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## **THE EFFECT OF PAPER COLOR ON STUDENT EXAM PERFORMANCE: ANTI-CHEATING OR ANTI-STUDENT?**

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### Abstract

*The assertion that the majority of students cheat at some time during their college career has been widely reported and generally accepted as true. The response by university faculty to what is perceived as an epidemic of cheating has been to implement wide ranging and rigorous anti-cheating measures. The authors raise the question of whether some of these anti-cheating measures, specifically the practice of using colored exam papers, might be anti-student by negatively impacting student test performance. This article reports on a study conducted by the authors among marketing students to explore whether exam color impacts student performance on examinations.*

### Background

There is broad agreement that cheating by students is a serious problem in colleges and universities at every level. With relative ease enterprising students can acquire a term paper or even a dissertation online (Hibbert, 2005; Thompson, 2005). The solutions to programming problems assigned in MIS or Computer Science classes can be found or purchased using the internet (Ross, 2005). Statistics regarding the rate and willingness to cheat by college students have been so widely reported that they will not be repeated in great detail in this discussion. The findings of repeated studies over many years are so remarkably consistent that there is little room to dispute the fact that the vast majority of college students admit to having engaged in cheating. Hutton (2006) reports that more than 75% of all students admit to cheating. In colleges of business, McCabe (1992) found that 87% and Nonis and Swift (1998) found that 63% of students admitted cheating. A similar willingness to cheat among business students was reported in a study by Chapman, Davis, Toy, and Wright (2004) with marketing students cheating more than other business students.

*Business Week* (Merritt, 2002) reports that while 77% of college students believe CEOs should be held personally responsible for corporate scandals, only 19% would

report a classmate for cheating. This disconnect that students exhibit between an abstract understanding of ethics and personal application is an important issue for colleges of business as we prepare those students to enter the business world as they graduate. The seriousness of this and other ethical issues for colleges of business is evidenced by the accreditation standards of both AACSB (2006) and ACBSP (2004), which are the two largest accrediting bodies for colleges of business. The standards of both of these organizations include an expectation that ethics will be included as part of the core curriculum. In addition to teaching ethics, colleges are expected to communicate an expectation of ethical behavior by faculty, staff, *and students* and establish systems to monitor that behavior.

Beyond merely reporting on cheating by students, a large number of studies have sought to gain a better understanding of cheating behavior and what can be done about it. A few of the many factors that have been identified that might influence cheating behavior are gender, GPA, self-esteem, course type, age, cost-benefit perception, religiosity, and a variety of situational factors (Brown & Choong, 2005; Buckley, Wiese, & Harvey, 1998; Marsden, Carroll, & Neill, 2005). Chapman, et al. (2004) discuss a variety of tactical approaches to limiting opportunities for cheating. Similarly, Hutton (2006) proposes a series of specific recommendations that focus on "...ensuring that students are well informed of academic policies, enforcement, and penalties..." (p. 174). One of these recommendations suggests that cheating can be prevented by "establishing non-permissive classroom and testing environments" (p. 175). The response by many professors to the perception that their students may cheat has been to implement a wide range of anti-cheating measures. These measures range from multiple exam forms and extra proctors to web-based plagiarism solutions such as Turnitin.com.

The danger in our zeal to curtail cheating is that we can forget that while large numbers of students may report cheating *at some time* in their college career, there is no suggestion that a significant number of students in the same class, or any student in a given class, will attempt to cheat on a particular assignment or examination. While it is important to curtail cheating on examinations, it is equally important that our tactical approaches do not work to disadvantage students during the exam. Professors in large class sections, such as Principles of Marketing, frequently use multiple-choice exams. This type of test is particularly susceptible to cheating since it takes only a quick glance at a neighboring student's answer sheet to get an answer. A common tactical approach in this case is to produce scrambled versions of the exam. Frequently these different versions are produced on different colors of paper to facilitate identification of the versions for scoring and to emphasize to the students that the exams are different. The same anti-cheating effect may be accomplished by simply producing one version of the exam using different colors to create for students the illusion of different versions.

The research questions addressed in this paper arose out of discussions among the authors regarding their experiences administering multiple choice exams produced on different colors of paper. Anecdotally, on nearly every exam, exams of one color seemed to be completed at a faster rate than the others while exams of another color seemed to be the last completed. During distribution of the exams it was reported that there were frequently students who specifically asked that they not be given, or expressed a preference for, an exam paper of a particular color. These discussions led us to the question, "Does exam color impact student performance?"

### Literature Review

An initial review of the literature strongly supports the notion that color affects human perception. Some researchers assert that color plays an even more fundamental role in the human experience. For Baughan-Young (2001), color is energy that “has a proven, measurable effect on human beings” (p. 68) and “affects the body, mind and spirit in very real ways” (p. 68). It is further proposed that color has the power to influence attitudes and behavior, promote creativity and concentration, and enhance healing and overall well-being (Baughan-Young, 2001). O’Daniel (2001) relates that doctors are beginning to take an interest in color’s psychological effects as well.

That color affects perception at least to some degree is supported by experimental scrutiny in several disciplines. Scargall (1999) reports that it appears that color directly influences individual physiology as measured by blood pressure, respiratory rate, and reaction time. Many of the articles on the role of color in marketing suggest that colors can be used to generate good feelings and increase the persuasiveness of advertising (Gorn, 1997). Greer and Lohtia, (1994) cite marketing psychologists who have concluded that color speaks a “psychological language” to the recipient of the message (p. 48). Weller and Livingston’s (1988) analysis of color and surveys reveals that questionnaire color can impact emotional responses.

Further experimentation in management science indicates that color plays a role in information extraction and interpretation. Discussing graphs and tables, Hoadley (1990) concludes that color, as a subtle variable, can significantly enhance information acquisition such that interpretations can be made more quickly and accurately. Gremillion and Jenkins, as cited in Hoadley (1990), “conducted a study in which...findings showed a significant improvement in recall when color was used in a comprehension and learning task” (p. 121). Finally, in the field of education, color used in study spaces can affect learning behavior, attention span, and the ability to differentiate between objects (Scargall, 1999). The results of this broad-based evidence suggest the need for a more focused exploration as to the possible effects of color on student performance.

Certain literature suggests that color may have a profound effect on students’ abilities to attend to and comprehend material. Dunwoody (1993) relates that some individuals may “possess a sensitivity to light which leads to perceptual problems so the use of colored paper may also aid clarity of print” (p. 138). This sensitivity is known as Scotopic Sensitivity Syndrome (SSS), or Irlen Syndrome (Irlen, 1991). Those with SSS often suffer from reading disabilities and fatigue when reading (O’Connor, Sofo, Kendall, & Olson, 1990).

Additional research suggests that white paper can be especially problematic (Meares, 1980). “Some individuals find that they cannot read as long or with as good comprehension when material is on white paper. The white may be glary or compete with the black print, making the letters less readable” (Irlen Syndrome/Scotopic Sensitivity, 2006). In extreme cases, there are researchers who recommend eliminating white paper altogether (Irlen, 1991). It is suggested that the use of colored paper (e.g., off-white, gray, or yellow) may reduce the glare of the stark white and may enhance students’ abilities to comprehend the material (Sams, 2003). Kreutter and Strum are identified by Mason (1999) as having found, “significant improvement in reading comprehension, rate, accuracy and work identification in a group of students” using colored filters over

reading material (p. 21-22). Further, Tyrrell, et al. (1995) noted that upon the use of color overlays, students' reading speed was enhanced over that of students reading the same text on pure white paper. Based on the research cited above, one could surmise that students taking exams printed on white paper may take longer to complete the exams and may not comprehend the material as well as those using colored paper.

#### Research Questions

Based on a review of the literature and anecdotal reports of classroom experiences, the authors became concerned that student test performance might indeed be negatively influenced by the color of the exam paper they were given. Two key performance measures were identified as likely to reveal negative influences resulting from the use of colored paper as an exam security measure. These measures are identified in the study as Effectiveness and Efficiency.

Effectiveness was used by the authors to refer to the performance score received by the student on each exam. The potential for color to impact test performance is clearly suggested by Hoadley (1990) in regard to information acquisition, interpretation, and recall. Similar support is found in Dunwoody (1993) in a discussion on students' comprehension of material. Efficiency was defined as the time in minutes required by the student to complete the exam. The suggestions throughout the literature that color affects reading speed (Tyrrell et al., 1995), emotional response (Weller & Livingston, 1988), and reader fatigue (O'Connor et al., 1990), provides some level of support for the (anecdotal) observation that different colored exams are completed at differing rates of speed. The preceding discussion leads to two research questions and associated hypotheses (stated as null hypotheses) which are addressed in this study.

RQ<sub>1</sub>: Does the color of paper on which an exam is printed affect the Effectiveness of students' performance on the exam?

H<sub>1</sub>: The Effectiveness score of any one color group will not be significantly different from the Effectiveness score of any other color group.

RQ<sub>2</sub>: Does the color of paper on which an exam is printed affect the Efficiency of students' performance on the exam?

H<sub>2</sub>: The Efficiency of any one color group will not be significantly different from the Efficiency of any other color group.

#### Subjects and Methodology

The subjects in this study are business students, in a relatively large urban university, enrolled across multiple sections of Fundamentals of Marketing and Integrated Marketing Communication. Over the course of the semester, a total of fourteen multiple-choice exams were administered. In order to evaluate the proposed research questions, multiple versions of each exam administered in the course of the study were printed using a standardized set of colored paper. The set of colored paper used in this study consisted of white, pink, blue, yellow, and green. Exams were printed using an equal proportion of each color on each exam and were distributed randomly to students in the class. Although test colors varied throughout the class, test questions were identical in construction and order to eliminate confounding the study with the possibility of question order bias and/or cueing.

The start time for each exam was noted by the proctor. Students recorded their responses for each exam question on a standard Scantron answer sheet. As students submitted their completed tests and answer sheets, the finish time in minutes was

recorded on the answer sheet. After grading, test colors, scores, and times were coordinated and compiled in a database. Independent sample t-tests were conducted between all color pairs to identify significant differences in either Effectiveness or Efficiency of student performance as a function of the color used for the exam. P values of less than 0.100 were deemed significant.

### Results

A review of the simple overall data comparison in Table 1 does not reveal any obvious differences among colors and either performance measure. Students completing white exams produced the lowest mean score (74.83) while those with pink exams had the lowest mean completion time (33.54 minutes.) Both of these groups were very near the overall mean time (35.33 minutes) and score (76.73) on their respective mean completion time (35.52 minutes) and mean score (76.85). Students with blue exams took the longest (36.74 minutes) and produced the highest mean score (77.83.) The statistical analysis of these data is further described in the following sections.

**Table 1**  
**Comparison of Overall Means**

#### Effectiveness

Color	White	Yellow	OVERALL MEAN	Pink	Green	Blue
Mean Score	74.83	76.63	76.73	76.85	77.47	77.83

#### Efficiency

Color	Pink	Yellow	OVERALL MEAN	White	Green	Blue
Mean Time	33.54	35.31	35.33	35.52	35.67	36.74

#### *Effectiveness*

The mean test score for each color group was used as the measure of test performance Effectiveness. Each color pairing was compared using an independent samples t-test. The calculated t-statistics and associated significance are reported in Table 2. No significant differences in Effectiveness were identified between any pair of color groups. Thus, we fail to reject  $H_1$ . Failure to reject the hypothesis cannot be construed, however, as providing an answer to RQ<sub>1</sub>. This issue will be addressed further in the conclusions drawn from the study.

**Table 2**  
**Effectiveness: Mean Exam Scores**  
**Significance =  $p < 0.10$**   
**Non-Significance = NS**

Color		White n = 69	Pink n = 74	Blue n = 69	Yellow n = 72	Green n = 72
	Mean Score	74.83	76.85	77.83	76.63	77.47
White	74.83		t = -.876 NS	t = -1.335 NS	t = -.775 NS	t = -1.128 NS
Pink	76.85	t = -.876 NS		t = -.489 NS	t = .109 NS	t = -.294 NS
Blue	77.83	t = -1.335 NS	t = -.489 NS		t = .601 NS	t = .177 NS
Yellow	76.63	t = -.775 NS	t = .109 NS	t = .601 NS		t = -.400 NS
Green	77.47	t = -1.128 NS	t = -.294 NS	t = .177 NS	t = -.400 NS	

### *Efficiency*

The mean completion time in minutes was used as the measure of test performance Efficiency. Again, each color pairing was compared using an independent samples t-test. The calculated t-statistics and associated significance for Efficiency are reported in Table 3. As with Effectiveness, no significant differences in performance Efficiency were identified between any pair of color groups and  $H_2$  is not rejected. Again, we are left with no answer to our research question (RQ<sub>2</sub>) and will address this issue in our conclusions.



**Table 3**  
**Efficiency: Mean Exam Completion Times**  
**Significance =  $p < 0.10$**   
**Non-Significance = NS**

Color		White n = 69	Pink n = 74	Blue n = 69	Yellow n = 72	Green n = 72
	Mean Time	35.52	33.54	36.22	35.31	35.67
White	35.52		t = -.736 NS	t = -.429 NS	t = .077 NS	t = -.056 NS
Pink	33.54	t = -.736 NS		t = -1.169 NS	t = -.675 NS	t = -.808 NS
Blue	36.74	t = -.429 NS	t = -1.169 NS		t = .516 NS	t = .383 NS
Yellow	35.31	t = .077 NS	t = -.675 NS	t = .516 NS		t = -.136 NS
Green	35.67	t = -.056 NS	t = -.808 NS	t = .383 NS	t = -.136 NS	

### Conclusions, Limitations and Recommendations

Under most circumstances a study that produces nonsignificant statistical results would be considered of little interest. This study is a rare exception to that rule. Had the normally expected result been attained, and one or both of the hypotheses rejected, serious issues would be raised that could not be ignored. This result would have suggested that students participating in the study as well as *past* students may have received lower grades than they deserved as a result of the exam security measures implemented by the professor. While the findings reported herein do not provide definitive answers to the research questions posed, they do not report evidence in support of an affirmative answer to either question. Based on the findings of this study, professors can feel more confident in continuing to use one of the most common and easy to implement exam security measures with no obvious adverse effect on student performance.

There are some limitations that should be considered before attempting to generalize from this study and might suggest that it should be extended further. All subjects in this study were marketing students at one large urban university. Results may not be generalizable to students in other disciplines or at other institutions. All of the exams in this study were multiple-choice. The issues of information acquisition and recall (Hoadley, 1990) and attention span (Scargall, 1999) may operate differently in the case of essay or short answer exams in which the student must produce their work directly on the colored test form. Additionally, there may actually be one or more students in any given class who suffer from Irlen Syndrome (Irlen, 1991) or other learning disability, such as dyslexia, for whom color may affect their performance (Singleton & Trotter, 2005). Given the extensive testing and counseling received throughout the K – 12 education system, there is a high likelihood that students in the

university classroom are aware of any personal learning or testing difficulties. In these cases it is imperative that these students be encouraged to self-identify and that the professor accommodate their disability while implementing their normal security measures for the majority of students.

The education community has long been well aware of the potential for introducing bias in test results through the test instrument itself (Schultz & Fortune, 1981). Marketing educators routinely stress the importance of proper survey design, pretesting, and administration to avoid biasing the responses from subjects. Woodside and Dubelaar (2003) note that adopting seemingly small changes in survey design can increase measurement effectiveness.

At the most basic level, an exam is simply a survey designed to discriminate among students based on their knowledge of the subject matter over which they are being tested. Professors of marketing, who presumably are trained in appropriate research methodologies, should be no less careful in the design of the instruments and data collection practices to measure their students' performance than they would in the design and execution of any data collection project. This study has discussed and evaluated one commonly used exam security method. Any security measure (even the use of multiple roaming proctors) that directly interacts with the student has the potential to impact the student's performance. As these measures are employed, at least some consideration should be given to the possibility of negatively affecting students' performance. Part of our job is to ensure that no individual student gains an unfair advantage over others by cheating. It is also part of our job as professors and role models to create an environment of trust and learning in which our zeal for security does not prevent any student from performing up to their highest potential.

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## **ENTRY MODE AND SUBSIDIARY PERFORMANCE IN EMERGING ECONOMIES**

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*Abstract: Based on Institutional Theory and the Resource Based View of the firm, this paper aims at finding a relationship between an MNC's choice of entry mode and the subsequent performance of the subsidiaries. There is a serious lack of work in the international business literature that looks at the influence of entry mode on subsidiary performance. Thus looking at this issue merits attention. The paper specifically looks at the choice between a joint venture entry, and a wholly owned subsidiary based entry and provides a number of testable propositions.*

*Key Words:* Subsidiary Performance, Joint Venture, Wholly Owned Subsidiary, Host Country Experience, Institutional Theory, Resource Based View

### Introduction

Generally most firms start as purely domestic companies. However, after operating as domestic companies for some period, firms may decide to go international. The findings from the monopolistic advantage theory (Hymer, 1960) and the internationalization theory (Buckley and Casson, 1976) explain why firms get motivated to go abroad. The monopolistic advantage theory suggests that a firm can generate higher rents from the utilization of firm specific assets which cannot be replicated by other firms. These assets generally include superior knowledge and economies of scale. The internationalization theory suggests that when external markets for supplies, production, or distribution fails to provide efficiency; firms can opt for FDI to create their own supply, production, or distribution streams. The four most common modes of foreign market entry are exporting, licensing, joint venture, and sole venture (Agarwal and Ramaswami, 1992). Typically firms start exporting to a country via an agent, later establish a sales subsidiary and eventually begin production in the host country (Johanson and Vahlne, 1977). The internationalization theory suggests that when external markets for supplies, production, or distribution fails to provide efficiency; firms can opt for FDI to create their own supply, production, or distribution streams. In addition, the prospective benefit from establishing R&D facilities abroad also plays a role in firms becoming international. The scope of foreign subsidiaries is increasingly becoming more international and often they are at the forefront of technological innovation (Nobel and Birkinshaw, 1998).

The focus of internationalization is shifting towards the emerging economies as developed markets are becoming saturated and MNCs have turned to emerging markets for future growth (London and Hart, 2004). This comes as no surprise as it is widely believed that this century will ultimately belong to the emerging economies and countries such as Brazil, Russia, India, and China are now seen as the next economic superpowers. The emerging economies have become lucrative destinations for MNCs because of the recent reforms and economic developments taking place in those countries (Cui and Lui, 2005). Specific research into emerging markets is necessary because most of the works in international business research were conducted keeping the developed markets in mind. The unique characteristics of emerging economies may prove many of the findings in developed economy settings invalid in an emerging economy setting. However, there were reasons why studies on emerging market were not common in the past. The inappropriateness of theories developed based on developed economies, sampling and data collection problems and lack of homogeneity in emerging economies generally makes it difficult for researchers to conduct study on emerging economies (Hoskisson et al, 2000).

Considering more and more companies are getting interested to invest in emerging economies (The total capital flows to developing economies have increased from \$104 billion in 1980 to \$472 billion in 2005, *source: Federal reserve Bank of Dallas*) due to their expected rise into dominance in the middle of the 21<sup>st</sup> century, it is very important to understand the reasons behind the different mode of entries taken by MNCs while entering these economies and what effect those mode of entries have on the subsequent performance of the MNC subsidiaries in those countries. The choice of mode of entry may have long term implications for the MNCs. It is difficult to change firms' initial choice of a particular mode without considerable loss of time and money (Root, 1987).

Although the work on the choice of Mode of Entry is quite abundant in the existing literature on international business, surprisingly there is a real lack of work that relates the mode of entry to the subsequent performance of the subsidiaries. This lacking is more acute if we consider entry into emerging economies specifically. I believe it would be very useful to take the studies in international business literature from a pre-entry to a post-entry level. The findings from such study may prove very useful as it will indicate whether what we assume to be the correct choice of mode of entry does in fact result in positive outcome for the subsidiaries.

The number of studies focusing specifically on emerging economies has always been few. However, we do see a change in the pattern and the number of studies focusing on emerging economies is certainly on the rise. Through this paper I would like to add to the existing studies conducted in the emerging economies context. In this study, I aim to look at the interaction between the choice of entry modes and subsequent performance of subsidiaries in emerging economies. More specifically I will look at the impact of the choice between joint venture modes of entry versus wholly owned subsidiary modes of entry on subsequent subsidiary performance. I chose these two modes for consideration as the level of resource commitment by the firms are much higher in these two modes compared to the other two modes of entry (exporting and licensing). As a result these

modes require lot more careful attention as it is not as easy to get out of a situation of a joint venture or wholly owned subsidiary as it is with licensing or exporting. So the significance of the findings is likely to be lot more if the comparison is between these two modes.

One of the most common theories used in the existing entry mode literature is the transaction cost approach. It comes as no surprise as the earliest and most complete acceptance of transaction cost theory was amongst the international business and economics scholars (Barney and Hesterly, 1996). However, the use of economic models may not always be appropriate as it leaves out many other explanations. One such problem is that they ignore organizations and institutions almost completely, and even when considered, they treat them as a residual category required by some form of market failure or contracting problem (Pfeffer, 1997). As mentioned by Barney and Hesterly (1996), in the view of organizational economists the organizations exist in “seething caldrons” of competition where firms, individuals, institutions and governments are all seeking to obtain some part of the success that a particular firm may enjoy. It is improper to think of organizations as merely substitutes for structuring efficient transaction when markets fail; they possess unique advantages for governing certain kinds of economic activities through a logic that is very different from that of a market (Ghoshal and Moran, 1996). In light of these arguments, it may not be a bad idea to look at the entry mode impact on performance from other perspectives. So, in this paper I aim to use other organizational theories such as the institutional theory and the resource based view of the firm in building my arguments.

### LiteratureReview

As mentioned before, although some studies (Delios and Beamish, 1999) have looked at other theories such as institutional theories, most of the existing work on international entry modes has largely been dominated by a transaction cost approach (Anderson and Gatignon, 1986; Hennart, 1991; Makino and Neupert, 2000). The transaction cost theory asserts that markets and hierarchies are alternative instruments for completing a set of transactions. (Williamson, 1975). In this approach, the emphasis is on opportunism, or self-interest pursued with guile and deceit. (Ghoshal and Moran, 1996)

The existing studies on subsidiary performance ranged from entry into developed markets to entry into transitional economies such as Russia and the East European nations. However, hardly any study looked specifically at entry into emerging economies, and even when looked at was looked at an individual country level. Often the studies were only concerned with one particular mode of entry and did not compare between entry modes. One such study was conducted by Isobe et al (2000). In this study of Japanese International Joint Ventures in China, they found a positive relationship between early entry and market performance. They further found that there was a negative relationship between the degree of a foreign firm's control over a joint venture and early entry. Japanese firms featured in other studies as well. Woodcock et al (1994) in their study of



Japanese firms entering the North American market found that new ventures outperform joint ventures and joint ventures outperform acquisitions.

A number of studies were conducted on European Union nations as well. In his study of foreign market entry mode and firm performance for European Union firms, Brouters (2002) found that firms whose mode of choice could be predicted by the extended transaction cost model performed significantly better compared to those whose mode of choice could not be predicted. This study was based on survey data collected through questionnaires and the investments were made in all kinds of economies. Brouters et al (2000) conducted a study on the 500 largest firms based in European community nations and found that firms which make perceived environment uncertainty (PEU) risk-adjusted entry mode choices are significantly more satisfied with their firm's performance than firms whose entry mode choices cannot be predicted using these measures. The data was also collected using questionnaire based survey.

In addition to looking at the performance of subsidiaries directly, some of the works considered the survival of subsidiaries as an indication of high performance and exit as an indication of low performance. In his study of foreign firms in the U.S. computer and pharmaceutical industries over the 1974-1989 period Li (1995) found a higher exit rate for foreign acquisitions and joint ventures than for subsidiaries established through greenfield investments. In his study on the offshore drilling industry, Mascarenhas (1992) found that first entrants and later entrants out survive early followers.

Other works on subsidiary performance were quite different from exactly looking at entry modes as one of the determinants of success and failure. These studies looked at different aspects such as human resource management practice, headquarter-subsidiary relations, the concentration level of firms in a certain industry, and market experience. In a study of 101 foreign-owned subsidiaries in Russia, Fey and Bjorkman (2001) found that different human resource management practices for managerial and non-managerial employees are significantly related to firm performance. Hewett et al (2003) found that the more closely headquarters and subsidiary roles in marketing activities are aligned with relational, industry, and market conditions; the greater market share tends to be. Miller and Eden (2006) examining the performance of U.S. subsidiaries of foreign commercial banks for the years 1995–1998 found that local density was negatively related to foreign subsidiary performance, and market experience was less beneficial in high-density environments.

As the findings from these studies suggest, the performance aspect of the firm were looked at from variety of ways. However, the relationship between entry mode and firm performance was not given much importance in most of the studies. When the specific study setting moved out of the developed nations, it only went as far as the transitional economies in most cases. Overall there is a need to conduct a study on the effect of entry modes in an emerging economy setting to fill in the gaps in the existing international business literature.

## Propositions

While formulating propositions, I focused on the institutional theory and resource based view of the firm. Since the transaction cost theory has been used very extensively in the earlier works, including the few works that were performed on entry mode and subsidiary performance, I decided to use a different perspective. Although some of the previous works (e.g. Lu, 2002) looked at institutional influences; these works were specifically geared towards finding out the determinants of entry modes rather than the effect of entry modes. Also the resource based view was hardly used in any of the previous literature that looked at the relationship between MNC entry mode and subsidiary performance. Thus, I believe that the use of the institutional theory approach and the resource based view of the firms will add something new to the existing works in the international business literature.

## **The Institutional Theory**

Although this theory is in prominence since the late 70s, surprisingly international business scholars were often indifferent to the possible use of this theory in explaining different aspects of the international business phenomenon. It is only recently that we see a growing interest from the scholars to incorporate this theory in international business research. As the institutional theory (Meyers 1977, DiMaggio and Powell, 1983) suggests, there is always a pressure on the incumbent firms to bow down to institutional isomorphism in the host country where they are operating. This is not unusual since organizations that incorporate the practices and procedures institutionalized in the society increase their legitimacy and their survival prospects (Meyer and Rowan, 1977). The supporters of this argument point to the fact that drawing the attention from the audience is of utmost importance for any firm (Zuckerman, 1999) before it can think of utilizing a differentiation strategy to distinguish itself from the rest of the competitors. If a firm remains as an entity that is out of radar of the desired audience, it will not be able to derive much value through differentiation as the unique attributes that might be on display through differentiation would remain largely unnoticed.

One note of caution here is that solely following an approach of conformity may prove too risky as this may result in too much deviation from the culture and norms of the parent organization. Hence, there is a need to maintain a balance between conforming to the environment where it operates as well as remaining consistent with the Headquarter (Rosenzweig and Singh, 1991). Maintaining this balance requires good knowledge of both home country and host country environment. For a new entrant, understanding the nature of the host country business environment is likely to prove difficult. In such a scenario, joint ventures may be more helpful compared to a wholly owned subsidiary option. Working with a local partner is likely to help the entrant in making the necessary adjustments and ultimately operate with a balanced approach. In an emerging economy setting, this need may be even more as the MNCs, which are mostly originated in developed countries, generally will lack the necessary experience about the host country

environment. The MNC might overcome this problem if it has extensive experience of operating in the host country via other projects and endeavors. However, the situation for those MNCs who have little or no experience of operating in that particular host country will not be as favorable when compared to the experienced MNC. This leads to my first proposition –

*Proposition 1: In an emerging economy setting, an MNC with less experience in the host country will perform better if it engages in a joint venture instead of opting for a wholly owned subsidiary.*

It is quite common for the new incumbents to follow in the footsteps of organizations that they perceive as successful in a particular industry. Following successful organizations can sometimes result in success for the follower firms. In an environment of uncertainty, this path may seem very lucrative. This may be even more useful in an emerging economy as the MNCs often lack the necessary knowledge of operating in such economies and the environment in general is more uncertain compared to those of the developed nations. As mentioned by DiMaggio and Powell (1983), organizations are rewarded for being similar to other organizations in their fields. The similarity can make it easier for organizations to transact with other organizations, to attract career minded staff, to be acknowledged as legitimate and reputable, and to fit into administrative categories that define eligibility for public and private grants and contracts. These rewards, and the subsequent high level of performance, are more likely to come if the incumbent subsidiary follows in the footsteps of the other foreign subsidiaries that have tested success in their approach. Although the risk of not being able to adjust to the host country environment properly remains in such a scenario, the idiosyncratic nature of the particular host country environment may help reduce this risk. In addition, following a tested path would provide the firm with some prior knowledge of the potential bottlenecks as well as areas of opportunity which might prove very useful for the new entrant. Thus I propose –

*Proposition 2: In an emerging economy setting, an MNC will perform better under a joint venture mode if the earlier successful entrants in the industry followed this mode and will perform better under a wholly owned subsidiary approach if the earlier successful entrants in the industry entered via a wholly owned subsidiary approach.*

### **The Resource Based View**

The resource-based view of the firm adopts the resources and capabilities controlled by a firm as its primary units of analysis (Barney, 1991). This view suggests that it is the valuable, rare, and inimitable resources that a firm controls that gives it the competitive advantage to outperform other players in the market. These resources may include technology, marketing expertise, management expertise etc. While entering a market, firms may not always have the necessary resources. A firm that lacks the necessary resources may overcome this problem by relying on its partner for complementary assets.

However, there is no reason to believe that majority of the firms entering a host country will be lacking the necessary resources. In fact, sometimes it is the abundance of the necessary resources that prompts organizations to engage in an international venture. However, all these might change if the firm entering the foreign market is trying out a new industry, an industry where they have little or no previous experience. There is lot more uncertainty on the capability of the firm to actually perform at the desired level, and some additional support from already experienced partners are more than welcome. If there is a partner firm available with more experience, required technological know-how and the necessary marketing skills; the likelihood is stronger that the entrant would choose to collaborate with that firm. In an emerging economy, the confidence level of the entrant firm in such case would be even lower as the lack of experience is combined with lack of understanding of the economy as a whole. So I propose the following -

*Proposition 3: In an emerging economy setting, an MNC will perform better under a joint venture compared to opting for a wholly owned subsidiary mode of entry when the MNC has no previous experience in the industry it is entering.*

Although there has been substantial research on the topic of entry modes before, emerging market as a context was not generally considered. As we are moving more and more into a new era of global economic order, the importance of emerging market economies is on the rise. The future of many global companies now lie in their performance in these not yet fully developed but rapidly growing economies. Under this scenario, researches geared toward understanding idiosyncratic nature of these economies is definitely going to allow scholars to get a better grasp of the overall understanding of the business environment of these economies. In my study, I came out with three propositions grounded on theory. I earnestly hope that my small effort will be helpful in providing some headway for future researchers who are interested to work on the relationship between entry mode and firm performance in the emerging economies.

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## IN DEFENSE OF SOCIAL RESPONSIBILITY OF BUSINESS

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### ABSTRACT

*Milton Friedman wrote in 1971 that the social responsibility of business is to increase its profits. Ever since, economists and finance academics have convincingly argued, generally to other economists, finance academics and captive students, that maximizing shareholder wealth is good not only for the shareholders but also for the society. The firm creates wealth when it maximizes shareholder value and the society benefits from the increased wealth. Others have argued that corporations have a social responsibility and should look beyond simply maximizing shareholder wealth. Corporate social responsibility has now been accepted by managers and corporations regularly proclaim their achievements in this regard. While what constitutes social responsibility depends on who defines it, more and more managers are willing to consider it as part of their management responsibility. Some of the formal views on social responsibility have come together under the rubric of what is loosely known as stakeholder theory. This paper provides an economic rationale as to why social responsibility may be good not only for the society but also for the corporation and its shareholders. Economic justification for social responsibility may lie in situations where the market imperfections make the corporation the best provider of certain services.*

### I. INTRODUCTION

Milton Friedman, in his much acclaimed and oft-quoted piece (Friedman (1971)) suggested that the only social responsibility a corporation has is to increase profits and make the owners/shareholders wealthy. This has been the accepted wisdom for many economists as well finance academics, who have argued that shareholder wealth maximization should be seen as the normative and ideal goal on which all business decisions should be based. Shareholder wealth maximization is seen as the desirable goal not only from the shareholders' perspective, but also as for the society. Support for this view comes from, among others, Sternberg (1999) and Jensen (2001). According to this view, firm wealth maximization leads to the maximization of society's wealth as well.

A very different view comes from the proponents of corporate social responsibility (CSR). CSR has now become an accepted part of managers' vocabulary (See for example, Fombrun (2005) and Davis (2005)) around the world and companies as diverse as Hewlett Packard and Tata Motors of India proudly proclaim their CSR initiatives. There is growing support for CSR among at least a section of business school academics that see CSR as part of stakeholder interests and management responsibility. Much of the views heard under the broad rubric of what is loosely termed stakeholder theory can be applied to the debate on CSR.

While there is no general agreement as to what constitutes good CSR, it is seen generally as going beyond the classic economic paradigm, a-la Friedman, of profit/shareholder-wealth maximization. While the proponents of CSR, as well as the broader stakeholder theory, differ widely in terms of the details, there is a general consensus among them in the rejection of the primacy of owners or shareholders. This flies directly in the face of the classic profit maximization and shareholder wealth maximization (SWM) paradigm and challenges the perceived wisdom of in financial economics.

This paper attempts to identify the source of the differences between the proponents of CSR and the supporters of SWM and then present an economic rationale for supporting CSR in some situations. The paper is organized as follows. The first section presents an overview of the prevailing view of the supporters of CSR and stakeholder theory. This is followed by a summary of the SWM paradigm. The next section presents our attempts at finding a meeting ground between the two views. We then extend the arguments of Amalric and Hauser (2005) and suggest that it is possible to find situations where CSR not only makes economic sense but can be seen as adding value for the firm and its shareholders. The last section offers concluding comments.

## **II. CSR and THE STAKEHOLDER THEORY**

The intellectual underpinning for the corporate social responsibility view rests on the stakeholder theory, which in turn has its academic roots in research related to business ethics and business and society. CSR view has now branched off on its own and has a number of proponents and a host of consultants, practitioners and non-governmental organizations (NGO) espousing its benefits as well as making it a corporate imperative (Fombrun (2005) and Davis (2005)). The role of NGOs in the popularization of CSR and making it more acceptable in the corporate world cannot be overstated. Fombrun (2005) reviews the evolution of CSR in different countries and reports that various standard setting initiatives have developed, particularly in Europe where regulatory actions on the part of pan-European authorities have played a key role. Much of the initiatives in the US have come voluntarily from corporations. Davis (2005) suggests that corporations have responded partly under pressure from NGOs and could actually benefit from pro-active strategies which anticipate the issues that shape the social context of business. He suggests that, while shareholder value is the critical measure of success, companies will benefit if CEOs were to articulate the purpose of business as “the efficient provision of goods and services that society wants.”

Freeman (1984) is regarded as the original proponent of the stakeholder concept, which can also be seen as providing the conceptual framework for the social responsibility view. Freeman argued that corporate management should look beyond shareholders and proposed a stakeholder perspective in managing the firm. Since then, a number of books and articles have been written on what is purported to be the stakeholder theory. There is little consensus on all the essential features of the theory including who the stakeholder is. Jones and Wicks (1999) have provided a good review of the current research and also attempt a synthesis of the extant research into a “convergent” theory. Phillips, Freeman, and Wicks (PFW) (2003) give a critical account of what the stakeholder theory is and is not.

Jones and Wicks (1999) attempt to develop a convergent stakeholder theory using the taxonomy suggested by Donaldson and Preston (1995) as the starting point. The three classes proposed by Donaldson and Preston are: instrumental, descriptive and normative. The instrumental version of the theory implies that certain actions by managers would result in certain outcomes. In

the CSR context, this would simply imply that managers should attend to CSR and stakeholders as a means to achieving shareholder value. The descriptive version is about the actual managers' behavior. The normative version suggests that managers should behave in certain ways. Jones and Wicks further classify the normative version as ethics based and the instrumental and descriptive as social science based theories.

Current empirical studies of actual managerial behavior, at least in the US, do not lend much support to the descriptive version (Jones and Wicks (1999), Margolis and Walsh (2003)). Jones and Wicks find the instrumental stakeholder theory more promising; managers accept CSR in the belief that it is good for profits. Post, while skeptical, calls these the "business case for CSR" and lists reputation, worker productivity, and market opportunity as the possible benefits of CSR. PFW (2003) note that a general version of this would be found acceptable even by (Jensen (2001) and Sternberg (1999), who hold shareholder wealth maximization to be the primary goal.

The normative version emphasizes the "moral and ethical" arguments for the stakeholder perspective of looking at the firm and its objectives. This view would clearly reject the shareholder wealth maximization as the primary goal for the firm. This implies some sort of absolute responsibility to society above and beyond what is called for legal business behavior.

The following could be seen as the key elements of the stakeholder theory and therefore social responsibility view (see Jones and Wicks (1999), PFW (2003) and Freeman and Phillips (1999)):

- Intrinsic worth in the claims of all legitimate stakeholders and not just shareholders.
- No single objective function like SWM can do justice to the complexity of the firm.
- Rejection of the primacy of shareholders.
- Compatibility of morality and capitalism.
- Firm as a nexus of relationships, not contracts.
- Rewards should be related to contribution.

It appears that an overriding concern for most of the stakeholder theorists is that the management of the firm may exclude the stakeholders other than shareholders from legitimate rewards as well as participation in key decisions concerning the future of the firm and their own future. PFW (2003) argue "an organization that is managed for stakeholders will distribute the fruits of organizational success (and failure) among all legitimate stakeholders." Questions seldom asked in the stakeholder and CSR literature include:

- Why this – failure to distribute organizational fruits of success among organizational stakeholders in proportion to their contribution – would happen in a competitive market place?
- Would the stakeholders be willing to take on the fruits of failure?
- Would the stakeholders (or which stakeholders) be willing to share the risk of the business and give up their explicit claims?

### **III. PROFITS/SWM PARADIGM**

The SWM paradigm puts shareholder wealth maximization as the primary goal of corporate management and is built upon the classic competitive markets assumption. It is assumed that all participants who have transactions with a firm - employees, suppliers, customers, lenders, etc. - are seen as willing participants in free and competitive markets and are fully compensated at fair market prices for their services/supplies or get fairly valued products/services for the prices they pay. The

shareholders are unique because they are residual claimants and they do not have prior, explicit or implicit claims. They can add to their wealth only after satisfying all the prior claims of every other participant. They bear all the risk of failure and therefore it is only fair that they get the rewards. The model also assumes that there are no externalities or any harm or damage done to any non-participant in the transactions. Given these assumptions, shareholder wealth maximization is good for not only the shareholders and but also the society because the shareholders' wealth comes from wealth created by the firm after fully compensating everyone involved and the society for all the resources used.

The shareholder wealth maximization paradigm is seen as moral and ethical (Friedman (1971), Jensen (2001), Sternberg (1999), Coelho, McClure and Spry (2003)) by its proponents. Any legal market transaction where all participants are free and willing participants is considered moral. This is seen as the foundation of the free market system. Jensen (2001), Sternberg (1999) and Coelho, McClure and Spry (2003) all argue that Stakeholder theory is incompatible with substantive objectives, which are needed to run businesses effectively.

#### **IV. AN ECONOMIC RATIONALE FOR CSR**

The essential difference between the stakeholder theory/CSR view and the SWM paradigm lies in the assumptions, explicit and implicit, which are built into the respective analytical frameworks or models. The SWM paradigm assumes that the different stakeholders are not only free and voluntary players but are also able to get their fair reward or compensation because they interact with the firm through free and competitive markets. There is no externality, no one is a weak or incompetent player and the governments are fully capable of addressing externalities and protecting weak or incompetent players. Any market imperfection or failure is the exception rather than the rule. The stakeholder theorists, on the other hand, seem to go the other way and assume that firms cannot take free and competitive markets for granted and firms have to take specific actions to ensure fair rewards and compensation for all the stakeholders and also provide benefits to society beyond their goods and services. A dialogue between the two camps is possible only after we acknowledge these fundamental differences between them.

Signs of compromise may be emerging as evidenced by changing attitudes of at least some of the supporters of SWM. Jensen (2001) while rejecting most of the claims of the stakeholder theory concedes that a firm cannot maximize value if it ignores interests of its stakeholders. He proposes what he calls "enlightened value maximization" or its identical twin, the enlightened stakeholder theory. Long-term value maximization is specified as firm's objective. This objective can, of course, be satisfied only with the cooperation and support of all relevant stakeholders. Management's role is critical in motivating all the stakeholders and ensuring this cooperation. Enlightened value maximization, in short, says that a firm cannot maximize value if it ignores or mistreats any important stakeholder group. By the same token, the enlightened stakeholder theory implies that firm value is the goal, but the processes and the audits suggested by the stakeholder theorists should form the basis of action towards motivating all the key stakeholders. Jensen's enlightened value maximization or stakeholder theory resembles very closely the instrumental version of the stakeholder theory and perhaps would satisfy many of the main stream supporters of CSR.

It should be noted that while the SWM paradigm assumes competitive markets and no market imperfections, finance theory has evolved over time to include effects of some market imperfections. These, however, relate to imperfections in the financial markets or the transactions among

shareholders, lenders, and managers. Two areas of extensive research and model development include agency relationships and information asymmetry. It is interesting to note that PFW (2003) quote a legal opinion to argue that managers should be considered as agents of not just shareholders but for the entire firm and therefore all stakeholders. PFW argue that the "... corporation is not coextensive with the shareholders."

While Jensen and Sternberg will convince most economists, it does not appear to convince ardent stakeholder theorists. PFW (2003) while pleased that both Jensen and Sternberg accept the instrumental version of the theory, also feel that most of the characterization by the critics of the stakeholder theory are either unjust or are the result of misinterpretation of what the theory stands for. PFW attempt to answer the criticisms made by Jensen and Sternberg. However, careful reading of all the papers involved would give the distinct impression that the two groups are talking over the heads of each other. Clearly, given the assumptions of free exchange by voluntary players in a competitive market environment, most if not all of the arguments made by Jensen and Sternberg would be vindicated. Stakeholder theory supporters appear to have something else in mind. While competitive markets are taken for granted in the finance paradigm, stakeholder theorists seem to shy away from the concept. In other words, stakeholder theory implicitly assumes market imperfections and firms have power over the different stakeholders. The stakeholder theorists also seem to believe that in the real world, no stakeholder except perhaps stockholders would get a fair shake if he/she is left to market transactions.

The key question is to what extent the assumption of fair and competitive markets is valid for the different stakeholders. One wishes the stakeholder theorists would explicitly spell this out. In any case, the fear seems to be real and the important question that is not raised by either side is how valid are the assumptions of free and competitive markets. For examples do some firms have power over employees or suppliers as is commonly believed by many in the media in the case of companies like Wal-Mart? Do some firms have monopoly powers over customers? Of course, in order to justify the stakeholder view, one should not only see market failures or imperfections, but also lack of governmental regulations or legal restrictions on the firm.

Amalric and Hauser (2005) attempt to provide economic justification for CSR by pointing out that under various conditions of market imperfections, firms can use CSR to increase demand, boost reputation, and reduce regulatory risk. Similar views are also seen in Davis (2005). While these arguments are not new (see Post (2006)), Amalric and Hauser seem to clearly imply that CSR makes sense only under market imperfections. They also, perhaps, imply that in the real world, market imperfections are all too common.

Our view is that one does not have to be a hard-core CSR fanatic to agree that there are instances of market imperfections when the assumptions built into the SWM paradigm do not hold. This justifies a clear role for CSR. Examples of these imperfections are rather easy to find in lesser developed countries in Africa or Latin America or Asia where market failures are occasionally compounded and made worse by government failures or incompetence. Such situations, be it in Africa or Latin America or the occasional Katrina in the US or the immigrant conditions in France, provide opportunities for CSR, in the best sense of the term, for corporations. These are also the situations where the CSR activities should enhance value for the firm's shareholders. An extension to the general case is when a company finds itself with a competitive advantage in providing a good or service beyond its normal products and services. A multinational oil company in Nigeria may be in the best position to provide not only schools for the local village children, but also drinking water

and other basic amenities. One may be walking a fine line here, but the long-term economic value could easily be identified perhaps in contrast to the short-term discounted cash flow net-present-value, both in societal terms and from the narrower corporate perspective. It is not surprising that some corporations actually take this approach. An example closer to home is the extension of services by Wal-Mart and Home Depot during the near break down of government services.

## V. SUMMARY

This paper attempts to bridge the gap between two competing views on the role of corporations and their social responsibility. We compared and contrasted CSR/stakeholder theory views with the traditional wealth maximization paradigm, which puts shareholder wealth maximization as the primary corporate goal. It appears that the proponents on either side of this highly contentious debate, to the extent there is a debate, fail to understand the other side's perspective. This is mainly because each side starts from very different assumptions about the state of the markets and competition. We suggest that it is possible to find situations where markets are less than perfect and corporations may be best positioned to provide goods and services beyond their normal products and services. This could be seen as CSR with economic value to the society and the firm.

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## **MANAGING THE BUREAUCRACY FOR THE SOCIO-ECONOMIC TRANSFORMATION OF NIGERIA: BEYOND THE CLICHÉ OF REFORMS**

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### **ABSTRACT**

*Historically, attempts to improve the effectiveness and efficiency of the machinery of government business for accelerated service delivery have its roots in the colonial era. Dis-satisfied with the tardy, deplorable and lethargic modus operandi of the colonial civil service and desirous of re-configuring it in the pristine image of their contemporary in Britain, the colonialists had enunciated various reform measures aimed at helping them achieve their objective. On attainment of political independence, our post-colonial leaders, realizing the positive changes a result-oriented civil service can achieve for the country, embarked on a series of reform measures intended at making the bureaucracy the pivot of progress and institution-building in Nigeria. Yet, in all sincerity it must be asserted that beyond the formal pronouncements, launching and gazetting of the policy instruments by successive government officials the impact of these edicts, decrees and law is to be benign difficult to ascertain or, bluntly put, ineffectual. In fact, as some critics have argued, the bureaucratic context, process, effort and trajectory in Nigeria raise serious doubts as to the sustainability of the various socio-economic reforms programmes of the extant civilian administration. This fear is hinged on the fact that the civil service being the fulcrum of government's policy design and implementation, its incapacitation and inertia at any time portends danger of policy abandonment and outright failures. Consequently, it is the view of this paper that except urgent transformatory, rather than reformatory, measures are instituted to re-shape the civil service, the giant strides already achieved in reforming other areas of the economy are likely to be sabotaged or at best stagnated.*

### **INTRODUCTION**

The post-independence bureaucracy in Nigeria has acquired a peculiar character: expanding superfluously to serve the primordial interest of the newly emerging local elites it has merely experienced more of quantitative rather than qualitative changes. This scenario is not totally unexpected, especially in view of the fact that its precursor, the colonial public service, was established to serve the imperialists' interest and law-and-order administration. The British colonial policy of "minimum investment for maximum returns" certainly did not conduce to human capital development on a large scale. It also, *mutatis mutandis*, did not allow for

flexibility, initiative and de-concentration of decisional authority but rather insisted on rigidity and centralization.

Ideally, flag independence on October 1, 1960 should have changed all these. For a people whose course of development was brutally truncated and vitiated by the rampaging forces of global capital, freedom from the stranglehold of the colonialism is supposed to translate into transformatory changes in the machinery of government administration in order for the much talked about development of the polity to follow. This is all the more necessary since our post-independence leaders were cued by the departing colonial overlords on the utility of the public bureaucracy in driving change in newly emerging states. Again, for a country where development capital was yet to be accumulated on a large scale, the bureaucratic officials were expected to be innovative and dexterous in striving towards the attainment of society's overriding objective. Unfortunately, these expectations were not matched by reality.

No doubt the drive to bring government closer to the people at the grass roots has, until recently, meant an increase in the number of government personnel; regrettably however the hierarchical character of the colonial public service was retained and, to worsen matter; this constricting scenario of the service exists with additional features of departmental isolationism and rigidity. In fact Mukandala (2000:431) in his apt description of the post-colonial African bureaucracies remarked that:

*The fixation on control....remained. Pyramidal rigidity also remained. The chain of command remained clear and precise, with orders flowing down from the centre. The bureaucratic organization remained very formal, supposedly with every activity in the organization regulated by precise rules and regulations. Eisenstadt's call for "de-bureaucratization" fell on deaf ears.*

The features of the public service in first republic (1960-1966) Nigeria can be said to approximate closely to the above. Indeed our first republic politicians, conscious of their primary objective of being in government, were too preoccupied with the use of state power to acquire wealth that they did not bother about the tardy and reactionary disposition of the public service of their era. It was not however until the military administration of General Yakubu Gowon that the first comprehensive review of the *modus operandi* of the machinery of government business was carried out culminating in the release of the Public Service Review Commission Report (popularly called Udoji Report) of 1974.

Since then successive administrations have embarked on series of reform measures intended at making the bureaucracy the pivot of progress and institution-building in Nigeria. It is however doubtful if these tinkering with the public service operational machinery produced the level of effectiveness and efficiency desired by their initiators. Interestingly, most of the reasons given for these policy failures have turned out to be recurrent - thereby tacitly implying that the corrective instruments were either cosmetic or palliatives, or both.

Having come this far the question agitating the minds of critical Nigerians is what other viable alternative(s) is open to the government in its effort to comprehensively transform the civil service, bearing in mind that "in a strong sense, a country is a close reflection of the efficiency, effectiveness and sensitivity of its civil service" (Phillips, 1988:1). The rest of the paper is

devoted to answering this question.

## CONCEPTUAL AND THEORETICAL FRAMEWORK

### *BUREAUCRACY*

Despite its wide usage, the concept of *bureaucracy* has been dogged by the problem of conceptual ambiguity. Scholars have varied widely in their operationalisation of the term, and to exacerbate matters the concept itself has in the passage of time turned out to exhibit unintended negative attributes in the perception of the discerning public.

Beginning from the eighteenth century when Vincent de Gournay, a French scholar, pioneered its usage in his apt description of a form of government by officials (Erero, 2003:72), to the mid-nineteenth century when Max Weber (1864-1920), a German social philosopher, properly situated it within the broader context of authority dispensation, the term has been associated with inefficiency by some, while others see it as symbolizing the most efficient form or organisation possible (Weber, 1946).

According to Erero (2003:72), two Italian scholars, Gaetano Mosca (1858-1914) and Robert Michels (1876-1936), while positing that all political systems are controlled by a dominant elite, had gone ahead to identify bureaucracy as one of such groups that can wield power in a society. For instance, while Mosca speculates that all existing governments of his time are either feudal or bureaucratic; Michels was emphatic in his view that all modern organizations are necessarily bureaucratic.

Writing in another context, Leeds (1980:251) corroborated Michels position that, to some extent, bureaucracy is inevitable in any organization, and Adebayo (1981:27) while elaborating Weber's specifications for an ideal bureaucracy had noted that though the concept "has inherent elements that make its processes often cumbersome or distasteful to its public clients, yet it is indispensable and indeed an instrument for the achievement of efficiency in all large organizations".

Though most scholars are quick to align their definitions of bureaucracy with the Weberian characterization of formalism, adherence to rules and regulations, and hierarchical arrangement of offices and officials, yet some, in addition to the above scenario, have seen the term as being synonymous with the activities of government officials. For instance, Adebayo (1981:18) stated that "the term 'bureaucracy' is often heard and used in connection with the conduct of public affairs and the activities of public officials in particular". And as if to confirm this he had in a later work (Adebayo, 1985:3-4) also used the term to describe the activities of lethargic officials in the colonial civil service who delayed his appointment into the service for three and half months in 1955. In this case it is clear that his interpretation of bureaucracy is not merely in terms of mere "activities of public officials" but more rightly in terms of an unimaginative, tardy and opprobrious set of officials who sabotage public ideals and clog the wheels of government business. Granted that he was quick to point out "that this (obnoxious) impression is not confined to the Nigerian public service or those of other underdeveloped countries" (Adebayo, 1981:18), yet the fact that, as Ikelegbe (2005:101) has noted, the bureaucracy is strategically located to generate and/or initiate chunk of public policies makes it imperative that

it must be fine-tuned, refined and refocused to achieve the over-riding objectives of the contemporary Nigerian society.

Consequently, while accepting the Weberian proposition that bureaucracy can be used to represent a technically advanced form of organization possible, or the administrative structure of modern organizations, yet in our present circumstance of displacement of goals by public officials this paper subscribes to the notion that bureaucracy, or more rightly, public bureaucracy as presently constituted is the bane of our national development effort. Hence, in the work, the term *bureaucracy* is used synonymously with the civil service.

Admittedly, a formal structure like bureaucracy would have required structural theories like scientific management theory or even system theory as an analytical framework. Nevertheless since the study we are about to undertake centres majorly on how reforms in the structural arrangement of the civil service in Nigeria has been inadequate in scope and content leading to demand for more reforms, it constrains us into making a hunch that probably the reforms have failed principally because they were not people-centred. Consequently, we see the human relations theory as an apt framework for locating this study.

Elton Mayo in his epic studies at Hawthorne Electric works, Illinois, Chicago, had highlighted the place of special recognition to workers in an establishment in meeting organizational objectives (Nwachukwu, 1988:27). The result of that study revolutionised the thinking and activities of both managers and scholars in the area of human motivation in organisations. In this instance too, it may not be out of place to posit that social and psychological issues need to engage the attention of government in subsequent attempts at reforming the civil service if the service is to occupy a pivotal place in public policy formulation and implementation in the country. In a globalised world shot through with e-government only a committed civil service can hope to bring this about. This commitment, we believe, can only come about if more attention is paid to the workers per se than to structural issues.

### **EVOLUTION OF THE NIGERIAN CIVIL SERVICE**

Though pockets of administrative structures were established by major trading concerns in the different “nations” that were forcibly congregated to form the country Nigeria, yet it was not until probably 1861, the year in which Lagos was annexed by the British, that the rudiments of modern public administration could be said to have been established in the country. Consequently, it will be a *non sequitur* to accept the position of scholars like Imuetinyan (2002:74) and Omoleke (2003:193) that the origin of the Nigerian civil service can be traced to the administration of Lord Lugard who was the Governor-General of the amalgamated protectorates of Northern and Southern Nigeria between 1914 and 1919. In fact as if to expose the ahistoricity contained in the above proposition, Yesufu (1984:34) and Otopo (1995:16) had in another context noted that the first trade union in the country, the Southern Nigeria Civil Service Union (renamed Nigeria Civil Service Union), was formed in 1909 but officially recognized on August 19, 1912. If therefore there were no civil servants by then it seems very unlikely that a union could have been contemplated to protect their interest. Indeed on the contrary, it is apposite to argue that British colonial imperialism succeeded in its early stages of incursion due largely to the dexterity of the staff who were employed to run the “pacified” territories in both the Northern and Southern Protectorates of Nigeria.

Upon consolidating their hegemony, the colonizers proceeded to superimpose their mode of public administration on the newly evolving Nigerian state. According to Oronsaye (1993:19), the British colonial masters, in administering the Nigerian colony, divided the civil service into two branches: *Departmental administration* and *Political administration*, with the former corresponding to their *specialist cum professional* group of personnel and the latter to the *generalist* officials. It must be re-iterated here that the British civil service at home distinguishes between two sets of officials – those who advise (specialists/professionals), and those who administer (generalists). Hinging their conviction on the belief that there are certain social problems which are best resolved through the commonsense knowledge of educated non-professionals, and probably in an attempt to preclude the services from being bogged down by the problem of “*departmentalism*” (used by Leeds (1980:252) to indicate rivalry between departments in contributing to government’s primary objective), the British civil service confers on the generalists the right to occupy the top posts in the service and in that vantage position formulate policies, advise political office holders, and exercise financial controls, while conversely the specialists are bequeathed the job of offering expert advice to the former.

The foregoing forms the context in which the nascent colonial civil service in Nigeria was built. Recruitment into the service was carried out along these lines with graduates in the humanities and social sciences absorbed as generalists and expected to fill top administrative posts like District Officers, Assistant District Officers, and Administrative Officers; while technical graduates were hired to fill the vacancies in health, public works, agriculture, and forestry departments. Sequel to this arrangement the administrative officers served as the engine room of colonial administration helping with the collection and remittance of taxes and enforcement of the law-and-order administration of the colonizers, while the specialists concerned themselves with performing technical jobs of road maintenance and other public works in addition to proffering pieces of advice on issues within their competence.

It is instructive to note here that, based on the “capitalist rationality of minimum investment for maximum output” (Ake, 1981:43), only very little reforms were carried out in the morphology of the colonial service and, even at that, only when it was totally unavoidable. The first republic politicians (1960-1966), constantly mindful of the fact that their primordial objective of being in government was to convert political power into a linchpin for primitive accumulation (Ake, ed. 1985:4-7) concerned themselves more with activities aimed at feathering their corporate nest, and bickering over attempts by opposing elites to supplant them. It was now left for the military usurpers, after their incursion into politics beginning from January 1966, to institute the first major reform measure aimed at re-structuring the country-wide bureaucracy for effective service delivery.

This reform which was mid-wived by the regime of General Yakubu Gowon in 1974 had come against the backdrop of the fact that the colonial civil service though highly unified and centralized (up till 1954) did not conduce to efficiency as its emphasis on generalists versus specialists dichotomy had actually bred departmentalism and frustration especially for the latter group, while the regionalism policy started in 1946 and accentuated in 1954 coupled with the floundering administration of the first republic politicians at the centre has culminated in the eluding of the federal civil service by competent bureaucrats. With this kind of setting a review

to correct the perceived anomalies enumerated above was inevitable.

Additional reform measures were initiated by subsequent military rulers in 1988 and 1996, all aimed at confronting the imperfections of preceding reforms on the one hand, and on the other hand, re-positioning the bureaucracy as the pivot of institution-building and socio-economic progress in the country. Indeed as Ikelegbe (2005:103) has said:

*The bureaucracy is the most important actor at the level of implementation. It constitutes the administrative machinery for executing public policy. It possesses the structures, processes and staff for effectuating public policies. Public officials are responsible for coordinating, monitoring and enforcing implementation activities. The capabilities of the government's public administration, in terms of expertise, ability, orientation and experience, determine to a large extent the success of implementation.*

Unfortunately, however, it is doubtful if beyond the formal pronouncements, mobilization, public launching accompanied with fanfare and official gazetting of the policy instruments announcing these reforms, the transformation of the public bureaucracy in Nigeria along the desired direction has been achieved. An abbreviated analysis of the main thrust of some of the reform measures undertaken in the Nigeria civil service will occupy us in the next section, the essence of which is to enable us draw our conclusion on the palpable trajectory of the reforms and what needs to be done to ameliorate the apparently *cul-de-sac* situation.

### **ADMINISTRATIVE REFORMS IN THE NIGERIA CIVIL SERVICE**

Historically, the Nigerian civil service is a colonial creation. Granted that the Nigerian state in the Eastonian sense, as we know it today, did not take off till the January 1914 amalgamation, yet, as corroborated by Adu (1969), rudiments of a public bureaucracy had long been established in the conquered Nigerian "nations" brought under British rule in piecemeal beginning from the 1861 annexation of Lagos. Each inroad made by the rampaging imperialists was accompanied by the setting up of an administrative structure in the area. Hence, prior to 1914 there were well recognized political structures in the colony of Lagos beginning from 1866 and later in the Oil Rivers Protectorate where this was legitimized with the appointment of Sir Claude McDonald as its first Commissioner in 1891 (Crowder 1968:121). In 1900, the British government took over the administration of the Niger Basin, hitherto under the control of the Royal Niger Company, by revoking the charter earlier granted the company and proclaimed it the Protectorate of Northern Nigeria with Sir Frederick Lugard as its High Commissioner. Consequently, it is obvious that the amalgamation of 1914 only helped in unifying and consolidating a rag-tag administrative machinery that had been planted in different parts of the country.

Suffice it to say, however, that the driving motif of British imperialism in Nigeria which was mercantile interests only provided additional leverage for them to cue the colonial civil service for a law-and-order administration (Omoleke, 2003:194) as it is only within this arrangement that domestication of the natives and expropriation of their resources for development of mother Europe can proceed unhindered. As a corollary, due to this cavalier attitude of the colonialists, the civil service up till 1943 was divided strictly into *European posts* and *African posts* with the expatriates expectedly occupying the positions in the higher echelon of the service, while their

hapless Nigerian colleagues, no matter how qualified, were condemned to performing only routine hygiene roles. According to Coleman (1986:163-4):

*Before 1943, no African had participated directly in policy formulation at the central executive level. Furthermore, with few exceptions, Africans were excluded from the various councils and boards appointed by the government to advise on specific problems.*

Explaining the rationale for the blanket ban placed on the few educated Nigerians in the filling of vacant senior administrative positions in the service, Coleman (1986:156) averred that it was a fall-out of the wholesale implementation of an earlier dispatch by Sir Frederick Lugard to her majesty's government in 1920 that: "the interest of a large native population shall not be subject to the will of a small minority of educated and Europeanized natives who have nothing in common with them, and whose interests are often opposed to theirs..."

Interestingly, this "administer and report to Westminster" standard set for the colonial civil service (Imuetinyan, 2002:75) also had its inherent disadvantages as the deep-seated distrust between the European super-scale officers and the African manipulative class, coupled with the wide disparity in pay packages between the two groups in the face of a war induced galloping inflation, snowballed into the Cost of Living Allowance (COLA) general strike of 1945. The aftermath of the strike led to what can be dubbed the first concerted attempt by the British colonial government to reform the bureaucracy. It established the Tudor Davies Commission of Inquiry in October 1945 to inquire into the immediate and remote causes of the strike. According to Ananaba (1969:60), in its fearless 225-page report covering special problems of Nigeria, the development of trade unionism and industrial relations, the Tudor Davies Commission recommended *inter alia* a 50% (fifty percent) increase in COLA for African employees with effect from the period the strike ended and the strengthening of the labour movement in Nigeria through the appointment of a new Registrar of Trade Unions and other qualified labour officers.

Ananaba (1969:66-71) also reported of the simultaneous inauguration in 1945 of another commission to inquire and make recommendations on the structure and remunerations of the civil services in British West Africa. This Commission which was headed by Sir Walter Harragin, then Chief Justice of Gold Coast (now Ghana) toured Nigeria and took evidence at the same time that Tudor Davies Commission was sitting. Its recommendations, though in some cases rejected by the Nigeria Civil Service Union, the Association of Nigeria Railway Civil Servants and other public service unions extant in the country as at that time (Ananaba, 1969:70), led to the abolition of the European versus African posts dichotomy in the civil service and in its place the institutionalization of a new regime of "Senior Service" and "Junior Service" with an "expatriation pay" for European officers serving in the country. Unfortunately, however, in spite of its seemingly far-reaching recommendations, the new nomenclature only served to accentuate the old divisions within the service (Imuetinyan, 2002:75).

It is ironic to note that while Britain was busy test-running one ascriptive system after another in her Nigerian colony, she had following the adoption of the Trevelyan-Northcote Commission Report of 1853, created the British Civil Service Commission which beginning from 1870

recruited civil servants mainly through competitive examinations (Porter, 1959:26; Keller and Crowther-Hunt, 1980).

These colonial commissions (including those of T.M. Cowan, 1948; Hugh Foot 1948 which had advised on the *Africanisation* of the civil service; and Mr. Justice N.J. Brooke, 1949) and their recommendations as generous as they may appear were not in tandem with the yearnings and aspirations of a country which, following from the end of the second World War, was already clamouring for self-rule (Williams, 1980:34). Hence it appears that concession by the British authorities to demands for reform of the colonial civil service only led to agitations for more reforms. Lending credence to this assertion, Mukoro (2003: 156) had averred that:

*The need for administrative reform varies according to the nature of the political economy as well as the level of development attained by a state. Fundamentally, the objective of administrative reform is to re-organise the administrative system in line with the desired goals and aspirations of a government.*

Thus, in pursuant of the objectives of the Oliver Lyttleton constitution of 1954 which had regionalized the public service to legitimize the regionalism policy of Sir Arthur Richards, and by extension gone ahead to approve the Nigerianisation of the service, the Phillipson-Adebo Commission was set up in 1954 with the mandate to review and advise on the import of the policy and the best strategy for its implementation. According to Oronsaye (1993:27), the commission made a copious twenty-seven (27) recommendations, basic among which was the proposition for the establishment of a central public service commission and regional public service commissions for the recruitment and promotion of qualified Nigerians into positions hitherto held by Europeans and other foreigners in the respective services. Needless to say that in view of the tribal sentiments that coloured the politics of the nationalists of the era, whatever good intentions the Phillipson-Adebo Commission report may have engendered was sacrificed on the altars of *Peter Principle* (a situation where bureaucrats are promoted beyond the limits of their competence). The only import of the Commission's report was that it helped re-ignite Nigerian's interest in the colonial civil service, for according to Imuetinyan (2002:76), "before the Nigerianisation process, Africans lost interest in the civil service due mainly to its racial nature. They did not feel a sense of belonging though they were proud to be' engaged in the service since it was a status symbol in African society to belong to such a body".

On the heels of Phillipson-Adebo Commission Report came the Gorsuch Report. Mr. L. H. Gorsuch was appointed in September 1954 to study and recommend a result-oriented civil service structure that will befit an independent Nigeria operating a federal constitution. Hence his assignment involved how to make the formerly unified civil service, now regionalized, operate at an optimal level. His report discarded the earlier delineation of the service into "Senior Service" and "Junior Service" (introduced by the Harrington report of 1945) and in its place divided the service into four classes, namely: (i) the sub-clerical and manipulative class; (ii) clerical and technical class; (iii) executive and higher technical class; and (iv) administrative and professional class. Each of these classes was further divided into several groups known as cadres (Oronsaye, 1993:20). Acknowledging the far-reaching positive consequences of the report, Imuetinyan (2002:75) enthused that:



*In fact, the report was 'a turning point in the development of the Nigeria civil services in particular and the public services in general'. The formal structures of administration in contemporary Nigeria - the ministries, non-ministerial departments and public corporations grew out of the secretariat and departmental organizations that had existed within the colonial government before independence.*

It may be instructive to note that despite the seemingly delectable provisions of the Gorsuch report, integration of some departmental organizations or services with the administrative arms proved problematic in ministries with peculiar characteristics like that of works and agriculture, and to resolve this, another commission headed by Mr. A. F. P. Newns was instituted in 1959.

So it was that at the time of flag independence in October 1960 Britain had tinkered with various reform instruments aimed at making the Nigerian civil service an efficient and ebullient one. Unfortunately, however, their interest in modelling the service in line with the prototype in Westminster was checkmated by their parallel desire to use the service basically for Levantine commerce and brigandage.

On attainment of flag independence, the Nigerian civil service not only underwent a structural change from one predominantly staffed by expatriates to one being gradually Nigerianised, it also underwent a directional change from one inappropriately skewed toward law-and-order administration to one on whose pivot hinges the hope of a fast-track development process. But as with everything that had to do with the first republic politicians, the pursuit of perquisites of office and the alluring nature of the Government Reservation Area (GRA) vacated by the colonial masters precluded them from harnessing the potentials of the newly emerging crop of local bureaucrats whose training had equipped them to play a decisive role in their country's history. Rather the politicians busied themselves carving out more ministries, parastatals and extra-ministerial departments in order to create "job for the boys", water their ego and extend their sphere of influence. A related problem thrown up by their political indiscretion was the foisting of Peter Principle on the service.

Not surprisingly, the only impact they made on the civil service during their tenure was one that carried pecuniary benefit: the Morgan Commission of 1963/64 that recommended a comprehensive revision of wages and salaries and the delimitation of the country into six wage zones (two in the South and four in the North) each with its own minimum wage (Imuetinyan, 2002:78).

As if the military were the ones destined to make ground-breaking changes in the Nigerian civil service, even the second republic politicians did not differ much in their disposition to the operating environment of the civil servants and how this impinges on the quality of their service delivery. In place of this universal objective they occupied themselves, like their first republic counterparts, with primitive accumulation. In fact, as noted by Osoba (2000:481):

*The circumstances and conditions under which the politicians of the Second Republic acceded to power on 1<sup>st</sup> October, 1979 ensured that they would put corrupt enrichment at the top of their political agenda.*

In Nigeria, contestation for political offices is an investment and once elected into office it becomes a matter of morbid necessity to recoup one's earlier losses and move ahead to accumulate profit for the rainy day. Thus the only conclusion one can draw on the *laissez faire* attitude of the first and second republic politicians to the near comatose status of the civil service of their time is that, circumspectly, the more the service approximates to the asphyxiated picture described above the better for them as there will be no officious bureaucrat insisting on a faithful application of public service financial memoranda at times of political expediency.

Apparently in an attempt to justify their claim to being reformist in nature, and, perhaps more rightly, in response to the tenor of the time, the praetorian regime that shoved aside the first republic politicians in 1966 commissioned the first major comprehensive inquiry into the *modus operandi* of the Nigerian civil service. Though the General Yakubu Gowon regime's which wrestled power in July 1966 from the Major-General Thomas Aguiyi-Ironsi group has been accused of conferring unfettered latitude and leverage to civil servants especially those at the top echelon of the hierarchy in the formulation and execution of policies (so much so that some were dubbed "super perm-secs"), yet his administration has gone down in the history of Nigerian public administration as the regime that changed the face of the civil service forever. The Public Service Review Commission which it inaugurated under the headship of Chief Jerome Udoji produced in 1974 an epochal report which identified the basic problem of the service as that of management and consequently went ahead to recommend a combination of the American management strategy, Management by Objectives (MBO), and the Planning, Programming and Budgeting System (PPBS) as a panacea to the miasma (Mukoro 2003:152).

In addition, the Udoji report tackled headlong the festering problem of bad-blood between the dichotomized generalists and professionals in the civil service by proposing "the abolition of dual hierarchies in ministries and a complete integration of all senior management posts within a ministry into one pyramid" (Report of the Public Service Review Commission, 1974: Para 111) with a permanent secretary at the head.

As salutary as the Udoji report appeared to both bureaucrats and observers it was obvious within few years of its implementation that it was probably out-moded at birth. The politicization of appointments into the civil service by the second republic politicians between 1979 and 1983 only helped to accentuate calls for its review. The new military government's response was the inauguration of an eight-man team "to re-examine the service and its structure, determine the extent of over-staffing, operational style and ability to cope with the demand of government in the 80s and beyond" (Mukoro 2003:153). The group headed by Professor Dotun Phillips submitted its report in 1985 and it was gazetted as the "Civil Service Reorganization (Decree No.43) of 1988". The hallmark of the report was the professionalisation and politicization of the civil service. On professionalism, the guidelines for implementation of the reform had this to say:

*Every officer whether a specialist or generalist, will now make his career entirely in the ministry or department of his choice, and thereby acquire the necessary expertise and experience through relevant specialized training and uninterrupted involvement with the work of the ministry or department*

(Federal Government of Nigeria: Implementation Guidelines on Civil Service Reform, 1988:7).

Consequently, the report abhorred inter-ministerial transfers. It also went ahead to politicize the highest echelon of the service by not only re-designating the position of permanent secretaries as "Director-Generals" and placing them under the control of Ministers or Commissioners, but more importantly tied their appointments to the life of the regime that appointed them. So, invariably, they are to retire with the government they were appointed to serve. Other provisions of the report include: fusion of decisional authority and role in a ministry under a political head (Minister or State Commissioner); a new organizational structure for ministries in terms of allowing only three mandatory departments and a maximum of eight operational departments to cater for the unique needs of a ministry; an audit alarm system; and selective application of the reforms to the local government system in the country.

The obvious contradictions between professionalisation and politicization contained in the 1988 reforms made it imperative that another reform be instituted to "repair" the earlier reform. Hence in 1996, a panel headed by Mr. Allison Ayida, a retired *super perm sec* was commissioned to re-examine the trajectory of the 1988 civil service reform. The report of the Ayida committee led to: the abandonment of the politicization aspect of the 1988 reforms; return of the designation of "permanent secretary" to heads of ministries; and reinforcement of the professionalisation objectives enunciated in both the 1988 reforms and the Udoji report of 1974.

Two years after assumption of office in 1999 the erstwhile administration of Chief Olusegun Obasanjo announced on August 15, 2001 its forwarding of a bill to the National Assembly seeking another reform of the nation's civil service structure. This time the rationale for the bill is the belief by the executive that efficiency can only be imbued into the civil service if the president is allowed to fire any civil servant he so deems fit. The logic for this agitation is hinged on a nebulous provision in the 1999 constitution which allowed the president to hire and fire some top ranking officers in the federal civil service like secretary to the federal government, ambassadors, permanent secretaries, and head of the civil service of the federation. It is not the intention of this work to delve into the propriety or otherwise of the former president's motive, but suffice it to say that it adds up to the series of reform measures intended to make the Nigerian civil service a model in Africa.

The most recent notable attempt to reform the public bureaucracy in Nigeria was in March 2004 when President Olusegun Obasanjo and his ministers at the end of a special presidential retreat summoned for the purpose entered into a "Service compact with all Nigerians" (SERVICOM). The thrust of SERVICOM, unlike the avalanche of preceding reforms, is on attitudinal change among bureaucrats in Nigeria. According to President Obasanjo in his address at the retreat:

*Regrettably, Nigerians have for too long been short-changed by the quality of public service delivery by which decisions are not made without undue outside influence, and files do not move without being pushed with inducements. Our public offices have for too long been show cases for the combined evils of inefficiency and corruption, whilst being impediments to effective implementation of government policies. (The Servicom Book, 2006:1)*

Invariably, for the government, a search for an enduring solution to the recurring problem of inefficiency in the Nigerian civil service will require no less a remedy like SERVICOM. And as part of measures to achieve the ideals of the latest reform the charter was not only to come into effect on July 1, 2004, but was to be displayed in every government office in addition to being accorded the status of a unit (Ministerial Service Unit) in every ministry with a Deputy Director as its Nodal Officer (The SERVICOM Book, 2006:89).

Interestingly however, beyond the official launching by the various government offices of their SERVICOM units it is difficult to ascertain if government's avowed intention in this regard has been met. Our believe is that SERVICOM may not provide the much desired change in the country's civil service since its emphasis is more on service to the clientele than on the civil servant per se.

This recurring divergence between government's projections and actual results from reform programmes in Nigeria's public bureaucracy therefore places a serious question mark on the utility of the reform measures *ab initio* and consequently, the imperative for discovering the most viable alternative open to government if its policy designs and implementation machinery is not to be incapacitated by inertia.

### **THE NIGERIA BUREAUCRACY: BEYOND THE CLICHÉ OF REFORMS**

Having analyzed in broad strokes major themes in the evolution of the Nigerian civil service, one incontrovertible fact open to us is that though administrative reforms in the country has been pervasively recurrent, unfortunately, this prodigious output of reform policies and programmes have not translated into efficiency in the civil service. Granted that change, they say, is ubiquitous and hence reforms of government's basic institutions of administration must be expected as and when due, yet the frequency of its occurrence and the appalling results from such exercises show in clear relief that the missing link in public bureaucratic management in Nigeria lies outside mere structural reforms.

It is arguable if there is any administration right from the colonial era to the present that has not expressed its avowed commitment to improving the productivity of civil servants, but on a critical analysis their policy instruments and its concomitant results have always belied that manifest intentions. For instance, as acknowledged by Nicolson (1969:74), the administration of Lord Lugard which as the first in the newly amalgamated Nigeria could have set the pace in the restructuring of the civil service exhibited a large dose of centralization and absence of devolution of powers. Expectedly, successive colonial governors did not differ much from this pattern of administration. The result is that the colonial masters while enunciating policies to infuse efficiency into the public bureaucracy of their era also at the other extreme of the continuum stifled the same objective through their law-and-order administration cum indirect

rule policy. Besides this seemingly innocuous lid placed on personal initiative by the colonial administrators, another dysfunctional aspect of their reforms was its overwhelming emphasis on pecuniary issues as if though money constitutes the only objective for which the natives joined the civil service. As empirically demonstrated by Herzberg (1966), money to the average worker in an organisation is a mere "satisfier" and not a "motivator". This may be the rationale why in spite of the periodic increases in the wages of civil servants in the country beginning from the colonial era till now morale has always been low.

As earlier noted, part of the process of legitimizing our impending flag independence was the vigorous attempt by the regional governments, especially those in the southern part of the country, to Nigerianize the civil service beginning from 1954. However, the pursuit of this policy objective produced its own contradictions as the recruitment, training and promotion of supposedly "qualified" Nigerians led to clannish appointments, nepotism and, worse of all, Peter Principle.

All the administrative reforms embarked upon by our post-independence rulers taken together are likely to appear very encompassing and revolutionary to a cursory observer, but objective analysis has proved that they are redundant and out-moded at birth. For instance, though Adebayo (1981: 122) and Mukoro (2003: 152) agree that the Chief Jerome Udoji report of 1974 is a rehash of the Fulton Report of 1968, yet Adebayo (1981) went ahead to caution that the British owners of the Fulton report have long jettisoned it. His conclusion is that, to the extent that the Nigerian civil service is still organized along the precepts of Udoji report implies that it will exhibit reactionary tendencies and hence "grossly inadequate to perform the functions of managing an economy aspiring towards modernization" (Adebayo, 1981:122-3).

By and large it is apparent that our plethora of reforms in the civil service has not scored a bull's eye. In fact, if anything it appears the reforms have been long misconstrued, misdirected or misapplied. Part of the reason given to explain this divergence between theory and praxis in the Nigerian civil service is due its colonial heritage. Most public officials in Nigeria, especially those in the lower rungs of the ladder, still see the civil service from the eyes of "another man's work". According to Adebayo (1981:180), this perception of some civil servants concerning their job is a logical carry over from the colonial era when the natives employed in the colonial civil service saw their job as service to the white man – a service which requires no commitment because it cannot be finished in one day no matter how hard one tries. In fact, writing on the way early Nigerians regarded the civil service; Marinho (1986) had this to say:

*It was an organization in which the indigenous participator regarded himself, and perhaps correctly, not as an owner of, nor even a partner in, the service but as a hired labourer with his monthly cash payment as the only motivation to work and as the only connecting link, a very tenuous one, between him and those he professed to serve... In short there was not much of feeling of belonging (Quoted in Nnodozie, 2004:55).*

The attitude of the British colonial administrators to their Nigerian "slaves" who they treated as second class citizens, expectedly, elicited in the latter resentment and indifference to their job. Consequently, the search for how best to transform the Nigerian civil service into a

development-oriented institution will form the concluding part of this work.

### **CONCLUDING REMARK**

Ikpe (2001:288) after an incisive analysis of the impact of the 1988 civil service reform averred that:

*.... the problems of civil service in Nigeria is yet to be solved as the civil servants are still grappling with problems such as retrenchment of staff, non-payment of salaries, non-productivity, bribery and corruption and nepotism ....*

The above statement, as blunt as it may appear, objectively underscores the need for a management strategy that will fast-track the pace of service delivery in our public bureaucracy. Hence, we posit that if the human relations approach is applied in the management of Nigeria's civil servants we may well be on our way to sustainable development. Development per se is people-centred as its essence is the welfare of the people; thus if the human relations approach which places emphasis on participation and communication between people (higher and lower rank officers) in an organisation is employed in organizing the civil service, then all things being equal, it will help in consolidating the gains made in other areas of the economy.

Certainly, there is no one-for-all policy measure that will provide the magic formula for transforming the Nigerian civil service to the one of our national dream; indolence and nepotism cannot be legislated out of existence by fiat neither can jumbo pay packages eliminate bribery and corruption in the service, but if a little bit more attention is paid to the worker per se rather than on politicization and formalization of the interactive process within the system then much could be achieved for the overall benefit of both the service and its clientele. As captured by Okobiah (2003:8): "some of the civil servants for various reasons have no job satisfaction. This lack of job satisfaction leads to all sorts of vices and low morale. It is indeed true that some of the conditions of service are poor, but job satisfaction is a psychological one".

The civil service being that arm of the state specially recruited by government for the formulation and implementation of its policies and programmes implies that no matter how laudable a government programme may appear, the unseen hand behind its articulation and execution is the civil servant.

Retrospectively, between 1999 and 2007 some fundamental restructurings were undertaken by the erstwhile regime of Chief Olusegun Obasanjo in key areas of the economy like telecommunication, information technology, banking and insurance sectors. And if the maxim that "governments go and come, but the civil service remains" is anything to go by, then the latter constitutes the critical variable in the sustainability of the gains of these afore-mentioned socio-economic reforms.

Consequently, what is required is a human-centred reform that cultivates the support of civil servants and hence galvanizes them for efficient service delivery. In the words of Adebayo (1980:115) we must now devise measures, convincing in their intention, to give public servants a sense of pride in their work and career, to create in them a feeling of belonging and to foster in them a sense of participation in the task of nation-building." The time to do this is now.

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## **KIDNAPPING, HOSTAGE TAKING AND NATIONAL SECURITY THREATS IN NIGERIA: A SYNOPSIS**

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**ABSTRACT:** *This work is a synoptic evaluation of the menace of kidnapping and hostage taking in Nigeria which has greatly posed great safety and security threats to citizens and foreign nationals alike. The work tried to methodically present the concepts of kidnapping and hostage taking, the peculiarities of hostage taking, the political economy and possible solutions to this social pathology in Nigeria. In treating this topic, the work relied on such secondary sources as; government reports, surveys, gazettes, newspapers, journals and texts that are relevant to the study. These materials are logically chosen and organized to replicate the random sampling method of scientific inquiry. The recommendations presented in the study are intended to inform policies that will help stem this dastardly scourge in Nigeria.*

**KEY WORDS:** Kidnapping, Hostage Taking, Ransom, Nigeria, Organized Crime, Security Threat.

### **INTRODUCTION**

The end of the Cold War and the advancement of globalization became the seeds of new types of evil, the unintended consequences. As many experts correctly point out, transnational organized crime, international terrorism, illegal immigration, drug trafficking, human trafficking for sexual purposes, arms trafficking, and money laundering are all matters closely related to the end of the Cold War and the advancement of globalization (Williams, 1998). Since 1990, these issues have become major threats to the global community. To this long list, terrorist hostage-taking and kidnapping can be added as well.

Since the mid-1990s, hostage-taking and kidnapping have significantly increased as preferred tactics of political terrorists. According to police statistics, nearly 2,000 people worldwide have been taken hostage during the past 10 years (Poland, 2005; Yun, 2007).

Kidnapping is a difficult term to define precisely because many legal variations exist depending on the level of governance establishing laws and the conditions that may be specified or purposely remain general in scope. One legal dictionary notes that, "...kidnapping occurs when a person, without lawful authority, physically moves another person without that other person's consent, with the intent to use the abduction in connection with some other nefarious objective." Two common aspects of kidnapping are: (1) movement or detention must be unlawful. Under

various Nigerian state and federal statutes, not all seizures and movements constitute kidnapping: In the civilian sector, the police may arrest and detain a person they suspect of a crime. Parents are allowed to reasonably restrict and control the movement of their children. (2) some aggravating circumstances must accompany the restraint or movement. Examples of circumstances include a demand for money, a demand for something of value, an attempt to affect a function of government, an attempt to inflict injury on the abducted person or persons, an attempt to commit a felony, or an attempt to terrorize a third party(The free Dictionary). For example, in the US Federal kidnapping investigations, the categories of conduct that frame the crime are usually: limited duration kidnapping where the victim is released unharmed; kidnapping that occurs as part of another crime; and kidnapping for the purpose of ransom or political concession. Other legal considerations used to describe the crime involve duration of kidnapping and if the victim was injured causing a permanent disability or life-threatening trauma, was sexually exploited, whether or not a dangerous weapon such as a firearm was used, or if the victim was murdered during the kidnapping(Federal Sentencing Guidelines, 2007).

The past few decades have witnessed remarkable surge in kidnappings and hostage taking across the world. Experts claim that between 1982 and 2008, over 800,000 people have been kidnapped with the trend increasing exponentially in the 21st century (Bles, Mark & Robert Low, 1987; Global Kidnapping Watch).

At the international level, the recent surge of terrorist hostage-taking and kidnapping may be rooted in three facilitators: First, this is an unfortunate by-product of loosening national borders due to the end of the Cold War and ongoing globalization. As remnants of the Cold War disappear and globalization rapidly expands, more people enjoy traveling, working, and living overseas. Thus, more people become available targets of hostage-takers. On the other hand, a globally-integrated capitalism has produced more numbers of people who are alienated and disenfranchised from the prosperity of a globalized economy. Thus, the number of potential predators and hostage-takers has increased. Second, the renewed popularity of hostage-taking and kidnapping seems a byproduct of a series of important international developments in the war on terrorism. Since September 11, 2001, the U.S.-led coalition Islamic terrorists in various regions of the world, especially Afghanistan and Iraq . Responding to this massive military offensive, Islamic terrorists have adopted alternative ways to continue their fight and exact revenge based on the understanding that their conventional fighting capabilities are no match for the combined coalition forces. Hostage-taking and kidnapping have become two of the most valued weapons in the modern terrorist's arsenal. Last, the saturation of today's media coverage of terrorism incidents worldwide has also contributed to the recent surge of hostage taking and kidnapping. Due to sources such as the Internet and CNN, news on hostage-taking and kidnapping incidents in a remote area can be delivered to almost any part of the world in seconds. As a result of the ongoing clashes between the U.S.-led coalition forces and Islamic terrorists, a series of highly visible hostage-taking and kidnapping incidents have dominated the news worldwide with the assistance of mass media and the Internet. Terrorists have learned the usefulness of this high-level media effect of hostage-taking and kidnapping. Thus, they actively utilize this tactic for their causes.

In short, terrorist hostage-taking and kidnapping have recently become significant security concerns for the international community. Of course, not all kidnappings around the world are the sole responsibility of terrorist groups and insurgents. Organized criminals intent on extracting ransom also share some responsibility for this burgeoning business. Nevertheless, it seems certain that terrorist groups and insurgents play significant roles in this underworld business, just as terrorist groups and insurgents do in the illegal drug trafficking business (Bibes, 2001). Despite the seriousness of this issue, terrorist hostage-taking and kidnapping have rarely been topics of scholarly research. A handful of studies have been conducted thus far. Yet, even these studies failed to cover the recent development of terrorist hostage-taking and kidnapping after September 11, 2001. The primary reason of this rarity of study seems to be due to the difficulty of collecting systematic data.

Nigeria is number six on the world's kidnapping list. Now ranked among such countries like Haiti, Iraq, Afghanistan, Chechnya, Philippines, Colombia, Brazil, Venezuela and Mexico, Nigeria really need to press the accelerator to zoom out of this crowd fast. The country may find itself in the number one position if hostage taking is not nipped in the bud

In Nigeria, as an organized crime, kidnappings and hostage taking thrive on the apparent quick financial rewards of the business and relative less risk which reinforce this criminal transaction. Though kidnapping of oil workers for ransom is a favoured tactic of the militants, abuse and killing are rare. Working in isolated flow stations in the dense delta swamps, poorly guarded oil company personnel are very vulnerable and would be easy targets for these militias, were it a new policy to target and kill them. However, there are, as yet, no independent and credible media reports of mass killings of these oil workers in the Niger Delta. Indeed, history suggests that these sorts of rumours and insinuations-with oil corporations taking out full page advertisements in the Nigerian dailies suggesting a descent into terrorism-serve to portray a fully armed and dangerous Ijaw militia out for blood and set the stage for yet another cycle of ethnic cleansing reminiscent of Odi (FPIF, 2003). According to the immediate past Inspector General of Police, Ogbonna Onovo, between 2008 and 2010 Nigeria recorded over 887 kidnap cases. The police boss revealed that kidnapping was highest in Rivers State with 216 cases, followed by Anambra State with 191 cases, Edo 166, Akwa Ibom 100, Delta 85, Abia state 68 and Imo state with 61 cases. These statistics are by every standard intimidating and should be a source of concern to the people and the government at various levels especially as we get close to election period. These statistics, to say the least, are omen of the fragile security situation we may face during the elections proper (Nyam, 2010). Thus, ransom kidnapping and hostage taking are no longer restricted to the Niger Delta area, or Southern Nigeria. With reported cases in Lagos, Abuja, Owerri, and now Kaduna and Kano, this brand of terrorism has become a nationwide phenomenon; the entire country is now a kidnappers' den. As at 1999, kidnapping was not yet such an alarming problem except for reported cases of ritual kidnapping particularly during election periods, or as the myth states, whenever there was a change of currency. Nigerians in the South West have always talked about how human parts are used for money-making rituals or to acquire spiritual power, or the social menace of child theft; so, such phrases as gbomogbomo, ajaale or the link between Clifford Orji and the sale of human parts have been part of the local discourse. Ritual kidnapping is linked to metaphysics; ransom kidnapping is more about cash. By 2003, with increased agitation in the Niger Delta, militant groups in the area (MEND and others) had begun to kidnap oil company workers in order to press home their points about a re-

negotiation of Nigeria and the Niger Delta stake in it. Gradually, this degenerated into large-scale criminal activities involving hostage taking and ransom-collection. What was adopted initially as a tool of ideological struggle has since become a major source of livelihood (Abati, 2009).

In the Nigeria Delta region of Nigeria, kidnappings and hostage taking have emerge as one of the criminal full outs of the Niger Delta struggle for resource control and self determination which tend to have been mismanaged. Between 2006 and January 2008, these organized criminals have received over \$100 million (about =N= 15 billion). Within the same period, a total of 128 persons were kidnapped, 126 released and one dead and another with four fingers chopped off. Although there is a noticeable decline in the figures in the first half of 2009, there has been exponential increase in the level of desperation and ruthlessness exhibited by the kidnappers and hostage takers (Okaba & Nte; Okiro, 2009). More so, this criminal network also appear to be spreading fast into the non-oil producing states of Southern Nigeria and even in the far predominantly Islamic northern part of the country. It is therefore one of the social pathologies of the 21st century post- colonial Nigeria.

Kidnappings and hostage taking subject victims to inestimable psychological trauma as victims a tossed between hope and despair, and struggle with sentiments of guilt, hate and helplessness. These nightmarish experiences could last for hours, day, weeks and even months. In the Niger Delta region of Nigeria in particular and the country in general, kidnapping and hostage taking have been seen as;

- A product of extreme poverty caused by unemployment.
- Alienation of certain section of the society from the social surplus controlled by the ruling class.
- One of the negative falls outs of the Niger Delta struggle for resource control and self determination,
- A shift from the apparently more dangerous Pipeline vandalization and illegal oil bunkering to a less risky business of kidnapping and hostage taking,
- Manifestation of the manipulative gimmick of an extractive cabal in the region who benefit from these criminal activities,
- Symptoms of a failing state.

This work will therefore attempt to do a synoptic review of the menace of kidnappings and hostage taking in Nigeria and try to offer useful recommendations that could stem this ugly trend.

## **OBJECTIVES OF THE STUDY**

This study seeks to study seeks to achieve the following objectives:

- (a) To examine the etiology of Kidnappings and Hostage Taking in Nigeria
- (b) To examine the nature and dynamics of Kidnappings and Hostage Taking in the world and Nigeria in particular.

- (c) To proffer solutions to the menace of Kidnappings and Hostage Taking in Nigeria.

## **RESEARCH QUESTIONS**

The following research questions will guide the direction of the study:

- (a) What is kidnapping and Hostage Taking?
- (b) What are the peculiarities of Kidnappings and Hostage Taking in Nigeria?
- (c) What are the possible causes of Kidnappings and Hostage Taking in Nigeria?
- (d) How can Kidnappings and Hostage Taking be stemmed in Nigeria?

## **METHODOLOGY**

This study is going to rely extensively on secondary data for analysis. More so, the study will apply a historical approach to analyze the menace of kidnapping and hostage taking. As a major security issue enshrouded in covert operations, the use of primary data and quantitative analysis will be most inappropriate for this study. Consequently, the study will rely on documents from the Nigerian security agencies, Institute for the Study of Violent Groups, Journal articles, Literature, News papers and Magazines and other government documents that will be useful to this study. In choosing these materials, efforts were made to arrange them logically to approximate the simple random sampling method of data collection. There is however needful to note here, that the hallmark of any scientific enquiry is significant objectivity in research. This, I strive to do here. What ever sentiments that could have filtered into the research work should be overlooked as the author's oversight as long as it does not undermine the credibility of the subject matter under review.

## **THE NIGERIAN STATE AND STATE FAILURE**

In Nigeria, the crystallization of post colonial social formations in Nigeria led to the emergence of the state and the inherent class contradictions predicated on the struggle for the control of state power. Interestingly, the emergence of the Nigerians post colonial peripheral state fell short of the real mature capitalist state of the west Predicated on the struggle for the control of state power, specific institutionalized modality of class domination and characterized by an apparent differentiation and dissociation of class domination from the hegemonic ruling class, the social, economic force, capital and labour and even from the civil society itself (Ake, 1985, Eteng, 1998)

The autonomization of the mature capitalist societies therefore tend to moderate a lot of extremities of exploitation by institutionalizing the equal legal treatment of the unequal – the unequal being “capital” and “labour” and other “producers”. A major implication of the foregoing is that capitalist social democracy strives to thrive in most leading Western nations, largely because the core democratic values of FRATERMITY (Popular Sovereignty). LIBERTY (People's human rights embedded in the rule of law and due process) and equality (people's

socio- economic rights) are imbued and practised by people who regard them as fundamental values supportive of democracy (Nnoli, 1994, Eteng, Ibid).

Conversely, Nigeria's attempted evolution towards capitalist lines convoluted and got enmeshed in a perennial legitimacy crisis caused by the lack of the essential ingredients needed to nurture sustainable democracy. In this scenario, the manifest violence and repression of the Nigeria state arose. From grass root legitimacy, its perennial inability to deliver, the cupidity of the managers of state power, and their desperation to perpetuate themselves in power and the emaciation of the rule of law in the process became pervasive (Eteng, 1998).

Consequently, the Nigerian state is at war with itself and with everyone else. Faced with obvious extermination, the state embarks on all forms of manipulative antics to survive including the whipping up of hitherto forgotten primordial sentiments amongst the constituent groups in a bid to battle its illegitimacy. The Nigerian state is equally highly militarized and loses the capacity to mediate contradictions within and between political communities, becomes intolerant to opposition and becomes extra-sensitive to criticism. It diverts scarce resources to defence and security and punishes minority and vulnerable communities. A result of this status of the state is its inability to resolve the contradiction in the NDRN, where there are clashes between the interests of the multi-national oil companies (MNCs) that prospect and exploit crude oil in the region, the national bourgeoisie which is largely unproductive but rather connives with the foreign bourgeoisie to expropriate the people of the NDRN of their natural endowment (oil and gas), and the exploited people of the NDRN who are asking for control of the resources endowed them by nature as well as equitable distribution of proceeds from such resources. As Anele (2003:39) rightly observed, "... the state itself is inexorably involved in politics and the class struggle hence its inability to be impartial".

A state characterised as above easily resorts to terrorism in order to clamp down on dissenting groups. Criminologists see terrorism as a political crime which emphasises violence as a mechanism to promote change. Today, the concept has assumed different forms which range from revolutionary, state-sponsored, political to nationalistic terrorism. Though each may not be neatly demarcated from the other, some regard it as a criminal act whereas others see it as a violent political activity the purpose of which is to achieve a set goal – systemic change. Through terrorism the status quo or a particular regime that holds a similar political view with the terrorists. Nevertheless, for Gibbs, terrorism cannot be equated with political goals because it is not all terrorist actions that are aimed at political change; some terrorist actions may desire economic or social reform (Culled from Siegel, 1992).

We had said in the introduction that political crime encompasses terrorism. The state, groups and individuals could engage in terrorist actions or political crime. Political crime by the state or government could manifest in unlawful use of state power against real or imagined opponents through the use of blackmail, legal harassment, torture; unlawful detention and sometimes hire killing, that is, extra-judicial killing (Becker, 1967 op. cit).

No doubt, the modern state controls the means of violence. As Max Weber posited, the state has a "monopoly on legitimate violence" within a specific territory (Marshall, 1998:635). Thus, the provocative nature of state terrorism and its consequences cannot be overemphasised. It is for this reason that:



*... human rights campaigners and some criminologists have also raised questions about the way in which the state itself can use its monopoly of force in a criminal way, in the pursuit of socio-political and military objectives (for example, through torture, disappearance, and genocide). Some writers even argue that, only states can be truly terrorist because they have the wholesale capacity to deploy terror as a systematic mode of domination and governance (Marshall, 1998:501).*

Some analysts believe that the high level of unemployment and poverty in the Niger Delta region which is above the natural average is one of the precipitating factors that pushed some Niger Delta Youths into Kidnapping and Hostage taking (UNDP, 2006). This is because, ironically, while not justifiable by any means, the growing spates of criminal kidnappings has its root in the inequity, unemployment and break down of the educational and social structures, and value system in Nigeria. It is also emblematic of the disequilibrium in resource sharing. Furthermore, one can link the kidnappings and overall growth in the national crime rate and under development. In a country where the middle class has but all disappeared, kidnapping may be a low culture habit meant to target and open the high society and elite, especially in such restive regions like the Niger Delta (Okaba & Nte, 2008).

In the same vein, with a pervasive regime of poverty, an increasing army of unemployed youths, a ready pool of employable youths for political thuggery, the national result is militancy, which has found expression in all sorts of violence, including kidnapping and hostage taking in the Niger Delta. It is therefore a mismanaged negative fall outs of the ill feelings in the Niger Delta which the political elite tapped to capture power in 1999 and consolidate their grip on power in 2003. According to Edede, the politicians of the Niger Delta armed jobless educated youths of the region with Ak-47 rifles in their desperation to stay in power. This gave the youths an occupation: the politics of AK-47 gave birth to the economics of AK-47 and the Kalashnikov became an economic variable as the Niger Delta youths look to the creeks to engage their tormentors in a macabre dance of molten lead. The result of this is the current militancy, Kidnapping and hostage taking (Edede, 2006; Nte, 2008; Mitte, 2009).

Furthermore, in a bit to shift from the more dangerous organized crime of pipe- line vandalism and illegal oil bunkering, kidnapping and their backers merely shifted their illegal business strategies in the conflict-ridden Niger Delta as kidnappings and hostage taking seem more covert, easier and faster to conclude and huge ransom earned within a short period. It is just a transmutation of the criminal gangs in the Niger Delta (Nigerian Navy, 2009, Nte, 2005).

More so, kidnapping and hostage taking can properly be situated within the milieu of symptoms of a larger malaise, namely that pervasive kidnapping, is one of the major symptoms of 'failed' and 'failing' states. Failed states have never been identified in a monolithic fashion. Indeed, definitions often reflect the understanding of the institution or organization that is dealing with the term. For example, the UK Department of International Development (DFID) considers that a substantial lack of security is one of the most important features of this concept. The World Bank, on the other hand, gives a narrower understanding, since it associates the concept with low-income countries that are unable and/or unwilling to provide their people with the core functions of states. These functions comprise individual and collective security, protection of property, basic public services, and essential infrastructures (DFID, 2002; World Bank, 2004).

Most of the countries where kidnapping has been pervasive have been either failed or failing states – Baghdad after the 2003 invasion of Iraq, Columbia from 1970's until about 2001, and Mexico between 2003 and 2007. While Nigeria is not yet a 'failed state it could qualify as a 'failing' state characterized by a weakened ability to provide basic public serviced and wide spread corruption, irresponsible leadership and protracted internal conflicts (Knio, 2006; Okaba & Nte, 2008).

## **NIGER DELTA CRISIS AND KIDNAPPING**

Kidnapping and hostage taking in the Niger Delta region, coupled with the militant activities of several insurgent groups have drastically cut oil production in the country by about 25% and a revenue loss of over \$44 billion and counting. It has equally engendered capital flight as expatriates have deserted the region with massive loss in Foreign Direct investment in the country. The losses are therefore in calculable. (NNPC, 2009). Kidnapping has done a lot of damage to Nigeria. Nigerians and foreigners alike do not feel safe in the land. Investors are discouraged. Nigeria has become high risk investment destination. The ASI Global Response rate Nigeria second only to Iraq as the country with the greatest risk of kidnapping of foreign workers known as "white gold" (News Watch, 2009).

Interestingly, kidnapping and hostage taking in the Niger Delta region are significantly more complex than a casual observer could see. Initially, the targets were expatriate oil workers and the victims were usually released scot-free once the kidnappers made their point or were able to negotiate a deal with government. But the picture has changed. In most parts of the Eastern states, the fear of kidnappers is the beginning of wisdom. When in 2006, the Movement for the Emancipation of the Niger Delta (MEND) began the abduction of expatriate oil workers, their primary motive was to attract global attention deprivation, poverty and looming ecological disaster in the Niger Delta. The first such incident actually was on September 16, 2005 when a group called the Ijaw Youth Council (IYC) threatened to attack British nationals and shut oil facilities in the Niger Delta if the British police failed to release former Bayelsa State governor, Chief Diepreye Alamieyeseigha, who was arrested in London on money laundering offences.

This is because a lot of manipulation intrigues and rapacious business network are pervasive in this organized crime. Two layers of uncertainty persists as regards most kidnappings in the Niger Delta albeit Nigeria. The line dividing the politically motivated kidnapping that began in the Niger Delta and the proliferating criminal – minded money making venture is rather thin and extremely blurred. Secondly, while seemingly, the spate of kidnapping are home grown, the efficacy, audacity and robust way kidnappings happen in the Niger Delta region, suggest complicity of foreign criminal syndicates, if not directly, then in the supply of weapons and materials. Also, with the kind of money paid as ransom by oil companies, the criminals can afford to buy what they want or need (Nte, 2005; Esso, 2009).

As a corollary to above, it must be noted that credible intelligence reports have shown that the political class, some retired generals, traditional rulers and even some religious leaders are part of this criminal gang of kidnappers and hostage takers in the region. While some senior political office holders profit from huge security budgets allocated to contain the activities of these criminal elements, some retired soldiers provide the arms and logistics needed and share in the booty thereafter. It has also been discovered that some supposedly highly rated Pentecostal pastors profit from these activities when they act as negotiators for ransom and the release of the

victims. At the state level, governors are expected to keep the militants in check by their own devices, which always involve good money. In the event of high-grade kidnaps involving foreign nationals, the governors and oil companies put money together to pay huge ransoms to secure their release. Most times officials of the states and oil companies take their cuts leading to inflated sums and rifts between the negotiators and the militants on who takes the lion share of the booty. It has been alleged that when their relative peace in the creeks, some state officials, Joint Task Force (JTF) officials and some Niger Delta politicians encourage the militants to “strike” to make for demand for larger security budgets that could empower the security outfits in the state, including the police, navy and State Security service to be “empowered” to properly counter the threat (Tell, 2009). Some traditional rulers are not equally left out as they know the criminals and covertly support them for protection and pecuniary benefits (Defence Head Quarters, 2009; Independent Intelligence, 2007). Indeed, in a report published by Academic Associates Peace Works but carefully discountenanced by the Nigerian authorities, “There are many factors in hostage taking. Some use it as income generation activity. We also know that there are people who have been involved in sponsoring hostage taking because they benefit from the ransoms (AAPW, 2007). The implication of the above analogy is that to a great extent, kidnapping and hostage taking is an organized crime in the Niger Delta.

## **KIDNAPPING IN SOUTH EAST NIGERIA**

In the South-Eastern region of Nigeria, the scourge of kidnappings and hostage taking have reached embarrassing proportion. From what started as an interesting joke, since it was seen as a fake replication of one of the negative fallouts of resistance in the Niger Delta region, the situation has reached feverish level as the region is the hub of kidnapping business in Nigeria. Part of this stems from the apparent materialistic ethos prevalent in the region. Kidnapping in this region can best be seen in the light of organised crime to complement such criminal activities as armed robbery and internet fraud to achieve material success. The spate of kidnapping in the South East, especially in Abia State, the self-styled God's own state and Imo State, the so-called Eastern heartland, typifies the present state of anomie. The truth of the matter (with no puns intended) is that some of the South Eastern states have become imprisoned by their past. For instance, while Imo is now arguably the Heartland of kidnapping, Abia state, currently the most reported state (for the wrong reasons) has undoubtedly become the haven of kidnapers. Commenting further on this calamitous reality in the South-East region states of Abia and Imo, Onwukwe (2010) noted that “you will be terrified by the seeds of disaster now making people hostages to kidnapers. The neighboring Imo isn't different. It is therefore little surprise when the two states were recently listed by the World Bank sub-regional publication, Doing Business Report among the “most unfriendly states of doing business in Nigeria”.

## **SOUTH WEST NIGERIA AND KIDNAPPING**

Perhaps one of the interesting features of kidnapping in South West Nigeria is the tendency for this scourge to take a political dimension. This is viewed against the backdrop of the political volatility of the region. In this region, experts fear that in addition to kidnapping for ransom which underscores Nigeria's pattern of kidnapping, politicians in the South west may use it as a terror tool to intimidate political opponents. This position is corroborated by (Nyam, 2010) who stated that “These kidnapping activities are due to several reasons: they could be politically

motivated as some politicians would want to employ the services of abductors to intimidate or eliminate their opponents; some criminally minded youths also use kidnapping as a trade to eke a living, though on the fast lane. Bribery, blackmail and intimidation all go hand in hand with politics, but for the few who lack political skills to negotiate or, at the very least, bully the way to the voters heart, kidnapping and sometimes murder has been added to the list of political tools for bargaining. Time and again, events in the country, particularly in the south east and south west have proven that Nigeria is fast becoming a state controlled by kidnappers. There are almost no limitations to the crimes that can be committed in the name of politics. More so, the fact that the political climate in south western Nigeria is usually tense makes kidnapping a viable political tool in the hands of obvious desperate political class in Nigeria.

### **KIDNAPPING IN THE NORTHERN NIGERIA**

As stated in the preceding sections of this work, no region is immune from this social problem. What differs is the intensity and perhaps the motive. Northern Nigerian cities of Abuja, Kaduna and Kano have recorded cases of kidnappings for ransom. What is worrisome here is the possible hijack of this tool by extremists who can introduce new dimensions to the kidnap saga in Nigeria by engaging on terror based kidnappings and hostage taking in a world that is presently being haunted by ideological primitivism and religious extremism. The reality of this threat cannot be over emphasized if one considers the Abdul Mutallab case and the Boko Haram uprising in Northern Nigeria. Indeed, this region poses the greatest threat to both national and sub-regional security.

### **CONCLUDING REMARKS**

Because of the negative consequences of this social scourge, there is the need for concerted efforts to tackle it. Firstly, there is need to institute fiscal federalism to address the explosive feelings of marginalization in the country. Secondly, the problem of mass poverty and unemployment should be addressed to pull the teeming youths out of the abyss of crime including kidnapping and hostage taking. Perhaps more serious is the widespread poverty and unemployment in Nigeria. Not a few persons who have survived the ordeal of kidnapping have reported that the kidnappers in our midst are mostly young, educated ones who complain about hunger and unemployment. Relatives of prominent politicians have been abducted, and here, the kidnapping may be politically motivated, but there is almost always a class dimension to the problem: the poor turning against the rich and demanding ransom as punishment. The rich class in Nigeria is limited by its lack of enlightenment. They provoke criminal behaviour and turn themselves into special targets because they failed to realise long ago, that their safety lies in ensuring social security and justice for all Nigerians (Abati, *ibid*).

Thirdly the security apparatus of the Nigerian State should be re-organized to be able to tackle contemporary security challenges. Thirdly, There must be established a welfare state where there would be jobs, houses, healthcare, qualitative education and security for every citizen (The Guardian, 21st July 2010). Fourthly, this government should enact and issued National Plan for Public Safety, a comprehensive project aimed at preventing crime, reducing impunity, and “increasing the overall safety for all citizens.” The plan should assign a budget of approximately N75b and included 124 strategies to fight extrajudicial imprisonment, abduction and organized crime. The NPPS should advocate for total disarmament and gun control laws, provide for

professional training and police re-equipping, ordered an end to police violence, and promise to update legislation related to public safety.

Finally, efforts should be geared towards the enthronement of a credible leadership in the country where the social contract will be respected and implemented to prevent a further slide into the Hobbesian state of nature where life is solitary, nasty, brutish and short, and perhaps where humans can be kidnapped for ransom at will. The time to act is now to save the situation.

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## TEN COMMANDMENTS FOR ENTREPRENEURIAL EXCELLENCE

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### Abstract

*This article discusses the process of creating wealth through the creation of a distinctive entity that solves problems for others at a profit. The following ten steps can be described as the ten commandments for entrepreneurial excellence:*

- *Know yourself—strengths, weaknesses, likes, dislikes*
- *Develop creativity, innovation, and knowledge of your selected industry*
- *Select the right opportunity*
- *Plan to succeed*
- *Maximize revenues with an entrepreneurial marketing system*
- *Control costs and finances*
- *Turn profits into cash flow*
- *Minimize risks in the legal, administrative, personnel, and other organizational areas*
- *Grow the business profitably to create value*
- *Harvest value through an exit plan*

*This paper addresses each of those steps, and the overall process of creating wealth that they support.*

“Entrepreneurs and CEOs accomplish more because they are always thinking. Success is not only about financial success; it is about a lifestyle—people doing what they want to do.”  
--Joe Mancuso, founder of seven businesses and the Center for Entrepreneurial Management

The term “entrepreneur” has a wide range of meanings. Some think primarily of small business owners (SBO), who start a business and run it, generally more interested in current profitability than long-term growth and accumulation of value. On the other hand, there is the true entrepreneurial venturer (EV), who seeks not only to establish and run a business, but also to grow it and increase its value, ultimately realizing the increased value through an appropriate exit plan. Both the SBO and the EV seek to apply intellectual capital (IC) creatively and innovatively to solve a problem for someone else, earning a profit and creating wealth in the process. The EV does differ from the SBO in several key ways:

- Wealth creation – the SBO seeks to generate an income stream that replaces a salary or wage, while the EV seeks to build an enterprise with value in excess of its annual income stream
- Timing –the SBO seeks to generate a stream of net income over a lifetime, but the typical EV is looking to build the enterprise and cash out within a short period of time, typically 5-10 years
- Risk tolerance – the EV should have a higher risk tolerance than the SBO; the classic entrepreneurial opportunity is a high-risk, high-reward situation; the risk scares off those who lack the entrepreneurial motivation, enabling greater rewards for those who take the chance

The entrepreneurial life cycle is generally described as proceeding through the following phases:

- A. Recognizing problems, and generating ideas to solve them creatively and innovatively
- B. Identifying and evaluating opportunities, and selecting the right opportunity
- C. Establishing the enterprise
- D. Growing the enterprise and creating value
- E. Harvesting the value upon exit

Phases A through C concern both the SBO and the EV, and are the primary focus of most undergraduate courses in entrepreneurship. Phases D and E are generally of much more concern to the EV than to the SBO. These latter issues are usually addressed more at the MBA level than the undergraduate level.

Both the SBO and the EV seek to convert IC into wealth. The process is inherently risky. The SBA reports that roughly 50% of small businesses fail within the first five years ([www.sba.gov](http://www.sba.gov)). Michael Ames has identified eight reasons for small business failure (Ames, 1983), and Gustav Berle has identified two more (Berle, 1989). These boil down to variations on two primary themes – picking the wrong business or lacking proper cash/financial management:

PRIMARY REASON	AMES	BERLE
Picking the wrong business	Lack of experience	Competition
	Poor location	Low sales
	Unexpected growth	
Lacking proper cash/financial management	Insufficient capital (money)	
	Poor inventory management	
	Over-investment in fixed assets	
	Poor credit arrangements	
	Personal use of business funds	

What is needed is a way to navigate through the process of converting IC to wealth while avoiding the risks. This paper discusses a process for creating wealth by moving through the above phases to create a distinctive entity that solves problems for others at a profit. The “ten commandments” are based on the “seven steps to success” developed by one of the authors (Stowe, 2008), revised and augmented based upon academic research and real world experience of the authors. These ten steps and their relationship to the phases above can be seen in the following chart:

TEN COMMANDMENTS	ENTREPRENEURIAL PHASE
1. Know yourself.	A. Problem recognition/idea generation
2. Develop creativity, innovation, and industry knowledge	
3. Select the right opportunity.	B. Identifying and evaluating opportunities
4. Plan to succeed.	C. Establishing the enterprise
5. Maximize revenues with an entrepreneurial marketing system.	
6. Control finances and costs.	
7. Turn profits into cash flow.	
8. Minimize risks in legal, administrative, personnel, and other organizational areas.	D. Growing the enterprise
9. Grow the business profitably to create value.	E. Harvesting the value
10. Harvest value through the exit plan.	

This paper is intended as either a “how-to” instructional guide, advising the prospective entrepreneur how to proceed, or an outline for an entrepreneurial curriculum.

**ONE: KNOW YOURSELF—STRENGTHS, WEAKNESS, LIKES, DISLIKES, LIFESTYLE CHOICES, GOALS AND OBJECTIVES**

A common trait of successful people is that they know themselves - extremely well. They know their strengths, their weakness, their likes and dislikes, their lifestyle preferences, and their goals and

objectives. Pretending to be someone that he or she is not will not lead the entrepreneur to success or value.

There are a number of tools to assist a prospective entrepreneur in this process. Any edition of the *What Color is Your Parachute* series of career guides includes multiple excellent questionnaires and exercises to assist in this process (Bolles, 2010). One of the authors has also developed an approach that can be useful in getting to know oneself better—and in planning future self-improvement (Stowe, 2008). The task of acquiring knowledge about oneself is never complete. Done properly, it is an essential tool to assist in identifying and improving areas of weakness, while leveraging areas of strength.

Another important purpose of the self-evaluation process is to determine just how well suited one is for entrepreneurship. The Small Business Administration (SBA) has identified several questions that should be asked ([www.sba.gov](http://www.sba.gov)):

- Are you a self-starter?
- How well do you get along with different personalities?
- How good are you at making decisions?
- Do you have the physical and emotional stamina to run a business?
- How well do you plan and organize?
- Is your drive strong enough?
- How will the business affect your family?

Successful entrepreneur and author Phil Holland narrows this list down to three characteristics (Holland, 2010, p. 2): guts, brains, and capital.

Many people believe that the capacity for entrepreneurial success is something that one is either born with or not. That premise entails two problems: One, extensive research has failed to agree as to exactly what the traits of born entrepreneurs are, and two, if entrepreneurial success is something that people are either born with or not, then what value is there in entrepreneurial education? Serial entrepreneur and head of the BOSI Performance Institute, Joe Abraham, has identified four different personalities, which he calls entrepreneurial DNA types, together with specific recommendations as to how each DNA type should best approach entrepreneurship (Abraham, 2011), as follows:

- Builder – driven, focused, cold, ruthless, and calculating
- Opportunist – speculative, driven to be in the right place at the right time
- Specialist – build strong expertise, but struggle to stand out in a crowd
- Innovator – passionate about research and development

There are appropriate entrepreneurial paths for each type, according to Abraham. The prospective entrepreneur must determine which type he or she is, and proceed in the manner best suited to that type.

Self-analysis should include a resume of "formal" qualifications, a detailed chronicle of life and work experiences, a listing of any family or friends who were entrepreneurs and could conceivably serve as role models, and a detailed self-assessment of skills, training and knowledge of general business. It is important for entrepreneurs to discover what they don't know—and what to do about that. The self – analysis should also address likes, dislikes, and preferred lifestyle choices. Since doing what one enjoys is a key factor in achieving success, knowing and understanding these things can be extremely important.

A good way to pull thoughts together and complete the personal assessment is to prepare a personal SWOT (strengths, weaknesses, opportunities, and threats) analysis. Strengths characteristics of the

individual which can be useful in pursuing his/her goals, and weaknesses refer to characteristics of the individual which may limit or impair his/her ability to attain those goals, whereas opportunities represent potentially positive, and threats potentially negative, aspects of the external environment (See Stowe, 2008 for a format for a detailed self-analysis).

**TWO: DEVELOP CREATIVITY, INNOVATION, AND KNOWLEDGE OF AN INDUSTRY THAT INTERESTS YOU**

After completing the self-analysis the prospective entrepreneur must develop a plan to improve or develop the knowledge, skills, and attributes necessary to succeed, and to determine where and how best to use the knowledge and skills of others to supplement. Building upon the SWOT analysis, he or she must determine how best to utilize strengths, correct or minimize weaknesses, take advantage of opportunities, and avoid threats.

Three areas that should receive particular emphasis are creativity, innovation, and the knowledge of a particular industry.

An entrepreneur does not have to be an expert in detailed matters of accounting, finance, marketing, computer systems, law, or any of a number of other areas. What the entrepreneur has to know are: a basic understanding of all areas, and a comprehensive knowledge of the industry and the type of business that he or she is going to enter (Stowe, 2008).

In order to offer a superior product or service, it helps to have experience in that industry. Although there are certainly exceptions, generally people do best when they "leverage" their experience. The term "leveraging experience" means looking for a business where one has both an extensive knowledge of the industry and the right type of personality to succeed in that business. Even if the entrepreneur can't find a business where he or she can leverage his or her knowledge of that industry and personal skills, there may be a business that focuses on his or her strengths. Failure is more certain for those who jump into a business which they know nothing about. The natural tendency is to "try something new". Success in business requires producing a product or service and marketing that product or service more effectively than the competition. If not, people will buy from the competitor. It is important to build on past experiences rather than walk away from expertise. So, how does the aspiring entrepreneur develop knowledge about an industry? Holland suggests (Holland, 2010, pp. 8-9): go to work for someone in the same business, attend all classes needed, read "how to" books, and ask questions and seek advice. One of the problems that over-eager entrepreneurs face is jumping into a business without the necessary industry knowledge which leads to entrepreneurs getting into a business where they lack the expertise to solve their customers' problems profitably (Stowe, 2008).

Creativity is being able to create new ideas and ways to solve problems that provide opportunities. Innovation involves applying creative ideas to solving business problems. Innovation may take the form of new invention or process improvements for existing ideas of products.

The application of creativity and innovation may be straightforward or not, and may come through incremental improvements or quantum leaps. Consider two examples. First, Wal-Mart started with relatively small, but comprehensive, retail outlets in smaller cities, generally in the central region of the United States. They developed a business model in which they aggregated stores in several towns and served them from a centralized warehouse. The resulting savings on warehousing and transportation costs were passed on to customers without sacrificing their profit margins, enabling them to offer lower prices than stand-alone stores in the individual towns. They avoided large metropolitan markets, as at this point they lacked purchasing power to achieve similar pricing advantages in competition with urban "big box" stores. Executing this strategy required exceptional inventory management techniques. As Wal-

Mart expanded into multiple regions, they increased their purchasing power, and refined their business model to eliminate the need to purchase through wholesalers (Walton, 2011). When bar codes came into use, Wal-Mart combined them with its existing inventory management tools, and this enabled such things as real time purchasing. They finally had the tools to go into large metropolitan areas and take on the big boxes directly. Today, Wal-Mart is the number one retailer in the world. Second, the Boeing 747 ushered in the era of wide-body jet airliners. These aircraft are constructed with much larger cargo areas than previous narrow-body airliners, providing the ability to air ship more cargo at lower cost than previously. One obvious consequence is increased use of “just in time” inventory techniques in many industries. A less obvious one results because an ideal commodity to air ship, based upon weight-volume considerations, is chopped lettuce. Some enterprising entrepreneurs used the availability of air cargo to ship lettuce all over, and sell it to restaurants to stock help-yourself salad bars.

Peter Drucker has identified four indicators of impending change in the structure of an industry, the points at which creative and innovative solutions are most valuable and marketable (Drucker, 1986, pp. 83-84):

- The most reliable and easily spotted indicator is rapid growth of an industry
- By the time a rapidly growing industry has doubled in size, the way it perceives and serves its market has likely become inappropriate.
- The convergence of technologies that were previously seen as distinctly separate will predictably lead to sudden changes in an industry.
- An industry is ripe for basic structural change if the way it does business is changing rapidly.

Some points to keep in mind about creativity and innovation include:

- Inspiration comes from relaxation. Great ideas come when the brain is relaxed. When under pressure, the brain seems to shut out the subconscious mind, which is the source of new ideas. On the other hand, simply waiting for an idea may not work either. The key is to make conscious and continual efforts to observe, listen, and be highly sensitive to new ideas. It may be helpful to seek to convert a hobby or interest into a business, making use of skills and knowledge already possessed (Stowe, 2008).
- It is not necessary to "invent" to start a new business. It is not necessary to come up with a completely new, product. Marketability is more important than novelty. Many people become wealthy by taking a common business and adding their own personality to it (Stowe, 2008).

Wider exposure means a greater number of ideas. There are many ways to learn more about business opportunities, including traveling, reading, talking with prospective customers, talking with people in the same line of business (who usually share readily), talking with friends, joining clubs or organizations of people starting their own businesses, visiting the chamber of commerce, and consulting industry or trade associations (Stowe, 2008). The prospective entrepreneur should make a list of every business that he/she might consider and going to the above sources to obtain information about each.

### **THREE: CHOOSE THE RIGHT OPPORTUNITY**

A prospective entrepreneur asked author Stowe to review a lease agreement for a t-shirt store he planned to open, asking, “Is the contract legal?” The short answer was, “It is if you sign it!” However, the bigger issue was that the high cost of the mall’s rent meant that the t-shirt store would have to sell one t-shirt to every teenager in the community just to pay the rent. Fortunately, his wife vetoed her husband’s “we can make it” attitude. What was really driving him was that he was a pipeline draftsman whose employer was shifting to computerized CAD programs and laying off many of the draftsmen, and he wanted to start a

business before he got fired. Had the draftsman ever worked retail or use a print screen? No. This example illustrates exactly the wrong way to go about selecting an entrepreneurial business to enter.

Having a great idea that solves a problem is not enough. The entrepreneur must be able to provide the product or service profitably in order to turn into a business. Selecting the right opportunity to do so is critical to success. Holland suggests the following approach (Holland, 2010, pp. 2-3):

- Decide if the desire to be in business is great enough. Steps 1 and 2 address this.
- Decide what business and where. This step addresses this.
- Decide whether to start out full-time or moonlight. This step and step 4 address this.

As for deciding what business and where, the prospective entrepreneur must answer these critical questions (Stowe, 2008):

- Will I enjoy doing it?
- Can I do it?
- Can I make money?
- Particularly if I plan to make it a true EV rather than an SBO, what is the growth potential?

Since operating the wrong business is the most frequent mistake that start-up entrepreneurs make, Holland suggests the following steps: If you have not yet selected a business, take your time and wait for the right business. Don't tackle a business that may be too challenging. Try to identify a business that has long-term economic potential. Choose a business that will grow in today's market as well as tomorrow's. A big mistake can be the error of omission in failing to see an opportunity right in front of you. As a general rule, specialists do better than non-specialists. Look for a business that focuses on a "consumer monopoly" with pricing power and long-term predictable growth prospects. Avoid "commodity" businesses where you must compete entirely on price and you must have the lowest cost to survive. Most service businesses have pricing power, so that you do not need to have the lowest cost. Do not bet on a business you don't know when you can bet on a business you do know. Consider a "hollow corporation" by contracting out production to a low-cost supplier. If your business is based on an invention or patent, (1) determine whether there are any issued patents similar to your idea, (2) be cautious about dealing with firms that demand up-front fees to market an invention, and (3) make sure you have a product to test, to show, and to solicit feedback (Holland, 2010, pp. 4-5).

Holland also identifies some things to avoid in picking a business (Holland, 2010, p. 5):

- Impatience
- Overconfidence
- Unrealistic expectations
- 

Holland suggests an activity for those who have not decided on a business (Holland, 2010, pp. 6-8).

- Write down an activity you like to do.
- List businesses related to that activity.
- Score the various businesses based upon:
  - Will it fill an expanding need for which there is no substitute?
  - Is it something I love to do?
  - Can I be so good at a specialized, targeted need that customers will think there is no close substitute?
  - Can I learn the business by working for someone else first?

- Is this a product or service that I can test first?
- Could I operate as a hollow corporation, without a factory and with a minimum number of employees?
- Should I consider a partner who has complementary skills or who could help me finance the business?

The result of applying this approach will be a matrix that looks in part like the following:

	Option 1	Option 2	Option 3
Will I fill an expanding need?	6	3	10
Can I do something I want to do?	8	5	10
Can I specialize?	7	8	10
...			

Sum the evaluation numbers for each option. The option with the highest score is not automatically the best option, but the process is a useful tool to organize your thinking. (Holland, 2010, pp. 6-8)

**FOUR: PLAN TO SUCCEED**

Planning begins with an understanding of the strategic planning process. A basic strategic planning approach, based on the FOCUS methodology used by one of the authors in private practice, includes the following components (Smock, 2011):

- Mission statement – This is the guide for the future development of the company, and includes three basic components – vision (what the enterprise hopes to become), values (shared beliefs), and purposes (direction taken to meet needs of shareholders)
- Strategic excellence positions (SEP’s)/Primary Excellence Goals (PEG’s) – These are 1 to 3 things that the enterprise will (a) do better than its competition (excellence), and (b) use to competitive advantage (strategic). Superior performance in these areas is essential to future success.
- Goals/Strategies – These are 4 to 6 long-term strategies that answer the question, “What must be done to achieve the SEP’s/PEG’s?”
- Objectives/Tactics – These are short term tactical accomplishments that mark progress toward attainment of long-term goals/strategies.
- Critical success factors (CSF’s) – These are the things that have to happen for the enterprise to achieve its goals and objectives. From a planning perspective, they may be organized in the form of a PERT or GANT chart to map the path to achieving each of the objectives.

This approach leads to the development of a “one page plan” that is fully integrated (in reality, probably more than one page if it goes below the Goals/Strategies level of detail). The elements interact and support each other. The resulting product balances “top-down” strategic direction with “bottom-up” market/customer based implementation. The objective is to close the gap between strategic planning and day-to-day management.

The most commonly accepted form of planning for entrepreneurial enterprises is the business plan. The immediate purpose of the business plan is usually to assist in obtaining financing. Other reasons for developing a solid business plan include (Harvard Business Essentials, 2005, pp. 65-66):

- The act or writing the plan will force you to think through the key elements of your business

- Trusted and experienced outsiders can review your plan and help you identify weaknesses, missed opportunities, unsupportable assumptions, and overly optimistic projections.
- Using a solid business plan as a blueprint for running your business can increase your likelihood of success.
- The plan’s financial projections can be used as a basis for budgeting.

A frequently omitted advantage of developing a business plan is to force the entrepreneur to think through problems in the abstract, without the stresses that can impair judgement in times of crisis. Work out the solution beforehand, when not under the gun, and the answer will come easier when the crisis presents itself. A particular area that must be addressed is whether costs, profits, and market potential are in line with each other. There must be a realistic balance between pricing, marketing, and the cost of getting to that market. While almost all expenses are underestimated, most small business owners and would-be entrepreneurs seriously underestimate the cost of securing sales. Merely because a product has excellent features does not mean that the market will beat a path to purchase the product. Victor Computer raised \$55 million to produce the Victor 9000, a personal computer that was 9 years ahead of the IBM 286 computer. Victor management believed that the technological advantages of a variable speed disc drive, a memory of 1 gigabyte, and a super VGA screen would be enough to attract buyers. Unfortunately for Victor, the market was not yet sophisticated enough to appreciate those advantages, and Victor filed for bankruptcy two years after pouring through their capital.

Donald N. Sull, associate professor of management practice at the London Business School, offers some practical suggestions on managing the inevitable risks while pursuing opportunities, summarized as follows (Sull, Fall 2004):

- Be flexible early in the process and keep it fluid. Do not commit too early.
- Ask if your experience or expertise gives you the right to an opinion on your specific opportunity.
- Identify your potential deal killers—variables that are likely to prove fatal to the venture.
- Clearly identify what you see as the key drivers of success. What are you betting on here?
- Raise only enough money to finance your next experiment or evaluation, with a cushion for contingencies.
- Delay hiring key managers until you have a stable business model.
- Test your product or service through customer research, test marketing, or prototypes.
- Test and refine your business model before expanding your operations.

Venture capitalist and angel investor Christine Comaford-Lynch lists ten places where prospective entrepreneurs go wrong in developing business plans (Comaford-Lynch, in Price, 2010, pp. 88-89):

AREA	WHAT SHOULD HAPPEN	WHAT GOES WRONG
Company overview	A few concise and compelling sentences describing your company’s purpose/goal	Company’s purpose/objective is vague, common, or not compelling.
Pain	Identify the specific market pain you will reduce or remove.	Failing to include this topic to convince readers unfamiliar with your product or service.
Solution	Explain as concisely as possible what your plan is and how it works.	Not fully explaining your solution and exactly how it works.
Company information	At least have a skeletal team supplemented with advisers.	Presenting too small a team; list as many key players as possible.
Financial information	Describe your funding history and a five-year forecast.	Providing pie-in-the sky financials.



AREA	WHAT SHOULD HAPPEN	WHAT GOES WRONG
Product	Explain the status of your product.	Not helping the reader understand how you are going to get a full-fledged product.
Defensibility	Explain how you will protect your market position or intellectual property.	Not demonstrating that you have considered these topics and have thoughtful answers.
Competition	Name your present and future competitors.	Saying you have no competitors—you do.
Business model	Show how you will make money and grow your business.	Not explaining exactly how the business will make money, when, and what new revenue sources will come on line.
Key milestones	Show the deals/achievements that are accelerating/will accelerate the company's growth, and the specific stage of each of them.	Not explaining what you have accomplished in a time frame, and what you plan to achieve with a time frame

Beyond the business plan, one of the authors (Stowe, 2008) has also developed the concept of a Personal Entrepreneurship Plan (PEP). The PEP is a more comprehensive document than the business plan. It basically serves as a career map for the prospective entrepreneur. The PEP includes the personal assessment and improvement documentation, plus the business plan for the entrepreneur's current venture.

The next three steps deal with executing the business plan.

#### **FIVE:           MAXIMIZE REVENUES WITH AN ENTREPRENEURIAL MARKETING SYSTEM**

Starting a business is only one aspect of being an entrepreneur. A business will not survive without customers. The most important part of any business is having a marketing strategy and a system that implements that strategy. Although simplistic it does not hurt to start with the basic revenue formula:

$$\text{Revenues} = \text{Price} \times \text{Volume}$$

The entrepreneur must decide whether to price to capture large volumes or price to make large margins on individual sales. As a general rule:

- High volume with low margins/prices can work (for example, grocery stores)
- Low volume with high margins/prices can work (Lamborghini)
- High volume with high margins/prices is ideal, and leads to great success
- Low volume with low margins/prices is unsustainable, and means failure

While most businesses do not write down their formal marketing strategies, successful businesses know all elements of a formal marketing plan and have a clear vision of what they are doing. Putting together the elements of a marketing plan increases effectiveness and reduces cost. Putting it in writing and retaining it reinforces the experience and provides a valuable asset for to consult in the future or for a prospective buyer who will pay more for the company to get it.

The process of marketing can be very daunting for a new entrepreneur. Michael Gerber, author of the "E-Myth Revisited" suggests that most small business owners prefer the role of "doing it" rather than "selling it." As a result, they find that in starting their own business, the time required to market their product or service (a function that was handled by their former employer) gets out of control (Gerber,

2004). One reason for the attractiveness of franchising is that the marketing function is handled largely by the franchisor, somewhat analogous to the prior situation where the employer did it.

The realities of marketing for a new business are that there is not much money to throw into advertising (which is actually only one part of the marketing-communication process and is typically the most expensive one), and the entrepreneur should really select the most desirable customer because a customer that can't afford to pay for the goods or services is a customer who will bankrupt the firm. Fundamentals about marketing that are unique to start up businesses are that there is no existing customer base to earn "referrals" so "word of mouth" is not sufficient, customers are very reluctant to do business with a new firm because they are worried about performance, and quality—not price—is the real decision criteria for purchasing decisions from new companies (Stowe, 2008).

On the positive side of the coin, the entrepreneur enjoys some significant advantages in competing with large, established companies, specifically that the entrepreneur can be more flexible and move faster to exploit opportunities, and is in closer contact with customers, and thus can be more attuned to customer needs.

One key to using those advantages effectively to overcome the disadvantages is the establishment of an entrepreneurial marketing system. One difference between the SBO and the EV is that the SBO tends to keep tight controls over marketing, doing much of the marketing himself/herself, while the EV has a system to identify and communicate with potential new customers that any qualified employee can implement.

Entrepreneurs realize that the real value of a business firm lies in its systems—particularly its marketing system. At the point of exit, a documented, step-by-step marketing system will cause prospective purchasers to pay more for the business. A successful entrepreneurial marketing system will reduce the costs of acquiring customers, create employees who can be responsible for bringing in business, and create a data-base of extremely valuable information to improve the firm's product or services. Building an entrepreneurial marketing system involves four sequential phases (See Stowe, 2008 for detailed explanation of the steps involved in designing a marketing system):

- Gather market intelligence
- Analyze the intelligence and develop the target market
- Develop a strategy to market to the target(s)
- Utilize effective marketing tactics to close sales

#### Intelligence gathering

During this phase, the prospective entrepreneur engages in a form of espionage. Gathering information can be surprisingly easy. Much useful information is available for free online, such as census data, industry statistics, and websites of potential competitors. People who have built successful businesses are frequently very willing to share. Industry trade associations can be an excellent source of information.

#### Market analysis

The intelligence gathering phase should produce a significant amount of raw data. During the analysis phase, the objective is to distill that data into useful information. The primary objective is to focus as specifically as possible on the appropriate target market.

#### Marketing strategy

Having defined the target market as precisely as possible, the next step is to develop the correct strategy to reach that market. The primary elements of the marketing strategy are what are commonly called the “4 P’s”: Product, Price, Place, and Promotion. Bob Lauterborn of the University of North Carolina has suggested replacing the 4 P’s with 4 C’s: Consumer wants and needs, Cost to satisfy, Convenience to buy, and Communication (McClellan, 2009). Using either the four P’s (more seller oriented) or the four C’s (more consumer oriented), the development of strategy must address:

- Product/Consumer wants and needs
- Price/Cost to satisfy
- Place/Convenience to buy
- Promotion/Communication

### Selling tactics

The objective of the marketing strategy is to place the entrepreneur in position to make the sale. The objective of selling tactics is to close the sale.

One selling technique that is becoming increasingly important to the entrepreneur is use of the Internet. With Internet selling, startup costs and inventory levels can be low, significantly helping cash flow. Beach, Hanks, and Beasley offer the following advice to entrepreneurs using the Internet (Beach, Hanks, and Beasley, 2011, pp. 81-90):

- You must be an expert at something to sell on the Internet, and your web site must demonstrate that expertise explicitly.
- A great website has sections that educate and a separate section for sales.
- Search engine optimization (SEO) is the art of appearing high on web searches. Paying for ads drives up costs and is not the best way to build web traffic. Changing keywords in the content, coding, and making other aspects of the website more efficient are usually more cost-effective ways of SEO.
- Entrepreneurs must work to manipulate their page rank (PR) to ensure they are on the first page for searches using their keywords. PR is determined by (1) context of the page and correct use of keywords, and (2) the number or sites that are linked. Both of these can be manipulated to increase score and revenues.

## **SIX: CONTROL COSTS AND FINANCES**

In order to manage his or her business effectively, the entrepreneur needs to understand fully the cost structure of the enterprise, particularly the relationships between revenues and costs. Entrepreneurs (as well as management of larger enterprises) all too often lose sight of what Duening and Sellers call the fundamental equation of business (Duening and Sellers, 2005):

$$\text{Revenues} - \text{Costs/Expenses} = \text{Profits}$$

This equation expresses the results of operations. Costs (or expenses) typically fall into three broad categories:

- Cost of goods sold/cost of sales
- Variable expenses
- Fixed expenses

Cost of goods sold/cost of sales and variable expenses will typically vary almost directly in proportion to sales. The financial statement that is most important in this effort is the statement of income. In the usual presentation in the statement of income, costs and expenses are categorized as cost of goods sold/cost of sales, selling expenses, and general and administrative expenses. Selling expenses tend to be semi-variable, increasing generally with sales but not in a direct relationship. General and administrative expenses tend to be fixed, or nearly so. Separating those expenses into the fixed and variable components requires analysis.

Costs and expenses interact with pricing in the following manner. The sales price for any product or service must, at a minimum, be equal to the total cost of goods sold/cost of sales per unit, plus variable expenses per unit. Failure to cover cost of sales and variable expenses means that the company loses more money for each additional sale it makes. The price must actually exceed the total of cost of goods sold/cost of sales and variable expenses, and that excess per unit, times the number of units expected to be sold, must at least equal fixed costs. This may be represented in an equation as follows:

$$(\text{Price} - \text{Cost of goods sold/Cost of sales} - \text{Variable cost}) \times \text{Units} \geq \text{Fixed expenses}$$

Understanding costs is essential to proper pricing. Ideally, pricing should be set to generate sufficient gross margins (after costs of goods sold/costs of sales are subtracted) to cover selling, operating, general, and administrative expenses, and to provide a reasonable return on investment to the entrepreneur. As discussed in the revenue section, the price needs to attract sufficient volumes, while generating sufficient margins for each sale.

For example, assume the enterprise has fixed costs of \$1,000/month and makes a product that has a cost of sales of \$3 per unit, and variable costs are \$2 per unit. If the product is sold for less than \$5 per unit (\$3 plus \$2), then the company loses money on each sale, and can never break even. If the selling price is \$6 per unit, then the break-even volume is 1,000 units/month ( $1,000 / (6 - 3 - 2)$ ). If the selling price increases to \$7 per unit, then the break-even volume decreases to 500 units per month ( $1,000 / (7 - 3 - 2)$ ). The pricing decision may then be thought of as determining whether selling 1,000 units/month at \$6 per unit is more likely to occur than selling 500 units per month at \$7 per unit.

This pricing analysis must be attuned to realities of the market. For example, many dry cleaners have intense competition from family enterprises, particularly in some immigrant communities. Family members provide labor at low salaries/wages. If the new competitors are able to maintain quality, the resulting price competition threatens profit margins for the older, established dry cleaners who are not able to drop prices and maintain margins because they employ experienced staff who have been with the company over a long period of time, and who receive higher wages and fringe benefit packages.

## **SEVEN: CONVERT PROFITS TO CASH FLOW**

Donald N. Sull has stated about cash, "Cash functions like troops that a general keeps in reserve until he sees an opportunity to win a battle or defend important ground" (Sull, 2006).

Revenues and expenses are operations, and fall within the purview of the chief operating officer. Cash involves capital and falls within the purview of the chief financial officer. Whereas the management of revenues and expenses focuses on the statement of income, the management of focuses on the balance sheet and the statement of cash flow.

As noted above, the two most important reasons for failure of new enterprises are (1) entering the wrong business or opportunity (addressed in Step 3), and (2) failure to maintain adequate cash flow. No matter

what the business, cash is the fuel that will drive it. The entrepreneur must ensure sufficient cash flow at every step in the entrepreneurial process in order to succeed.

To plan startup financial needs, Andi Axman suggests a few basic questions (Axman, 2003, p. 171):

- How much money do you need?
- When are you going to repay it?
- Can you afford the cost of the money?

Sources of financing include:

- Owner financing
  - Personal savings
- Debt financing
  - Friends and family
  - Home mortgages
  - Credit cards
  - Suppliers
  - Landlords
  - Commercial mortgages
  - Specialized lenders (industry, computers, phone systems, etc.)
  - Leasing companies
- Equity financing
  - Friends and family
  - Angel Investors
  - Venture capital

In terms of equity financing, the reality is that most small businesses are entirely self-funded. But some seek angel investors who are individuals who have both capital and industry expertise to offer (Inc. 2006). Many communities have angel investor clubs or for-profit organizations that match potential investors to small enterprises. The danger of borrowing from family and friends is that they may not be as financially capable of sustaining a loss which can put a permanent crimp in domestic tranquility! Venture capital is strictly limited to companies that have a business plan that calls for geometric growth that would sustain an exit price of 10 times the initial investment. Relationships with venture capital companies are more like a 4-7 year timeframe because venture capital firms are funded by limited partners under a partnership agreement that requires a liquidation of their investment within a 4 to 7 year period. Due to the amount of time involved in conducting due diligence, most venture capital firms will only make investments of \$3-5 million, but they do this in stages to limit their risk. If the company does not meet its financial projections, the plug is pulled resulting in a total loss of founder's equity, with either a change of management or an outright liquidation of assets (Staff Money magazine, 2011).

Once the enterprise is up and running, cash management focuses more upon establishing a positive cash flow from operations and managing sources and uses of financing to bridge any rough spots and to provide an orderly method of funding growth. One problem that is not always fully appreciated is that rapid revenue growth, while generally desirable, can impose severe strains on an enterprise's cash flow, as payroll, supplies, and other production expenses have to be paid well before cash from sales is received. More than one otherwise successful venture has failed because it did not manage growth effectively.

Startup enterprises typically lack all or most of the criteria that sophisticated investors use to pick big winners (Harvard Business Review, 1999, p. 155):

- Scale
- Proprietary advantages
- Well-defined plans
- Well-regarded founders

Axman says that investors or creditors who might provide funding for an enterprise are looking primarily for stability, income, and debt management (Axman, 2003, p. 172).

**EIGHT: MINIMIZE RISKS IN THE LEGAL, ADMINISTRATIVE, PERSONNEL, AND OTHER ORGANIZATIONAL AREAS**

Initially, starting a business may be a very individual effort. Even at that very early stage, it is not possible for most people to be super-experts in all the basic disciplines of business (accounting, marketing, finance, etc.). That is why the entrepreneur consults with accountants, lawyers, and other professionals. What is important is to be very sure of what is known and what isn't. Then seek the advice needed.

Once, legal matters were considered an afterthought. Today, with increasing litigation, it is important to build a strong legal strategy, including:

- 1 - Understanding what local, state and federal laws there are regulating the business.
- 2 - Understanding insurance and how to shift the risk of being in business to the insurance company.
- 3 - Understanding personal liability and how different business forms can minimize personal risk.
- 4 - Getting the most amount of information possible without having to hire an attorney at the earliest stages of the business.

Significant legal issues include choice of form of business (proprietorship, general/limited partnership, corporation—C/S/public, limited liability company), required licenses and permits, protection of intellectual property, and negotiation of leases and contracts.

The most important early legal decision is probably choice of form of organization. Historically there are two competing goals—insulate the entrepreneur from personal risk for business obligations, and minimize income tax consequences. Historically, the corporation form insulated the entrepreneur from risk (although not entirely) but imposed double taxation in that corporate profits were taxed first, and then dividends out of after-tax profits were taxed to their recipients (but not deductible by the corporation). The sole proprietorship and partnership forms enabled pass-through tax treatment to avoid double taxation, but subjected the entrepreneur to personal liability for business obligations (and potential for the acts of a partner in partnerships). Hybrid forms developed to address these needs more effectively, including the S Corporation (which provided limited liability with pass-through tax treatment but was less flexible for tax purposes than the partnership) and the limited partnership (which provided limited liability for so-called limited partners, but required at least one general partner with unlimited liability). In recent years, the development of the limited liability company (LLC) form provides a vehicle that provides the liability advantages of a corporation and the tax advantages of a partnership. The only reasons not to use the LLC as the vehicle of choice for every entrepreneurial venture are that relative newness of the form means that the law may not be well developed in certain areas, and treatment may vary from state to state. An attorney can advise the entrepreneur whether either of these limitations apply.

Much as with the prospective t-shirt store discussed above, lease terms must be read and reviewed carefully before the lease is signed. Particularly troubling terms may include allocation of common area charges and percentage of revenue pricing.

Because entrepreneurial ventures frequently grow out of new ideas, or new application of existing ideas, the protection of intellectual property (patents, copyrights, trademarks, trade secrets) and the avoidance of liability for claims of intellectual property infringement are critical to get right from the start. The best approach is to consult a competent patent attorney from the start. Although this may be expensive, the money is well spent.

Administrative issues that must be addressed include location and leasing, computers and communication, insurance, and policies and procedures (including job descriptions).

Personnel issues that have to be addressed include hiring of employees, classification of employees versus independent contractors, training personnel, evaluating and promoting personnel, compensation and payroll management, disciplining and terminating employees, and compliance with applicable regulations.

Once the enterprise begins to take on employees, it probably makes sense to retain an outside payroll/human resources consultant. When it reaches the point of providing insurance and other benefits, it probably makes sense to look into employee leasing providers.

Note that this step represents something of a paradigm shift for the typical entrepreneur, who got started because he or she was something of a risk taker. Moving from taking risks to reducing them or mitigating them is a process that must be navigated very carefully. Having effective systems in place to handle the risk and reward areas facilitates minimizing risks without abandoning the entrepreneurial edge.

One of the authors has postulated the following formula for entrepreneurial wealth creation (Stowe, 2008, p. 11):

$$\text{Wealth Creation} = \text{IC} + \text{team building} + \text{marketing system} + \text{other systems} + \text{managing financial capital}$$

IC or intellectual capital allows the entrepreneur to create a business that has greater value than the sum of its physical parts. IC represents capacity to solve problems—the sum of all abilities, intelligence, imagination, motivation, talents, personal preferences, lifestyle choices, and experiences. Starting a business, growing it profitably, and selling it for more than what was invested in it will convert IC into wealth. The conversion process is one of simply solving someone else's problem profitably. Business is really a value exchange—money in exchange for solving a problem. Converting intellectual capital to value requires an understanding of how to create an organization that solves problems profitably. Starting a business is one thing. Building an enterprise that can one day be sold for more than the entrepreneur invested—more than the value of its tangible assets—is another. Building such an enterprise means building a team of players organized to deliver a product or service at a profit. The challenge is that at the beginning of an enterprise, the entrepreneur has to do many of the functions alone—there is no legal staff, accounting staff, or marketing staff. So, it is important to make an objective self-appraisal. In starting a business, a sound strategy is for the entrepreneur to identify the information or skills needed, conduct a self-appraisal to determine which ones he or she has, and develop an improvement plan to (1) obtain as many as possible before starting, and (2) rely on outside professional assistance for the remainder.

Some entrepreneurs execute the processes to create wealth intuitively and never write anything down. Others write formal plans that they can study. There are three major reasons for writing down the plan and results:

1. Sharing thoughts to other successful entrepreneurs and friends for their reaction.
2. Using the written plan as a map to success.
3. Developing an important “history book” of success, which is valuable as a future reference both to the entrepreneur and to a prospective buyer.

Documentation of management systems including: marketing systems, hiring strategies, operations systems that create a consistent high quality product or service, legal strategies for limiting liability, etc add value to the enterprise. If potential investors can see an operations manual, data collected through the systems, and strategic decisions based on data, they will pay a much higher multiple than for the typical small business that is “people dependent” versus system dependent (see Gerber, 2004).

The steps to this point have focused mainly upon those things which must be done in order to create a successful business. An enterprise that has completed these first eight steps should be a viable business, up and running. This is the point at which the actions of the EV diverge from those of the SBO. An SBO who has followed the first eight steps can operate the business comfortably and live well for a long time. On the other hand, once the EV has the enterprise up and running, the primary focus shifts to growing the value of the business until he or she can harvest that value by exiting for the maximum amount.

## **NINE: CREATE VALUE BY GROWING THE ENTERPRISE PROFITABLY**

Successful entrepreneurs understand how businesses are evaluated and what gives a business a value beyond the worth of the tangible assets. A strategy to maximize the value of an enterprise begins with understanding what makes a business sell for more than the mere price of its equipment, building and other tangible assets. Just as a scoreboard helps us determine who is winning the football game, so an understanding of just how businesses are valued will help us determine how value is created. There are three basic approaches to valuing a business:

- **Asset-based valuation**  
This is essentially the basic accounting formula, (Equity = Assets – Liabilities), in one of three basic variations.
  - Book value, which may or may not adjusted as appropriate to reflect economic reality (valuing a stable business enterprise)
  - Replacement value (determining whether to start a new business from scratch or buy an existing business).
  - Exit value (valuing a business that is being discontinued and sold; this may be liquidation value for a business that is in bankruptcy or has not been able to attract buyers).
- **Discounted present value of future net cash flows**  
This method considers the present value of future free cash flows, plus the residual terminal value of the firm, as in the following formula (Bygrave, 2010, p. 164):

$$PV = \sum_{t=1}^N \frac{(FCF)_t}{(1+K)^t} + \frac{RV_N}{(1+K)^N}$$

Where K = Cost of capital



$FCF_t$	=	Free cash flow in year $t$
$N$	=	Number of years
$RV_N$	=	Residual value in year $N$

Free cash flow is equal to Operating Income, plus depreciation and other noncash charges, less Interest, Taxes on operating income, Increase in net working capital, Capital expenditures (replacement and growth), and Principal repayments. Valuation under this method depends upon assumptions regarding future growth and profitability (which impacts the value of  $FCF_t$  for each year) and risk (which impacts the cost of capital,  $K$ ).

This approach is perhaps a bit daunting for those who are not financial experts. Its complexity arises because it requires a large number of what may be individually small assumptions about growth and risk. Fortunately, there is a more easily understood approach based upon a small number of large assumptions (typically one judgmental factor). The following approach is most often used in the business world because it is relatively straightforward, and there is typically much industry information upon which to base the judgmental factor.

- Market capitalization approach  
Market capitalization takes the form of a measure of income multiplied or divided by a factor to capitalize that income stream, as follows:

- Earnings capitalization

Under this method, the appropriate capitalization rate is essentially the target return on investment (ROI), considering risk and uncertainty. Higher risk means a higher the capitalization rate, and a lower resulting valuation.

$$\text{Enterprise value} = \text{Net income} \div \text{Capitalization rate}$$

- Market-comparable valuation

Mathematically this approach is similar to the earnings capitalization valuation except that income is capitalized by multiplying it by price to earnings ratio instead of dividing by a capitalization rate. The most familiar form is the standard financial ratio:

$$\text{Stock price} = \text{Earnings per share (EPS)} \times \text{Price/earnings (P/E) ratio}$$

This can be restated for the enterprise in total:

$$\text{Enterprise value} = \text{Net income (NI)} \times \text{P/E ratio}$$

- Multiple of Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

$$\text{Enterprise value} = \text{EBITDA} \times \text{Multiplier}$$

This is frequently used in valuing smaller companies, where cash flow is more of a consideration, and EBITDA is usually a better surrogate for cash flow than net income.

In each of these formulations, the P/E ratio or other multiplier is developed based upon comparable values for the same or similar industries, adjusted up or down based upon judgmental evaluations of risk and future growth and profitability.

Note that the asset-based valuation process considers only physical capital (PC). The other approaches also assign a value to the enterprise's IC. The relationship of the two can be shown formulaically as:

$$\text{Enterprise Value} = \text{Physical capital (PC)} + \text{Intellectual capital (IC)}$$

Since PC is essentially constant, it follows that increasing the value of an enterprise requires increasing the IC component.

For example, assume that a company has assets of \$8,000,000 and liabilities of \$5,000,000, and EBITDA of \$1,000,000 per year. Assuming the asset values on the balance sheet approximate current values, then the asset-based value of the company would be \$3,000,000. Using the typical EBITDA range for small businesses, the value would be somewhere between \$3,500,000 and \$6,000,000. Actual value would vary within this range based on factors such as perception of risk and upside potential. Assume that analysis of the risk and opportunity indicates a multiplier of 4.5 is appropriate, then market valuation would be \$4,500,000. This value would be composed of \$3,000,000 in PC and \$1,500,000 in IC.

The issue for the entrepreneur seeking to increase enterprise value is how best to enhance the value of IC. To understand how to do this, start by taking a look at the generic market-comparable valuation formula,

$$\text{Value} = \text{Income stream (usually EBITDA)} \times \text{Multiplier (usually 3.5 to 6.0 for small businesses)}$$

In this formulation, the entrepreneur seeking to add value would look to increase either the income stream or the multiplier. This would be equivalent, in the earnings capitalization approach, of either increasing the income stream or decreasing the capitalization rate. Note that both the SBO and the classic EV will seek to increase the earnings stream. What separates the EV from the SBO is that the EV will also seek to increase the multiplier (decrease the capitalization rate), which will normally not be a concern of the SBO. In fact, most SBO's will be loathe to spend money (reducing free cash flow) to develop things (e.g., a new computerized inventory management system) which might increase the multiplier, whereas the true EV will spend this money readily to add value to the enterprise as a whole.

The approaches to creating value may be summarized as follows:

- Increase the earnings stream
  - Increase sales volumes
  - Increase gross margin
  - Reduce general and administrative expenses
- Increase the multiplier
  - Increase upside potential
  - Reduce or mitigate risk and uncertainty

**TEN: HARVEST VALUE THROUGH AN EXIT STRATEGY**

Getting out of a business is usually more difficult than getting in was. The objective in starting a business is to create wealth, from two sources:

- The income earned from operating the business.
- The profit earned by selling the business, or part of it, for more than the value of its assets.

Of course, one form of exit strategy that the entrepreneur must understand from the start is what constitutes failure, and when to pull the plug and bail out of a failing venture. To avoid "throwing good

money after bad,” the entrepreneur must have in mind a set of specific parameters that will indicate failure, and must be prepared to pull the plug and liquidate or file bankruptcy, sooner rather than later, if failure materializes.

Assuming the start-up failure is avoided, the ultimate exit may take any of several forms:

- Sale to an interested buyer
- “Going public” through an initial purchase offering (IPO)
- Transfer to children or other intended heirs at the time of death or retirement

One tactic of successful entrepreneurs is to figure out who will buy them out before they start the business, and work to tailor the enterprise in such a way as to be most attractive to that particular buyer. Steven Cash Nickerson, who has founded 11 companies and sold eight of them, in describing his experience with one of them, Workforce Strategies, says, “My plan from the start was to sell it. Always start with the exit in mind; otherwise you work for 40 years and become a penny stacker” (Melville, in Price, 2010, p. 40). Really successful entrepreneurs don't even begin to start their business until they have a clear picture of potential buyers for their business.

## CONCLUSION

The entrepreneur's objective in starting a business is to create wealth. Part of that wealth is created in the form of annual net income while operating the business, a source which the entrepreneur shares with the typical small business operator. The other part of that wealth, typically unique to the entrepreneur, is realized when the entrepreneur executes his or her exit plan. Following the steps outlined herein will not guarantee success—or wealth—but it will give the entrepreneur a much better chance of achieving his or her objective.

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## THE IMPACT OF SEX, COLLEGE, MAJOR, AND STUDENT CLASSIFICATION ON STUDENTS' PERCEPTION OF ETHICS

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### ABSTRACT

*Our previous study defined the concept of student ethics as a multidimensional construct described by the following five factors: (1) the impact of education and faculty/instructor on ethics; (2) students' attitude towards cheating; (3) the use of information technology; (4) the importance of ethics; and (5) the ethical campus environment. A survey questionnaire was administered to all students in a 4-year, mid-size university, and 750 responses were received. In this current study, we continue with our research by conducting a more in-depth investigation of the students' perception as impacted by their sex, college, major discipline of study, student classification, and the preferred method of punishment if they were caught cheating. Six null hypotheses were developed and tested.*

*Our research resulted in several significant findings. First, students' perception of ethics is influenced by their sex: male students were found to be less ethical than the female students. Further, among the three colleges on campus, business students tend to have the lowest ethical standards and therefore a higher tolerance for cheating than the non-business students. When the students' attitude towards cheating was analyzed based on their major field of study, the results revealed that the English and modern language students are the most ethical respondents while the business students are the least ethical students on campus. With regard to the impact of education and faculty/instructor's influence, the non-science students felt that education and their faculty plays a more important role in shaping their ethical beliefs than the science students.*

*The upper-class students believe more strongly than the lower-class students that the use of information technology does increase cheating on coursework and that they hold a higher ethical standard for themselves. However, all students, regardless of their classification, believe that their faculty members play a very important role in educating them about ethics and that it is unethical to cheat on school work. If caught cheating, students who preferred to be disciplined by the university's honor board tend to have a higher ethical standard than their peers who preferred to be disciplined by the course instructor. In our previous study, students unanimously agreed that education and faculty/instructors are major sources for their ethical values and beliefs; however, the results from this study revealed that family upbringing and personal experiences contribute more to their ethical beliefs than religion and education.*

Keywords: business ethics, perception of ethics, college ethics, unethical behavior, student ethics, academic integrity

## INTRODUCTION

An enhanced appreciation for high ethical standards can create an effective environment in any organization by overcoming delays in transactions and increasing efficiency. The climate of trust, and leadership by example, helps to reinforce the belief that consistent ethical behavior will be rewarded, and stress will be minimized despite unforeseen conditions that may appear. College students often mirror the values and trends in society, so it is useful to examine what factors may affect their perceptions about ethics as practiced within their normal boundaries. If certain key factors can be isolated and validated as important, then both universities and employers can use this information to modify training and reward desired conduct. This information may also be helpful in the staffing function, and can help hiring officials in the screening and selection process of candidates for employment. University staff and faculty can use this information to help structure curriculum, both within existing courses and in piloting new offerings. Instructors and curriculum designers can use this information to help select cases, construct workshops, guide the invitation of guest speakers, and create online content that stimulates critical thinking with respect to ethical lessons learned.

Another matter of interest is to what degree exposure to ethics in coursework may impact behavior in a later stage of maturity, for example, career practices or in volunteer work. Leaders must not only articulate desired ethical practice, but model desired behavior in all actions and communications. The primary benefit to any organization that embraces this knowledge is a more effective work setting, where the culture and traditions provide a legacy of success, and employees trust co-workers and other stakeholders to live up to expected standards that are fully integrated into daily habits and tasks.

## LITERATURE REVIEW

One of the basic factors investigated in a landmark study by Chen and Tang (2006) was college major, with the belief that business students might have a stronger concern for financial success, as opposed to psychology majors who may be more oriented to helping others and service, and therefore have higher ethical standards. However, business students normally obtain some exposure to social responsibility and managerial ethics within general management courses, while a psychology student may not. Another factor that they explore is the potential differences with regard to sex: do male and female students behave differently in everyday activities? In their 2006 study, Chen and Tang suggested that the male students tend to have stronger unethical attitudes as well as a higher propensity to engage in unethical behavior than their female counterparts. Perhaps this was because males may value advancing rapidly in careers over helping others and building trusting relationships. In a follow up study, Tang and Chen (2008) considered the love of money and the effect of an "ethical intervention" on college students from both a business school and a psychology department. The research was conducted over a four-week period, using numerous independent factors such as gender, age, intelligence, and major. The main objective was to look for evidence of Machiavellianism, simply referring to the willingness to do anything to make money regardless of its ethicalness -- this concept is labeled as the propensity to engage in unethical behavior. Tang and Chen (2008) soon discovered that business students reported a significant decrease in theft rather than whistle blowing after receiving business ethics intervention. On the contrary, psychology students did not have any significant change even with the ethics intervention. On a cautionary side, the authors fear that

the business students' answers may have been skewed by the students mistaking the survey for another exam based on the content materials that they learned in class.

In contrast, MacKewn and VanVuren (2007) compared business students with non-business students at a mid-sized southern university, and found that business students were more "relativistic" than non-business students in their views of overall moral philosophy. In other words, business students were less "idealistic" about absolute truths and values, but instead believed that the context and situation may make a difference with respect to conduct. It seems that business students tend to think that there is no set ethical code of conduct that can be applied in the same style to every individual. However, when they were asked to apply their own ethical code to practical real-world situations, no significant difference was found between the morality of business and non-business majors. This conclusion is in agreement with a much earlier study conducted by Borkowski and Ugras (1998), which also did not find a significant enough difference between majors to report any concern for one particular field. This study, however, established that, in general, female students are more ethical than male students and older students are more ethical than their younger counterparts. A decade later, Smyth, Davis, and Kroncke (2009) sampled 786 college students at three institutions with varied affiliations (public, Baptist, and Catholic) to examine students' perceptions in varying situations. They found that business majors were less ethical, on average, than non-business majors; that male students were less ethical than female students; and lower division students were less ethical than upper division students.

In another study, Klein, Levenburg, McKendall, and Mothersell (2007) revealed that business students cheated the same amount as other professional schools, but their perception of what constituted cheating was more relaxed. Further, regardless of what the professional school is, heavy cheaters are younger and have lower Grade Point Average (GPAs). These respondents considered the worst kinds of cheating to include using an unauthorized cheat sheet and copying another student's test, while the least offensive forms of cheating were collaborating on individual work and telling others what to expect from a test that they had not yet taken. Their study revealed that 86% of students had cheated during college and that 50% had engaged in multiple kinds of cheating. Business students were also found to be more likely to allow others to copy or to share knowledge about exams with others.

As more universities expand online courses, the question arises as to whether students perceive cheating to be more acceptable with respect to use of information technology (IT). Molnar, Kletke, and Chongwatpol (2008) surveyed 708 students from five geographic locations and found that yes, cheating using IT was considered to be more acceptable than cheating without the use of IT. However, they did not find any significant differences between business and non-business majors. This does surface an important question as a shift occurs away from the traditional classroom setting. What can be done to minimize cheating while not under the direct observation of an instructor, who can normally detect identity misrepresentations and unauthorized collaboration? One study conducted at Troy University by Kitahara, Westfall, and Mankelwicz (2011) suggests the deployment of a technology-based remote proctor system for exams might reduce cheating and help ensure verification of identity. The system allows the use of a "live" person to observe students taking an exam in a real-time environment using cameras and motion detection software. While the mandatory use of such a system may definitely reduce



fraud and deception, the cost of such a system has been questioned by others. Cluskey, Ehlen, and Raiborn (2011) asserted that the costs of deploying the proctoring of online exams, when the time and money of both students and the institution was factored in, exceeded the benefits. Instead, the authors proposed a series of eight control procedures that they hoped will reduce the incidents of cheating; among them were the control of test time, computer access, random exam question sequencing, and question rotation. This area will continue to be an important area of inquiry and research as more courses are shifted to the online environment.

How do ethics differ across international borders across the globe? A recent study by Hilliard, Crudele, Matulich, and McMurrian (2011) reviewed codes of conduct and how accountability varied in five different area of the world (Asia, South Pacific, Europe, Canada, and Latin America). The sample size consisted of 23 universities within these five areas, and how cheating and academic dishonesty was handled across the study area. Significant differences were found in how punishment was rendered. Asian students experienced the most detailed punishments and consequences, and then in descending order, harshness seemed to diminish progressing to South Pacific, Europe, and Canada, with Latin America showing the greatest tolerance. What was important everywhere was that a code of conduct needs to be articulated and made known to stakeholders to be effective with respect to enforcement and behavioral modifications. This may have some significance as more universities attempt to diversify enrollments by bringing in foreign students.

A prior journal article by Lau, Caracciolo, Roddenberry, and Scroggins (2011) defined the concept of student ethics as a multidimensional construct and they measured this concept using the following five factors: (1) the impact of education and faculty/instructor on ethics; (2) students' attitude towards cheating; (3) the use of information technology; (4) the importance of ethics; and (5) the ethical campus environment. Given the conflicting revelations uncovered in the literature review, there is a need to explore further the connection between the students' perception of ethics and other underlying variables. Therefore, the purpose of this research is to examine if the students' perception of ethics is influenced by their sex, affiliated college, major field of discipline, student classification, and preferred method of punishment. The major sources of ethical values and beliefs of college students are also investigated.

## HYPOTHESES TESTING

In our previous research, the concept of student ethics is viewed as a multidimensional construct and is measured using five factors described in Table 1 (Lau, et al., 2011). Respondents believe that education plays an important role in teaching them about ethics, and that their faculty and staff help them develop values, incorporate ethics training in the classroom, and enforce ethical standards onto their students. When students were asked about their attitude towards cheating, we found out that more cheating occurs in high schools than in colleges. Students also felt that it is not acceptable to cheat in a non-major class. Unfortunately, students felt that they are not compelled to report cheaters to the proper authority. Not surprisingly, the study also concluded that the use of technology made it much easier for students to cheat in their classes, especially the online and hybrid classes. Majority of the students admitted that ethics is very important to them and that they hold themselves to the same ethical standards that they hold others to. Finally, college students believe that they are living in an ethical campus environment

with ethical faculty members, and that it is never too late to learn about ethics in college. However, the respondents are unsure if their peers abide by the University's Honor Code.

Table 1 Five Factors to Describe the Concept of Ethics

<p>Factor 1 Impact of Education and Faculty and Instructor on Ethics:</p> <ul style="list-style-type: none"> <li>• Education should play a big role in teaching students about ethics.</li> <li>• Faculty and instructors help students develop values in their classes.</li> <li>• Faculty and instructors incorporate ethics training into their classes.</li> <li>• Faculty and instructors should enforce ethical standards onto their students.</li> </ul>
<p>Factor 2 Students' Attitude towards Cheating:</p> <ul style="list-style-type: none"> <li>• I have never cheated on my school work while in high school.</li> <li>• I have never cheated on my school work while in college.</li> <li>• When I see other students cheat I feel compelled to report them.</li> <li>• It is acceptable for me to cheat in a non-major class. (negative correlation)</li> </ul>
<p>Factor 3 Impact of Technology on Ethics:</p> <ul style="list-style-type: none"> <li>• It is easier to cheat in an online or hybrid class than a regular class.</li> <li>• It is easier to cheat when technology is involved, e.g., Blackboard, calculator, etc.</li> </ul>
<p>Factor 4 Importance of Ethics:</p> <ul style="list-style-type: none"> <li>• Ethics is very important to me.</li> <li>• I hold myself to the same ethical standards that I hold others to.</li> </ul>
<p>Factor 5 Ethical Environment on Campus:</p> <ul style="list-style-type: none"> <li>• I don't think that our students abide by the University's Honor Code.</li> <li>• I consider the faculty and instructors in my major to be ethical human beings. (negative correlation)</li> <li>• By the time people reach college age it is too late to teach them about ethics.</li> </ul>

Based on the literature review conducted in this research and the results from our previous study, six competing null hypotheses were developed to examine the impact of five underlying variables on the way college students perceived ethics.

1. Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics between the male and female students.
2. Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics among the students in the three colleges.
3. Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics across students of different majors.
4. Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics among the freshmen, sophomores, juniors, seniors, graduate students, and non-degree seeking students.
5. Null Hypothesis ( $H_0$ ): There is no difference in the students' perception of ethics between the two preferred methods of punishment.
6. Null Hypothesis ( $H_0$ ): There is no difference in the students' perception of ethics across the different sources of their ethical education.

## RESEARCH METHODOLOGY

An online survey questionnaire was developed and administered to all students enrolled at a mid-sized, liberal arts, public higher institution located in Central Virginia. The following subsection will describe the development of the survey questionnaire and the sample population.

### Survey Questionnaire

There were 22 questions on the survey questionnaire which solicited information regarding demographics, ethicality across the major fields of study, sources of ethics education, the preferred method of punishment, as well as the impact of college education and the perception of cheating among students. Some disciplines were grouped together based on the commonality and nature of the academic fields to reduce the number of selections to a more manageable number. Fourteen items, measured using a five-point Likert scale, with 1 representing Strongly Disagree to 5 representing Strongly Agree, provided feedback on the students' perception of cheating and the impact of college education on their ethical behaviors.

Survey questions from the Maricopa Community College study formed the core foundation for our research (Kidder et al., 2002). After the survey was pre-tested and a few minor modifications made, the survey questionnaire was submitted and received an approval from the university's Human Subjects Research Review Committee. The purpose of the study, the voluntary nature of the participation, and the hyperlink to the survey questionnaire, were included in an e-mail that was delivered to the entire student body.

### Sample Population

The survey questionnaire was administered to all students enrolled in a mid-sized, liberal arts, four-year, Virginian, public institution. During the academic year of 2010-11, the university had 4,074 undergraduate students, 401 graduate students, and 356 non-degree seeking students. The male/female ratio of the study body was nearly 1 to 2. Most of the students (96%) were in-state, with less than 1% of foreign students and 12% of minority students. The three most popular degree programs declared by the sample population included Liberal Arts (22%), Business/Marketing (17%), and Social Sciences (9%). The student/faculty ratio is 18 to 1, and the average class size is 21.

## DATA ANALYSIS AND RESEARCH FINDINGS

While our previous research employed an exploratory data analysis to examine the macro perspective of how college students perceived ethics on campus, this research focused on a more in-depth examination of the differences in their perception with regard to their sex, college, major discipline of study, student classification, and preferred method of punishment. Hence, this research will utilize confirmatory data analysis, *t*-test, one-way analysis of variance (ANOVA), and bivariate cross-tabulation to investigate the cross-classification of ethical behaviors with each of the variable. The following subsections will describe the demographics of the respondents and the results of the hypothesis tests.

Table 2 Gender, College, and Student Classification

	Count	Percent
Sex		
Female	540	72%
Male	210	28%
Total	750	100%
College and Majors		
College of Arts and Sciences	320	42.70%
Biology and Environmental Sciences, Chemistry, Physics, or Nursing	65	8.7%
Communication Studies, Theatre, Art, or Music	61	8.1%
Computer Science and Mathematics	24	3.2%
English and Modern Languages	44	5.9%
History, Political Science, or Philosophy	40	5.3%
Sociology, Anthropology, Criminal Justice Studies, or Psychology	86	11.5%
College of Business and Economics	208	27.7%
Business/Pre-Business	208	27.7%
College of Education and Human Services	188	25.10%
Education, Special Education, or Liberal Studies	136	18.1%
Health, Athletic Training, Recreation and Kinesiology	19	2.5%
Social Work and Communication Sciences and Disorders	33	4.4%
Undecided	34	4.5%
Total	750	100%
Student Classification		
Freshman	226	30.1%
Sophomore	143	19.1%
Junior	182	24.3%
Senior	155	20.7%
Graduate Student	41	5.5%
Other	3	0.4%
Total	750	100%

### Demographics

The demographics information of the participants is tabulated in Table 2. Five hundred and forty female students and 210 male students voluntarily completed the survey, resulting in a response rate of 15.5%. There were three colleges on campus (Business and Economics, Arts and Sciences, and Education and Human Services), and students who did not declare a college are

classified as Undecided. Nearly half of the sample came from the College of Arts and Sciences (42.7%), with the rest of the respondents from the College of Business and Economics (27.7%), the College of Education and Human Services (25.1%), and Undecided students (5%). These percentages are relatively close to the proportion of students enrolled in the three colleges. Nearly one-third of the respondents were freshman (30.1%), approximately 20% were sophomores, 24.3% were juniors, and 20.7% were seniors. Forty-one graduate students made up a very small 5.5% of the sample population, with only three respondents who were either a non-degree seeking student, a staff, or faculty member taking a class.

### Hypothesis Testing and Discussions

All five factors were tested for reliability using the Cronbach's alpha  $\alpha$  (aka coefficient alpha). With the exception of Factor 5 ( $\alpha = 0.335$ ), four factors possessed a Cronbach's alpha value of 0.6 or high and therefore are considered fairly reliable (Malhotra, 2010; Zikmund & Babin, 2007). Hence, Factor 5 is eliminated from this research. Specifically, the Cronbach's alpha reliability for Factor 1, *Impact of Education and Faculty/Instructor on Ethics*, is 0.703; Factor 2, *Students' Attitude towards Cheating*, is 0.685; Factor 3, *Use of Information Technology*, is 0.745, and Factor 4, *Importance of Ethics*, is 0.614 (Table 3).

Table 3 *t* and *F* Statistics

	Sex	College	Major	Student Classification	Punishment Method
Factor 1 (education and faculty) $\alpha = 0.703$	Reject $H_0$ $t = -2.996$ $df = 748$ $p = 0.030$	Reject $H_0$ $F = 2.973$ $p = 0.031$	Reject $H_0$ $F = 2.398$ $p = 0.011$	Cannot reject $H_0$	Cannot reject $H_0$
Factor 2 (attitude towards cheating) $\alpha = 0.685$	Reject $H_0$ $t = -3.754$ $df = 748$ $p = 0.000$	Reject $H_0$ $F = 8.604$ $p = 0.000$	Reject $H_0$ $F = 3.889$ $p = 0.000$	Cannot reject $H_0$	Reject $H_0$ $t = 5.837$ $df = 748$ $p = 0.000$
Factor 3 (technology) $\alpha = 0.745$	Cannot reject $H_0$	Cannot reject $H_0$	Cannot reject $H_0$	Reject $H_0$ $F = 2.569$ $p = 0.026$	Cannot reject $H_0$
Factor 4 (importance of ethics) $\alpha = 0.614$	Cannot reject $H_0$	Reject $H_0$ $F = 4.323$ $p = 0.005$	Cannot reject $H_0$	Reject $H_0$ $F = 3.197$ $p = 0.007$	Reject $H_0$ $t = 2.599$ $df = 748$ $p = 0.01$

### Hypothesis 1 Difference in perception of ethics across sex

Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics between the male and female students.

The two populations – male and female – are tested using the two-independent-sample *t*-test and the test's statistics are presented in Table 3. As illustrated in Table 3, the *t*-value for

Factor 1 is  $-2.996$ , with a 748 degrees of freedom, and a probability of 0.003, which is less than the specified significance level of 0.05. Also, the  $t$ -value for Factor 2 is  $-3.754$  with a 748 degrees of freedom, and a probability of 0.000, which is also significantly less than the specified significance level of 0.05. Therefore, the null hypothesis of equal means for both Factors 1 and 2 are rejected, but the  $t$ -test comparing the means across the males and females for Factors 3 and 4 provide no significant empirical evidence to support the rejection of the null hypothesis for Factors 3 and 4. This study leads us to believe that there is a difference in the perception of ethics between the male and female respondents with regard to the impact of education and faculty/instructor involvement (Factor 1), and their attitude towards cheating (Factor 2). However, there is no significant difference in the students' perception when some kind of information technology is used in the classroom (Factor 3) or how participants define the importance of ethics (Factor 4). Because the mean values for the male respondents are a little lower than the means for the female respondents (13.781 and 13.552 versus 14.414 and 14.457 for Factors 1 and 2, respectively), we can conclude that the male respondents tends to have a little more tolerance for cheating than their female counterpart. This research finding provided strong support for the conclusions derived by Borkowski and Ugras (1998) and Smyth, Davis, and Kroncke (2009), but contradicted the findings by Chen and Tang (2006).

#### Hypothesis 2 Difference in perception of ethics across the three colleges

Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics among the students in the three colleges.

Majority of the respondents came from the College of Arts and Science (42.7%), followed by 27.7% from the College of Business and Economics and 25.10% from the College of Education and Human Services (Table 2). Since there are more than two values in this variable (College), ANOVA was conducted on the data set, and the  $F$  values and probability statistics were presented in Table 3. Interestingly, the probability of  $F$  is less than the significance level ( $\alpha = 0.05$ ) for all factors, with the exception of Factor 3. Therefore, there is sufficient empirical evidence to reject the null hypothesis for Factors 1, 2, and 4, but not 3. We can conclude that students, regardless of the colleges that they belong to, do not differ in their perception of ethics with regard to the use of information technology in the classrooms. This finding concurred with the conclusion in Molnar, Kletke, and Chongwatpol's 2008 study. On the other hand, the impact of education and faculty/instructor involvement (Factor 1) and the way students perceived the importance of ethics (Factor 4) seems to have a bigger impact on the business students than the non-business students. A possible explanation for this observation is that the business curriculum could consist of more ethical components than the curricula for the Colleges of Arts and Sciences and Education and Human Services. Unfortunately, with regard to the attitude towards cheating (Factor 2), the lower mean for the business students indicate that business students seems to have a higher tolerance for cheating than the non-business students. This conclusion concurred with the findings by Smyth, Davis, and Kroncke (2009), but contradicted the outcomes discovered by Chen and Tang (2006).

### Hypothesis 3 Difference in perception of ethics across majors

Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics across students of different majors.

The third hypothesis examined the difference in perception of ethics among the major fields of discipline on campus. From Table 2, the top three majors in the university are 27.7% from the Pre-Business/Business, 18% from Education, Special Education, or Liberal Studies, followed by 11.5% from Sociology, Anthropology, Criminal Justice Studies, or Psychology. The rest of the majors individually contribute to less than 10% of the sample population. This study did not account for respondents who major in more than one discipline.

For 1 and 748 degrees of freedom, the critical value of  $F$  is 3.84 for a significance level of 0.05. Since the calculated value of  $F$  for Factors 1 and 2 are greater than the critical  $F$  value, there is sufficient empirical evidence to reject the null hypothesis for these two factors (Table 3). Therefore, we can conclude that there is a significant difference in the perception of ethics across the majors regarding the impact of education and faculty/instructor involvement (Factor 1) and their attitude towards cheating (Factor 2). With regard to the impact of education and faculty/instructor's influence (Factor 1), the sociology, anthropology, criminal justice studies, and psychology students scored the highest mean of 14.697, compared to the lowest mean of 13.354 for the biology and environmental sciences, chemistry, physics, and nursing students. The difference in the means seems to infer that the non-science students felt that education and their faculty plays a more important role in shaping their ethical beliefs than the science students. When the students' attitude towards cheating (Factor 2) was analyzed based on their major field of study, business/pre-business students scored the lowest mean of 13.456, compared to the highest mean of 15.841 for the English and modern language students. Hence, we can conclude that the English and modern language students are the most ethical students and the business students are the least ethical students on campus.

### Hypothesis 4 Difference in perception of ethics across student classification

Null Hypothesis ( $H_0$ ): There is no difference in the perception of ethics among the freshmen, sophomores, juniors, seniors, graduate students, and non-degree seeking students or faculty/staff taking a class.

The fourth null hypothesis suggested that students' classification has no influence on the way they perceived ethics. However, the ANOVA  $F$  and probability statistics in Table 3 revealed that there is a significance difference in the perception of ethics across student classification with regard to the use of information technology (Factor 3) and the way respondents defined the importance of ethics (Factor 4). Thus we have high confidence to conclude that the group means are not all the same for these two factors. The six student classifications are divided into two major groups: (1) the upper-class group consists of seniors, graduate students, and non-degree seeking students or faculty/staff who are taking a class; and (2) the lower-class group which consists of freshmen, sophomores, and juniors. By examining the means for the six groups of participants, we observed that the upper-class students tends to believe more strongly than the lower-class students that use of information technology does increase cheating on coursework (Factor 3) and that they hold a higher ethical standards for themselves (Factor 4). On the

contrary, there is no statistically significant difference in the students' perception of ethics with regard to the impact of education and faculty/instructor involvement (Factor 1) and their attitude towards cheating (Factor 2). Subsequently, we can conclude that all students, regardless of their classification, believe that their faculty members play a very important role in educating them about ethics and that it is unethical to cheat on school work. Interestingly, this finding is in conflict with Borkowski and Ugras (1998) and Smyth, Davis, and Kroncke's (2009) conclusions that older students are more ethical than younger students.

#### Hypothesis 5 Difference in perception of ethics across method of punishment

Null Hypothesis ( $H_0$ ): There is no difference in the students' perception of ethics across the preferred method of punishment.

Participants were asked if they were caught cheating, would they prefer to be disciplined by the university's honor board or the instructor of the course? The fifth hypothesis postulated that regardless of the preferred method of punishment, students do not perceived ethics any differently. Table 3 showed that the significance levels for Factors 2 and 4 are significantly less than the pre-specified significance level of 0.05; therefore, there is sufficient empirical evidence to reject the null hypothesis that students' attitude towards cheating (Factor 2) and the way students perceived the importance of ethics (Factor 4) are not influenced by the students' preferred method of punishment. The higher means for students who preferred to be disciplined by the university's honor board (15.767 and 8.796) indicated that these students have a higher ethical standard than their peers who preferred to be disciplined by the course instructor (13.955 and 8.425). We speculated that perhaps students are "embarrassed" and unwilling to face the honor board which consists of 12 of their peers and would prefer to address the cheating issue privately with the instructor.

#### Hypothesis 6 Difference in perception of ethics across sources of ethical beliefs

Null Hypothesis ( $H_0$ ): There is no difference in the students' perception of ethics based on the sources of their ethical education.

The last null hypothesis proposed that students do not perceived ethics differently based on where they acquired their ethical beliefs. The sources of a person's ethical beliefs can be interpreted as the basis of his/her perceptions. When a person determines an action to be ethical or unethical, s/he is forming that perception based on the broad categories described in Table 4. Respondents were asked to select all the choices that are applicable to them. To limit the number of choices to a more manageable manner, this study did not include other possible sources such as media, peers, and social networking. An overwhelming 91% of the respondents indicated that their family upbringing have the largest impact in shaping their ethical beliefs, followed by 73% of the population attributing their ethical beliefs to their personal experiences. On the other hand, religion and education were perceived to be the source of their ethical beliefs by less than half of the population. Although our previous study indicated that respondents felt strongly the influence of education and faculty/instructor in shaping their ethical behaviors, nevertheless, this impact falls far behind the impact of family's influence and their personal experiences.



Table 4 Sources of Ethical Beliefs

	Count	Percent
Family Upbringing	684	91.2%
Personal Experiences	553	73.7%
Religion	332	44.3%
Education	305	40.7%

## CONCLUSIONS

The purpose of this study is to determine the impact of five underlying variables on the students' perception of ethics: sex, college, major, student classification, and preferred method of punishment. This study also examines the major sources of ethical values and beliefs of college students. Several findings in this research presented practical implications for both the academic and professional worlds.

The findings in this study implied that the concept of student ethics can indeed be interpreted using four interesting factors that are influenced by several characteristics. These four factors are education and faculty/instructor involvement; attitude towards cheating; use of information technology; and the importance of ethics. This study found that male students are less ethical than female students as measured by the impact of education and faculty/instructor involvement (Factor 1) and their attitude towards cheating (Factor 2). This finding concurred with the conclusions derived by Borkowski and Ugras (1998) and Smyth, Davis, and Kroncke (2009), but it is contrary to the recommendations proposed by Chen and Tang (2006).

Regardless of the colleges that they belong to, students do not differ in their perception of ethics with regard to the use of information technology in the classrooms. On the other hand, the impact of education and faculty/instructor involvement (Factor 1) and the way students perceived the importance of ethics (Factor 4) seems to have a bigger impact on the business students than the non-business students. A possible explanation for this observation is that the business curriculum could consist of more ethical components than the curricula for the Colleges of Arts and Sciences and Education and Human Services. Among the three colleges, business students have the lowest ethical standard and therefore a higher tolerance for cheating than the non-business students. This finding also concurred with the findings by Smyth, Davis, and Kroncke (2009), but contradicted the results of Chen and Tang's (2006) study. When the students' attitude towards cheating was analyzed based on their major field of study, the results revealed that the English and modern language students are the most ethical respondents while the business students are the least ethical students on campus. With regard to the impact of education and faculty/instructor's influence, the non-science students felt that education and their faculty plays a more important role in shaping their ethical beliefs than the science students.

The six student classifications are divided into two major groups: the upper-classmen and the lower-classmen. Another observation from this study is that the upper-class students tends to believe more strongly than the lower-class students that the use of information technology does increase cheating on coursework (Factor 3) and that they hold a higher ethical standards for themselves (Factor 4). However, there is no significant difference in the students' perception of ethics with regard to the impact of education and faculty/instructor involvement (Factor 1) and

their attitude towards cheating (Factor 2). Hence, we can conclude that all students, regardless of their classification, believe that their faculty members play a very important role in educating them about ethics and that it is unethical to cheat on school work.

With regard to the impact of preferred method of punishment on the students' perception of ethics, there is sufficient empirical evidence to conclude that students' attitude towards cheating (Factor 2) and the way students perceived the importance of ethics (Factor 4) are influenced by how they are punished. Students who preferred to be disciplined by the university's honor board tend to have a higher ethical standard than their peers who preferred to be disciplined by the course instructor. One explanation for this finding is that the students might be "embarrassed" and unwilling to face the honor board which consists of 12 of their peers and would prefer to address the cheating issue privately with the instructor. In our previous study, students unanimously agreed that education and faculty/instructors are major sources for their ethical values and beliefs; however, the results from this study revealed that family upbringing and personal experiences contribute more to their ethical beliefs than religion and education.

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## **ROLE STRESS AND COPING: A CASE IN ITES COMPANY**

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### **ABSTRACT:**

*Stress refers to a feeling of physical or emotional tension and is often a response to change. It is a feeling of being unable to cope with anxiety, discomfort and the demands of a particular situation. Richard S Lazarus defines “stress is a condition or feeling experienced when a person perceives that “demands exceed the personal and social resources the individual is able to mobilize.”*

*The concept of stress was first introduced by Hans Selye in 1936 while experimenting the strains experienced by living organisms in their struggles to adapt and cope with changing environments. Day to day stress has been observed in employees, especially those who work in the private sector companies where they have to fulfil certain targets and there work needs more of efficiency and good performance every month or nearly everyday. This can affect the physiological or psychological functioning of an individual. If not managed properly, it can be very hazardous to a person’s wellbeing.*

*Therefore, the present study deals with finding out the stress level of employees who are working in ITES Companies in Bangalore and also to know the extent to which they are able to cope with it. The objectives of the study include:*

- 1. To analyze the impact of stress on the employees of the ITES Companies.*
- 2. To analyze the coping strategies of the same employees.*

*The following are the list of Hypothesis Statements to fulfil the above said objectives.*

- 1. There is a significant variance between stress and various demographic factors of the employees of the ITES companies.*
- 2. There is a significant relationship between the various dimensions of stress and coping.*

*The study required both primary and secondary data. The primary data was collected from the employees of ITES Company in Bangalore. 30 employees who were identified for the study by the company were given the structured questionnaire. The questionnaire had fifty statements that highlight the major ten organisational role stress factors based on ORS Scale of Udai Pareek. A simple questionnaire containing six statements on coping which is based on a Five Point Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) was also used. The secondary data for literature review was collected from EBSCO database, Google Website and other books and journal*

research papers. The correlation analysis and an analysis of variance (ANOVA) were used as statistical tools for analysis.

The findings showed a correlation between personal inadequacy (PI) and coping. The Anova analysis showed variances in Self role distance (SRD), role ambiguity (RA), role erosion (RE), role isolation (RI), and resource inadequacy (Rin).

**KEYWORDS:** Stress, Organizational Role Stress, Coping.

## 1 Introduction

Generally speaking, stress has become a part of life of most people who work. For some it crops up once in a while, whereas others live with it everyday at work. Everyone has to experience stress sometime or the other. Usually it refers to a feeling of physical or emotional tension and is often a response to change. It is a feeling of being unable to cope with anxiety, discomfort and the demands of a particular situation.

The term stress is used in at least two contexts. In the first place it refers to the minor experience of:

- 1) A feeling of being unable to cope with the demands of a particular situation.
- 2) Anxiety, discomfort, apprehension because of the inability to cope.

Secondly, the term stress can also be used to denote the factors which cause the above reactions.

The most commonly accepted definition of stress by Richard S Lazarus is “stress is a condition or feeling experienced when a person perceives that “demands exceed the personal and social resources the individual is able to mobilize.” In short, it's what we feel when we think we've lost control of events.

Hans Selye was one of the founding fathers of stress research. His view in 1956 was that “stress is not necessarily something bad – it all depends on how you take it. The stress of exhilarating, creative successful work is beneficial, while that of failure, humiliation or infection is detrimental.” Selye believed that the biochemical effects of stress would be experienced irrespective of whether the situation was positive or negative.

In 1936, Hans Selye, introduced the General Adaptation Syndrome (GAS), a description of the biological response to sustained and unrelenting physical stress. Hans Selye was the first scientist to apply the word "stress"-- then simply an engineering term-- to the strains experienced by living organisms in their struggles to adapt and cope with changing environments. According to him, there are mainly three phases through which an organism undergoes stress.

During the first phase, the alarm reaction, the autonomic nervous system is activated by stress. If the stress is too powerful, gastrointestinal ulcers form, the adrenal glands become enlarged, and the thymus undergoes atrophy (wasting away).

During the second phase, resistance, the organism adapts to the stress through available coping mechanisms.

If the stressor persists or the organism is unable to respond effectively, the third phase, a stage of exhaustion, follows, and the organism dies or suffers irreversible damage. Selye's definition of stress refers it as a *response* to environmental conditions, defined on the basis of such diverse criteria as emotional upset, deterioration of performance, or physiological changes such as increased skin conductance or increase in the level of certain hormones.

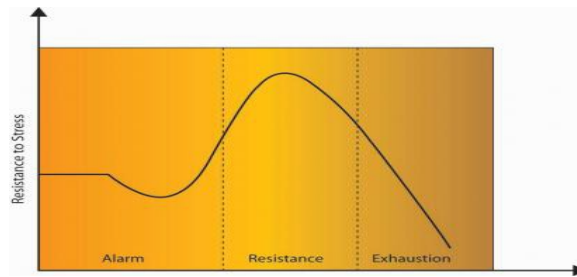


Figure 01: GAS (Hans Selye-1936)

Modern life is full of stress. As organizations become more complex, the potential for stress increases. Urbanisation, industrialization and increase in scale of operations are some of the reasons for rising stress. Stress is an inevitable consequence of socio-economic complexity and to some extent, its stimulant as well. There being no escape from stress in the modern life, we need to find out ways of using stress productively and reducing dysfunctional stress.

It is like a musical instrument, where an optimum stress is needed to produce good music; loose wires (less stress) would not produce the notes and too much tautness (too much stress) might result in screeching. A distinction has been made between productive or functional stress i.e. stress for creative work, entrepreneurial activities, Olympic competitions; and dysfunctional stress i.e. stress of boredom, unmanageable conflicts, overwork, etc. Therefore stress can be called as eustress (positive) or distress (negative) respectively.

Organisational role stress is a chronic disease caused by conditions in the workplace that negatively affect an individual's performance and/or overall well-being of his body and mind. Role is the position that one occupies in an organisation and is defined as the functions one performs in that organisation. Role is thus defined as "the position one holds in an organization having a set of functions to perform in response to the expectations of others and his/her own expectations about the role" (Pareek, 1976).

Kahn, Wolfe, Quinn, Snoek, and Rosenthal (1964) were the first to describe organizational stress in general and role stress in particular.

Katz and Kahn (1966) continued this research and suggested that an organization can be defined as a system of roles and they used three categories to define role stress: role ambiguity, role conflict, and role overload.

Pareek's (1976) organizational role stress model expands on and is linked to Kahn's (1973) views of conflict, ambiguity and overload by exploring inter-role relationships. Many researchers have used Katz and Kahn's (1966) definition of role stress, but recent studies do not capture the entire work experience of those being researched (O'Driscoll & Cooper, 1996). Each role is a system of functions, and there are two important aspects of an individual's role that should be considered when examining role stress: (1) role set, which is the role system in an organization that defines individual roles; and (2) role space, which is the roles people occupy and perform.

The following are the role stressors defined by Dr. Udai Pareek.

1. Inter-role distance (IRD): It is experienced when there is a conflict between organizational and non-organisational roles. For example, the role of an executive vs. the role of a husband/wife. The researcher Goffman (1961) introduced the concept of role distance to describe how an individual may demonstrate that his or her identity is not fully defined by a role in an organization.
2. Role stagnation (RS): It is the feeling of being stuck in the same role. Such a type of stress results in perception that there is no opportunity for the furthering or progress of one's career. In some cases, if an individual occupies a role for a long period of time, he or she may feel too secure to take on new roles and challenges. In other cases, especially during middle age and usually at middle-management levels, an individual may have fewer chances to advance in an organization. Job opportunities are fewer, and those jobs that are available take longer to master and old knowledge and methods become obsolete. Researchers

Levinson (1973) and Constandse (1972) stated that many middle-aged, middle-management managers suffer from fear and disappointment in silent isolation.

3. **Role expectation conflicts (REC):** This type of stress is generated by different expectations by different significant persons, i.e. superiors, subordinates and peers, about the same roles and the role occupant's ambivalence as to whom to please. For example, a professor may feel that the demands of teaching and doing research are incompatible, whether they are or not. Netemeyer, Johnston, and Burton, (1990) explained that individuals confront conflict or ambiguity with respect to his or her job expectations.
4. **Role erosion (RE):** This type of role stress is the function of the role occupant's feeling that some functions which should properly belong to his/her role are transferred to/or performed by some other role. This can also happen when the functions are performed by the role occupant but the credit for them goes to someone else. Another manifestation is in the form of underutilization in the role. Role erosion is likely to be experienced in an organization that is redefining roles and creating new roles. In these situations, people with not have enough to do or not enough responsibility for a task experience as much stress as those with too much to do. People do not enjoy feeling underutilized (Beukel & Molleman, 2002).
5. **Role overload (RO):** When the role occupant feels that there are too many expectations from the significant roles in his/her role set, he/she experiences role overload. There are two aspects of this stress: quantitative and qualitative. The former refers to having too much to do, while the latter refers to things being too difficult and the accountability in the role. Marchall and Cooper (1979) also categorized overload into quantitative and qualitative. Researchers Kahn and Quinn (1970) suggested some conditions under which role overload is likely to occur: (a) in the absence of role integration, (b) in the absence of role power, (c) when large variations exist in expected output, and (d) when duties cannot be delegated.
6. **Role Isolation (RI):** This type of role stress refers to the psychological distance between the occupant's role and other roles in the same role set. It is also defined as role distance which is different from inter-role distance, in the sense that while IRD refers to the distance among various roles occupied by the same individual, role isolation (RI) is characterized by the feelings that others do not reach out easily, indicative of the absence of strong linkages of one's role with other roles. This can be geographic or systemic. The main criterion of perceived role distance is frequency and ease of interaction. When relationships are strong, the role distance is considered low. When relationships are weak, the role distance can be measured in terms of the gap between desired and existing relationships. Kahn et al. (1964) and French and Caplan (1970) concluded that mistrust of coworkers is positively related to high role ambiguity and low job satisfaction.
7. **Personal inadequacy (PI):** It arises when the role occupant feels that he/she does not have the necessary skills and training for effectively performing the functions expected from his/her role. This is bound to happen when the organizations do not impart periodic training to enable the employees to cope with the fast changes both within and outside the organization. McMurray (1973) identified the executive neurosis: that is, an over-promoted manager who becomes grossly overworked in the attempt to keep the job and hide a sense of insecurity and feelings of personal inadequacy.
8. **Self-role distance (SRD):** When the role a person occupies goes against his/her self-concept, then he/she feels self-role distance type of stress. This is essentially a conflict arising out of a mismatch between the person and his/her job. An introverted person may have trouble fulfilling the role of salesperson. It is also fairly common for people to experience conflict between the way they treat others in everyday life and the way they are required to treat others in their organizational roles, where maintaining distance from others may be necessary. Such conflicts are very common. Self-efficacy is a belief in one's ability to perform specific tasks.
9. **Role ambiguity (RA):** It refers to the lack of clarity about the expectations regarding the role which may arise out of lack of information or understanding. It may exist in relation to activities, responsibilities, personal styles and norms and may operate at three stages:



- a. When the role sender holds his/her expectations about the role,
- b. When he/she sends it, and,
- c. When the occupants receives those expectations.

According to Kahn and Quinn (1970), four types of roles are most likely to experience ambiguity: (a) roles new to an organization, (b) roles in expanding or contracting organizations, (c) roles in organizations exposed to frequent changes in demand, and (d) roles concerned with process. Kahn et al. (1964) found that people who suffered from role ambiguity experienced low job satisfaction, high job-related tension, a sense of futility, and low self-confidence. Kahn (1973) distinguished two components of role ambiguity: present ambiguity and future-prospect ambiguity.

10. Resource inadequacy (RIn): This type of stress is evident when the role occupant feels that he/she is not provided with adequate resources for performing the functions expected from his/her role, whether it is a lack of supplies, personnel, information, historical data, a lack of knowledge, education, or experience. Deficiency in any of these areas will adversely affect people's outcome and affect individual's work motivation (Klein, 1990).

## 2 Review of Literature

Andrew G. Billings and Rudolf H. Moos (1980) conducted a research on the role of coping responses and social resources in attenuating the stress of life events. The nature of individual coping responses to stressful life events was explored in a representative adult community sample. Using these measures, small but significant gender and contextual differences in coping were identified. Mood and symptom levels were related to coping responses and to quantitative and qualitative measures of social resources. Measures of coping and social resources attenuated the relationship between undesirable life events and personal functioning.

P. Shipley and M. Coats (1992) conducted a research on- A community study of dual-role stress and coping in working mothers. This paper describes a pilot study in a community in North London of dual-role stress and coping in three groups of working mothers with dependent children at home. One group was married and enjoying comparatively high income; another was 'single' and also with comparatively high income; the third group was 'single' with comparatively low income. There were 15 women in each group. The study was by interview and questionnaire. Evidence of dual-role stress was found in the study, and the results are consistent with conclusions drawn from the literature. However, many women appeared to obtain important benefits from going to work, and there was considerable evidence of good coping, especially in terms of drawing on the informal support of other women. Both the quality of the job and quality of domestic support were important for the working mother's stress management. The relative poverty of organized child-care in Britain was reflected in the child-care problem reported by most of these women and the 'single' women in particular. Low income 'single' women reported greatest levels of stress and strain, financial and child-care stress, and work stress.

Christo F. V. Fernandes, Satish Kumar and Nandakumar Mekoth (2008) conducted a study on role stress and length of service. Stress experienced in organizational roles was studied on 486 executives in public and private sector banks in Goa. Pareek's Organizational Role Stress (ORS) scale was used to measure ten types of role stress. The sample was divided into three parts as short, medium and long tenure groups on the basis of length of service of the respondent. Analysis of Variance (ANOVA) was used to find out if significant differences existed between the groups in terms of the different types of role stress and the total role stress experienced. The study revealed significant differences in stress experience among short, medium and long tenure groups. For the total and for the six types of role stress, long tenure groups experienced the minimum stress, medium tenure group experienced a medium level stress and the short tenure group experienced the maximum stress, pointing to the existence of a negative relationship between length of service and role stress.

Mohan V and Chauhan D. (1999) did a comparative study of organisational role stress amongst managers of government, public and private sectors. Optimum stress is essential for performing well in one's job. It acts as a drive and can be called Eustress. But once stress exceeds a certain limit it can cause burnout and detrimentally affect work performance. The study was conducted on 174 middle level managers from Government (50), Public (76) and Private (48) sectors. There were 137 males and 37 females. Overall, the latter were very less in number. These managers were administered Organisational Role Stress (ORS) Scale by Udai Pareek. A t-test was done to find sex

differences, if any, on the 10 subscales of ORS and the total score. None of the t-ratios were significant; as such the data was pooled. Simple ANOVA were done for all the 10 subscales and total ORS scores to test the differences amongst the three sectors. The results showed that there were only two significant F-ratios-for Role Erosion and Self-Role Conflict. The managers of Public Sector experienced the maximum Role Erosion and Self Role Conflict, followed by Government and the private sector. The private sector seems to have a better work climate which is giving enough forward orientation in one's job role and also less amount of intra-personal conflictual situations. This can have implications for improvement of work climate in Government and Public Sector.

Mohsin Aziz (2004) conducted a research on Role stress among women in the Indian information technology sector. Stress is built up in the concept of role which is conceived as the position a person occupies in a system. This paper investigates the intensity of organisational role stress among women informational technology professionals in the Indian private sector. Organisational role stress scale is used on a sample of 264 to explore the level of role stress. Resource inadequacy has emerged as the most potent role stressor, followed by role overload and personal inadequacy. The research finds differences in the level of stress between married and unmarried employees on several role stressors. However, level of education does not emerge as a significant differentiator of stressors.

Stephen Palmer (2005) conducted a research on The role of gender in workplace stress. The aim of this review was to evaluate research relating to the role of gender in the level of workplace stress. A further aim was to review literature relating to stressors of particular relevance to working women. These stressors included, multiple roles, lack of career progress and discrimination and stereotyping. Major databases were searched in order to identify studies investigating gender and workplace stress. A range of research designs were included and no restrictions were made on the basis of the occupations of the participants. Much of the research indicated that women reported higher levels of stress compared to men. However, several studies reported no difference between the genders. Furthermore, the evidence for the adverse effects of multiple roles, lack of career progress and discrimination and stereotyping was inconsistent. The current review concluded that the evidence regarding the role of gender in workplace stress and stressors was inconsistent. Limitations of the research were highlighted and implications for practice were discussed.

Geetika Tankha, (2006) conducted a comparative study of role stress in Government and private hospital nurses. Stress has become the most important factor influencing individual efficacy and satisfaction in modern day occupational settings.. This study was conducted with the aim of investigating the effect of role stress in a sample of 120 nursing professionals of government and private hospitals. They were administered Organisational Role Stress Scale by Pareek (1981) in order to assess the level of stress experienced by them. The obtained results revealed that male nurses experienced significantly higher stress level as compared to females. Second, male nurses from private hospitals showed significantly higher level of stress levels than the government nurses on eight out of the ten dimensions of Organisational Role Stress Scale.

Sen (1981) studied the background variables in relation to role stress were age, sex , education , income, family type, marital status, residence, distance from residence to place of work, work experience etc. Some of the conclusions drawn from Sen were that role stagnation decreases as people advance in age, age is negatively related with role stress. Women experience more role stress as compared to men, unmarried experienced more stress than married.

### **3 Objectives**

- 3.1 To analyze the impact of stress on the employees of the ITES Company.
- 3.2 To analyze the coping strategies of the same employees.

### **4. Hypotheses of the study**

The following are the list of Hypothesis Statements to fulfil Objectives 3.1 and 3.2 mentioned above.

- 4.1:** There is a significant variance between stress and various demographic factors of the employees of the ITES Company.

**4.2:** There is a significant relationship between the various dimensions of stress and coping.

## 5. Methodology

The study required both primary and secondary data. The primary data was collected from the employees of ITES Company in Bangalore. 30 employees who were identified for the study by the company were given the structured questionnaire. The secondary data for literature review was collected from EBSCO database, Google Website and other books and journal research papers. The correlation analysis and an analysis of variance (ANOVA) were used as statistical tools for analysis.

### 5.1 Formulation of Questionnaire

The questionnaire had fifty statements that highlight the major ten organisational role stress factors based on ORS Scale of Udai Pareek. A simple questionnaire containing six statements on coping which is based on a Five Point Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) was also used.

## 6 Results of Analysis

In this research work two demographic variables were used. They are gender and length of service/ tenure. ANOVA was used to find how much the stress levels have an impact on employees in ITES Company (Table 01 & Table 02).

**Objective 3.1:** To analyze the impact of stress on the employees of the ITES Companies.

**Hypothesis 4.1:** There is a significant variance between stress and various demographic factors of the employees of the ITES companies

### 6.1 ANOVA

#### Findings 01: ORS with Gender:-

If we consider 0.90 as a level of significance then there is a significant variance between **SRD, RA and Rin** with gender at 0.10 level of significance because value of significance are 0.041, 0.029 and 0.05 respectively which is less than 0.10.

*Self Role Distance* is the role a male or a female occupies that goes against his/her self-concept, and then he/she feels self-role distance type of stress. This is essentially a conflict arising out of a mismatch between the person and his/her job. Therefore there is a variation of SRD seen in male and female employees of ITES Sector.

*Role Ambiguity* refers to the lack of clarity about the expectations regarding the role which may arise out of lack of information or understanding. It may exist in relation to activities, responsibilities, personal styles and norms. There is a variation seen between male and female employees regarding role ambiguity.

*Resource Inadequacy* is a type of stress evident when the role occupant feels that he/she is not provided with adequate resources for performing the functions expected from his/her role, whether it is a lack of supplies, personnel, information, historical data, a lack of knowledge, education, or experience. The results (Table 03) show a variation of resources supplied to male and female employees in ITES Company.

#### Findings 02 - ORS and Length of Service:-

According to the Table 04, at 95% significance level, there is a significant variation of **Role Isolation** and with length of service of the employees in the organisation because the values of significance are 0.021 and 0.011 which

are less than 95% significance level. If we consider 0.90 as the level of significance, then there is a significant variation in **Role Erosion**, **Role Isolation** and **Resource Inadequacy** with the length of service of the employees as the values are 0.088, 0.021, and 0.011 respectively, which are less than 0.10.

*Role Erosion* is a dimension of ORS that refers to the role occupant's feeling that some functions which should properly belong to his/her role are transferred to/or performed by some other role. This can also happen when the functions are performed by the role occupant but the credit for them goes to someone else. This has been found significant with length of service of the employees because, by time, they would be feeling that their roles and duties are being gradually transferred to or performed by some other role/person. Few of them would be feeling that there credit for some work done by them goes to someone else.

*Role Isolation* is a type of role stress that refers to the psychological distance between the occupant's role and other roles in the same role set. It is also defined as role distance which is different from inter-role distance, in the sense that while IRD refers to the distance among various roles occupied by the same individual, role isolation (RI) is characterized by the feelings that others do not reach out easily, indicative of the absence of strong linkages of one's role with other roles. This is significant in ITES Sector as they have been working in the same role set since a long time which can make their work quite monotonous, thereby they feel isolated from their role.

*Resource Inadequacy* is a type of stress evident when the role occupant feels that he/she is not provided with adequate resources for performing the functions expected from his/her role, be it due to lack of supplies, personnel, information, historical data, a lack of knowledge, education, or experience. When we consider length of service we can see that there is a significant variation with stress. If length of service is long and the employees have not been provided the required resources to complete their role and role set, they experience stress in their respective roles.

**Objective 3.2: To analyze the coping strategies of the same employees.**

**Hypothesis 4.2: There is a significant relationship between the various dimensions of stress and coping.**

While the correlation could range between -1.0 and +1.0, we need to know if any correlation found between two variables is significant or not (i.e., if it has occurred solely by chance or if there is a high probability of its existence). A significance of  $p=0.05$  is the generally accepted conventional level. This indicates that 95 times out of 100, we can be sure that there is a true or significant correlation between the two variables, and there is only a 5% chance that the relationship does not truly exist. We would not know which variable causes what, but we know that the two variables are associated with each other. Thus the hypothesis postulates a significant positive (or negative) relationship between the two. The results of the findings are listed below with reference to the table 05.

## 6.2 Correlation

**Correlation 1:** There is a correlation of 0.052 between Personal Inadequacy (PI) and coping of employees significant at the 0.01 level i.e. the probability of this not being true is 1% or less. That is over, 99% of the time we would expect this correlation to exist.

**Correlation 2:** There is positive correlation between Inter Role Distance (IRD), Role Stagnation (RS), Role Erosion (RE), Resource Inadequacy (Rin) and Coping of employees. But there is no significant relationship between these dimensions and coping.

**Correlation 3:** There is a negative correlation between Role Expectation Conflict (REC), Role Overload (RO), Role Isolation (RI), Self Role Distance (SRD), Role Ambiguity (RA) and Coping among the employees. But there is no significant relationship between these dimensions and coping.

## 8. Conclusion

In this study, researchers said that, some dimensions of organizational role stress like SRD, RA and RIn significantly differ among gender. Many other researchers like Aziz, Stephen, Geetika and Sen proved the same

context and said that male experience more stress than female.

Further the researchers were able to find that RE, RI, RIn are differing significantly among length of service/ tenure. Researcher Christo said that if the tenure increases then Role stress decreases. This is proved in this research too.

When correlation analysis was undertaken by the researchers, they came to know that personal inadequacy is positively correlated with coping. Mc Murray said that an over-promoted employee who becomes grossly overworked makes the attempt to keep the job and hide a sense of insecurity and feelings of personal inadequacy.

This gives a fair idea that ITES employees in the company where the research work carried on have the feeling of insecurity and wants to keep their job and so end up in personal inadequacy stress.

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**Tables:**

Table 01: Demographic variable – Gender

Valid	Frequency	Percent
Male	17	56.7
Female	13	43.3
Total	30	100.0

Table 02: Demographic variable –Length of Service/ Tenure

Valid	Frequency	Percent
1 year	5	16.7
2 years	9	30.0
3 years	6	20.0
4 years	7	23.3
5 years	3	10.0
Total	30	100.0

Table 03: ANOVA-ORS vs. Gender

		Sum of Squares	Df	Mean Square	F	Sig.
IRD	Between Groups	12.772	1	12.772	.481	.494
	Within Groups	743.928	28	26.569		
	Total	756.700	29			
RS	Between Groups	41.414	1	41.414	1.957	.173
	Within Groups	592.452	28	21.159		
	Total	633.867	29			
REC	Between Groups	15.061	1	15.061	1.502	.231
	Within Groups	280.805	28	10.029		
	Total	295.867	29			
RE	Between Groups	3.439	1	3.439	.201	.657
	Within Groups	477.928	28	17.069		
	Total	481.367	29			
RO	Between Groups	10.433	1	10.433	.740	.397
	Within Groups	394.534	28	14.090		
	Total	404.967	29			
RI	Between Groups	1.960	1	1.960	.114	.739
	Within Groups	483.240	28	17.259		
	Total	485.200	29			
PI	Between Groups	17.231	1	17.231	.852	.364
	Within Groups	566.235	28	20.223		
	Total	583.467	29			
SRD	Between Groups	54.480	1	54.480	4.582	.041
	Within Groups	332.887	28	11.889		
	Total	387.367	29			
RA	Between Groups	93.895	1	93.895	5.292	.029
	Within Groups	496.805	28	17.743		
	Total	590.700	29			
Rin	Between Groups	74.966	1	74.966	3.942	.057
	Within Groups	532.534	28	19.019		
	Total	607.500	29			
Coping	Between Groups	3.439	1	3.439	.315	.579
	Within Groups	305.928	28	10.926		

Total	309.367	29			
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Table 04: ANOVA-ORS vs. Length of Service in Current Organization

		Sum of Squares	df	Mean Square	F	Sig.
IRD	Between Groups	42.749	4	10.687	.374	.825
	Within Groups	713.951	25	28.558		
	Total	756.700	29			
RS	Between Groups	64.952	4	16.238	.714	.590
	Within Groups	568.914	25	22.757		
	Total	633.867	29			
REC	Between Groups	52.119	4	13.030	1.336	.284
	Within Groups	243.748	25	9.750		
	Total	295.867	29			
RE	Between Groups	129.011	4	32.253	2.288	.088
	Within Groups	352.356	25	14.094		
	Total	481.367	29			
RO	Between Groups	76.038	4	19.010	1.445	.249
	Within Groups	328.929	25	13.157		
	Total	404.967	29			
RI	Between Groups	174.349	4	43.587	3.505	.021
	Within Groups	310.851	25	12.434		
	Total	485.200	29			
PI	Between Groups	35.230	4	8.808	.402	.806
	Within Groups	548.237	25	21.929		
	Total	583.467	29			
SRD	Between Groups	27.310	4	6.827	.474	.754
	Within Groups	360.057	25	14.402		
	Total	387.367	29			
RA	Between Groups	126.883	4	31.721	1.710	.179
	Within Groups	463.817	25	18.553		
	Total	590.700	29			
Rin	Between Groups	239.816	4	59.954	4.076	.011
	Within Groups	367.684	25	14.707		
	Total	607.500	29			
Coping	Between Groups	21.849	4	5.462	.475	.754
	Within Groups	287.517	25	11.501		
	Total	309.367	29			



Table 05: Correlation between ORS and Coping

ORS	Correlation/Significance/N	Coping
IRD	Pearson Correlation	.070
	Sig.(2-tailed)	.715
	N	30
RS	Pearson Correlation	.077
	Sig.(2-tailed)	.686
	N	30
REC	Pearson Correlation	-.148
	Sig.(2-tailed)	.434
	N	30
RE	Pearson Correlation	.074
	Sig.(2-tailed)	.699
	N	30
RO	Pearson Correlation	-.134
	Sig.(2-tailed)	.480
	N	30
RI	Pearson Correlation	-.118
	Sig.(2-tailed)	.534
	N	30
PI	Pearson Correlation	-.358
	Sig.(2-tailed)	.052
	N	30
SRD	Pearson Correlation	-.197
	Sig.(2-tailed)	.296
	N	30
RA	Pearson Correlation	-.167
	Sig.(2-tailed)	.378
	N	30
Rin	Pearson Correlation	.070
	Sig.(2-tailed)	.712
	N	30



## WORK-FAMILY CONFLICT AMONG PARAMEDICAL STAFF

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### ABSTRACT

*The last few decades have seen dramatic changes in the demographic characteristics and life styles of the workforce. The single most important change is the increase of women into the workforce, especially that of married women with children. With an increase of women into the workforce and there has been an increase in men involved in family life. In today's society dual income families and employed single parents are the fast becoming norm. With the increase in dual income families and employed single parents, conflict between work and family has reached a crisis .Based on the literature review few studies have tested the mediating effect of work-family conflict on the relationship between role overload and emotional exhaustion. This study tested a mediation model consisting of emotional exhaustion as the dependent variable and role overload as the independent variable, with work-family conflict as its mediator. Data were gathered from a sample of 60 both male and female paramedical staff aged 40 years and below, working full-time in 3 corporate hospitals in Andhra Pradesh state of Southern India, using self-administered questionnaires. The data were analyzed using correlation and multiple regression analyses. Results of correlation analyses revealed that role overload was less significantly related to work-family conflict and significantly related to Emotional exhaustion and work-family conflict was significantly related to emotional exhaustion. Results of a series of multiple regression analyses indicated that work-family conflict partially mediated the relationship between role overload and emotional exhaustion. Paramedical staff who experience role overload seem to be more emotionally drained and seem to experience less conflict between work and family roles.*

### INTRODUCTION

Work represents a key component of the lives of men, with the accepted domain of women being at home and family. This scenario has changed dramatically due to the profound changes in the demographic makeup of the work force such as the entry of the women , dual earner couples and single parents (Grant-Vallone and Donaldson,2001) and the changing nature of the work demands yet , for many employees balancing the dual demands and responsibilities of work and family can become overwhelming and result in work-family conflict. According to Khan et.al ,1964, Work-family conflict is a type of inter-role conflict in which pressures in the work role are incompatible with pressures in the family role. The experience of work-family conflict among professionals including physicians have been reported by researchers (Ray and Miller, 1994; Baron and Kenny, 1986a;Bergman et al., 2008, Aminah Ahmad ,2010).Acknowledging the experience of work-family conflict among physicians, several researchers have studied reduced workload as a condition that could reduce the conflict (Greenhaus and Beutell, 1985; Lingard and Francis, 2006) while other researchers have studied the consequences of the conflict including emotional exhaustion (Innstrand et al., 2008; Baron and Kenny,1986a; Bergman et al., 2008; Fu and Shaffer, 2001). Emotional exhaustion is a chronic state of physical and emotional depletion that results from excessive job demands and continuous stress. It describes a feeling of being emotionally over extended and exhausted by once emotional resources (Shauffelli et al., 2009). There are evidences from previous studies that professionals experience emotional exhaustion (Greenglass et al.,2003; Peiro et al., 2001; Maslach, 1993). The emotional exhaustion experienced has been associated with various organizational outcomes such as turnover, lack of organizational commitment and withdrawal behavior (Alacacioglu et al., 2009). The recognition of negative psychological consequences of emotional exhaustion has directed attention towards the role of contributing factors such as appropriate workload and reduced work-family conflict in addressing the problem of emotional exhaustion experienced by employees. Although previous studies have reported the effects of role overload (Chopra et al., 2004; Innstrand et al., 2008; Piesah et al., 2009; Maslach et al., 2001) and work-family conflict (Innstrand et al., 2008; Baron and Kenny, 1986a; Bergman et al., 2008; Fu and Shaffer,2001) and their interactions with other variables on emotional exhaustion, the use of a model for understanding the mediating impact of work-family conflict on the relationship between the role overload as a stressor and emotional exhaustion as a consequence has not been given much attention.This study examined the mediating role of work-family conflict in the relationship between role overload and emotional exhaustion among paramedical staff. Besides its contribution to the establishment of the mediation model which incorporates the interface of work and family roles as a mediator variable, the significance of the research findings lies in its contribution towards improving paramedical staff well-being,

Relationship between role overload and emotional exhaustion

Research findings support the notion that workload is a significant stressor associated with a variety of deleterious psychological reactions, including emotional exhaustion, in different samples of workers (Chopra et al., 2004; Piesah et al., 2009; Maslach et al., 2001). Excessive workload occurs when an employee perceives that he or she has too many tasks to do in a period of time. Results of a study by Greenglass et al. (2003) and Innstrand et al. (2008) has shown that nurses' perceptions of increased workload following hospital restructuring directly increased their level of distress which comprised of cynicism, anger and emotional exhaustion with the last as an important component. A significant relationship between role overload and emotional exhaustion in a sample of professional engineers in the construction industry was also reported by Yip et al. (2008) and (Maslach et al., 2001) and among public accountants by Sweeney and Summers (2002) and (Bakker et al., 2005). A longitudinal study on emotional exhaustion by Houkes et al. (2003) and (Jones et al., 2010) has shown that emotional exhaustion is influenced by variables related to working conditions including workload. Peiro et al. (2001) and Fu and Shaffer (2001) found that health care professionals' role overload predicted changes over time in emotional exhaustion. Thus empirical evidences seem to support the relationship between role overload and emotional exhaustion and the following hypothesis was tested.

**H1:** There is a significant relationship between role overload and emotional exhaustion.

#### Relationship between role overload and work-family conflict

There are many studies examining the characteristics of work domain as antecedents of work-family conflict. One of the characteristics is role overload. When the total demand on time and energy are too great for an individual to perform the roles adequately or comfortably, role overload occurs (Yip et al., 2008). Individuals who occupy work roles and perceive that their workload is more than they can handle, would experience greater work-family conflict (Greenhaus and Beutell, 1985; Lingard and Francis, 2006). Based on previous research findings, it is expected that paramedical staff who have to perform more demanding work would experience a greater intensity of work-family conflict and the following hypothesis was tested.

**H2:** There is a significant relationship between role overload and work-family conflict.

#### Relationship between work-family conflict and emotional exhaustion

One of the outcomes of work-family conflict is emotional exhaustion. A study by Burke and Greenglass (2001) and Sweeney and Summers (2002) on nursing staff during hospital restructuring has shown that increased job burnout is an important consequence of work-family conflict. A longitudinal study of individuals from eight occupational groups including physicians revealed that increased levels of work-family conflict results in higher levels of burnout including emotional exhaustion (Baron and Kenny, 1986a; Bergman et al., 2008). Similar results have been reported by Peiro et al. (2001) (Fu and Shaffer, 2001) among health care professionals, Lingard and Francis (2006) and Ray and Miller (1994) among construction professionals and managers, as well as Montgomery et al. (2003) and Houkes et al. (2003) in their study on newspaper managers. Based on previous research findings, it is expected that a higher intensity of work-family conflict experienced by paramedical staff lead to greater emotional exhaustion and the following hypothesis was tested.

**H3:** There is a significant relationship between Work-family conflict and emotional exhaustion

#### Work-family conflict as a mediator in the role overload-emotional exhaustion relationship

The mediation model is developed based on the Conservation Of Resources (COR) theory (Barnett and Hyde, 2001), as well as the work of previous researchers. The COR theory proposes that individuals seek to acquire and maintain resources to reduce stress. Stress is a reaction to an environment in which there is the threat of a loss of resources, an actual loss in resources, or lack of an expected gain in resources. Resources include objects, conditions, personal characteristics and energies. Reduced workload is a condition that employees may need to cope with conflict that stems from work-family interface. The absence of this condition may cause the experience of stress such as work-family conflict. According to the COR theory this conflict in turn could lead to stress because resources are lost in the process of juggling both work and family roles. The potential or actual loss of these resources results in emotional exhaustion. Once employees are confronted with high levels of conflict in work-family interface, they are likely to be emotionally exhausted. The COR theory has been used by Grandey and Cropanzano (1999) and Burke and Greenglass (2001) in their research on the consequence of stressors on work-family conflict. Literature have also pointed out that there is a relationship between role overload and work-family conflict on the one hand and between work-family conflict and emotional exhaustion, on the other. Based on the COR theory and previous research findings, one could argue that changes in the levels of role overload could lead to changes in the levels of work-family conflict and in turn in the levels of emotional exhaustion and thus the following hypothesis was tested.

**H4:** Work-family conflict mediates the relationship between role overload and emotional exhaustion.

**METHODOLOGY**

The sample of this present study consisted of both female and male paramedical staff aged 40 and below working in three corporate hospitals in Andhra Pradesh state of southern India.. Data were collected from a sample of 60 both male and female paramedical staff using self-administered questionnaires . The questionnaire was constructed in English language

The level of work-family conflict was measured using an interrole scale originally developed by Pleck et al. (1980) and Montgomery et al. (2003). This scale consists of eight items based on the three most prevalent aspects of work interference with family, namely excessive work time, schedule conflict and fatigue or irritability. Responses were coded on a 5-point scaled response options ranging from strongly disagree (1) to strongly agree (5). The reliability coefficient (alpha) of the work-family conflict scale was 0.326

Role overload was measured using 10 items developed by Uday Pareek responses were coded on a 5 point scaled response option ranging from It is not at all true(1) to It is very true(5). The reliability coefficient (alpha) of the work-family conflict scale was 0.767.

The level of emotional exhaustion was assessed using a five-item scale from Ray and Miller (1994) and Bohlen and Viveros-Long (1981) Responses were coded on a 5-point scaled response options ranging from strongly disagree (1) to strongly agree (5).. The reliability coefficient (alpha) of the emotional exhaustion scale was 0.826.

Descriptive statistics were calculated to describe the main characteristics of the subject. Correlation coefficients were computed to examine the relationships between role overload, work-family conflict and emotional exhaustion. A series of regression analyses was employed to test the hypotheses of the study. Baron and Kenny (1986b) and recommended the use of a series of regression models to test the mediational hypothesis. Testing for mediation requires the estimation of the four following regression equations: First, regressing the dependent variable on the independent variable; second, regressing the mediator on the independent variable; third, regressing the dependent variable on the mediator; and fourth, regressing the dependent variable on both the independent variable and on the mediator. The following are the four conditions for establishing mediation; (1) The independent variable significantly affect the dependent variable; (2) The independent variable significantly affect the mediator; (3) The mediator significantly affect the dependent variable; (4) The effect of the independent variable on the dependent variable shrinks upon the addition of the mediator to the model. If the independent variable does not affect the dependent variable upon regressing the dependent variable on both the independent variable and on the mediator, then full mediation is established. If otherwise, the test supports partial mediation.

**MODEL**This study is based on the following model which examines the mediating role of work-family conflict in the relationship between role overload and emotional exhaustion:

$EE = -4.013 + 0.801(RO)$	RO	→	EE
$WFC = 10.290 + 0.390(RO)$	RO	→	WFC
$EE = 5.052 + 0.682 (WFC)$	WFC	→	EE
$EE = -8.848 + 0.617 (RO) + 0.470 (WFC)$	RO	→	WFC
		→	EE

Where EE = Emotional Exhaustion  
 RO = Role Over load  
 WFC = Work family conflict

<i>Characteristic</i>	<i>Frequency</i>	<i>(%)</i>	<i>Mean</i>	<i>SD</i>
Age(Years)				
20-25		43.3	27.28	1.68
26-30	26	31.7		
31-35	19	16.7		
36-40	10	8.3		
	05			
Gender				
Male	19	31.7		
Female	41	68.3		
Marital Status				
Unmarried	30	50		
Married	30	50		
Children				
Yes	23	38.3		
No	07	11.7		
No.of Children				
1	16	26.7	1.35	0.573
2	06	10		
3	01	1.7		

Table.1:Characteristics of Respondents

<i>Variable</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>Mean</i>	<i>SD</i>
Work-family conflict	--	0.366**	0.571**	22.03	6.948
Role Over load		--	0.629**	30.10	6.524
Emotional Exahaustion			---	20.08	8.306

Table.2:Mean,SD and Inter correlations of the Variables

\*\* p&lt;0.05

<i>Criterion Variable</i>	<i>Predictor variable</i>	<i>R</i>	<i>R<sup>2</sup></i>	<i>Adj R<sup>2</sup></i>	<i>Beta</i>	<i>F</i>	
Emotional Exahaustion	Role Over load	0.629	0.395	0.385	0.801	37.931**	Table.3: Results of multiple regression analyses
Work-family conflict	Role Over load	0.366	0.134	0.119	0.390	8.992**	
Emotional Exahaustion	Work-family conflict	0.571	0.326	0.314	0.682	28.002**	
Emotional Exahaustion	Work-family conflict	0.727	0.529	0.513	0.470	32.024**	
	Role Over load				0.617		

\*\*p&lt;0.05

## RESULTS AND DISCUSSION

Table1 presents the characteristics of the respondents. The respondents age is ranged from 20 to 40 years(M=27.28, SD=1.68) with 91.7% aged from 20 to 35 years. In the present study 68.3% of the respondents are female, 50% of the respondents are unmarried and 26.7% respondents had single child .

Table2:The total mean score for work-family conflict on a 5 point scale was 22.03(SD=6.948), Role Overload was 30.10(SD=6.524) and Emotional Exhaustion was 20.08(SD=8.306).Correlation analyses results revealed that there were significant correlation between role overload and emotional exhaustion ( $r = 0.629^{**}$   $p < 0.05$ ) .There were moderate correlation between role overload and Work-family conflict ( $r = 0.3666^{**}$   $p < 0.05$ ) and significant correlation between Work-family conflict and emotional exhaustion ( $r = 0.571^{**}$   $p < 0.05$ ).The results supports H1,H2 and H3

**H1:** There is a significant relationship between role overload and emotional exhaustion.

**H2:** There is a significant relationship between role overload and work-family conflict.

**H3:** There is a significant relationship between Work- family conflict and emotional exhaustion

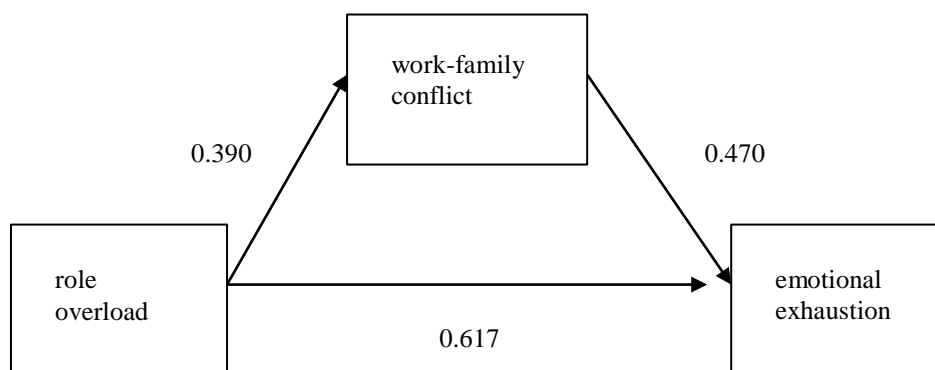


Fig. 1: Results of multiple regression analyses with WFC as a mediator of the relationships between role overload and emotional exhaustion.

A series of regression analyses were used to examine the role of work-family conflict as a mediator of the relationship between role overload and emotional exhaustion. Applying the four conditions for establishing mediation on the four equations of the model, it was found that these conditions hold, indicating that work-family conflict mediates the relationship between role overload and emotional exhaustion, thus supporting H4. (**H4:**Work-family conflict mediates the relationship between role overload and emotional exhaustion) Since the independent variable does affect the dependent variable upon regressing the dependent variable on both the independent variable and on the mediator, then partial mediation is established (Fig. 1).

The results indicate that role overload could increase the work-family conflict experienced by paramedical staff which in turn could increase the emotional exhaustion experienced by them. Role overload explained 38.5% of the variance in emotional exhaustion and 11.9% of the variance in work-family conflict. Both role overload and work-family conflict explained 51.3% of the variance in emotional exhaustion, an increase in 12.8% of the variance (Table 3).

The findings of this study reveal that the paramedical staff in the three corporate hospitals in Andhra Pradesh State of Southern India experience a considerable level of emotional exhaustion. Such findings are in line with those of other studies which have shown that younger physicians experience high levels of burnout including emotional exhaustion (Peiro et al., 2001; Maslach, 1993; Lingard and Francis, 2006, Aminah Ahmad 2010). This is expected considering the level of role overload experienced by them which is above the scale mid-point.

In this present study, the heavy workload indicates that the paramedical staff feel that they had more work than they could handle comfortably. According to Houkes et al. (2003); Jones et al. (2010); Peiro et al. (2001) and Fu and Shaffer (2001) employees with excessive workload would experience negative emotions, fatigue and tension. Such feelings would then lead to an increase in the intensity of emotional exhaustion as indicated by the positive correlation between role overload and emotional exhaustion. Firth-Cozens (1998), Aminah Ahmad, 2010) had attributed the role overload of physicians in their study to the increase in the number of outpatients to be attended each day and the increase in the number of patients in the ward. The considerably high level of role overload experienced by the paramedical staff in this present study could be due to similar reasons.

The results that role overload is less correlated with work-family conflict indicate that paramedical staff who have too many tasks to do in a period of time tend to experience less intensity of work-family conflict may be due to 50% of the respondents are unmarried. The significant relationship between role overload and work-family conflict is inconsistent with the findings of previous research (Greenhaus and Beutell, 1985; Lingard and Francis, 2006, Aminah Ahmad, 2010). The significant relationship between work-family conflict and emotional exhaustion indicate that paramedical staff who experience greater conflict resulting from performing both work and family roles tend to experience greater emotional exhaustion. Similar results were obtained by (Ray and Miller, 1994; Baron and Kenny, 1986a; Bergman et al., 2008; Fu and Shaffer, 2001; Houkes et al., 2003).

Theoretically, the findings have shown that the COR theory could help explain the model whereby loss of resources or energy and time due to role overload, such that an individual could not perform the role adequately or comfortably, results in stress or emotional exhaustion. The loss of these resources also results in work-family conflict. Work-family conflict could in turn lead to emotional exhaustion because resources are lost in the process of juggling both work and family roles. The results support the notion that workload is a significant stressor associated with a variety of deleterious psychological reactions, including work-family conflict and Emotional exhaustion, family conflict and emotional exhaustion. Several limitations of this study should be noted. First, a significant limitation of the present investigation is the small sample size that is utilized. Second the inferences drawn from this study are limited by self reported and cross sectional characteristics of the data.

## CONCLUSIONS

Work-family conflict partially mediated the effect of role overload on Emotional Exhaustion. Paramedical staff who experience role overload seem to be emotionally drained and seem to experience less conflict between work and family roles.

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## INNOVATION CULTURE AMONG ANDHRA PRADESH SSIS.

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### Introduction

The importance of Small Scale Industries (SSIs) to national economies has been widely recognised. Indeed, there is now a worldwide interest in stimulating entrepreneurship and fostering the growth of small businesses through several mechanisms, chief among which is the provision of risk-free capital (oyefuga et al,2008)<sup>[1]</sup>. The general argument is that, SSIs are highly innovative and extremely impactful as far as national economic development is concerned. To date, several informative studies have explored the subject of innovation in SSIs but existing gaps in the knowledge about innovation among SSIs. Specifically, studies that explore the types of innovation that SSIs pursue are few and mostly based in the developed country context. Main findings revolve around the facts the product innovations are predominant in SSIs. And that there is a significant impact of these on growth of firm sales. The results on whether or not these firms focus on incremental \ radical innovations are inconclusive and other dimensions of firm performances apart from sales have been largely unexplored.

A large number of empirical studies have analysed the links between firm's innovation and productivity, Griliches (1958, 1980)<sup>[2],[3]</sup> and Mansfield (1968)<sup>[4]</sup>. The general finding has been that productivity is positively associated with firms innovation output (Griliches and mairresse, 1984.)<sup>[5]</sup>. However, most of the studies suffer from an endogeneity problem. It may be the case that innovation boosts productivity, but also that only the most productive firms are capable of generating enough resources to invest in innovation activities. In order to properly assess the impact of the introduction of innovations on firms productivity.

The objective of this paper, therefore, based on an innovation survey in Andhra Pradesh is to explore the types of innovation that are predominant in SSIs in developing countries and to investigate the impact of these innovations on different dimensions of firm performance. Following Herstatt (1992)<sup>[6]</sup>, define innovation with in developing countries as, the process by which firms master and implement the design and production of goods and services that are new to them irrespective of whether they are new to their competitors, their customers or to the world. This paper is structured thus first, review of the literature on innovations in SMEs and defines the research questions and hypothesis. Next discusses the research methodology employed to carry out the empirical work. Next, the analysis is presented and discussed, followed by the conclusions and implications.

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## Literature review

Three broad categories of the literature on innovation in SSIs can be identified. A previous similar identification and a relatively systematic and thorough review had been made by Oke et al (2004)<sup>[7]</sup>. However, unlike Oke et al, this study limits the review to studies published within the last decade. We have done this for two main reasons. First, these studies would be more recent and probably more well-informed in terms of methods. Secondly, there is an increasingly higher number of empirical studies carried out in the developing context within the decade.

The first category of research studies investigates the characteristics and entrepreneurial behaviour of owner-managers and how these relate to decisions concerning innovative activities in their organizations (Cosh and Hughes, 2000; Kickul and Gundry, 2002; Adegbite et al, 2007)<sup>[8],[9],[10]</sup>. Central to this body of studies is the finding that the entrepreneur/innovator is critical to the success of innovation efforts in the small or medium sized firms.

SSIs may benefit from customer –initiated innovations by decreasing the need to generate and evaluate ideas or concepts, by reducing R&D and commercialization costs and by accelerating involving customers into the product development and commercialization process (Gales and Mansour-Cole, 1995)<sup>[11]</sup>. Failure to consider users constraints and requirements in the design of innovation, often leads to difficulties in commercialization (Cooper and Kleinschmidt, 1995; Lettl et al., 2006)<sup>[12],[13]</sup>.

Frank and Shah, (2003)<sup>[14]</sup>; von Hippel, (2005)<sup>[15]</sup> also argued firms stimulate users to co-develop products or technologies, in other industries such as car design, electronic games, or sports equipment. Henkel (2004)<sup>[16]</sup> argues that firms (adopting open source strategies) may make their technology available to the public in order to elicit development collaboration, but without any contractual guarantees of obtaining it.

Several case studies illustrated that informal ties of employees with employees of other organizations or institutions are crucial to understand how new products are created and commercialized (Chesbrough et al., 2006)<sup>[17]</sup>.

Mosey et al, (2002)<sup>[18]</sup> study illustrate innovation in SSIs showed that what they called “low growth incremental improvers” made poor use of knowledge and information, especially external customer and market information, in comparison to innovative high growth SSIs effective knowledge and information management includes new knowledge construction, knowledge embodiment, knowledge dissemination and knowledge use/benefit Demerest, (1997)<sup>[19]</sup>.

According to Gunasakeran et al (1996)<sup>[20]</sup> and Bessant and Cafyn (1997)<sup>[21]</sup> says the continuous improvement to be a fundamental step along the innovation pathway. Continuous improvement can thus lead to radical innovation where reengineering is attractive to SSIs who want to develop innovation, in that cross-functional activity occurs naturally within SSIs Raymond et al, (1998)<sup>[22]</sup>.

Appiah-Adu and Singh (1998)<sup>[23]</sup> suggest Process approach is more radical approach, can lead to innovation in new products development.” business practitioners and

executives of SSIs should combine innovativeness and product quality because such a combination is likely to result in higher levels of new product success rates”.

Cagliano et al (2001)<sup>[24]</sup> suggest that the smaller SSIs can compensate for their lack of strategic planning by being inherently flexible and close to the customer and thus addressing products and process issues in new product development.

According to Acs and Audretsch, (1990)<sup>[25]</sup> SSIs contribute greatly to the innovation system by introducing new products and adapting existing products to the needs of customers. Small firms account for a disproportionate share of new product innovation given their low R&D expenditures.

Studies that investigate the importance of innovation in SSIs, their role as drivers of economic growth and policy issues relating to SSIs in national economies make up the second stream of the literature. Like Henderson (2002)<sup>[26]</sup>, Salami (2003)<sup>[27]</sup> and Oysfuga et al (2008)<sup>[1]</sup> argued that SSIs create jobs; increase wealth and incomes within their host domains; and promote industrial and economic development through the utilisation of local resources, production of intermediate goods and the transfer/transformation of rural technology. Henderson (2002)<sup>[26]</sup> additionally noted that SSIs connect the community to the larger, global economy. The role of government policies and interventionist schemes for SSIs to overcome barriers to their innovativeness and/or productivity was by Hadjimanolis (1999)<sup>[28]</sup> and Oyefuga et al (2008)<sup>[1]</sup>.

The third literature stream dwells on how small firms actually manage the innovation or the process of developing new products and services (Motwani et al, 1990; Oliver et al, 2000; Keizer et al, 2002 and Oyelaran-Oyeyinka, 2003; 2005 in the developing country context)<sup>[29],[30],[31],[32],[33]</sup>. A key trend in this body of literature is that both the way of managing innovation and the available supporting structure are important to innovation. Specifically, the availability of innovation subsidies, linkages with knowledge centres, firm-level investments in research and development (R&D) and the firm’s internal processes of capability building are identified as crucial for successful innovation.

A particular knowledge gap identified in the review of the literature is that most of the recent studies are unavoidably context-specific, making the knowledge on innovation in SSIs still limited. Also, studies which explore what types of innovations SSIs pursue are generally sparse. Thus, the knowledge about what types of innovation SSIs undertake, how they actually do it and the impact of their innovation efforts on different dimensions of firm performance remains limited (Oke et al, 2004)<sup>[7]</sup> especially in the developing countries (Bala-subrahmanya, 2005)<sup>[34]</sup>. However, given the resource constraints and weak/unstructured National Innovation Systems (NIS) that characterise developing economies, it makes sense to assume that SSIs focus on incremental innovations and that these would have some positive impact on firm performance (Bala-subrahmanya, 2006)<sup>[35]</sup>.

The impact of process innovations on SSIs productivity. Among different types of innovation output, this study considers productivity to be more directly related to process innovations than to product-related innovations. Product innovations entail the development of new products and their goals are usually aimed at exploiting new

markets or expanding the existing markets where the SSIs operates. By contrast, process innovations involve change in the production process aimed at reducing cost, wastes and lead time, or at improving production efficiency. Thus one may expect process innovations to have a direct and immediate impact on the productivity performance of the SSI, whereas product innovation are supposed to affect productivity in the medium or long run, given that it takes time for new products to settle in the market, and to yield the benefits of economies of scale and learning effect that result in productivity improvements. There is also empirical evidence supporting stronger effect of process innovations, as compared to product innovations, on firms' performance (Yamin et al., 1997, Parisi et al., 2006, and Lee and Kang, 2007)<sup>[36],[37],[38]</sup>.

SSIs may implement process innovations faster and at lower switching costs than large firms (Buckley and Mirza, 1997)<sup>[39]</sup>. In addition, due to the limited resources and small scale production, SSIs may find easier to follow an innovation strategy aimed at obtaining incremental innovations, such as process innovations, rather than investing huge amounts in the development of sophisticated R&D projects, and indeed, there is empirical evidence supporting the view that SSIs are process innovation oriented (Acs and Audretsch, 1990, Baldwin, 1997, Smolny, 1998)<sup>[25],[40],[41]</sup>.

### **Research questions and Hypotheses.**

From the above discussions, the following questions can then be asked:

1. What types of innovation are predominant in Andhra Pradesh SSIs?
2. How do these innovations impact on firm characteristics like sales and employment?
3. How does capacity and experience of the firm impact on innovation?

In this study, two types of innovation were identified: product and process innovations. We also distinguished between radical innovation (depicted by the introduction of a completely new product or process) and incremental innovation (depicted by improvements to existing products or processes).

**H1:** SSIs tend to focus more on product innovation than process innovation.

**H2:** SSIs tend to focus more on incremental than radical innovations.

**H3:** The types of innovations that SSIs focus on will have a significant impact on their performance.

**H3 (a):** The types of innovations that SSIs focus on will have a significant impact on their sales.

**H3 (b):** The types of innovations that SSIs focus on will have a significant impact on their employment.

**H3 (c):** Production capacity will have a significant impact on types of innovation in SSIs.

**H3 (d):** Experience of SSIs will have significant impact on type of innovation in SSIs.

**H4:** The Novelty of Innovation that SSIs focus on have a significant impact on firm characteristics like sales, employment, production capacity and experience.

**H4 (a):** The Novelty of Innovation that SSIs focus on will have a significant impact on their sales.

**H4 (b):** The Novelty of Innovation that SSIs focus on will have a significant impact on their employment.

**H4 (c):** Production capacity will have a significant impact on novelty of innovation in SSIs.

**H4 (d):** Experience of SSIs will have a significant impact on novelty of innovation in SSIs.

## Methodology

The data for this study was obtained from an industry-wide innovation survey carried out in Andhra Pradesh in 2009. The study employed a structured questionnaire to collect data from randomly selected industrial firms. The sampled firms were drawn from a District Industrial Centre (DIC). District Industrial Centre contained information on businesses from all sectors. But, only Small Scale Industries were selected for the purpose of this study.

The survey instruments asked firms directly whether or not they had embarked on introducing or improving a product or process between 2001 and 2006 through a set of dichotomous questionnaire items each of which had a value of 1 if the firm answered in the affirmative and zero otherwise. Two continuous measures for product and process innovation were then generated from these by taking a sum of all affirmative answers relating to each of product and process innovation. Zero scores meant that the firm did not implement any product or process innovation. The positive score obtained was simply recoded as 1 in each case, to represent the incidence of product and process innovation. Although the terms radical and incremental innovation were not used directly in the questionnaire, the questionnaire items were worded to measure these objectively. For instance, it was distinguished whether the firm developed a new product (radical) or simply improved an existing one (incremental).

To enable a regression analysis that involved innovation types, two new dichotomous aggregate variables were computed. The first of these was calculated as the difference between the total number of incremental and radical innovations. A negative score implies the SSI focuses predominantly on incremental innovations, and a positive score implies the SSI focuses predominantly on radical innovations. The variable degree of novelty was then created with a value of 1 representing predominantly incremental innovation and zero otherwise. The second variable, innovation type was a collapse of product and process. Different dimensions of firm performance were captured by asking firms to indicate whether their sales, and employment, had increased, decreased or remained unchanged. Capacity and experience had influenced the innovation culture in SSIs. Wilcoxon tests as well as regression analysis was used to test the hypotheses.

## Results and discussions

**Table.1: Experience of Firms.**  
(N=677)

Firm experience	Frequency	percentage
Less than 10	146	21.6
10 - 19	307	45.3
20 - 29	167	24.7
30 - 39	50	7.4
40 - 49	3	0.4
Above 50	4	0.6

The table.1 contains the experiences of the firms. Majority of the firms were started during the last two decades. And the one-sixth of firms was established during the last three decades and ten years back.

**Table.2: Distribution of Innovation Culture in SSIs**  
(N=677)

Innovation Type	frequency	percentage
Product Innovation	40	5.9
Process Innovation	289	42.7
Radical product Innovation	40	5.9
Incremental product Innovation	402	59.4
Radical Process innovation	289	42.7
Incremental Process innovation	65	9.6

The table.2 shows information on the innovation activities of the firms. Incremental product innovation is higher than other innovation activities. Process innovation and radical process innovation is same. But the product innovation, incremental process innovation and radical product innovation is poor in SSIs.

### Hypothesis 1:

**H1:** SSIs tend to focus more on product innovation than process innovation.

**Table.3: Wilcoxon Test Results**  
(N=677)

Statistics	Process-Product	Radical-Incremental	Radical-Incremental
		product	process
Z	-14.735	-22.752	-22.526
sig	0.00	0.00	0.00

Table.3 shows the results of Wilcoxon test. The figure indicate the significant different in the focus on product and process innovation ( $Z = -14.735$ ; sig 0.00). So H1 is rejected. This finding though it contradicts earlier studies that indicate a higher



focus on product innovations (e.g. Oke et al, 2004), is not counter intuitive, especially within SSIs in the developing country context. For instance, as Ilori et al (2000) noted, the new product development process is generally demanding in terms of time and resources. For the developing country SSIs, it is therefore not particularly attractive to engage in the process particularly when the harsh environment is factored in. The firm may then prefer to begin its innovative activities from process changes which could lead on to incremental innovative changes in products rather than engage in outright New Product Development.

### **Hypothesis 2:**

**H2:** SSIs tend to focus more on incremental than radical innovations.

The results of the Wilcoxon tests on the second hypothesis are contained in the table 3. The figures indicate a significant difference between radical and incremental product innovations ( $Z = -22.752$ ; sig 0.00), and between radical and incremental process innovations ( $Z = -22.526$ ; sig 0.00). These figures suggest that a greater focus on incremental product innovation and radical process innovation, thus hypothesis two is accepted.

It is important to note that our results in Andhra Pradesh suggest that while SSIs in developing countries may not selectively concentrate on either of product or process innovations, they seem to be more inclined towards innovations of incremental nature, be it product- or process- related. For instance, Goedhuys (2007) showed, with evidences from Brazil that minor and incremental rather than radical changes are at the heart of the innovation process in developing countries.

### **Hypothesis 3:**

**H3:** The types of innovations that SSIs focus on will have a significant impact on their performance.

**H3 (a):** The types of innovations that SSIs focus on will have a significant impact on their sales.

**H3 (b):** The types of innovations that SSIs focus on will have a significant impact on their employment.

**H3 (c):** Production capacity will have a significant impact on types of innovation in SSIs.

**H3 (d):** Experience of SSIs will have significant impact on type of innovation in SSIs.

**Table.4: Firm Performance**  
(N=677)

<b>Firm performance</b>	<b>frequency</b>	<b>percentage</b>
Increased employment	105	15.5
Increased sales	401	59.2

The third hypothesis deals with the impact of innovation on firm performance. Two proxies were used to capture firm performance and the frequency analysis of these contained in Table.4. The table was constructed using the number and proportion of firms that indicated an increase in their sales and employment. Obviously, most of the innovating firms had seen improvements in their performance, this being more pronounced in sales.

**Table.5: Regression Analysis of Firm Characteristics.**  
(N=677)

Variable	R <sup>2</sup>	Adjusted R <sup>2</sup>	Frequency	sig
Sales	0.010	0.008	6.557	0.011
Employment	0.000	- 0.001	0.068	0.794
Production Capacity	0.007	0.006	4.978	0.026
Experience	0.002	0.001	1.557	0.213

The results of the regression analysis to test whether or not the improvements of sales or employment were associated with innovation and taken by the firms yielded interesting results (table.5). Because it should, to a good extent that innovations really matter for increase in sales. Regression test reveals the sales have significant impact on the focus of innovation by SSIs. Since significance value is less than 0.05. Hypothesis3 (a) is accepted. Employment doesn't have impact on to innovation culture in SSIs. So H3 (b) is rejected. R<sup>2</sup> (the coefficient of determination) is square value of multiple coefficient correlation it shows that about 1% variation in sales is explained by the model. So there is an influence of either product or process innovation on sales of the firms.

Regression results of table.5 shows that Production capacity has influenced the focus of SSIs on innovation culture (Z= 4.978; sig 0.026; <0.05), so H3 (c) is accepted. Controversy experience of the firm does not influenced the SSIs innovation nature (Z= 1.557 and sig= 0.213). Hypothesis3 (d) is rejected.

#### **Hypothesis 4:**

**H4:** The Novelty of Innovation that SSIs focus on have a significant impact on firm characteristics like sales, employment, production capacity and experience.

**H4 (a):** The Novelty of Innovation that SSIs focus on will have a significant impact on their sales.

**H4 (b):** The Novelty of Innovation that SSIs focus on will have a significant impact on their employment.

**H4 (c):** Production capacity will have a significant impact on novelty of innovation in SSIs.

**H4 (d):** Experience of SSIs will have a significant impact on novelty of innovation in SSIs.

**Table.6: Regression Analysis of Firm Characteristics and Novelty of Innovation.**  
(N=677)

Variable	R <sup>2</sup>	Adjusted R <sup>2</sup>	Frequency	sig
Sales	0.000	- 0.001	0.183	0.689
Employment	0.013	0.011	8.860	0.003
Production Capacity	0.001	- 0.001	0.641	0.424
Experience	0.001	- 0.001	0.654	0.419

Table.6 contains the regression of firm characteristics with degree of novelty innovation. The R<sup>2</sup> value shows that novelty of innovation has shown impact on the employment in the SSIs (Z=8.860; sig 0.003). Thus Hypothesis 4(b) is accepted. The firm characteristics such as sales, production capacity, and experience don't influence the novelty of innovation (Z= 0.183; sig 0.689, Z=0.641; sig 0.424, Z=0.654; sig 0.419). So Hypothesis 4(a), 4(c), and 4(d) are rejected.

**Table.7: Means and Standard Deviation of Firms Characteristics.**  
(N=677)

Variables	Mean	S.D
Sales	96.581(in lakhs)	386.851(in lakhs)
Employment	11.422	15.016
Production Capacity	91.250 (in lakhs)	377.416 (in lakhs)
Experience	22.957	108.520

The table.7 shows the performances of the firms in different categories, with their means and standard deviation. Average firm's sales were found to be 96.581 (in lakhs) with a standard deviation of 386.851(in lakhs). Production capacity mean of the firm was found to be 91.250 (in lakhs) with standard deviation of 377.416 (in lakhs). Experience and Employment mean of the firms are respectively 22.957 and 11.422 with standard deviation of 108.520 and 15.016.

## Conclusion

Innovation is important for superior firm performance, our results suggest that the type of innovation that SSIs in a developing country context is not a critical consideration. This study suggests that difference in the product and process innovation in SSIs. SSIs focus on process innovation than product innovation. Incremental product innovation and radical process innovations have been brought forward as very important for Andhra Pradesh SSIs and it is a significant predictor of sales. Firm characteristics influence the types of innovation in SSIs. SSIs that focus on to understanding the needs of customers and the ability to continuously improve products/processes to meet those needs are very important. Other benefits will also help the firms to contribute more towards the development of the local economy.

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## ARMED CONFLICTS & IMPACT ON HUMAN SECURITY

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### Abstract

*Human security as an essential part of human rights has been reduced to just documents now and it is only because of the international pressure that nation States pay regard to certain humanitarian concerns. The situation is further aggravated during armed conflicts. Irrespective of the form of such conflict, whether it is the recently considered internal armed conflict or otherwise, it is an undisputed fact that the damage caused by it is immeasurable. Countless reasons may be stated, but it is more so because the research is only undertaken and concentrated on certain aspects. While status of refugees and aid provided to them and related aspects remain to be the focus areas of studies and research, the more important ones describing condition of displaced people who do not acquire the status of refugees, is left unexamined.*

*The worst and directly affected during an armed conflict is the health system of the State as the door to resources and development is shut. Right from the transportation system to power facility, everything is disrupted causing hindrance to the relief operations undertaken by international organizations. Food supply and healthcare facilities are deliberately cut-off for the civilian population thus in turn leading to the collapse of health system and exposing hundreds to death due to diseases and infections and starvation.*

*Destruction of infrastructure, agricultural property and land, which leads to collapse of economy in the long run, thus disabling the nation to restructure itself reflect the indirect effects. Neither the State has the resources nor the stability required for restructuring itself and unless there takes place a humanitarian cease fire, peace is a farfetched goal.*

*Healthcare systems can also play a part in restoration of peace and resolution of conflict by cooperation and negotiation. It involves balancing the interests of both parties involved. An effort needs to be made to research for welfare of displaced people and make a world which respects human rights and guarantees them.*

In the wake of the end of the cold war, along the concept of 'common security' has developed the perspective of 'human security'. This approach, unlike the concepts hitherto developed, shifted the focus to individual and community needs from the State. While previously, the integrity of the State was ensured, now the issues are closer to securing basic

human rights such as food, health, education and housing. It has a Common foundation in the principle of respect for human dignity.<sup>1</sup>

This ‘human security’ standpoint represents the development of a new security framework. A number of International Scholars have included the concept into their studies, but it has rarely been addressed as a core issue in its own right. It has somewhere lost its significance in the shadows of many other agendas like Environment, migration etc.<sup>2</sup>

Human security will always remain in the background because of the power of the State. The issues involved will always be State-centric and the approach will constantly concentrate on developing the State, strengthening it by investing in military forces and like activities, excluding the other concerns like human security.<sup>3</sup>

### **Widening the Scope of ‘Armed Conflicts’**

International law is founded upon the difference between inter-state relations. Its proper focus is the regulation of conduct of States with each other and thus the intra-state matters which traditionally fell within the domestic jurisdiction of states were in principle impervious to international legal regulation.<sup>4</sup> It is only now that the horizons have broadened and the concept of regulating internal conduct of States has arisen. This development has arisen partly because of the increasing frequency of internal conflicts and partly because of the increasing brutality in their conduct. Accordingly, the international community is now more willing to demand the application of international humanitarian law to internal conflicts.<sup>5</sup>

The scope of ‘armed conflict’ has been widened recently and the concept of internal armed conflict has been included. The situation was defined as early as in *Prosecutor v. Tadic*,<sup>6</sup> but the actions to be taken in such state of affairs used to be a gray area in context of international law until recently. Now, the situation has changed and a considerable number of international law principles have been applied to regulate the situations of internal armed conflicts. With significant developments in international human rights law, international

<sup>1</sup> Furundzija Case, IT-95-17/1-ICTY

<sup>2</sup> B. BUZAN, O. WAELVER AND J. DE WILDE, SECURITY: A NEW FRAMEWORK FOR ANALYSIS 24 (1<sup>st</sup> ed. 1998)

<sup>3</sup> R. JONES, CRITICAL SECURITY STUDIES 78 (1<sup>st</sup> ed. 1999)

<sup>4</sup> M. N. SHAW, INTERNATIONAL LAW 1069 (5<sup>th</sup> ed. 2005)

<sup>5</sup> For example, UNSC resolutions 788 (1992), 972(1995) and 1001(1995) with regard to the Liberian Civil War; UNSC resolutions 794 (1992) and 814 (1993) with regard to Somalia; UNSC resolution 993(1993) with regard to Georgia and UNSC resolution 1193 (1998) with regard to Afghanistan.

<sup>6</sup> Prosecutor v. Tadic, IT-94-1-AR 72

criminal law and law of international armed conflict, it was felt necessary to adopt uniform rules in the field of law relating to internal armed conflict with necessary changes, as the very implications of an international and an internal armed conflict differ in material particulars.

Internal armed conflicts have always represented the majority of armed conflicts in the world, yet traditionally they have suffered a lack of regulation. States have been reluctant to application of principles of international law to internal armed conflicts; therefore, a mixed approach has been adopted to formulate rules for internal armed conflicts. Today, there exists a whole body of regulations in the arena of international law regulating them. Such regulations have been shaped on the lines of law regulating international armed conflicts. It has led to the emergence of a new twig of international law called as “international law of internal armed conflict”. But, whatever is the case, internal or not, armed conflict always brings misfortune. It has as many disastrous effects as one can imagine. From blatant abuse of human rights to destruction of a Nation, an armed conflict is capable of churning misery out of the most developed States.

### **Health Issues during Armed Conflicts**

Armed conflict and health issues converse in many different interfaces. As long as armed conflict has existed, it has affected health of civilians. During the Twentieth century, at least 170 million deaths resulted from internal state conflicts, most by tyrannical regimes killing their own citizens.<sup>7</sup> A conflict is damaging to health in both a direct sense (combat casualties, i.e. people who are killed, injured, abused or traumatized or disabled) and indirect (the destruction of infrastructure, i.e. bombing and destroying buildings, agriculture and healthcare buildings with violence). The result is breakdown of healthcare facilities, food supply and sanitation services.<sup>8</sup>

There is a considerable literature available on dealing with combat related injuries. Much research has been conducted on the direct damage caused and almost of all of it is of a technical medical nature. But, there is surprisingly very little research on the indirect impact of armed conflict on the infrastructure. From social and economic disruptions to displaced population to increased risk of epidemics, all has been conveniently ignored until now.<sup>9</sup> The

<sup>7</sup> CHARLOTTE KU AND PAUL F. DIEHL, INTERNATIONAL LAW 319 (3<sup>rd</sup> ed. 2010)

<sup>8</sup> M. Ponteva, *The Impact of Warfare upon Medicine*, in WAR OR HEALTH? 145(Taipale I, ed. 2002)

<sup>9</sup> R. Dybdahl & I. Pasagic, *Traumatic Experiences and Psychological Reactions among Women in Bosnia During the War*, (2002) 16(3) MEDICINE, CONFLICT AND SURVIVAL

lack of strong political will also has been a major factor in delaying and restricting quality research work on the problems.

An attempt here is made to study the impact of armed conflict on human security. It is an indisputable fact that armed conflict has disastrous effect on the community. Many States respond to such atrocities on humanitarian grounds and the aid is generally related to food, medicine and healthcare facilities. It may be added that a considerable amount of research has been carried out in relation to the condition of refugees, but not much is known about the community residents in the war zones or the internally displaced population or damage to the healthcare infrastructure.

The refugee population is well represented and researched mainly because of the reason that they have a direct impact on the fund-raising operations and aid delivery systems all over; hence it becomes indispensable to estimate their population. On the other hand, researching on internally displaced people is a challenge as logistical difficulties act as a deterrent to research<sup>10</sup> and hence internally displaced people remain unrepresented and unattended to.

Another segment which has drawn attention is the impact of armed conflict on children. Psychiatric studies have been undertaken to measure the extent of exposure to traumatic events such as torture and witness killing etc. For the purpose of facilitating research on the subject, the United Nations created a body named United Nations Office for the Special Representative of the Secretary General for Children and Armed Conflict by the UN General Assembly in 1997. Various conferences and discussions have been undertaken by the body and the study of impact of these stressful events on mental health and behaviour of children is undertaken.<sup>11</sup>

The impact on individual health does not only refer to superficial issues like lack of food and medicine, but also to lack of underlying issues of unclean water, lack of sanitation and shelter, low immunization coverage and lack of resources in times of conflict. The proportion of civilians killed and injured due to war trauma has only increased from 14 % during World War I to 75 % during the 1980s and to even 90 % in conflicts that happened

<sup>10</sup> Discussion draft on *Planning ahead for the Health Impact of Complex Emergencies* (July 13, 2001), <http://www.who.int/eha/disasters/hbp/planningahead.htm>

<sup>11</sup> O Otunnu, *The Impact of Armed Conflict on Children: Filling Knowledge Gaps*, draft research agenda for workshop: Filling knowledge gaps: A research agenda on the impact of armed conflict on children (July 2, 2001)

during the 1990s.<sup>12</sup> It is alleged that the legal and illegal trade of small firearms and the extensive concept of ethnic cleansing are large contributors to this.<sup>13</sup>

Sexual and physical abuse is also a great threat to human security. During armed conflict, thousands of people are displaced and many refugee camps are set up. Women and children are in such situation exposed to atrocities like rape, kidnapping for the purpose of trafficking, forced pregnancy and slavery etc. Sexual abuse brings with itself the risk of sexually transmitted diseases. All these factors besides causing physical harm cause extensive mental injuries and damage, which in the long run, affects the stability and social development of a country.<sup>14</sup>

Enlarging the horizon and examining the big picture, the impact on individual health can be viewed as an impact on the community as a whole as well. Much of physical infrastructure is damaged in armed conflicts. This has an adverse effect on the economy and in turn reduces the capacity of people to finance healthcare. The contention can be illustrated by comparing the fishing production in Eritrea that dropped from 54000 tonnes in 1954 to only 2000 in 1996 and the decline of air traffic in Djibouti by 54% compared with pre-conflict levels.<sup>15</sup>

## Humanitarian Wars

Off late, the West's emphasis has been on 'humanitarian war', where concern over human rights abuses may well prompt military actions. These wars have at least some of these novel features:

- The emphasis is on the just war principle of non-combatant immunity
- The focus is generally on a leadership based community or regime and not on the State or civilian population.

<sup>12</sup> R. M. Garfield & A. I. Neugut, *The Human Consequences of War*, in WAR AND PUBLIC HEALTH 27 (B. S. Levy & V. W. Sidel eds., 1997)

<sup>13</sup> H. J. Geiger, *The Impact of War on Human Rights*, in WAR AND PUBLIC HEALTH 39 (B. S. Levy & V. W. Sidel eds., 1997)

<sup>14</sup> UNICEF, *The State of the World's Children 2001*, (June 28, 2001) <http://www.unicef.org/sowc01/pdf/>

<sup>15</sup> A. Hoeffler, *Challenges of Infrastructure Rehabilitation and Reconstruction in War-Affected Economies*, background paper for African Development Bank Report (Oxford: Centre for the Study of African Economies Document: REP/2000-2 2000)

- An attempt is made to minimise collateral damage

The consequent effect is that widespread attacks on civilian populations are circumvented. But it does not imply that attacks against the infrastructure are stayed away from. In fact it is just the reverse. The military attacks not only the political and other groups but also the structure that is keeping the regime in power. It involves attacks upon transport facilities, power industry etc. such weapons are used which are in the long run difficult to handle and problematic for non-combatants.

Targeting infrastructure may result in low number of immediate casualties, but it creates problems in relief and reconstruction phases of the State. Since the transportation system has been more or less destroyed, it becomes difficult for the relief providing organizations to deliver necessities. Examples of Kosovo, East Timor and Afghanistan prove the contention, where relief efforts were hindered due to the military campaign.<sup>16</sup>

Bombing and shelling destroy agriculture land and property. As a result, agricultural productivity is adversely affected. The situation is further aggravated since the import of food is limited or non-existent in conflict. Thus there is food shortage which can become severe if aid is not provided at the right time. During the conflict, many a times, food is deliberately withheld.<sup>17</sup>

Much less work has been concluded on the displaced population. Armed conflicts do not spare anyone and the most damaged are the houses and property of civilians. Many inhabitants flee from their homes and abandon their things with the sole purpose to stay alive. Some of the persons cross the national border and become refugees and become entitled to receive aid from organizations like UNHCR. Those unfortunate who remain in their country are doomed to death or a life of misery because of their displaced status. They can never set up their home again nor can they live a respectable life. Naturally, they do not have access to health services and aid provided by organizations.

Even if the State affected wants to reconstruct itself, it cannot do so without external help as neither does it have the resources nor the stability to develop. Quiet naturally, warfare involves incurring of huge costs. It takes in a substantial amount of national budget leaving

<sup>16</sup> World Health Organization, *Global Health Security: Epidemic Alert and Response*, 223 (54<sup>th</sup> WHA, Doc. WHA 54.14, May 21, 2001)

<sup>17</sup> The case of Tubmanburg (Liberia), where people were denied access by the armed forces to the Country side to find food, because of which, at least 15% of the population died of starvation before they could be reached by international aid agencies.

very little for other activities of development and eventually the little amount being spent is also purged.<sup>18</sup>

Thus, even though the West is endeavouring to fight its wars in a humanitarian way, its policy of double standards has been criticized for prioritising the lives of friendly forces over 'enemy' civilians, and for the use of certain weapons types. The long term impact of Western-style military operations upon health and in particular upon health related infrastructure and immediate relief efforts has been ignored. The Western military should acknowledge that reconstruction is important and that 'winning the peace' is as important as 'winning the war'.

This brings the study to the question that how the delivery of health services reduce conflict. The Pan American Health Organisation in 1980 opined that health was a 'bridge for peace', and in 1988 the WHO included health as a bridge for peace as a part of the 'Health for All' in the 21st Century Strategies.<sup>19</sup> Armed conflict is a major threat to life and it can be regarded as the objective of the medical profession to reduce conflict and its dangerous conflicts.<sup>20</sup> Red Cross was founded keeping in mind the same purpose in 1864. Healthcare can contribute to conflict reduction in two ways, firstly by bridging the gap between war and peace; this may happen by cooperation between the medical professionals of all the parties in conflict. Secondly, by implementing humanitarian cease fires. It may be noted that good health and life is well regarded in all cultures and society and this provides momentous opportunities for negotiation and cooperation.<sup>21</sup>

### **Learning from the Past and Present**

Usually, there are no or very limited health facilities during armed conflicts, so the only opportunity for international humanitarian aid to provide health services to the victims of the conflict in these circumstances is by negotiating cease-fire. Example can be taken of El Salvador and Afghanistan, where cease-fires and days of tranquillity were successfully negotiated in 1985 and 1991 and from 1994-1999 respectively.

<sup>18</sup> Hoeffler, *supra* note 15

<sup>19</sup> World Health Organization, *Health as a Bridge for Peace: Programme Brief* (June 12, 2001), [http://www.who.int/eha/disasters/hbp/documents/PROGRAMME\\_BRIEF.html](http://www.who.int/eha/disasters/hbp/documents/PROGRAMME_BRIEF.html)

<sup>20</sup> World Health Organization, *Peace through Health: Summary of WHO peace building experiences, principles and strategies in Bosnia and Herzegovina* (WHO/EUR/PAR November 1999)

<sup>21</sup> Well illustrated by the unprecedented co-operation of the Croat and Serb health professionals during a rehabilitation project in the Eastern Slovenia region of Croatia in 1995.

The present position in Libya is no different. Apart from the fact that the State is practically falling apart with the ongoing events of rebels 'fighting for a cause', the people are facing a new battle, struggling to provide civilians water, electricity, petrol and food. While an attempt is made to free people from dictatorship, the humanitarian situation is the inevitable hitch to it. Civilians do not have access to medical centres and due to the continued violence; international agencies are unable to access the distressed areas.<sup>22</sup> The refugees and foreign nationals within Libya are of the opinion that the situation is precarious and there is constant threat to life and property.<sup>23</sup> As mentioned earlier, restructuring the State is also a distant dream in such a situation and external help becomes imperative. A key factor in this phase is to maintain the cease-fire and to prevent the resurgence of tension and conflict.

This complex mix of the national interest, global interests, values and humanitarian obligation is very difficult to attain, but once accomplished is worthy of all the efforts done. It can be concluded that hitherto, the research has been conducted only on refugee camp situations and more emphasis laid on providing aid to refugees and no regard has been paid to the internally displaced population. The area has not been well investigated and many questions remain unanswered as to the healthcare and security issues of these unfortunate people. A study should be undertaken to implement effectively the relief programmes and a policy should be made to include the displaced population for relief with the refugees.

The world cannot become a better place to live in while the devils sword of war hangs on the people and an effort is required at the international level to make and maintain peace and build a world which not only respects human rights but also makes them its priority.

<sup>22</sup> *Libya Crisis: UK in talks over 'dire' humanitarian need*, (April 17, 2011) <http://www.bbc.co.uk/news/uk-13110696>

<sup>23</sup> Talea Miller, *Humanitarian Crisis Grows on Libya-Tunisia Border* (August 14, 2011) <http://www.pbs.org/newshour/rundown/2011/03/crisis-on-libya-tunisia-border-as-huge-crowds-flee.html>





## **ETHICAL INTERVENTION DURING THE COLLEGE YEARS: INCREASING THE MORAL AWARENESS OF FUTURE BUSINESS LEADERS**

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### **I. INTRODUCTION**

“Getting ahead at any cost” can be considered the mantra of many Americans. Students and their parents will do almost anything for students to get accepted into the best schools, whether nursery or graduate programs. Business leaders seemingly follow Gordon Gekko’s famous line from the movie *Wall Street*: “Greed is Good.” Cheating surveys among college students have been conducted for years. The common wisdom appears to be that it is acceptable to cheat to get good grades. Yet not everyone cheats to get ahead. Unfortunately those who work hard and succeed on their own are not always recognized. It is difficult for others to determine who deserves to be “at the top” due to inconsistent institutional policies and their lack of enforcement concerning alleged cheaters.

This paper discusses the apparent lack of concern for cheating that occurs in American society. Surveys of 135 business majors were conducted and their responses offer hope for the future. These students appear to understand integrity and responsibility. The depth of insight provided by tomorrow’s business leaders is significant. Their comments indicate that they have the potential to be leaders with a moral code. Colleges and universities have the opportunity to establish within their communities a strong moral culture aimed towards academic integrity.

### **II. THE CHEATING CULTURE**

In his book, *The Cheating Culture*, David Callahan paints an unsavory picture of America. Cheating is prevalent throughout our society. Students believe cheating is an important and acceptable way of getting through high school and admitted into college. Cheating continues once admitted into college. Our culture thrives on the appearance of academic success. Some students will do anything to obtain entrance to their choice of graduate or professional schools. MBA education is laden with examples of students’ propensity towards taking the “easy way out” when attempting to achieve higher professional goals. Unethical behavior continues even after admission to graduate programs, evidenced by MBA students caught cheating at Duke University (Conlin 2007).

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### III. ACADEMIC DISHONESTY

Over the years there have been numerous findings that document cheating and academic dishonesty in colleges. In the article, "Cheating to Win," academic dishonesty is defined as providing an unearned advantage for one student over another (Mullins 2000 23). Donald L. McCabe and his fellow researchers have produced a plethora of studies and findings, much of which produced support for the existence of honor codes in colleges and universities. McCabe and Trevino found that 64% of students engaged in serious cheating on tests and 66% in serious cheating on written assignments (McCabe and Trevino 2001 226). McCabe and Trevino (1993) found students to be greatly impacted by peer behavior, such as perceptions of cheating by others or the actual witnessing of others cheating on tests. Students appear to recognize that cheating is morally wrong. Christensen and McCabe provide a summary of studies by Bower (1964) and Singhal (1982) supporting this point.

A 2007 study by Vandehey, et al, provides a synthesis of the cheating literature with a longitudinal summary of findings from 1984 through 2004 (Vandehey 2007). The study reports that 54% of students surveyed admit to cheating (Vandehey et. al. 1984). Other studies have shown self-reported student cheating rates to be as high as 90%.

Cheating does not only occur in business programs or among business students. Palazzo, et al, studied homework copying in physics education. Students believe cheating on homework is not as morally wrong as exam cheating. The authors concluded that not doing one's homework is "associated with reduced learning and consequent course failure." (Palazzo et. al 2010 1) The study found that copying homework "correlates with test performance that declines about two standard deviations over the course of the semester." (Palazzo et. al 2010 1) Business students are found to cheat whether they are enrolled in community colleges, four-year colleges or masters programs. Smyth and Davis support the overall perception of cheating in college by looking at business students. They found that 46% of students have cheated at least once (Smyth et. al. 2004). This is consistent with Grimes' 49.8% cheating rate (Grimes 2002).

McKendall found students were consistently more lax in their attitudes towards cheating than faculty members (McKendall et al 2009 41). The study was not able to support the hypothesis that "Business school faculty will not systematically try to prevent or detect cheating behaviors." The findings did however indicate "a less than systematic approach to preventing or detecting cheating" (McKendall et al 2009 42). The faculty's non-systematic approach to cheating and the high rate of cheating reported in various studies implies that faculty may claim to be against cheating, but students either don't hear this message or are ignoring it. They appear to view the consequences when caught as being trivial. As such these authors conclude that a "four-pronged approach" including "unethical cheating behaviors must be punished appropriately" is necessary (McKendall et al 2009 47). Stowe, et al, also believes consistent enforcement regarding cheating offenses is important. (Stowe et al 2009 16). Stowe, et al, further indicated that "unlike

prior studies, we do not find that the presence of an honor code is a deterrent to cheating” (Stowe et al 2009 15). Students plan to cheat in the future as they have in the past.

#### IV. BUSINESS FRAUDS

The business frauds at the turn of the 21st Century helped give the impression that greed, self-centeredness, and cheating were the accepted norms of the business world. These less than appealing moral characteristics appear to be the tools necessary to reach the top. Once someone is thought by society to be successful the excess trappings of wealth and power are glamorized and envied. When an individual is found to have illegally obtained or maintained their wealth the penalty for criminal activity is generally not that harsh. Martha Stewart spent only six-months in jail and then served probation after being convicted. However, her business career seemingly did not miss a beat. At the same time the brokers who enabled her trades, and the CEO who provided her the inside information, did not spend any time in jail related to this transaction.

Former TYCO CEO, Dennis Kozlowski, is serving 8 years in prison. A jury convicted him of 22 counts of grand larceny, conspiracy, and securities fraud for stealing \$100 million from TYCO. Although he is currently unable to stay in his homes, he is attempting to sell his Nantucket home for \$16.45 million and his Boca Raton home for \$24.9 million. An example of the excesses of wealth and power is his \$6,000 shower curtain. Despite his conviction, he believes in the judicial system and told *60 Minutes*: “I think [the jury system] works. But in this case, the jury got it wrong.”

Some businesses have codes of ethics. Yet, as can be seen from organizations such as Enron, the existence of these codes does not seem to deter unethical behavior. Enron’s Board of Directors voted to waive the conflict of interest section within its ethical code. This allowed Andy Fastow, Enron’s CFO, to maintain his position while at the same time being involved personally with some of its Special Purpose Entities (SPEs) (Johnson). Fastow’s ability to control both sides of the transaction resulted in some very favorable deals for the SPEs and Fastow, as well as for Fastow’s associates. This enabled Fastow and his wife, Lea, to steal an assumed \$45 million from the company. He originally arranged a plea deal for ten years in prison. Instead the judge, in showing mercy, limited his sentence to six years in prison, two years probation, and ordered him to return \$35 million. This sentence kept Lea Fastow from serving up to 37 years in prison. The Fastows received lenient treatment even though both husband and wife were involved in criminal activity. During the sentencing the judge was quoted as saying, “Your family has taken a particularly acrimonious hit; that calls for mercy.”(USA Today 9/26/09). Surely Enron stockholders, employees and their families do not believe the Fastows deserved mercy.

These historical events have been analyzed in books looking at the ethical and moral positions of business professionals from a theoretical methodology rather than the

traditional philosophical perspective. These books include *Moral Intelligence* and *The Ethical Executive*.

*Moral Intelligence* describes ways one can stay true to her/his moral compass. The authors define moral intelligence as, "...the mental capacity to determine how universal human principles should be applied to our values, goals, and actions." (Lennick et. al. 2008 xxxi) It further states, "In the simplest terms, moral intelligence is the ability to differentiate right from wrong as defined by universal principles. Universal principles are those beliefs about human conduct that are common to all cultures around the world." (Lennick et. al. 2008 xxxi)

A moral compass is a complex set of principles, values and beliefs guiding aspirations and actions. It is assumed that everyone is predisposed to be moral even though individuals do not always act in accordance with their principles and values. (Lennick et. al. 2008 40) Staying true to a moral compass involves moral intelligence, moral competence and emotional competence (Lennick et. al. 2008 63). Based upon Lennick and Kiel moral intelligence shapes an individual's moral compass. In this manner moral intelligence ensures that the individual's goals are consistent with the moral compass. Moral competence is the ability to act on moral principles. Emotional competence is the ability to manage both personal and others' emotions in a morally charged situation.

*The Ethical Executive* recognizes "ethical traps" instead of teaching how to behave ethically. They hope to aid individuals in making substantial deposits in his/her self-esteem bank account (Hoyk et. al. 2008 xiv). In describing the traps the authors point out that, "Some of these traps distort our perception of right and wrong – so we actually believe our unethical behavior is right. The traps are psychological in nature, and if we're not aware of them they are like illusions – webs of deception." (Hoyk et. al. 2008 3) The authors claim that people care about ethics. However, individuals are vulnerable. The authors believe, "Knowledge of these ... traps can give people the awareness that will enable them to make a difference; it will help individuals recognize and stop corruption at its roots – corruption within themselves and their organizations." (Hoyk et. al. 2008 4) Three of the traps are related to cheating: (1) obedience to authority; (2) everybody does it; and (3) we won't get caught.

## V. ACADEMIC INTEGRITY

In their 2001 synthesis of a decade of cheating research McCabe et. al mention a lack of personal integrity. They also stress that an institution must emphasize the importance of academic integrity and back it up with a consistent message of negative consequences associated with cheating. On a positive note they state, "We believe that most new college students, although perhaps a decreasing number, internalize this message to some degree and begin their college experience with a positive attitude about

the need for academic integrity, in spite of their experience with cheating in high school.” (McCabe et. al. 2001 231)

Integrity is defined by Lennick and Kiel to include the following moral competencies: (1) acting consistently with principles, values, and beliefs; (2) telling the truth; (3) standing up for what is right; and (4) keeping promises. Hughes and McCabe define academic integrity as, “...a commitment even in the face of adversity, to five fundamental values: honesty, trust, fairness, respect, and responsibility.” (Hughes et al 2006 50) McCabe and Katz emphasize that student cheating is a real problem documented in many studies over the years. They emphasize, “...strategies to promote integrity do more than just reduce cheating by focusing on character development as well.” (McCabe et. al. 2009 17).

McCabe and Pavela establish principles of academic integrity for faculty. These include: (1) recognize and affirm integrity as a core institutional value; (2) encourage student responsibility for academic integrity; (3) clarify expectations for students; (4) reduce opportunities to engage in academic dishonesty; and (5) respond to academic dishonesty when it occurs. (McCabe et. al. 2004 13) Academic integrity includes individual responsibility. Institutions should provide an environment and culture that discourages cheating. If the college culture helps students do what they believe is correct when they enter the business world, a foundation of individual ethics is established that can result in an organization’s moral strength. The moral culture of any business is directly connected to the quality and ethical integrity of its leadership. (Gini 2004 13)

## VI CURRENT STUDY

The current study provides some insight to the moral fiber of future business leaders. 135 students from a small, private upstate New York college were sampled. The survey elicited lengthy responses allowing a qualitative review rather than merely a quantitative analysis. The students were asked for their perceptions of cheating on campus. They also were requested to provide information about their own cheating behavior, as well as what they witnessed, or heard, from others. The definitions used were based upon the concept of peer pressure put forth by McCabe and Trevino. The survey focused on business majors. A seven point likert scale was used where ‘1’ indicated “never” and 7 indicated “often”.

The participants’ mean response to the question, “I personally cheated in business courses” was 1.5. The students admitted to cheating more often in non-business courses, which they considered less important. In non-business courses the participants had a mean response of 1.83, which indicates that they still claimed to never or rarely cheat. Accounting and finance majors were included in the survey, and these students generally have some of the better academic averages on this campus. Prior studies, including McCabe et. al (2001), and Stowe et. al. (2009), have found that there is a lower tendency for students with better academic records to cheat. The mean response to the question, “I heard about cheating by others” was 2.9. The participants were significantly more aware

of cheating taking place by others than the rate that they personally claimed to have cheated.

A student made the following noteworthy comment: "I believe most students on campus will not cheat, but if the situation is right cheating can be awfully tempting. When the work piles up and the chance of getting caught is slim and a good grade is needed, cheating becomes an escape." This student's response indicates that cheating can be rationalized, especially when there is minimum fear of being caught. (McCabe et. al. 2001). This comment also signifies a lack of diligence by individual faculty members to minimize cheating. It is surprising that fear of sanctions if caught appears to be minimal. The concept of business faculty being less than systematic in their approach to detecting cheating is also supported by the following comment: "I have heard people talking about how they cheated and they were able to fool the teacher."

The next comment comes from a campus without fraternities and sororities. There does not need to be a significant level of Greek life to have papers and exams flow through the student population. "I have observed cheating by students using project/papers written by students who have taken the class in prior semesters. Students also get a hold of prior year students' tests to study from. Often the exams are the same. People reuse papers quite often." Faculty should not reuse exams and assignments from prior semesters. This only increases the likelihood that cheating will occur.

The following comment indicates the power of the informal grapevine: "I have heard of occasions where people have been caught for plagiarism and other things and nothing was ever done about it." The comment does not need to be true. If an organization wants to make it clear that unethical behavior is penalized, it must publicize what sanctions were imposed in response to bad behavior. If this is not done students will believe there are no consequences for cheating. This is a dangerous perception for students to have. Students want appropriate consequences for cheating, and this student comment emphasizes that point: "You can try many things to control cheating but the most effective would probably be to severely punish those who are caught and to make sure the other students know how severe the punishment is. The fact is though that someone is always going to try and beat the system because some people are just looking for the easy way out. These are the same people who think they are too smart to be caught."

The preceding comment is reminiscent of the documentary film about Enron entitled, "The Smartest Guys in the Room." There was never a time when Enron executives stopped to worry about getting caught. They only seemed to care about obtaining a quarterly profit increase and rise in the stock price, since this determined how their bonuses were calculated. This mentality is echoed by the following student comment: "I do not know how to prevent cheating. I think it comes from people worrying about the letter grade on an assignment or test, as opposed to really learning the material. This forces them to feel pressured to do what they can to make the number or grade. Cheating is an issue though that cannot be allowed to happen. Those that do cheat

to get ahead will have it catch up with them eventually.” Grades in high school and college can be equated with meeting profit forecasts in the work place. If the learning environment encourages cheating, or at a minimum does not control it, then when the student enters the workforce that first step towards falsifying information and committing fraud in the workplace does not seem that large. As Callahan states, “It’s easier to just go along with the cheating culture. And often, when you’re deep inside a system where cheating has been normalized, you can’t even see that there are choices between being honest and playing by corrupt rules.” (Callahan 2004 26).

The participants in the student survey where not provided a specific definition of cheating or academic dishonesty. Within their responses they did convey a general understanding of Mullen’s definition of academic dishonesty. This includes providing an unearned advantage for one student over another. Unfortunately their responses also support much of the contemporary literature regarding the social phenomenon of cheating. Many believe it is acceptable to copy homework and cheat if the workload is too heavy. Students also believe that sanctions are minimal. However, it is important to point out that many students appear to possess a moral compass. These students appear to understand integrity and responsibility. With some guidance and reinforcement these students can go on to be successful professionals that will know the difference between right and wrong. They don’t need a new set of rules to know what is proper. The existing sanctions need to be stated and enforced. The students also seem to understand that all those around them may not act with the same moral discretion.

Students have many suggestions for faculty. Instructors could help control cheating by relying less on memorization and more on content. Individual projects and assignments need to be designed where each student does not have the same answer. Instructors should rethink take home exam and quizzes, where much collusion exists. Students will naturally converse among themselves. Students recognize that faculty changes to assignments may increase academic expectations, but are in favor of it. Students just want to have their hard work recognized.

Nonis and Swift suggest if students do not respect the climate of academic integrity while in college, they will not respect integrity in their professional and personal relationships (Nonis et. al 2001 76). They further claim that the institution’s core values can become part of the core value individuals carry into their careers. Students need to know that they will be recognized positively for their efforts and accomplishments. A college or university can create a level playing field through their insistence on a culture of academic integrity with enforced sanctions. This will have the added benefit that recruiters will hire graduates based upon their actual accomplishments.

## VII CONCLUSION

The survey results support the concept embedded in the literature that students enter college with a moral awareness of some type. The students in the sample claim to have never or rarely cheated. They estimate that there is more cheating by others. Even



then the amount of cheating appears to be in the “sometimes” range. Cheating does not appear to be “always”. Student comments indicate a willingness to conform to high standards. Yet, it appears students do not want to be whistleblowers. They expect the power structure, professors and administrators, to enforce the rules and standards in place.

It appears that everyone has some form of moral awareness. The hope of society appears to be an increase of this moral awareness over time, especially through a college education. The premise is that students who graduate college, with some ethical intervention while in college, will have a stronger ethical fiber that may enable them to avoid future ethical traps. This strengthened moral fiber hopefully increases moral intelligence, thereby allowing individuals to stay true to their moral compass. This potential increase in an individual’s ethical strength could provide future business leaders a way to live up to the public’s expectations.

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