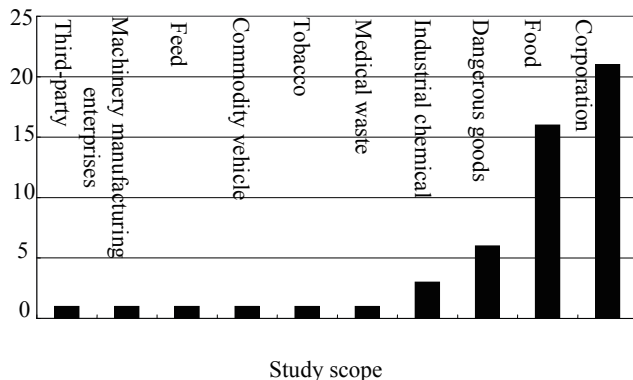


Figure 4
Statistics Figure of Study Scope

At present, most scholars pay their attention on logistics safety of specific industry in domestic study scope of logistics safety, while the number of general enterprises' study is relatively less. In specific industries, there are mainly food logistics, dangerous good logistics, the Third-party logistics, machinery manufacturing enterprises, feed logistics, industrial chemical logistics, commodity vehicle logistics, tobacco logistics and medical waste logistics, and food logistics is studied mostly, followed by the dangerous good logistics. Thus, the study scope of logistics safety in China is still relatively narrow, especially now economic develops very rapidly, and logistics has been closely related to other industries, therefore the study scope of logistics safety should be expanded, rather than be confined to a limited number of industries.

CONCLUSION

This article analyses research literature selected from the relevant domestic logistic safety researches through five dimensions that are the author, date of publication, published journals, research methods and research scope, then summarize the relevant results:

(1) Seen from the author, at present there are few scholars in the field of logistics safety research in China, and the scholars who have ever studied the field just published a small number of papers about logistics safety, now most scholars in the field fail to pay attention to the importance of logistics safety. The research results on logistics safety are far from to form a unified and complete system theory.

(2) Seen from the date of publication, in recent years the increase in the number of papers proves that logistics safety has become an emerging research field, through is relatively less compared to foreign countries, and the scholars in logistics field are increasingly paying attention to the field of logistics safety. I believe that in China more and more scholars will join in the field of logistics safety in the future.

(3) At present the journals and magazines where the thesis about domestic logistics safety published are still decentralized, but the quality of these thesis are still relatively high.

(4) China's current research methods of most of the papers on logistics safety are descriptive research method and cross-study research method; on the contrary, the other research methods are relatively less, especially experimental research method. So it is obviously that the research methods of the thesis on logistics safety are still relatively single.

(5) Seen from the research scope of logistics safety, at present most scholars in China focus on logistics safety in specific industry, but the number of logistics safety research in general sense of enterprises. At the same time, the domestic research scope of logistics safety is still relatively narrow.

In comparison to China, America, Europe, Japan etc. which are economically developed countries, and also the most mature countries that developed logistics industry and logistics markets, and whose logistics market share of GDP is quite large and logistics management, logistics technology and degree of logistics specialization are pretty high, walk in the forefront of the world not only in logistics research, but also in logistics safety.

With the increasingly strong constraint of economic growth by resource, energy, environment and so on, developed countries began to shift from the focus of the forward logistics to considering the integration of the forward logistics and the reverse logistics, that is to focus on building system of logistics cycle, which makes waste collection, transportation, recycle and final disposal in developed countries as a new development trend.

What's more, in recent years, developed countries have also greatly strengthened the construction of logistics security system, mainly in view that accidents in logistics process will lead to unexpected serious damage, such as personal injury, equipment damage, product loss and environmental damage, etc. Especially after the "the 911 event", they strengthened the security measures on goods and human beings in logistics process, and promoted the safety of logistics and supply chain to the strategic level of national security.

As YANG and XU (2007) put it, nowadays logistics safety pays more attention to people-oriented, modern science and technology, and environmental protection, green circle and harmonious development. Therefore, logistics safety will make great progress not only in theory, but also must in practice. Logistics safety is a huge systematic project, it not only involves in all aspects of logistics system, but also is closely related with social environment, and it is to ultimately promote a people-oriented theme, what's more, it also coincides with the voice of creating a harmonious society and the trend of times. Therefore, it's necessary to make the awareness of logistics safety penetrate deeply into all layers of logistics works even all layers of staff, and promote it to the level of corporate philosophy and corporate culture. Therefore, there should be related laws to protect it, and let culture play a role of casting the soul, be the conscious foreshadowing for material's consolidating essence and institutions' establishing principle.

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University of Minnesota. (1985). *Social Psychology*. Minneapolis: University of Minnesota Press.

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A work in a series:

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Personal communications (email messages, interviews, lectures, and telephone conversations):

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Murray, T. H. (1996). *The Worth of a Child*. Berkeley: University of California Press. Retrieved from netLibrary database.

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Bryant, P. (1999). *Biodiversity and Conservation*. Retrieved from <http://darwin.bio.uci.edu/~sustain/bio65/Titlpage.htm>

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Symonds, PM. (1958). Human drives. In C. L. Stacey & M. DeMartino (Eds.), *Understanding Human Motivation* (pp. 11-22). Retrieved from PsycBOOKS database.

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Phouphet KYOPHILAVONG, Jeff BENNETT (2011). Willingness to Pay for Cleaning up Road Dust in Vientiane. Retrieved from *International Business and Management*, <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820110302.070>

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A newspaper article from newspaper's website:

Cary, B. (2001, June 18). Mentors of the Mind. Los Angeles Times. Retrieved from <http://www.latimes.com>

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Ingersoll-Rand Company Limited. (2004). Company Profile. Retrieved July 29, 2008 from Hoovers in Lexis-Nexis.

An article posted on an open-access or personal website:

Cain, A., & Burris, M. (1999, April). Investigation of the Use of Mobile Phones while Driving. Retrieved from http://www.cutr.eng.usf.edu/its/mobile_phone_text.htm

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A cd-rom publication:

Reporter, M. (1996, April 13). Electronic Citing Guidelines Needed [CD-ROM]. *New York Times*, (late ed.), p. c1. Retrieved from New York Times Ondisc.

► **Websites**

Website of an organization or government:

Wisconsin Department of Natural Resources. (2001). *Glacial Habitat Restoration Areas*. Retrieved from <http://www.cscanada.net/index.php/hess>

Midwest League. (n.d.). *Pitching, Individual Records*. Retrieved from <http://www.cscanada.net/index.php/hens>

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A blog post:

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Table 1
Error Rates of Older and Younger Groups

Number	Group 1	Group 2	Total	Older 1	Younger 1
1	A11	A21	A31	A51	Y1
2	A12	A22	A32	A52	Y2
3
...
n	A1n	A2n	A3n	A5n	Yn

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ISSN 1923-8428 [Online]

International Business and Management

Volume 5 Number 1 31 August 2012

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ISSN 1923-841X



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